



ECO 422H1F Competition Policy L0101, W9-12

Instructor

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Overview

The primary objective of this course is to provide a systematic analysis of economic issues in competition policy. This will include analysis of economic theory of antitrust as well as applications in policy documents and cases. There are two components to the course.

1. *Theory*. The theory component follows the textbook closely. You are responsible for the textbook material listed in the outline unless otherwise indicated in class.
2. *Real world applications of theory*. The study of competition policy is not an academic exercise. It is a reasoned response to practical problems. To understand competition policy, it is necessary to know the practical problems that are involved. To learn about these problems, there will be extensive required readings drawn from accessible sources. The readings will not be always covered in class but will be referred to in exam questions. To keep the content of the course current, new readings may be added during the course if and when a new interesting competition policy issue arises.

Course Materials

Textbook:

Church, Jeffrey and Roger Ware (2000) *Industrial Organization: A Strategic Approach*, Toronto: McGraw-Hill, 2000, freely available for non-commercial purposes at https://works.bepress.com/jeffrey_church/23/.

Additional Required and Optional Readings

Any additional readings posted on Quercus, marked Required or Optional.

This course emphasizes learning via reading, research, and original analysis. **Success requires substantial preparation every week.** The amount of required readings and work involved in the research paper are manageable only if you make a steady weekly progress.

Marking Scheme

30%	Midterm Test: October 21
20%	Research Paper First Draft: due November 18th
20%	Research Paper Completed: due December 9th
30%	Final Exam TBD

Online Delivery and Communications

This course will take place completely online. The content is organized by topic. We will meet each Wednesday at 9:10 am.

I will use Quercus to post all course communication and content. I will send all email communication to your UofT email linked to Quercus. Please include ECO422 in the subject line of your emails to me.

Technology Requirements

You must have access to a laptop or desktop computer with a strong, stable internet connection. A phone is not an acceptable substitute as some required components may not be accessible on smartphones. A camera and mic are required for online contact activities such as class discussions (built-in laptop microphones and cameras are sufficient). High speed broadband access is highly recommended.

This course requires the use of computers, and of course, sometimes things can go wrong when using them. You are responsible for ensuring that you maintain regular backup copies of your files, use antivirus software (if using your own computer), and schedule enough time when completing an assessment to allow for delays due to technical difficulties. Computer viruses, crashed hard drives, broken printers, lost or corrupted files, incompatible file formats, faulty internet, and similar mishaps are common issues when using technology, and are not acceptable grounds for a deadline extension.

Diversity and Inclusivity Statement

I consider this classroom to be a place where you will be treated with respect, and I welcome individuals of all ages, back- grounds, beliefs, ethnicities, genders, gender identities, gender expressions, national origins, religious affiliations, sexual orientations, ability - and other visible and non-visible differences. All members of this class are expected to contribute to a respectful, welcoming and inclusive environment for every other member of the class. When sending any communication or participating in discussions, remember that there are real people with feelings on the receiving end. Be kind and treat people the way you would like to be treated.

Time Zone

All times posted will be in local Toronto time. If you are in a different time zone, please make sure you are aware of Toronto time in relation to your time zone. Errors in calculations are not an acceptable reason to miss deadlines.

Research Paper

Students will be expected to write a paper (approximately 15 pages, double-spaced, typed in 12 point typeface with standard margins) reviewing an important Canadian or foreign antitrust/competition case. You must review the facts of the case, the positions taken by the parties, and the economic theory of the case, and provide a critique of the final judgment. You may also choose to research the case where the final judgment have not been issued (such as ongoing Canadian bread price fixing conspiracy or proposed Air Canada's acquisition of Transat), which would be a more difficult task but perhaps a more interesting one. You may also choose to incorporate a post-merger review in your analysis if you chose a previously approved merger as your project.

You must submit a first draft of the paper **before 9am on November 18th by e-mail to the instructor**. Of the 40 percent grade allocated to paper, 20 percent is based on providing an acceptable first draft by this deadline, the remaining 20 percent will be based on the finalized paper itself. **The final paper is due before 9am on Wednesday, December 9th by e-mail to the instructor. I will not accept papers after these deadlines, and you will receive a mark of zero for your assignments if you miss these two deadlines.** I will accept papers prior to the deadline if you want to increase your chances of not missing the deadline.

The first draft of the paper must outline the paper structure, summarize the background of the case, and all the key facts of the case from the case materials. It must also pose the economic question that the remainder of the paper will address.

