

## Economics 571(L01) (Competition Policy)

Instructor: J. Church  
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Lecture Location: SA 121  
Lecture Days/Time: MWF 10:00-10:50

Office: SS 442  
Office Hours: WF 11:00-12:00 or by appointment (Winter 2017)

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### Textbook(s):

#### *Required*

Church, J., and R. Ware. 2000. *Industrial Organization: A Strategic Approach*. San Francisco: McGraw-Hill.  
Available online at <http://homepages.ucalgary.ca/~jrchurch/page4/page5/page5.html>.

Church, J. 2004. *The Impact of Vertical and Conglomerate Mergers on Competition Brussels: European Commission*. Available online at <http://bookshop.europa.eu/en/the-impact-of-vertical-and-conglomerate-mergers-on-competition-pbKD7105158/>

#### *Optional*

Eichenwald, K. 2000. *The Informant*. New York: Broadway Books. (Recommended)

Required and recommended readings will be drawn from the textbook, from material on reserve in the MacKimmie Library and from the periodical collection in the MacKimmie Library. The class material will be supplemented with handouts that are updates to Church and Ware.

### Book(s) on Reserve:

ABA Section of Antitrust Law. 2008. *Issues in Competition Law and Policy*. Chicago: ABA Publishing.  
Volumes I, II, and III.

ABA Section of Antitrust Law. 2015. *Mergers and Acquisitions: Understanding the Antitrust Issues*, 4th edition. Chicago: ABA Publishing.

ABA Section of Antitrust Law. 2015. *Intellectual Property and Antitrust Handbook*, Second Edition. Chicago: ABA Publishing.

ABA Section of Antitrust Law. 2016. *Antitrust Law and Economics of Product Distribution*. Second Edition. Chicago: ABA Publishing.

Blair, R., and D. Sokol, eds. 2015. *The Oxford Handbook of International Antitrust Economics*. Oxford: Oxford University Press, Volumes 1 and II.

Hovenkamp, H. 2015. *Federal Antitrust Policy*. 5th Edition. St. Paul, Min.: West.

Hylton, K., ed. 2010. *Antitrust Law and Economics*. Northampton, MA: Edward Elgar.

- Kwoka, J. E., Jr., and L. J. White, ed. 2014. *The Antitrust Revolution*. 6th ed. Oxford: Oxford: University Press.
- Marshall, R. and L. Marx. 2012. *The Economics of Collusion*. Cambridge: MIT Press.
- Niels, G, H.Jenkins, and J. Kavanagh. 2016. *Economics for Competition Lawyers*. 2nd Edition. Oxford: Oxford University Press.
- Kaplow, L. 2013. *Competition Policy and Price Fixing*. Princeton: Princeton University Press.
- Posner, R. 2001. *Antitrust Law*. 2<sup>nd</sup> edition. Chicago: University of Chicago Press.
- Rose, N., ed. 2014. *Economic Regulation and Its Reform*. Chicago: University of Chicago Press.
- Stikeman Elliot. 2015. *2016 Competition Act & Commentary*. Markham, Ontario: LexisNexis.
- Trebilcock, M. et al. 2002. *The Law and Economics of Canadian Competition Policy*. Toronto: University of Toronto Press.

### Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

### Course Description:

This class is an introduction to the wild and woolly world of competition economics, competition policy, and competition law enforcement. It uses the foundation established in Econ 471 to assess the foundations of competition policy and competition law, as well as the role of economics in assessing the implications on competition of firm conduct. Competition law is intended to prohibit firms from engaging in conduct that creates, enhances, or maintains market power. Conduct that creates, enhances, or maintains market power typically involves reducing the constraint on market power of competitors. The “Big Three” are monopolization, collusion, and merger.

### Course Outline:

- I. History and Introduction to Canadian Competition Policy
- II. Fundamentals
  - A. Market Power, Product Differentiation, and Market Definition
  - B. Entry Barriers and Entry Deterrence
  - C. Case Studies:<sup>1</sup> *TransMountain Pipeline, Power Poles in Toronto, Credit Cards, TransAlta, Toronto Real Estate Board, YVR, Water Heaters, and Wireless Communications in Canada*
- III. Coordinated Behaviour
  - A. Agreements Between Competitors and Conscious Parallelism
  - B. Cartel Behaviour
  - C. Facilitating Practices
  - D. Efficiency Justifications
  - E. Canadian History and Undue
  - F. Case Studies: *HFCS, Visa/MasterCard/American Express, Leegin, Fuel Surcharges, and Apple ebooks*
- IV. Horizontal Mergers

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<sup>1</sup> Case studies listed here and below are suggestive. Others may be substituted.

