

Public Policy and Business Strategy (ECON-GB.2348)

■ **Course description and learning goals.** In most industries, firms are either subject to direct regulation or under the eye of a competition policy watchdog. Agreements with competitors, mergers and acquisitions, pricing, distribution practices — these and many other dimensions of firm strategy are potentially subject to the scrutiny of government authorities. In addition to competition policy, the government’s role is also apparent in regulation (health, environment, industry specific, etc); state aid (e.g. subsidies to firms); direct intervention in “national champions” (e.g., subsidies or golden shares); and industrial policy (e.g., government favoritism for a particular technology standard).

This course provides an introduction to the role and impact of public policy on market competition. It takes the perspective of a firm’s manager and asks the twin questions: (a) to what extent does government intervention limit a firm’s strategy; and (b) how can firm strategy influence and take advantage of government intervention.

The course is largely based on case studies and complemented by short lectures and guest speaker presentations. Several of the case studies correspond to actual litigation cases in the U.S. and Europe.

■ **Target audience.** Anyone planning to work for a large organization (or one with market power) should take this course. The course will not turn you into an expert in antitrust, regulation and politics, but it will help you navigate the legal and political landscapes from a business perspective.

■ **Course pre-requisites.** Firms and Markets (ECON-GB.1303) or equivalent. Although we deal with a variety of legal and political issues, prior knowledge of European and North-American law is not required.

■ **Course outline.** The course is divided into the following parts:

1. Politics and business (market and nonmarket strategies; private and public politics; etc)
2. Industry regulation (monopoly power, health & environment, industry specific).
3. Intellectual property (patents, copyrights).
4. Antitrust, I: Horizontal agreements (mergers, cartels, explicit and tacit collusion).
5. Antitrust, II: Dominant position (vertical restraints, price discrimination, foreclosure).
6. Industrial policy (government subsidies, golden shares, standards policy).

A detailed course outline will be distributed before the start of the course.

■ **Assignment components and grading.** The course grade will be based on: (a) class participation (40%); (b) two short group presentations (20%); (c) one final presentation and report (40%). A detailed description of these deliverables is provided next.

- (a) Class participation. One peculiar characteristic of most of the cases discussed in class is that there are two clearly distinguished (and to some extent opposed) approaches; this is obviously true for litigation cases, but not exclusively. Grading of class participation will focus on how well you argue in favor or against a particular position in each of the cases discussed in class.
- (b) Short presentations. During the afternoon of the first and second Saturday meetings, each group (four members per group) will make a short presentation on a topic of your choice from a list provided during the first day of class. Each topic comes with a series of motivating questions and suggested initial readings. Each presentation should take about 15 minutes.
- (c) Final presentation and report. Each group will choose a firm or industry. No list is provided for this assignment, though consultation with the instructor is advisable. Your assignment is to write and present a consulting report outlining a nonmarket strategy, with a particular focus on the interaction between public policy and business strategy. This assignment consists of submitting a written report and making a 20 to 30 minute presentation (including Q&A from the audience).

■ **Required course materials.** The required readings are listed in the detailed outline. Students who wish to go deeper into some of the issues raised in the course may want to consult the following:

BARON, DAVID (2010), *Business and Its Environment*, Prentice Hall.

CABRAL, LUÍS (2000), *Introduction to Industrial Organization*, MIT Press.

KWOKA, JOHN, AND LAWRENCE WHITE (2009), *The Antitrust Revolution: Economics, Competition, and Policy*, Oxford University Press.

MOTTA, MASSIMO (2004), *Competition Policy: Theory and Practice*, Cambridge University Press.

VISCUSI, W KIP, JOHN M VERNON, AND JOSEPH E HARRINGTON (1998), *Economics of Regulation and Antitrust, 2nd Ed*, MIT Press.