

EU Market and Business Policies

Course code: ECO 320

Semester and year: Summer 2021

Time: 13:00-16:45

Instructor: Prof. Alena Zemplinerova

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Consultation hours: after the class 17:00-18:00

Credits US/ECTS	3/6	Level	Intermediate
Length	10 weeks	Pre-requisite	Choose an item.
Contact hours		Course type	Bachelor Elective

1. Course Description

The basic objective of this course is to enable students to get valuable knowledge useful for acquiring managing skills and enriching understanding of the business environment in the EU market. The course looks at the markets not only from the business but also the governmental perspective. The aim of the course is to explain how firms compete through their strategies on the European Union (EU) market and how business policies are regulated within the EU market. The course includes numerous real-life examples and case studies that explore topics of market organization, mergers, antitrust, networks, platforms, intellectual property rights and business price and non-price competition. In addition, the course provides introduction into the tools of market structure analysis and familiarizes students with the main institutions of the EU related to the enforcement of markets regulation focusing on financial markets.

2. Student Learning Outcomes

Upon completion of the course the student will be able to:

- Understand the functioning of the European Single Market and European integration in its economic aspects
- Understand markets in which businesses operate in their horizontal and vertical dimensions
- Understand more in detail selected firm's strategies through which firms acquire market power and compete
- Develop familiarity with the most important EU market related policies
- Possess skills and ability to analyse relevant material and statistical data in relation to the EU market, present the results both orally and in writing and defend the position using the standard terminology

3. Reading Material

The course relies on the required textbook (selected chapters) and articles listed below. Occasional additional readings may be recommended preceding their discussion. Students are encouraged to scan the *Financial Times* or *The Economist* magazine for articles relevant to the topics covered in the course.

Required Materials (Available in the Library or to Download)

Textbooks:

Cabral L., 2017, *Introduction to Industrial Organization*, The MIT Press, selected chapters, (you can skip the formal analysis)

Baldwin, R. and Wyplosz, C. (2020). *The Economics of European Integration*. 6th edition, McGraw-Hill Education, selected chapters((you can skip the formal analysis))

Recommended Materials

Bruno Jullien B. and W. Sand-Zantman, 2019, *The Economics of Platforms: A Theory Guide for Competition Policy*, TSE Digital Center Policy Papers serie, No. 1
[The Economics of Platforms: A Theory Guide for Competition Policy by Bruno Jullien, Wilfried Sand-Zantman :: SSRN](#)

Cabral L., 2021, *Merger policy in digital industries*, information Economics and Policy, Volume 54, March 2021, 100866
<https://www.sciencedirect.com/science/article/abs/pii/S0167624519302537>

Porter M., 2008 *The Five Competitive Forces That Shape Strategy*, *Harvard Business Review*, January, 2008

Zemplinerova, A. 2021, *Covid crisis: – threats and opportunities for businesses on the EU Market*, forthcoming

Recommendations will be done during classes.

4. Teaching methodology

The course combines two standard disciplines - European Economic Integration and Industrial organization, a field of economics dealing with the strategic behavior of firms, regulatory policy and market competition. The course explains not only theories but also current challenges faced by the European Union, including the difficulties in the Eurozone and Brexit. Theories and empirical studies are considered in simplified versions (no formal analysis) but retaining the basic economic intuition. Logical arguments are used to explain main ideas of market organization and integration.

The core of the course will be not only lectures but also discussions of selected markets, antitrust cases and the EU regulations with active participation of students. Stimulation of students' critical thinking is based on research of real cases accenting the economic analysis. Communication skill will be trained via student's presentations and discussions.

5. Course Schedule

Date	Class Agenda
Class 1 June 1	Topic: Introduction: EU Market and Business Policies Description: Key concepts, issues and central questions addressed by the course, business versus governmental policies. Reasons, effects and stages of regional economic integration, regional

	<p>integrations around the world, role of EU market in the world. Overview of the course.</p>
<p>Class 2 June 2</p>	<p>Topic: European Union and Single Market - Four freedoms Description: Coal and Steel markets, European Economic Communities (EEC), European Communities (EC), European Union (EU), widening and deepening of European economic integration, European Economic Area (EEA), European Free Trade Area (EFTA), EU market enlargements, Brexit. Principles of the European Single Market: Free movement of goods, services, capital and labor. Economic diversity of national markets of the EU member states. <u>Discussion</u>: Brexit Reading: Baldwin and Wyplosz, ch. 1, pp.4-38</p>
<p>Class 3 June 3</p>	<p>Topic: Firms, Costs and the EU Market Description: Concept of the firm. Costs, technology, economies of scale and diseconomies of scale and scope, business decision to enter or to exit the market. Small start-up firms and large incumbent firms, domestic and foreign firms (multinational firms). Reading: Cabral, ch. 1, pp 1-10</p>
<p>Class 4 June 7</p>	<p>Topic: Market structures and Barriers to enter the EU Market Description: Market structure, business policies and performance (S-C-P paradigm), effect of competition among firms, monopoly and oligopoly on economic welfare (efficiency). Costs of firm's entry to the market, entry barriers (economic, administrative and strategic), tariff and non-tariff (technical) barriers to trade Competitive forces and industry analysis: Case studies Reading : Porter (2008) <u>Assignment</u> #1 <i>Industry Analysis: Five competitive forces in a selected EU product market with focus on the barriers to enter the EU Market</i></p>
<p>Class 5 June 8</p>	<p>Topic: EU Laws and Institutions, Regulation and Competition Policy Description: Primary and secondary EU laws. Treaties, Regulations and Directives. EU Commission, EU parliament, EU council, Council of the EU and the European Court. EU competences and supranational governance. Discussion: EU Legislative process and lobbying Reading: Baldwin-Wyplosz, ch. 2, pp.40-63 Reading: Cabral, chapter 5, pp 93-117</p>
<p>Class 6 June 9</p>	<p>Topic: Business Pricing Strategies and EU Competition Policy Description: pricing policies, bundling, tying price fixing, market power of the company and pricing policies of businesses, importance of reputation, repetitive interactions, collusion, price wars and cartels. EU competition laws and their enforcement: Prohibition of some abusive practices and cartel agreements by EU Treaty. Antitrust cases. Discussion: Why prosecution in antitrust cases is not straightforward? Reading: Cabral, chapter 9, pp. 217 - 241</p>
<p>Class 7 June 10</p>	<p>Topic: Mergers and Acquisitions (M&A) in the EU Market Description: Reasons for M&A, horizontal and vertical mergers. Market concentration and market power measurement. Product markets, geographical dimension of the markets. EU legislation and policy related to M&A. Cases: Approval of mergers Reading: Cabral, chapter 11 pp. 277-286, Cabral L., 2021</p>