- A. Economics
- B. Antitrust Analysis
- C. Efficiencies
- D. Case Studies: *Tervita, Superior Propane, Office Depot and Staples, and Heinz*
- V. Unilateral Behaviour including Abuse of Dominant Position.
  - A. Raising Rivals' Costs
    - 1. Vertical Mergers
  - B. Exclusionary Contracting/Exclusive Dealing
  - C. Tying
  - D. Predatory Pricing
  - E. Case Studies: *Dentsply, Microsoft (1998), Live Nation Ticketmaster, American Airlines, iTunes, Google, Stargrove, Autotraders, and McWane.*

A detailed list of topics and readings will be provided.

### **Term Project:**

The term project is a case analysis. Students are expected to use industrial organization to assess whether the decision in an antitrust case is consistent with the maintenance, creation, or enhancement of market power and its efficiency implications. The paper is written in five stages, with feedback from the instructor after each stage. Only the final version, due at the end of term, is assigned a grade. Detailed information on the requirements to successfully complete the term project will be available on D2L.

### **Grade Determination and Final Examination Details:**

MIDTERM EXAM	20%
FINAL EXAMINATION	40%
TERM PROJECT	<u>40%</u>
	100%

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

### **Students must receive a passing grade on the final exam to pass the course.**

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam [www.ucalgary.ca/registrar/exams/deferred\\_final](http://www.ucalgary.ca/registrar/exams/deferred_final). Under no circumstance will this be accommodated by the Department.

Tests and exams will not involve multiple choice questions. Non-programmable calculators WILL NOT be allowed during the writing of tests or final examinations.

The exact date for the in-class midterm will be announced at least one week in advance.

Students unable to write exams because of documented illness, family emergency, religious observance, or a university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-2.html>.

### **Reappraisal of Grades:**

**For reappraisal of graded term work, see Calendar I.2**

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

**For reappraisal of final grade, see Calendar I.3**

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

A student who feels that a piece of graded term work (e.g., term paper, essay, test) has been unfairly graded, may have the work re-graded as follows. The student shall discuss the work with the instructor within 15 days of being notified about the mark or of the item's return to the class; no reappraisal of term work is permitted after the 15 days. If not satisfied, the student shall immediately take the matter to the Head of the Department of Economics, who will arrange for a reassessment of the work within the next 15 days. The reappraisal of term work may cause the grade to be raised, lowered, or to remain the same. If the student is not satisfied with the decision and wishes to appeal, the student shall address a letter of appeal to the Dean of the Faculty of Arts within 15 days of the unfavourable decision. In the letter, the student must clearly and fully state the decision being appealed, the grounds for appeal, and the remedies being sought, along with any special circumstances that warrant an appeal of the reappraisal. The student should include as much written documentation as possible.

### **Plagiarism and Other Academic Misconduct:**

Intellectual honesty is the cornerstone of the development and acquisition of knowledge and requires that the contribution of others be acknowledged. Consequently, plagiarism or cheating on any assignment is regarded as an extremely serious academic offense. Plagiarism involves submitting or presenting work in a course as if it were the student's own work done expressly for that particular course when, in fact, it is not. Students should examine sections of the University Calendar that present a Statement of Intellectual Honesty and definitions and penalties associated with Plagiarism/Cheating/Other Academic Misconduct, <http://www.ucalgary.ca/pubs/calendar/current/k-5.html>.

### **Academic Accommodation:**

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. For additional information on support services and accommodations for students with disabilities Visit [www.ucalgary.ca/access/](http://www.ucalgary.ca/access/).

Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

**Notes:***Important Dates*

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

*Student Organizations*

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) Web: [www.fasaucalgary.ca](http://www.fasaucalgary.ca)

Society of Undergraduates in Economics

[www.ucalgarysue.com](http://www.ucalgarysue.com)

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. They invite you to join by contacting SUE at [societyofundergradsineconomics@gmail.com](mailto:societyofundergradsineconomics@gmail.com).

*Faculty of Arts Program Advising and Student Information Resources*

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>

**Evacuation Assembly Point:**

In case of an emergency evacuation during class, students must gather at the designated assembly point. The assembly point for this classroom is the Social Science Food Court.

**Safewalk:**

The safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. **Call 403-220-5333.**

JRC

2016-12-22