

PPOL 611.19 – Economic Regulation and Competition Policy Course Outline

Course:	Public Policy 611.19 Economic Regulation and Competition Policy	Term:	Fall 2018
Time:	Thursdays 9:00am-11:50am	Section:	07
Instructor:	Dr. G. Kent Fellows	Place:	Exec board room 5 th floor, DTC (Downtown Campus)
Office:	DTC 550	Telephone:	403-210-9429
Office Hours:	By Appointment	E-mail:	gkfellow@ucalgary.ca

Required Textbooks: None

Other Readings:

- Church, Jeffrey R., and Roger Ware. "Industrial organization: a strategic approach." (2000). Book out of production. Free pdf version https://works.bepress.com/jeffrey_church/23/.
- N.G. Mankiw, R.D. Kneebone, and K.J. McKenzie, "Principles of Microeconomics" Seventh Canadian Edition, Nelson Publishing, 2017.

Supplementary readings will be posted on D2L during the course.

Desire2Learn:

Desire2Learn, a web-based course management tool, will be used in this course. Students registered in this course can log in at: <https://d2l.ucalgary.ca/>. Note that D2L features a class e-mail list that will be used. I will use this email list to communicate with you as required. It is your responsibility to ensure that D2L uses the e-mail address of your choice.

Course Description:

This is a survey course covering intervention practices and policies with regard to the design and operation of markets. We will cover two core classifications of public policy as it relates to market power and the efficiency of markets. 1) The use of antitrust laws to limit the acquisition of market power. 2) The use of economic regulation to limit the inefficient exercise of market power.

The course will cover some basic economic background underlying the application of competition policy and regulation across the Canadian Economy. As a component of this we will review relevant clauses of the Canadian Competition Act as well as reviewing the operations of select regulatory agencies (such as the National Energy Board and the Canadian Radio-television and Telecommunications Commission). The course will also incorporate case studies on the specific applications of competition and regulatory policy in Canada and other jurisdictions.

For students interested in economics, competition and markets, this course should prove a valuable complement to PPOL 605 (Markets and Public Policy).

Grade Determination and Final Examination Details:

Short Assignment	5%
Term Assignment	35%
Mid-term	25%
Final Exam	35%

Short Assignment: A short assignment will be issued prior to the mid-term exam, and will cover the material through week 6.

Term Assignment: A detailed description of the Term Assignment will be provided before week 7. The term assignment will consist of a briefing paper style report summarizing the public policy arguments of a competition policy or regulatory related problem or issue. Topics should be taken either from specific court cases or emerging competition issues (ie- the emergence of disruptive business models like Uber and AirBnB). All topics require approval from me based on consultations during office hours.

Further instruction on methods of submission and due dates will be provided in class and on D2L. Be sure to check on D2L each week for readings and assignments.

Final Exam: The final exam will be comprehensive and will cover all course readings and class discussions. Instructions and a schedule for the assignments will be posted on Desire2Learn.

Grading*: Letter grades as described in the Faculty of Graduate Studies Calendar (see section E.1 of Calendar online) will be given for all elements of grade determination noted above. The course grade will be determined based on a weighted average of those grades according to the percentages shown above. In the event that elements are marked on a numerical (percentage) basis, they will be converted to letter grades. As a guide to determining standing, the following letter grade equivalences will generally apply:

A+	97-100	B	75-79	C-	60-62
A	90-96	B-	70-74	D+	55-59
A-	85-89	C+	67-69	D	50-54
B+	80-84	C	63-66	F	0-49

**Please note: information above as per the FGS Calendar.*

Schedule of Topics

1. Market Power/Lack of Competition (Week 1-3)

What is the difference between a free market and a competitive market? A review and introduction to the concept of imperfect competition and market power within to context of economic models.

- Monopolies and Imperfect Competition
- Total Surplus Criteria
- Causes of Market Power (Natural vs Artificial)

Potential Case Studies:

- *Brand vs. Generic Pharmaceuticals*
- *Uber and municipal taxi markets*

2. Introduction to the Canadian Competition Act (Week 4-5)

<http://www.laws.justice.gc.ca/eng/acts/C-34/index.html>

- Refusal to Deal
- Price Maintenance
- Exclusive Dealing, Tied Selling and Market Restriction
- Abuse of Dominant Position
- Delivered Pricing
- Agreements or Arrangements that Prevent or Lessen Competition Substantially
- Mergers

Potential Case Studies (Abuse of Dominance)

