Economics of Competition and Regulation

INSTRUCTORS

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AIM

Regulatory and pro-competitive policies have in recent years become increasingly important in the EU strategy. The achievement of a single market has been fundamental and, in many ways, the centrepiece, from the economic point of view, of the EU. The deregulatory and liberalization processes ongoing in most European countries have been pushed and harmonized by European Directives. On the other side, the EU Institutions (both the EU Commission and the ECB) have repeatedly asserted the centrality of structural reforms for both the viability of the budgetary adjustment and the stability of the Monetary Union.

The course rests on the fundamental concepts in Industrial Economics to examine optimal antitrust and regulatory policies. This theoretical foundations are then used to evaluate the structural reforms and the so called ‘better regulation’ policies taking place at EU level. Some recent reforms in utilities and infrastructure industries (rail services, natural gas and electricity) will be discussed, making reference to comparative indicators of regulatory quality and structural reforms of the main international Institutions (the OECD PMR and the Doing Business of the World Bank).

A thorough knowledge of these policies is essential for anyone willing to work within the EU Commission, a natural target for a graduate in International Relations and EU Studies.

SYLLABUS

1. Background: Introduction to Industrial Organization

Oligopoly, monopoly, competition

- Any of the following two books on IO covers the same material:
  - Carlton, D., and J. Perloff (2005), Modern Industrial Organization, Pearson

2. Competition Policy

Competition Policy in the EU

- Motta, M. (2004), Competition Policy, Cambridge University Press - chapter 1
Market power and welfare
    ➢ Note: Advanced Material: (shaded) only sect. 2.3.5.2 and 2.4.3.1

Market definition

Collusion

3. Economic Regulation

Why regulate utilities. Alternatives to traditional regulation.

Principles of regulation for core network industries. Forms of price regulation. Regulation in the presence of competition.


Further suggested readings