

**COURSE DATA****Data Subject**

Code	35923
Name	Regulation and competition
Cycle	Grade
ECTS Credits	6.0
Academic year	2023 - 2024

Study (s)

Degree	Center	Acad. year	Period
1314 - Degree in International Business	Faculty of Economics	4	First term

Subject-matter

Degree	Subject-matter	Character
1314 - Degree in International Business	32 - Industrial economics	Optional

Coordination

Name	Department
MONER COLONQUES, RAFAEL	10 - Economic Analysis

SUMMARY

Regulation and competition is an optional subject in the fourth year of the Degree in International Business within the itinerary of International Economic situation. This course is an introduction to competition policy within Industrial Organization field, which is an area of Microeconomics.

The negative impacts of market power in the social welfare justify the public authorities' intervention in order to defense market competition. The objective of this subject is the analysis of imperfect competitive market, and its firm behaviours, which are sensitive to be regulated. We aim to provide students with the tools to understand the determinants of industries' competitive structure. Using as framework Industrial Organization methods we will make use of a three-stage procedure of analysis: i) identification of the relevant problem, ii) search of the appropriate theoretical model, and, iii) theoretical/ empirical application of this model.

This subject is a basic element to better understand firm activity and market structure in important sectors. Additionally, the strong relationship between the theoretical model we use and reality make possible a serious thinking on the practical matters that lead firm behaviour.



The aim of the course is to provide students with rigorous economic tools for the analysis of competition and regulation policies. We will analyse and discuss the economic motivations underlying public intervention for regulation of markets and with particular interest on the analysis of the main regulatory tools and on economic issues underlying antitrust policies.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

The student must have fresh the knowledge and outcomes acquired on Microeconomics, especially on what concerns to imperfect competition models.

Although not imperative, knowledge on Game Theory and Industrial Organization are also of great value.

OUTCOMES

1314 - Degree in International Business

- Develop the capacity to evaluate and critically analyse international economic phenomena and agents.
- Understand and reflect on socio-economic and political contexts that affect business and economic decision-making in an international environment.
- Understand the basic concepts of economic analysis that are applicable to the operation of companies and institutions in the international context.
- Understand the behaviour of economic agents and their interaction in global markets.
- Know the basic elements of the legislation regulating international economic, financial and fiscal operations.
- Develop the capacity to prepare and defend reports that contribute to the decision-making of public and private agents.
- Conocimiento del paradigma estructura-conducta-resultados.
- Conocimiento de los mercados de competencia imperfecta y de las relaciones estratégicas entre empresas.
- Conocimiento de las fórmulas de competencia no basadas en los precios.
- Análisis de los principales problemas de regulación, ámbitos de la regulación (acuerdos entre empresas, posición dominante, propiedad intelectual), así como de los instrumentos disponibles para una regulación efectiva en esos ámbitos.



- Análisis de las leyes fundamentales de defensa de la competencia en las principales economías.

LEARNING OUTCOMES

- Be aware of the current policies that guarantee competition in the EU and the USA.
- Understand the difference between competition policy and regulation.
- Analyse different market structures and study their efficiency.
- Understand strategic interaction among firms.
- Evaluate the effects of horizontal mergers.
- Explore the consequences of abusive practices.

DESCRIPTION OF CONTENTS

1. Economic overview

- 1.1. Firms, strategies and markets.
- 1.2. Allocative, productive and dynamic efficiency.
- 1.3. Market power.
- 1.4. Market analysis and the loss of efficiency:
 - 1.4.1. Perfect competition.
 - 1.4.2. Monopoly.
 - 1.4.3. Oligopoly.
- 1.5. Tools: Game theory

Basic references:

- Cabral L., 2000, chaps 2,3,4 y 5

2. Introduction to regulation

- 2.1. Regulation vs. competition policy.
- 2.2. Instruments of regulation
- 2.3. The natural monopoly
- 2.4. Regulation in natural monopolies

Basic References:

- (Motta M., 2004) Preface and chapter 1.
- (Viscusi, W et al., 2005) Chapter 10 and 11.
- (Cabral L., 2000) Chapter 5.



3. Competition law in the States and in the EU

- 3.1. Competition policy and its objectives.
- 3.2. Origins.
- 3.3. Competition law in the United States.
- 3.4. Competition law in the EU
- 3.5. The "per se" prohibition and the "rule of reason".

Basic references:

- (Motta M., 2004) Preface and chapter 1.

4. Market definition

- 4.1. Analytical overview.
 - 4.1.2 Product market definition.
 - 4.1.3 Geographic market definition.
- 4.2. Quantitative market definition methods

Basic references:

- (Motta M., 2004) Chapter 3.

5. Horizontal competition issues: merger analysis

- 5.1. Definition and procedural issues
- 5.2. Unilateral effects
- 5.3. Coordinated effects
- 5.4. Efficiency defence arguments
- 5.5. Merger remedies

Basic references:

- (Motta M., 2004) Chapter 4 and 5.

6. Horizontal competition issues: collusion and cartels

- 6.1. Collusion vs. competition: a simple static model
- 6.2. A dynamic model of collusion.
- 6.3. Facilitating practices.

Basic references:

- (Motta M., 2004) Chapter 4 and 5.

**7. Horizontal competition issues: abuse of dominance**

- 7.1. What a dominant position is.
- 7.2. A model of predatory pricing.
- 7.3. Refusal to deal and essential facilities.

Basic references:

- (Motta M., 2004) Chapter 6.

8. Patents and technology licensing

- 8.1. Patents.
- 8.2. Economics of invention.
- 8.3. Incentives to invent: monopoly vs competition.
- 8.4. R&D cooperation

Basic References:

- (Viscusi, W et al., 2005) Chapter 24.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	20,00	0
Study and independent work	40,00	0
Preparing lectures	20,00	0
Resolution of case studies	10,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

- Lectures to introduce the main theoretical concepts.
- Tutorials and devoted to solve exercises and discuss case studies. The tutorials will involve individual and group presentation and debates.
- Guided self study based on the reading and considering case studies and course materials, solving practical exercise and carrying out case studies in groups.



- Independent self study and written tests (final exam).

The material's assignment (class notes, presentations, problem sets) can be found in the Virtual Classrooms.

EVALUATION

- 60% Final exam..... 6 points
 - Some theoretical and practical questions.
- 40% Practical activities and participation
 - Problem set 1 point
 - Midterm test 1 point
 - Presentation case study 1.5 points
 - Attendance and participation 0.5 points
- How to pass the course?
 - You must obtain, at least, 2.4 (over 6) in the exam.
 - Score more than 5 between both parts.
 - For the 2nd call you can retake in the exam the 50% of the "Practical activities and participation" if you didn't have marks in this part (if you had it, you keep it in the 2nd call)

REFERENCES

Basic

- Viscusi, W. K., Harrington Jr, J. E., & Vernon, J. M. (2005). Economics of regulation and antitrust. MIT press.
- Motta, M. (2004). Competition policy: theory and practice. Cambridge University Press.

Additional

- Church, J. R., & Ware, R. (2000). Industrial organization: a strategic approach.
- Cabral, L. M. (2000). Introduction to industrial organization. MIT press.
- Pindyck, R.S. and Rubinfeld, D.L.(2013) Microeconomics, 8th edition. Pearson Education.
- Gibbons, R.(1992). A primer in game theory, Pearson Education.