

Regulation EC 723 (MA, Ph.D.)
 Wednesday 4:30-7:10pm, Archer 462A
Final Exam December 16th 5:40pm-7:30pm

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 Office Hours: Tuesday and Wednesday 2-3:30pm and by appointment

This course will introduce students to economic theories of regulation. We will explore theories of market failure and the rationale for regulation. We will explore how regulators function in differing institutional environments. With this analytic toolkit we will then study various topical areas of regulation including: Monopoly and Antitrust, Environmental, Health, Safety, Financial Market, Housing, and Vice. This year we're also spending two weeks evaluating regulations that contributed to the recent housing and financial crisis.

Expectations: You are expected to read each week's assigned readings BEFORE coming to class and to be prepared to discuss them. Readings will come from the books, professional journal articles, and policy studies. Graduate school is about transforming from a consumer of economics to a producer of new economic knowledge. Unless you engage and digest the readings on your own before class you will have difficulty making the transition.

Books:

Kip Viscusi, Joseph Harrington, and John Vernon. *Economics of Regulation and Antitrust* 4th ed. MIT Press. 2005.

Dominick Armentano. *Antitrust and Monopoly*. Independent Institute. 1996.

Jim Leitzel, *Regulating Vice*. Cambridge University Press. 2007.

William Mitchell and Randy Simmons. *Beyond Politics*. Westview. 1994.

Grading:

Final Exam		30%
Midterm Exam	20%	
Term Paper		30%
Quizzes/Participation		20%

Tentative Schedule

Sept. 9 ***Intro & Market Failure***

Viscusi et al Chapters 1 & 2

Mitchell & Simmons Chapter 1

Sept. 16 ***The Economics of Politics***

Mitchell & Simmons Chapters 2, 3, 4, & 6.

Sept. 23 ***The Economic Theory of Regulation***

Viscusi et al. Chapter 10.

Stigler, G. (1971) "The Theory of Economic Regulation." *The Bell Journal of Economics and Management Science*. Vol. 2 (1): 3-21.

Peltzman, S. (1976) "Toward a More General Theory of Regulation." *Journal of Law and Economics*. Vol. 19(2): 211-240.

Becker, G. (1983) "A Theory of Competition Among Pressure Groups for Political Influence." *Quarterly Journal of Economics*. Vol. 98(3): 371-400.

Peltzman, S. (1993) "George Stigler's Contribution to the Economic Analysis of Regulation." *Journal of Political Economy*. Vol. 101(5): 818-832.

Glaeser, E. and Shleifer, A. (2003) "The Rise of the Regulatory State." *Journal of Economic Literature* 41: 402-425.

Benson, B. (2004) "Opportunities Forgone: The Unmeasurable Costs of Regulation." *Journal of Private Enterprise* 19: 1-25.

McChesney, F. (1987) "Rent Extraction and Rent Creation in the Economic Theory of Regulation." *Journal of Legal Studies* 16: 101-118.

Yandle, B. (1983) "Bootleggers and Baptists – The Education of a Regulatory Economist." *Regulation*. Vol. 7(3): 12-16.

Sept. 30 ***Health and Safety***

Viscusi et al Chapter 19, 22, & 23.

Current readings on Health Insurance, Regulation of Medicine, Government Provided Health Care and Insurance. TBA.

Oct. 7 ***Environmental***

Viscusi et al Chapter 21.

We will work on an applied environmental economic problem that the Beacon Hill Institute is currently researching. Readings TBA.

Yandle, B. (1998) "Bootleggers, Baptists, and Global Warming." *PERC Policy Series* 14:
<http://www.perc.org/articles/article193.php>

Oct. 14 ***Midterm Exam***

Oct. 21 ***Housing (State and Local)***

Holcombe, R. and Powell B. (eds.) (2009) *Housing America: Building Out of a Crisis*.
Transaction. Electronic version to be distributed.

Oct. 28 ***Housing and Financial Crisis I***

For this week and the next we'll be debating the recent books that attempt to explain the current housing and financial crisis. Each student (or pair of students) will be assigned a single book that they will be responsible for presenting. Each Student will also be expected to read and prepare a critique of one of the books. We'll all participate in a general discussion debating the merits of each book. Other news articles may be assigned as well.

Books:

Taylor, John (2009) *Getting Off Track*

Sowell, Thomas (2009) *The Housing Boom and Bust*

Woods, Thomas (2009) *Meltdown*

Posner, Richard (2009) *A Failure of Capitalism*

Krugman, Paul (2009) *The Return of Depression Economics and the Crisis of 2008*

Shiller, Robert (2008) *The Subprime Solution*

Nov. 4 ***Housing and Financial Crisis II***

Continued from Previous Week.

Nov. 11 ***Drugs and Alcohol***

Leitzel, Chapters 1 through 8.

Thornton, M. "The Repeal of Prohibition." In *The Economics of Prohibition*. Will hand out hard copy in class.

Nov. 18 ***Monopoly & Antitrust***

Viscusi et al. Chapters 3 & 4.

Armentano Chapters 1 & 2.

Kovacic, W. and Shapiro, C. (2000) "Antitrust Policy: A Century of Economic and Legal Thinking." *Journal of Economic Perspectives* 15: 43-60.

Dec. 2 ***Historical Application of Antitrust Law***

Armentano Chapters 3 & 4.

DiLorenzo, T. (1985) "Origins of Antitrust: An Interest Group Perspective." *International Review of Law and Economics* 5: 73-90.

Dec. 9 ***Mergers, Price Discrimination, and Tying***

Viscusi et al. Chapters 6, 7, 8, & 9.

Armentano Chapter 6, 7, 8, & 9.

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