

**EC480. LEVEL 2**

# **THE ECONOMICS OF COMPETITION: A EUROPEAN PERSPECTIVE**

## **UNIT OUTLINE**

**Semester 1**

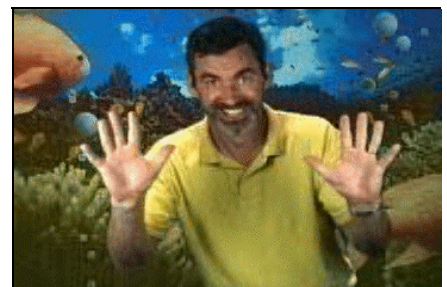
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## Introduction: Aims and Learning Outcomes

Hello and welcome to unit that I hope you will enjoy. This is a new unit that is designed to examine the consequences of competitive activity in Europe. It uses theory and examples to examine the role of competition authorities in maintaining consumer confidence as well as controlling anti-competitive agreements and the abuse of dominant positions. You will also be encouraged to use the internet as an information and learning tool.

### Learning Outcomes

To successfully complete this unit you will need to

- ❑ Critically analyse economic issues relating to competition.
- ❑ Demonstrate competence in multiple choice and essay questions in this subject area.
- ❑ Interpret stimulus material using economic principles
- ❑ Demonstrate competence in Northumbria key skills 1.1 – 1.6; 2.1 – 2.5; 3.4; 4.1 – 4.2; 5.1 – 5.2.

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## Learning Resources

### A Textbook?

After many years of teaching this course I have never found one text that completely meets the needs of participants on this course. I have therefore compiled a study booklet that is available on my web site. It is not perfect and I will be supplementing my lectures with some technical material that you do not find in the study booklet.

If you would like to buy a textbook I am actually recommending 2.

Martin S (1994) *Industrial Economics. Economic Analysis and Public Policy*, second edition, Macmillan, London.

Baldwin R and Cave M (1999) *Understanding Regulation. Theory, Strategy and Practice*, Oxford University Press, Oxford

I will refer to Baldwin and Cave as well as Martin in the Directed Reading for each lecture (see below). I will put a copy of both on set text in the library.

There are other books for this course. Why not see the general reading list which is available electronically at

<http://www.unn.ac.uk/central/isd/read/>

You will need your University user name and password as well as the course name (or my name),

I have also made reference to some readings and journal articles available electronically. These are cited in the Programme Schedule below.

### Web Support

There is a lot of material on the web. **Visit my homepage** (address on the front cover) and you will find that this unit is supported by a dedicated set of web pages. You will find slides and activities, including seminar activities and multiple-choice questions. If you want you can buy the recommended text on-line (I donate monies

raised to charity). I strongly urge you to use this site – it should cut down on your search time. I would like you to support the site by contacting me if there are good links that you find or if you have any suggestions how to improve it. I will consider any serious suggestion.

### Electronic Library

The University library provides electronic access to those journals that we subscribe to. Students and staff can download journal articles for personal use from the following site

<http://www.unn.ac.uk/central/isd/gateway.htm>

**You do need to obtain a password for the ATHENS Project (I don't know what it stands for). You got this when you enrolled. If there are problems ask at the Library enquiry desk.**

**I will be asking you to access the electronic library for particular journals (see below) and to download materials from the European Commission.**

## Lecture and Seminar/Workshop Schedule.

<u>Week</u>	<u>Lecture</u>	<u>Seminar/ Workshop</u>
<b>Theme 1: Competition and Regulation</b>		
1	<p><b>Introduction to the Competition and Regulation</b></p> <p>Directed Reading: Study Booklet Chapter 1</p> <p>Baldwin and Cave Chapters 1 and 10</p> <p>OECD (2001) <i>OECD Report on Regulatory Reform. A summary</i>, <a href="http://www.oecd.org/doc/M00008000/M00008453.doc">http://www.oecd.org/doc/M00008000/M00008453.doc</a></p>	<p><b>Computer Lab: Introduction to My Web Pages</b></p>
2	<p><b>Case Study on Regulation: Protecting Consumers</b></p> <p>Directed Reading: Study Booklet Chapter 2</p> <p>Doyle C (1997) Self Regulation and Statutory Regulation, <i>Business Strategy Review</i>, Vol 8, Issue 3, Sept, pps. 35-42.</p> <p>Available electronically via <a href="http://www.unn.ac.uk/central/isd/gateway.htm">http://www.unn.ac.uk/central/isd/gateway.htm</a></p>	<p><b>Seminar: Introduction to Game Theory</b></p> <p>Dominant Strategies Nash Equilibrium The Prisoner's Dilemma Game</p> <p>Directed Reading: Appendix 1A of the Study Booklet.</p> <p>A streaming media slideshow is also available on my web site, <a href="http://kevinhinde.com">http://kevinhinde.com</a> and you should visit it.</p>

