Syllabus

ECON 454/654: Economics of Government Regulation

Dr. Wendel

Professor contact information:

<table>
<thead>
<tr>
<th>phone/email</th>
<th>My schedule</th>
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<tbody>
<tr>
<td>Office: AB 319 H</td>
<td>Econ 454/654 is from 5:30-8:15pm on Tue.</td>
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<tr>
<td>784-6695 (UNR)</td>
<td>Econ 302 from 1-2:15 and 2:30-3:45 on T/Th</td>
</tr>
<tr>
<td><a href="mailto:wendel@unr.edu">wendel@unr.edu</a></td>
<td>Office hours:</td>
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<td>4-5:30 on T</td>
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Catalogue Information:

Course description: Economic analysis of regulatory policy focusing on market and non-market alternatives. Issues include environmental quality, health care, education, advertising, market power, utility and telecommunication deregulation.

Prerequisite(s): ECON 102 or RECO 100; CO1-11; junior or senior standing.

Class attributes: This class will meet the CO13 requirement.

As a Capstone course (Core Objective 13 - Integration & Synthesis), Economics 454:
- requires written assignments and oral presentations to communicate knowledge of the material (CO1);
- utilizes quantitative reasoning since many of the economic ideas require quantitative expression and analysis (CO2);
- requires critical analysis and use of information from a variety of information drawn from economics, history, philosophy, political science and religion (CO3);
- analyzes the impact of new technology on regulatory policy debates (CO9); and
- analyzes regulatory issues in the context of globalization (CO11).

Econ 454 focuses on fundamental issues that impact numerous regulatory issues. The specific issues considered in any semester vary to reflect current policy debates. These fundamental issues include:
- the conflict between two goals: (a) allow every country (or state within the US) to set policies that are optimal for that location, vs (b) standardize policies across countries to facilitate international trade and to ensure basic levels of working conditions and environmental protection in all countries. We currently consider examples such as worker safety and protection of intellectual property (CO11).
- the costs and benefits of using two types of strategies for achieving social goals (market-based strategies vs. direct regulation). Implementation of the Kyoto Treaty to reduce global warming provides the central example.
- two strategic options for addressing market power issues:
  - One option is industry regulation. We examine the experience of industries that were regulated for much of the twentieth century in the U.S. (railroads, trucking, electricity, telephones). We consider factors that led to deregulation, including technological change. Students will apply historical evidence from this experience to analyze the current controversy about net neutrality.
The second option for addressing market power issues is antitrust prosecution. International issues play an important role in antitrust debates. This spring’s class will examine the market-power implications OPEC’s recent actions that led to the dramatic decline in gasoline prices (and predictions about future gasoline prices). (CO9 and CO11).

Student Learning Outcomes:

- Students will demonstrate their ability to apply theories of regulation to analyze policy issues.
- Students will demonstrate their ability to analyze the implications of using willingness-to-pay as a criteria to determine the optimal quantity of social goods.
- Students will demonstrate their ability to analyze the costs and benefits of alternate strategies for producing social goods.
- Students will demonstrate their ability to analyze market power issues, and the implications of alternate policies for addressing these issues.
- Students will demonstrate their ability to write a paper with a clear organizational structure and professional writing style.

Performance measures:

Each students will complete four written assignments, which constitute 60% of the grade: three written exams and one term paper. The term paper will require integration of background information, relevant economic theory, and published evidence.

Each student will participate in three group presentations. In the first two, the students explain information presented in published academic papers. In the third presentation, students will present prosecution or defense arguments in a mock trial. They will also question the opposing side, and respond to questions posed by their opponents.
Course Materials:

Required readings are detailed in the schedule.

Class groundrules:

Do what you need to do to maximize your in-class learning:

- Better late than never
- Bring food or drink if you need to (just remember to be tidy)
- Talk quietly with your neighbor if you need a quick clarification
- Talk to the whole class: ask clarifying questions, provide information & insights
- Adjust the pace: ask for repeats, ask for a moment of quiet when you need one
- Read your text before coming to class
- Tell me if you need something

Grading system*:

