

ECONOMIC POLICY IN THE UK

ASSESSMENT 2

Choose one of the following questions. eSubmission (online submission) of your essay is required. You need to convert your essay, which should not exceed 2,000 words, into pdf format (using Adobe Acrobat or other suitable software). Uploading your assessment is achieved by visiting my.economics or via the departmental website and following the relevant links therein.

No submission will be accepted after midnight **28 April 2010**.

Lecture reading lists should be consulted for relevant references. You are free and encouraged to consult references beyond those recommended directly. Include a full list of references at the end of the essay and provide correct citations. You must adopt the *Harvard convention* for citations (the following helpful guide illustrates how to apply the Harvard convention <http://www.qmu.ac.uk/lb/information/Guides/FinalEd1905HARVARD.pdf>).

Note: It is suggested that you structure your essay along the following model: (i) interpret the question, (ii) summarise your arguments, (iii) address main points, and (iv) conclusion.

1. In many vertical industries restraints are often placed on trade between firms; often upstream manufacturers restrict discretion available to downstream retailers. Vertical restraints are commonly observed in industries such as brewing. Describe the way vertical restraints have operated in UK brewing and discuss whether they are detrimental to consumer interests. Are such vertical restraints symptomatic of market failure?
2. The European Commission Microsoft case started following a complaint lodged by Novell in 1993. The case concluded by finding Microsoft to have abused a position of dominance. The company was fined and ordered to divulge certain information about its server products and release a version of Microsoft Windows without Windows Media Player. Discuss the main economic arguments used by the European Commission to show that Microsoft abused a position of dominance. What was the main line of defence presented by Microsoft? Do you believe that the case is a good illustration of competition policy enforcement?
3. Recent developments in the telecommunications and computing areas have promised to change the shape of regulation. Please discuss the implications for regulation of Cloud computing (providing computing, data storage, etc. as a public utility – see http://en.wikipedia.org/wiki/Cloud_computing).
4. There have been a range of proposals at the EU and national levels (e.g. in the Digital Britain Report) that effectively call for adding broadband and other advanced information services into universal service obligations. Please discuss this from the point of view of regulation – how the obligation might be extended and how societal objectives such as affordability, coverage, quality of service, innovation, investment etc. might be attained.

Guidance for questions 3 and 4: In either case, your answer should start by identifying policy problems and go on to discuss either practical aspects (how current price and quality regulation might need to be modified, how regulation might be extended to new service providers), normative issues (what is the need for regulation, what societal, technical and economic objectives might be considered and how the structure of markets used to deliver these services might change current regulatory practices) or how market competition might be expected to add to or help resolve the problem.