**Course Syllabus**

**Introductory Session:** Review of oligopoly theory
Jonathan Haskel, Todor Gradev

***Concepts*** to be revised in this module include, but are not limited to:
1. Cournot vs. Bertrand with homogeneous & differentiated products;
2. Stackelberg and sequential games, first mover advantages;
3. Explicit and tacit collusion, sustainability of cartels;
4. Nash equilibrium in infinite horizon games, credibility and reputation;
5. Welfare effects of different market structures

**Module I:** Competition and efficiency: the Western experience
Jonathan Haskel, Paul Walsh

***Concepts:***
1. Competition, productive efficiency, X-inefficiency
2. Competition and allocative efficiency
3. Mechanism design: competition and incentives
4. Disciplining effects of potential competition
5. Competition and ownership

***Policy issues:***
- What are the major ingredients of an effective regulatory regime for maintaining a healthy level of product market competition?
- What evidence from Western Europe can support the link between pro-competitive firm restructuring and a rise in productivity and profitability? What policies have facilitated such rise?
- How have UK privatisations in the 1980’s affected the competitiveness in their respective industries? - What have been the effects on social welfare? Which effect dominated: that of privatisation, or of competition?

**Module II**: Market power vilified and exonerated
Jonathan Haskel, Jozef Konings, Todor Gradev

***Concepts:***
1. Market power, profit maximisation, and effective competition
2. Models of collusive behaviour
3. Definition of the relevant market in competition analysis
4. The use of demand elasticities for detection of market power
5. The tension between market power and economies of scale
6. Market power and the incentives to innovate

***Policy issues:
-*** What are the sustainable levels of market power from a social welfare perspective?
- Is inherited market power in vertically integrated markets in transition always indicative of distorted competition?
- Do consumers benefit when public monopolies are sold to strategic private & foreign investors?
- Does market power enable firms to engage in research and development?

**Моdule III**: The changing market structures in transition
Paul Walsh, Todor Gradev

***Concepts:***
1. Structure-conduct-performance hypothesis (Bain-Sylos & extensions)
2. Competition in markets with horizontal & vertical product differentiation
3. Competition in markets with large sunk costs
4. The evolution of market concentration (Sutton approach)
5. Measurement of market concentration & coefficients of product differentiation

***Policy issues:
-***What are the consequences of the fragmentation of many markets in the first decade of transition? -- - Do they differ across sectors and across countries? Have some markets become more concentrated?
- What types of product differentiation tend to dominate in different sectors of the economy and why? - Is this amenable to policy influences?
- Should competition policy depend on the size of a market? What are the interactions of market size, the amount of set-up costs needed to enter a market, and the intensity of advertising?
- How can quantitative techniques be used to assist efficient competition policy implementation? How can they help to determine market structures and degrees of market power?

**Module IV**: Market selection in transition, barriers to market entry and exit
Jozef Konings, Maria Vagliasindi

***Concepts:***1.Competition and efficiency of the market selection process
2. Innocent vs. strategic barriers to entry
3. Models of entry deterrence
4. Sunk costs as barriers to entry and exit
5. Bankruptcy procedures as a barrier to exit in transition
6. Firm and job turnover in the process of market selection

***Policy issues:
-*** What evidence from CEE or elsewhere supports a correlation between high firm and labour mobility and successful industrial regeneration? What policies have been implemented there?
- What are the most important barriers to market entry in transition that can be addressed by competition policy?
- How to regulate markets where incumbents enjoy absolute cost advantages?
Which entry barriers are likely to be erected or supported by market incumbents and should be scrutinised by competition authorities?
- How to detect strategic barriers to entry? How do firms signal their intentions? What is the role of advertising as an entry deterrent?
- What policies can ease the barriers to exit, and at the same time mitigate the process of job destruction?

**Module V**: The interaction of infrastructure regulation, competition and trade policies in transitionAlf Vanags, Yelena Kalyuzhnova, Maria Vagliasindi

***Concepts:***1. Competition policy as a backbone of infrastructure regulation in transition
2. Foreign trade: extension or alternative to domestic competition?
3. Custom tariffs and preferential trade agreements: distortion of competition or welfare enhancement?
4. Trade in international oligopolistic markets: strategic interactions, exploiting the comparative advantage, or succumbing to the regulatory inertia?
5. Competitive and regulatory considerations in inter-regional and intra-regional trade policies

***Policy issues:
-*** What is the optimal balance between infrastructure regulation, competition and trade liberalisation in transition?
- How is this balance affected by the size of the domestic market and the inherited bottlenecks in infrastructure?
- Can trade protectionism avoid being exploited by vested interests? Can it be countered by competitive regulation of the infrastructure?
- What have been the effects of trade diversion in the years of transition on domestic product market competition? What are the effects of competition on intra-regional trade?
- Do strategic trade policies – e.g., import tariffs, export subsidies – serve the same role as strategic entry deterrence to a market?
- How will the adoption of the aquis by candidate countries and their approximation to EU affect their trade with other countries in the region?
- Is there a conflict between the competition and trade policies of the European Union with respect to the countries in transition?

**Module VI**: EU competition policy and the challenges of enlargement
Resource persons: Yelena Kalyuzhnova, Alf Vanags

***Concepts:***
1. "Agreements between undertakings" and "concerted practices" in Article 81 of the EC Treaty: the EU treatment of explicit and tacit collusion
2. "Abuse of dominant position" in Article 82 of the EC Treaty: the EU treatment of market power
3. "Vertical restraints" in EU competition policy
4. The regulation of mergers and state aid in EU competition law

***Policy issues:
-*** Can the EU policy of "state aid" be reconciled with traditions of explicit and implicit subsidisation in the candidate countries?
- Will the post-entry exposure of CEE firms to the internal market competition of the EU be more beneficial or more detrimental for them?
- Can the current trend of decentralizing the law enforcement in EU competition policy meet with the desire of applicant countries for speedy approximation?

**Concluding Session:** Simulation game of competition adjudication
Various resource persons

This module will reinforce the theoretical knowledge acquired in the course by asking participants to apply it to real-life case studies of anticompetitive practices or abuse of market power. The cases will be selected from the published decisions of the Competition Directorate of the European Commission and judgments of the European Court of Justice, and will be rephrased to emphasize the economic issues at stake and sharpen the possibilities for a debate. Participants will be divided in small groups and "hired" as economic consultants to present arguments on behalf of the interested parties. The concluding workshop will simulate a court hearing with the resource persons acting as a jury.