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Outline of the seminars

Brasilia, may 2010

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Plan of the seminars

During this week we are going to analyze the use of quantitative techniques in antitrust analysis

Before we start, let me share with you the two main concerns I had in preparing these meetings:

- 1- Selection of the topics
- 2- Selection of the approach to take in explanations

Why selection of the topics problematic?

My objective was to look at quantitative, econometric techniques used in cases of abuse of dominance.

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However, there is almost nothing in the case literature that is related to the use of a quantitative technique for the assessment of an abuse.

There is something in the academics literature, in particular w/r to vertical arrangements, and we will devote our final lecture to such literature.

However, it is important to remark that, at least from my research, the use of econometrics in cases of abuse is extremely rare (looking at the experience of the DG-Comp).

What are the reasons for that? In my opinion there are many.

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First: the area appears to be less policy relevant. Not many cases, most of them closed with commitments by the parties

Second: effect of given practices (vertical integration) very ambiguous. There are efficiency effects and negative competition effects (foreclosure): very hard to disentangle. Actually this should call for more empirical analysis!!

Third: certain behaviours very hard to model. Empirical analysis feels comfortable in describing a static model of pricing in a differentiated product market, much less in modelling a vertical arrangements.

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So, we have a problem....

... but, as you know, any case of abuse of a dominant position starts necessarily from a preliminary question: is the firm whose behaviour is under scrutiny in a dominant position?

In order to understand that, you need to define the relevant antitrust markets in which it operates and, more in general, you need to assess the competitive constraints exerted on the firm under scrutiny.

Hence, the main topic of our seminars will be the following. How you use empirical techniques to define relevant markets and understand who is competing with whom.

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In order to do this, we won't necessarily look at abuses cases (actually most will be mergers).

But we won't go into the discussion of the mergers, as this is not the focus of the course.

Another remark: we will mainly look at econometric techniques. However, if we have time we will also say something about the use of surveys both for the assessment of a market boundaries and for assessing the effects of a vertical restraint.

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The second concern was to approach to take:

1- Techniques vs cases

2- Formal approach to the discussion of techniques vs informal one

Very hard decision, as I didn't really know your background

My decision was the following: we will look both at techniques and real applications (so I won't avoid to go a little into the details of the techniques, making some excursus in econometrics). However, I will keep the discussion not too formal, hopefully.

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Another thing: I haven't prepared exercises to be done with Stata or other softwares.

Main problem: no data

However, if we want, we can spend some time in looking at some command in a more abstract, but maybe useful way.

Now, having said that, let me give you a brief outline of the topics.

Day 1: market definition (a review of the theory), quantitative tools for market definition, focus on stationarity test and its use in a real case.

Plan of the seminars

Day 2: the use of price-market structure studies to define markets and to infer the competitive constraints on a given firms (The Ryan-Air/Air Lingus case and the Somerfield/Morrisons case)

Day 3: Demand estimation: homogenous product, differentiated products (AIDS model and its application to the Campina/Friesland case).

Day 4: The use of surveys for market definition and the assessment of vertical restraints. Quantitative assessment of vertical restraints.

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Day 5: Quantitative assessment of vertical restraints. Best practices in econometrics.

Ok....let's get started.