Class 8 June 15	MIDTERM EXAM Topic: Non Price Business Policies: Advertisement and Innovation Description: Advertising and branding, types of advertisement, information, persuasion and signaling, consumer behavior and firm strategy, search costs and switching cost. EU and consumer protection. Importance of innovation, market structure and innovation incentives, innovation policies, patents, research and development (R&D) expenditures. Intellectual property rights in the EU market. Reading: Cabral, ch. 14.3, pp. 362-373, ch. 15 pp 377-398
Class 9 June 16	Topic: EU Financial Markets and Euro Description: Optimum Currency Area, Pros and Cons of the Adoption of Euro, conditions for adoption of euro, monetary policy and Eurozone, Financial Crisis. Fiscal policies and Stability Pact, EU Budget and the EU member state budgets, Debt crisis Reading: Baldwin and Wyplosz, Ch. 18, Zemplerova (2016)
Class 10 June 17	Topic: Recent and Future Threats and Opportunities for Businesses in the EU Market ICT, networks, platforms and the EU competition policy, Covid-19, state intervention and assistance into markets, rising public debts, effect on the business, markets and the European project. Reading: Jullien B. and W. Sand-Zantman (2019)

6. Course Requirements and Assessment (with estimated workloads)

Assignment	Workload (average)	Weight in Final Grade	Evaluated Course Specific Learning Outcomes	Evaluated Institutional Learning Outcomes*
Attendance and Class Participation	42	0%		
Assignments, discussion participation, presentation	35	25%	Ability to carry out research based on relevant sources. Ability to explain the topic while using economic arguments. Capacity to present, participate to discussions and defend own opinion.	1,2
Mid Term Exam (closed book)	25	35%	Ability to answer questions based on lectures and the assigned readings related to topics 1-7	1,2
Final Exam (closed book)	48	40%	Ability to use economic arguments and tools covered by the course, explain the studied topic, identify key issues, combine existing findings and defend own opinion	1,2
TOTAL	150	100%		

*1 = Critical Thinking; 2 = Effective Communication; 3 = Effective and Responsible Action

7. Detailed description of written assignments

Each student has to participate in 2 assignments (individual or team work). These will be research, statistical analysis, presentations and discussions in the class related to the EU market, competition policy and business strategies. Detailed description and guidelines for each assignment will be provided during the class and inserted into NEO. Assignments will be counted for the grade. In case a student will not meet this requirement, he or she will lose points. Assignments should be hand in via NEO due time.

Midterm exam

Midterm exam includes questions, and multiple choices that cover the topics 1-5. It is a close book exam. Knowledge and understanding of explained concepts is expected. List of questions will be available.

Final exam

A research paper on a selected topic. Detailed guidelines and study guide will be inserted into NEO. Final paper requires not only research related to the topic and economic arguments but also proper referencing.

8. General Requirements and School Policies

9. Grading Scale

Letter Grade	Percentage*	Description
A	95 – 100	Excellent performance. The student has shown originality and displayed an exceptional grasp of the material and a deep analytical understanding of the subject.
A-	90 – 94	
B+	87 – 89	Good performance. The student has mastered the material, understands the subject well and has shown some originality of thought and/or considerable effort.
B	83 – 86	
B-	80 – 82	
C+	77 – 79	Fair performance. The student has acquired an acceptable understanding of the material and essential subject matter of the course, but has not succeeded in translating this understanding into consistently creative or original work.
C	73 – 76	
C-	70 – 72	
D+	65 – 69	Poor. The student has shown some understanding of the material and subject matter covered during the course. The student's work, however, has not shown enough effort or understanding to allow for a passing grade in School Required Courses. It does qualify as a passing mark for the General College Courses and Electives.
D	60 – 64	
F	0 – 59	Fail. The student has not succeeded in mastering the subject matter covered in the course.

* Decimals should be rounded to the nearest whole number.

Prepared by and when: Prof. Alena Zemplerova, April 6, 2021

Approved by and when