<table>
<thead>
<tr>
<th>Points</th>
<th>grade</th>
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<tbody>
<tr>
<td>90 &lt;= X</td>
<td>A</td>
</tr>
<tr>
<td>80 &lt;= X &lt; 90</td>
<td>B</td>
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<tr>
<td>70 &lt;= X &lt; 80</td>
<td>C</td>
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<tr>
<td>60 &lt;= X &lt; 70</td>
<td>D</td>
</tr>
<tr>
<td>X &lt; 60</td>
<td>F</td>
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<table>
<thead>
<tr>
<th>Assignment/exam*</th>
<th>number</th>
<th>Points each</th>
<th>Total points</th>
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<tr>
<td>2 Group Reports: present published information</td>
<td>3</td>
<td>5</td>
<td>10</td>
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<tr>
<td>1 Group Report: present an argument, ask questions and respond to questions</td>
<td>1</td>
<td>15</td>
<td>15</td>
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<tr>
<td>In-class demonstration of knowledge of assigned readings</td>
<td>8</td>
<td>15</td>
<td>16</td>
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<tr>
<td>3 Exams</td>
<td>3</td>
<td>15</td>
<td>45</td>
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<tr>
<td>1 term paper</td>
<td>4</td>
<td>15</td>
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<td><strong>TOTAL</strong></td>
<td></td>
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<td><strong>101</strong></td>
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*See the explanation in the schedule – for additional details.

There are no make-up exams. Anyone who misses an exam will earn a grade for the missed exam by taking a comprehensive version of the final exam.
Each class is a one-time only (must-be-present-to-win) event. It is never possible to "make-up" the in-class experience.

- The in-class learning experience cannot be repeated or replicated.
- Consistent attendance is valuable.

If you think there is any possibility that you might have to miss a class for any reason, design and implement an effective strategy to minimize the impact on your learning experience.

What is the key to success on the TV show Survivor?

(“I don’t know anyone in the class” is not an acceptable excuse for not being able to obtain notes/information about missed classes.)
# Grading criteria for Issue Paper

<table>
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<tr>
<th>PHASE I: if you provide the following items by the feedback deadline, I’ll offer feedback.</th>
<th>points</th>
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<tr>
<td>clear explanation of the issue or controversy.</td>
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<td>How do we (or could we) measure the key outcome/goal?</td>
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<tr>
<td>Explanation of the market failure: What type? Root cause?</td>
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<tr>
<td>Clear, concise and well-organized business writing</td>
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<tr>
<td>Abstracts of 5 papers indexed in Econlit or Google Scholar</td>
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<tr>
<td>Outline of how you can use the information provided in these papers to analyze your issue</td>
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<th>Paper</th>
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<tr>
<td>Clear explanation of the issue or controversy, and clear description of the key outcome/goal</td>
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<tr>
<td>Clear description of at least 2 strategic options for addressing the issue</td>
<td>2</td>
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<tr>
<td>Insightful analysis of the predicted impacts of each strategic option, that utilizes evidence published in papers cited in Econlit and Google Scholar. This includes thoughtful use of concepts and evidence provided in readings and in-class information.</td>
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<td>Thoughtful discussion of policy recommendation, including likely side-effects that should be anticipated and addressed.</td>
<td>2</td>
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<tr>
<td>Clear, concise and well-organized business writing, including correct bibliographic information.</td>
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Business writing is not mysterious. It just requires effort.

- The CBO report will provide an excellent example.
- The ratio of content to length should be high.
- Skills from Rich Usher:
  - Eliminate non-working words.
  - Make sure every table/graph/figure is “stand-alone”.
  - Active is better than passive.
- Gayle’s wisdom: table/graph/figure titles are valuable resources. Use them wisely.
- The professional writer’s wisdom about an employer’s writing test:
  - The employer provided 5 pages of information and instructed applicants to write a memo to the CEO.
  - Students wrote 1.5 pages with numerous fluffy sentences. Most of them were not hired.
  - The professional writer’s memo filled less than half of the page. The organizational structure was clear (she used bullets).
- Clear organizational structure
  - Use headings and subheadings to allow a busy reader to “get the point” by skimming headings. Apply Gayle’s wisdom here.
  - Every section starts with a preview & ends with a conclusion.
  - Every paragraph starts with a topic sentence and ends with a concluding sentence.
- Format:
  - Abstract/executive summary
    - State the question/hypothesis you will address
    - describe the methodology (what types of information/ where did you find it?)
    - explain your analysis
    - state your conclusion.
  - Outline – that puts all of your headings and subheadings on one page. When I look at this outline, I should have a good sense of the topics you will cover.
  - The body of your report.
  - References. NOTE: “Econlit” is a search engine. It is NOT the source. If you go to Econlit and search on “regulation”, you will see:
Citing sources you locate through Econlit:

