

ECONOMICS 4317: THE ECONOMICS OF REGULATION

Fall 2011, MWF 9:05-9:55, HCB 408

INSTRUCTOR: David VanHoose OFFICE HOURS:
 OFFICE: 339 Hankamer MWF 8:00-9:00 & 12:15-1:15;
 OFFICE PHONE: 710-6206 or by appointment, or when
 E-MAIL: David_VanHoose@baylor.edu I am in and have time.

TEXTS: W. Kip Viscusi, Joseph E. Harrington, Jr., and John M. Vernon, *Economics of Regulation and Antitrust*, MIT Press, 4th Edition, 2005

John E. Kwoka, Jr., and Lawrence J. White, *The Antitrust Revolution*, Oxford University Press, 5th Edition, 2009.

COURSE DESCRIPTION: Three hours. The impact of government on market outcomes and business decision-making. Topics covered include the historical development of business and public policy; the current state of antitrust enforcement; issues involving multinational corporations; the basis for regulated markets and forces favoring deregulation; the impact of consumer protection laws, environmental protection policies, occupational and safety enforcement, and affirmative action policies on business; and the outlook for government and business relations in the future. Not open to students who have had PSC 4380.

I. COURSE OVERVIEW AND OBJECTIVES:

This is an upper-level course in economics. By the end of the course, you will understand and be able to employ the basic economic framework of antitrust analysis, and you will comprehend essential economic theories of regulation and be capable of applying these theories to analyze various regulatory issues. Success in the course requires time, effort, and study.

II. GRADES AND GRADING POLICIES

A. Examinations

1. Administered in a short answer-essay format.
2. "Make-up" policy:
 - a. Midterm exams:
 - 1) There are NO "make-up" midterm exams. NO EXCEPTIONS
 - 2) There are NO "early" midterm exams. NO EXCEPTIONS
 - 3) If one midterm examination is missed, the score on this examination is automatically dropped from the student's grade calculation. The weight of any additional missed midterm exam is *automatically* placed on the final exam. Thus, if both midterm examinations are missed, the final exam is worth 250 points. NO EXCEPTIONS
 - b. Quizzes: There are no makeup quizzes. NO EXCEPTIONS
3. Every student must take the final exam. There are NO "early" final exams. "Make-up" finals are given only if the student provides acceptable written documentation of circumstances that prevented the student's presence at the scheduled time. NO EXCEPTIONS
4. The final exam date and time appears in the schedule of classes and this syllabus, so it is your responsibility to know it. If you miss the final exam

simply because you did not know the date and time of the exam, you will earn a score of zero for the exam.

B. Quizzes

1. At least four quizzes will be given on dates to be announced in class.
2. Each quiz will count 50 points; the best three scores will be counted in your final point total.

C. Official Baylor Honor Code Statement:

Students and Academic Integrity

Baylor University policies require that students, staff, and faculty act in academic matters with utmost honesty and integrity. *It is the responsibility of each student to be familiar with the Honor Code and other university policies and procedures affecting academic integrity.* Students are also encouraged to consider these suggestions:

- Review each class syllabus for expectations your professor may have regarding course work and class attendance that go beyond those stated in university policies and guidelines and the Honor Code.
- Be familiar with the importance of academic integrity in class. Understand how citations show respect for other scholars.
- Talk with your professor if you are confused about citation practices or other research standards.
- Make sure you understand not only what counts as plagiarism and cheating, but also how to avoid engaging in these practices. Manage your time, take notes correctly, and use the Internet appropriately.
- Make sure you understand your professor's guidelines about working with other students on assignments, receiving assistance from other students on assignments, citing sources, using notes or exams from previous or other classes, and accessing information during an examination. If in doubt – ASK YOUR PROFESSOR!
- Understand that penalties can result from dishonest conduct, ranging from failure of the assignment to immediate expulsion from the university.

For more information see the Baylor University Honor Code on the Academic Integrity Web page or contact the Office of Academic Integrity at 710-8882 or Academic_Integrity@baylor.edu.

D. Grading

1. Each student's final grade is based on his/her *total points* earned on exams and quizzes, distributed as follows:

Midterm Exam #1	(September 19, in class)	100 Points
Midterm Exam #2	(October 7, in class)	100 Points
Midterm Exam #3	(November 11, in class)	100 Points
Top Two Midterm Scores		200 Points
Quizzes	(Dates to be announced; best three scores)	150 Points
Final Examination	(December 9, 2:00-4:00 P.M.)	150 Points
Course Total		500 Points

2. Determination of a final course grade is based on the following scale. I do not plan to deviate from this scale.

440 - 500 (88 - 100%)	A	300 - 359 (60 - 71.99%)	C
420 - 439 (84 - 87.99%)	B+	250 - 299 (50 - 59.99%)	D
380 - 419 (76 - 83.99%)	B	0 - 249 (0 - 49.99%)	F
360 - 379 (72 - 75.99%)	C+		