- *Microsoft,*
- *Live Nation Ticketmaster,*
- *Google*

Potential Case Studies (Coordinated behaviour and Collusion)

- *Credit Card No-Surcharge rules,*
- *Apple ebooks price fixing,*
- *Cadbury/Hershey/Nestle/Mars (chocolate price fixing)*

3. Market Definition (Week 6)

Antitrust Market Definition

- FTC v. Coca-Cola Co (The “Share of Stomach” Argument)
 - https://www.ftc.gov/sites/default/files/documents/commission_decision_volumes/volume-117/ftc_volume_decision_117_january_-_june_1994pages_795_-_895.pdf
 - https://www.ftc.gov/sites/default/files/documents/commission_decision_volumes/volume-117/ftc_volume_decision_117_january_-_june_1994pages_795_-_895.pdf
- United States v. E.I. duPont de Nemours & Co., (The Cellophane Fallacy)
 - <http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=2799&context=ilj>

Potential Case Studies:

- *Superior Propane,*
- *Coca-Cola’s acquisition of Dr. Pepper*

Midterm (Week 7)

4. Introduction to Direct Economic Regulation (Week 8)

- The public interest justification for regulatory intervention
- The market failure test
- Holdup problem

5. Methods of Price Regulation (Week 9-10)

- The Cost-of-Service/Rate-of-Return Model
- Price Caps (RBI-X)
- Incentive and Other Non-Traditional Regulation

Potential Case Studies:

- *Trans-Mountain pipeline,*
- *Alberta Electricity Market Structuring*

6. Non “Public Interest” Theories of Regulation (Week 11)

Stigler’s theory of “Economic Regulation”

A principal-agent approach

Important Notes:

- The School of Public Policy expects the highest standards of professional conduct by students, faculty and staff. Abusive or disrespectful behavior will not be tolerated. This includes any expression of prejudice in any of its forms.
- It is the student's responsibility to be fully aware of the academic regulations outlined in the University Of Calgary Faculty Of Graduate Studies Calendar. Provisions regarding Student Misconduct (plagiarism, cheating and other academic misconduct) will be strictly enforced. Please review the University of Calgary's Regulations on Plagiarism, Cheating and Other Academic Misconduct, online:
<http://www.ucalgary.ca/pubs/calendar/current/k-2.html>
<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>
- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) must discuss their work with the Instructor *within fifteen days* of the work being returned to the class. If not satisfied the student shall immediately take the matter to the Director of the MPP program or the Academic Director of the School and ask for a ruling and written reassessment. Should the student wish a further appeal it must be addressed to the Director and Palmer Chair of the School within 15 days of the ruling by the MPP Director or the Academic Director. For further information see the School of Public Policy Student Appeals Process at:
<http://www.policyschool.ca/wp-content/uploads/2017/06/Student-Academic-Appeals.pdf>
- Examinations will not be given prior to the scheduled date.
- 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/. 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>
- All material used in this course is for the sole use of the individual and should not be recopied in either print or digital format. For copyright guidelines, including those relating to photocopying and electronic copies, please refer to the Association of Universities and Colleges of Canada (AUCC) fair dealing guidelines.
<https://libanswers.ucalgary.ca/faq/199025>
- The University of Calgary complies with the requirements of the *Freedom of Information and Privacy Act*. The University's policy on the sharing of student information with third parties can be found here: <http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-students-to-3rd-parties.pdf>. The University's policy on the sharing of student information with the subject can be found here:
<http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-student-to-subject.pdf>
- A link for the Student Ombuds' Office is www.ucalgary.ca/ombuds/
- Links to campus mental health resources include: www.ucalgary.ca/wellnesscentre/ and www.ucalgary.ca/mentalhealth/.
- In the event of an emergency, students may be required to evacuate the building. If evacuation is ordered, follow these procedures:

- Stay calm, do not rush, and do not panic.
- Safely stop your work.
- Gather your personal belongings if it is safe to do so. (keys, purses, jackets, cell phones, etc. It may be hours before you are allowed back in the building.)
- If safe, close your office door and window, but do not lock them.
- If directed by wardens, follow their instructions.
- Use the closest emergency exit. Do not use the elevator.
- Proceed to the designated Emergency Assembly point in front of the Holiday Inn on 8th avenue to the west of the Downtown Campus.
- Do not re-enter the building or work area until you have been advised by emergency responders that it is safe to do so.

Graduate Students' Union Vice-President, Academic

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Or remain at nearest exit point

Safewalk / Campus Security: 220-5333