If you want to cite this paper,

**Work without Wages: The Motivation for Volunteer Firefighters**

You have everything you need inside the black box.
Schedule:

Week 1:  **Roles of government in a market economy**
- Establish regulatory framework (e.g. define property rights and liability rules)
- Address market failures (e.g. externalities, market power)
- Address goals other than efficiency (e.g. equity)

Country-level and state-level indexes of regulatory quality

Country-level changes over time – in health and wealth

Week 2:  **Theories of regulation**

Read for today:
- Use online search to learn about recent state-level controversies about Tesla and franchise regulations

Week 3:  **Coase Theorem**
Model factors that define optimal Intellectual Property (IP) regulations: tradeoffs among current consumers, future consumers, and producers

Read for today:

Week 4:  **Controversies**:
- factors that cause optimal policies to differ across states and countries vs. international agreements that aim for consistency across countries

Read for today:
- Drahos, Developing countries and international intellectual property standard-setting. The Journal of world intellectual property.
- BBC news story on sweatshops

Week 5:  **Exam 1**

Turn-in: term paper proposal

New topic: Willingness to pay (WTP) criteria for decision-making
- What is the rationale for using this decision-criterion?
- US agencies use this criterion?
- How do analysts measure WTP?

Week 6:  **Group reports: WTP**
1. Does WTP vary with individual age?

2. WTP and auto safety studies

3. methods

4. detailed literature review

5. variation across countries

6. equity and health issues

Week 7: Strategic options for producing social goods: direct regulation vs. market-based strategies such as: fuel efficiency for cars. lead phasedown in gasoline, CA electric car credits

Read for this week: The economic costs of fuel economy standards versus a gasoline tax. A CBO study. December 2008. (Congressional Budget Office)
Week 8: Tradable permits for environmental quality: history, theory, controversy

for this week:


Also watch you-tube videos:

- *The Emissions Trading System - putting a price on carbon.*
- "cap and trade" by annie leonard
- How does the emission trading scheme work?
- Opportunities in the carbon market: how cap & trade is thriving in EU & possible lessons for U.S.
- Confronting climate change: economics, fairness and political feasibility
- Protesters disrupt new york city carbon trading expo


Week 9: strategies for worker protection and consumer protection. Implications for international trade.

*Read for today:*


Week 10: Group Reports: Controversy over regulatory strategy

Week 11: Exam 2

Start considering market power.

Week 12: Market Power: antitrust
Term Paper due


*Read paper on net neutrality.*

Week 14: cartels: theory and evidence

*Read for today:*

What happened to the international cartels?

Week 15: Group Reports: prosecution and defense: in-class court case: would OPEC’s recent activities be illegal under US antitrust law (if US cartel pursued the same policies in the US)?

Final Exam: essay: write the Supreme Court decision on the OPEC case.

654 Credit: Graduate students can take this course as Economics 654. Graduate students must complete an additional project. This project must be approved by the instructor.
**Statement on Academic Dishonesty:** "Cheating, plagiarism or otherwise obtaining grades under false pretenses constitute academic dishonesty according to the code of this university. Academic dishonesty will not be tolerated and penalties can include canceling a student's enrollment without a grade, giving an F for the course or for the assignment. For more details, see the University of Nevada, Reno General Catalog."

**Statement of Disability Services:** "Any student with a disability needing academic adjustments or accommodations is requested to speak with the Disability Resource Center (Thompson Building, Suite 101) as soon as possible to arrange for appropriate accommodations."

**Statement for Academic Success Services:** For example, "Your student fees cover usage of the Math Center (784-4433 or www.unr.edu/mathcenter/), Tutoring Center (784-6801 or www.unr.edu/tutoring-center), and University Writing Center (784-6030 or http://www.unr.edu/writing-center). These centers support your classroom learning; it is your responsibility to take advantage of their services. Keep in mind that seeking help outside of class is the sign of a responsible and successful student."

**Statement on Audio and Video Recording:** "Surreptitious or covert video-taping of class or unauthorized audio recording of class is prohibited by law and by Board of Regents policy. This class may be videotaped or audio recorded only with the written permission of the instructor. In order to accommodate students with disabilities, some students may have been given permission to record class lectures and discussions. Therefore, students should understand that their comments during class may be recorded."