Theme 2: Industries and Market Power		
3	<p><b>Understanding Markets and Industries</b></p> <p>Directed Reading: Study Booklet Appendix 1 (particularly material from Office of Fair Trading and European Commission)</p> <p>S. Martin Chapter 1</p>	<p><b>Case Study on Regulation: Regulating the European Pharmaceutical Industry</b></p> <p>Directed Reading: Study Booklet Chapter 5</p> <p>Earl-Slater A (1996) Recent Developments in Regulating the Pharmaceutical Business in the EU, <i>European Business Review</i>, vol. 96, No. 1, pps. 17-25.</p> <p>Weber K and Hallerberg M (2001) Explaining variation in Institutional integration in the European Union: why firms may prefer European solutions, <i>Journal of European Public Policy</i>, 8.2, April, pp. 171-191.</p> <p>Available electronically via <a href="http://www.unn.ac.uk/central/isd/gateway.htm">http://www.unn.ac.uk/central/isd/gateway.htm</a></p>
4	<p><b>The Welfare Effects of Market Structure (Part 1)</b></p> <p>Directed Reading: Study Booklet Chapter 8. S. Martin Chapter 2</p> <p>Also see the slideshow on <a href="http://www.kevinhinde.com">http://www.kevinhinde.com</a></p>	<p><b>Computer Lab: Multiple Choice Questions on Introductory issues and Monopoly</b></p>
5	<p><b>The Welfare Effects of Market Structure (Part 2)</b></p> <p>Directed Reading: Study Booklet Chapter 8. S. Martin Chapter 2</p> <p>Also see the slideshow on <a href="http://www.kevinhinde.com">http://www.kevinhinde.com</a></p>	<p><b>Case Study: The UK National Lottery</b></p> <p>Directed Reading: Study Booklet Chapter 5</p> <p>Hinde K (1997) Competition and the Regulation of the National Lottery, <i>Review of Policy Issues</i>, Vol 3, 1, pps 17-28.</p>
Theme 3: Conduct and Welfare		
6	<p><b>Barriers to Entry (Part 1)</b></p> <p>Directed Reading: S. Martin Chapter 4</p> <p>Also see the slideshow and materials on <a href="http://www.kevinhinde.com">http://www.kevinhinde.com</a></p>	<p><b>Seminar. Revision: The welfare effects of Monopoly</b></p>

7	<p><b>Barriers to Entry (Part 2).</b> Includes analysis of the Chain Store Paradox</p> <p>Directed Reading: S. Martin Chapter 16</p> <p>Also see the slideshow and materials on <a href="http://www.kevinhinde.com">http://www.kevinhinde.com</a></p>	<p><b>Computer Lab: Multiple Choice Questions on Game theory and Oligopoly</b></p>
8	<p><b>Collusion and Cartels</b></p> <p>Directed Reading: Study booklet Chapter 7 S. Martin Chapter 6</p> <p>Also see the slideshow and materials on <a href="http://www.kevinhinde.com">http://www.kevinhinde.com</a></p>	<p>Seminar: EU Cartels</p> <p>Reading</p> <p>Study Booklet Chapter 7.</p> <p>Joshua J (1999), Cartel Enforcement, <i>Competition Policy Newsletter</i>, no. 1. October, pp. 27 - 30 Available at <a href="http://europa.eu.int/comm/competition/publications/cpn/">http://europa.eu.int/comm/competition/publications/cpn/</a></p>
9	<p>Predatory Pricing</p> <p>Directed Reading: Study Booklet Chapter 7 S Martin Chapter 13</p>	<p>UK Competition Case Studies: Napp Pharmaceuticals and Aberdeen Journals</p> <p>Available from <a href="http://www.oft.gov.uk">http://www.oft.gov.uk</a></p>
10	<p>Assessment 1: Multiple Choice Test 30 questions to be answered in one hour (weight = 50 % of overall assessment for this unit)</p>	<p>Revision</p>
<b>Theme 4: Current Policy Issues</b>		
11	<p>Privatisation and Regulation</p> <p>Directed Reading: Study Booklet Chapters 6 and 7</p> <p>Baldwin and Cave Chapters 15 – 19.</p>	<p>Seminar Discussion on Privatisation and Regulation in Europe</p> <p>Directed Reading: Study Booklet Chapters 6 and 7</p> <p>Doyle C (1998) Liberalising Europe's Network Industries. Ten Conflicting Priorities, <i>Business Strategy Review</i>, Vol. 9, Issue 3, pps. 55-66.</p> <p>Available electronically via <a href="http://www.unn.ac.uk/central/isd/gateway.htm">http://www.unn.ac.uk/central/isd/gateway.htm</a></p>
12	<p>Merger Policy</p> <p>Directed Reading: Study Booklet Chapter 9 European Commission website</p>	<p>Revision</p>
13 15	<p>Assessment 2: 90 minute test. 2 Essays from a choice of 5. Weighting = 50%.</p>	

### Assessment

There are 2 assessments for this unit.

**Week 10** Multiple Choice Test. 30 questions to be answered in one hour (weight = 50 % of overall assessment for this unit).

Week 13 to 15 of the semester 90 minute test. 2 Essays from a choice of 5.  
Weighting = 50%.