The final version of the paper must include revisions to the background section and case facts section incorporating the instructor's feedback. It must then develop the economic analysis section of the paper.

Tips for writing the papers:

1. Seek balanced sources, do not get caught getting all your information from one side of the contentious issue. Often only one side is well represented on the web for example.
2. The paper must include a concise, well-reasoned analysis of economic arguments, not public relations fluff.
3. The format of your references is not important, but you must have references for all your factual statements and they must be complete (date, issue, publisher, URL, specific page you are citing). All data must be attributed to its source and be easily replicable. When you draw from some source in your text, cite the source at that point. Every factual statement must have a footnote with the source. It is not sufficient to have a long list of references at the end and it is not sufficient to cite a source without specific pages.
4. Include original thought – this is not simply a “book report”. But your ideas and arguments must be supported with data and/or careful references to specific economic theory.
5. Successful writing involves multiple revisions of the draft.
6. Use the spell check.
7. Include a title page with the title, the course number, your name, and student number, and the date. Number your pages.
8. Possible cases for paper (you may choose a case that it is not on this list so long as all materials you will rely upon are in English, identified in your sources, and readily available for review by the instructor):
 - a. Price fixing cartels - Chocolate (2015 Canada, 2015 US), Libor (2012 - ongoing US, UK, EU, Canada), Vitamins (1999 Canada, 1999 US), Lysine (1998 Canada, 1999 US, 2000 EU), DRAM (2007 US), Air Cargo (2009 Canada, 2010 EU, 2011 US)
 - b. Abuse of dominance/monopolization/predation – Qualcomm (2019 US or 2019 EU), Google (2019 EU), Microsoft (2001 US), Canada Pipe (2008 Canada), Interac (1996 Canada), air Canada (2003), Visa/MasterCard (various years, US EU, AU, NZ, Canada)
 - c. Vertical restraints, refusal to deal – American Express (2018 US), Xerox Canada (1990)
 - d. Mergers - CVS-Aetna 2019 US merger, Air Canada-Canadian Airlines 1999 Canada merger, Superior Propane 2002 Canada, Staples/Office Depot 1997 US.

Make-up or Extensions

There will be no extensions on the research paper (first draft and final draft). If a student misses a midterm test, I will offer a make-up exam. Because of the strain on the health care providers due to COVID, I will not ask for a medical note for missed midterm tests. Instead, I will consider individual requests if there are exceptional circumstances. If a student misses the final exam, they must comply with the University's policy on missed final exams.

Academic Integrity, Accessibility, Help

You are expected to uphold your academic integrity (please review <https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity>). For accessibility concerns please visit <http://www.studentlife.utoronto.ca/as>. If you need help, please contact the course instructor or the teaching assistant, your College Registrar, the Academic Success Center, as appropriate <http://www.studentlife.utoronto.ca/asc>.

Prerequisites

Prerequisites include ECO200Y1/ECO204Y1/ECO206Y1; ECO220Y1/ECO227Y1/(STA220H1, STA255H1)/(STA257H1, STA261H1); At least one FCE in ECO at the 300 level or higher. Please confirm the full list of the prerequisites with the economic department. I cannot waive course prerequisites. An administrator will remove anyone missing prerequisites.

Class Materials

Class materials are subject to the University's policy on intellectual property. Please do not distribute or share any class materials.

University Policies

The students are expected to comply with all University policies even if not expressly mentioned above.

Schedule

1. Introduction to Competition Policy
 - a. Legislative Framework: Canada, the US, the EU
 - b. Objectives of Competition Policy
 2. Markets
 - a. Market power and market definition
 - b. Entry barriers and entry deterrence
 3. Coordinated Behavior among Competitors
 - a. Explicit collusion, tacit collusion, and conscious parallelism
 - b. Bid rigging
 - c. Social cost of collusion
 - d. Conditions that facilitate collusion
 - e. Strategic alliances
 - f. Detecting cartels, cartel deterrence
 4. Monopolization and Abuse of Dominance
 - a. Predatory pricing
 - b. Price discrimination
 - c. Raising rivals' cost
 5. Merger analysis
 - a. Benefits and costs of mergers
 - b. Canadian and US Merger Enforcement Guidelines
 - c. Modeling merger effects, measuring efficiencies
 - d. Merger remedies
 - e. Post-merger review
 6. Vertical Restraints
 - a. Resale Price Maintenance
 - b. Exclusionary Conduct
 - c. Tying and bundling
 - d. Refusal to deal
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