3. Attendance: I take attendance and follow Hankamer's attendance policies. This means that if you are absent from more than 12 class meetings, you will fail this course. Sometimes students seem to regard this limit as a target. Pursuing this strategy typically results in a low grade in the course.
- It is every student's obligation to be in class. Class meeting time is the single best opportunity for me to teach you the course material *and* to communicate to you important facts about exams, class assignments, etc. A seating chart will be constructed within one or two class meetings. You will have the opportunity to help determine which seat you are assigned, and you will be *required* to sit in that seat for the entire semester. (See me, however, if a problem develops.)
 - "Bonus points" will be awarded using the following scale:

<u>Absences</u>	<u>Points Added to Your Total</u>
0 - 1	20
2	7
3 or More	0

Note that these are truly BONUS points: If you fail to earn these bonus points, the point total that you earn based upon your exam performances and quiz performances is unaffected. Therefore, for purposes of bonus point tabulation, there are NO excused absences from class. NO EXCEPTIONS, for any reason. Attendance will be taken after class starting time of 10:10. I will take role by marking absences on an overhead projector transparency in full view of all students near the beginning of class. If you arrive late to class, it is your responsibility to see me immediately after that class meeting to correct my attendance listing. This will be your *final chance* to make certain you were not mistakenly counted as absent. After that opportunity, you will have no other way to appeal an absence you feel was incorrectly listed.
 - Special note to students who plan to miss a large number of classes: It is Hankamer's policy that both officially approved and unapproved absences count toward the 25 percent attendance limit for passing this course. Thus, if participation in a university-sponsored organization causes you miss several classes, those are absences that count toward Hankamer's 25 percent limit.

4. "Incomplete" Policy:
- A student who misses the final exam will be awarded a temporary grade of incomplete only if a letter is received from a health care provider (or other source I deem acceptable) attesting to an illness or personal or family emergency. In the absence of such proof, the student will be awarded a grade based on his/her point total leading up to the final exam, including the zero earned on the final exam.
 - A student who misses the final exam and has an excused absence must take a make-up final exam as soon as possible after the conclusion of the semester and no later than the deadline specified by University policy.

5. Note to students who “need” a particular minimum grade in this course to meet graduation requirements: It is your responsibility to earn the grade that you wish to obtain to meet graduation requirements.
6. Note to students qualifying for support through Baylor’s Office of Access and Learning Accommodation: To utilize OALA facilities for purposes of this course, you must do the following:
 - a. See me within the first week of classes to notify me of your OALA qualification and to discuss addressing your specific qualifications for OALA coverage within the context of this course.
 - b. Turn in each form requesting to take quizzes and examinations with OALA at least one week before the scheduled date of the quiz or examination. (In some circumstances, I may be willing to relax this requirement, but only if doing so is feasible.) I generally do not allow OALA quizzes or tests to begin earlier than the scheduled time for the rest of the class.
7. General Note: Although my intention is to follow all policies laid out in this syllabus, I reserve the right to make changes in response to unanticipated events.

IV. COURSE OUTLINE (Dates subject to some alterations.)

<u>Date</u>	<u>Assignment</u>	<u>Topic</u>
August 22	Attend class; then read Chapters 1-2	Introduction and overview
August 24	Chapter 3	Overview of regulation and antitrust
August 26	Chapter 4	Economic efficiency concepts
August 29- September 2	Chapter 5 (in part)	Oligopoly, collusion, and antitrust (in part)
September 5	No class	Labor Day
September 7	Chapter 5 (finish)	Oligopoly, collusion and antitrust (finish)
September 9	Kwoka-White, Cases 11 and 12	Collusion cases
September 12	Chapter 7; pp. 155-162;	Horizontal mergers and antitrust
September 14-16	Kwoka-White Cases 7, 6, 5, 4, 3, and 2	Horizontal antitrust cases
September 19	Midterm Exam #1	Chapters 1-7; Kwoka-White Part 1
September 21-23	Chapter 8	Vertical mergers and restraints

<u>Date</u>	<u>Assignment</u>	<u>Topic</u>
September 26-28	Kwoka-White, Cases 17, 16, 14, 13, 19	Vertical antitrust cases
September 30-October 3	Chapter 9	Price discrimination and predatory pricing
October 5	Kwoka-White, Cases 10, 9, and 8	Pricing antitrust cases
October 7	Midterm Exam #2	Chapters 8-9
October 10-12	Chapter 10	Economic regulation of firms
October 14	No class	Fall Break
October 17-19	Chapter 12	Natural monopoly regulation
October 21	No Class	Study Chapters 10 and 12
October 24	Chapter 13	Franchise bidding and cable television
October 26	Chapter 14	Public enterprise
October 28	No Class	Study Chapters 13-14
October 31	Chapter 15	Telecommunications regulation
November 2-4	Chapter 16	Regulation of potentially competitive markets
November 7-9	Chapter 17	Economic regulation of transportation
November 11	Midterm Exam #2	Chapters 10-17
November 14-16	Chapter 18	Economic regulation of energy
November 18-21	Chapter 19	Health, safety, and environmental regulation
November 23-25	Thanksgiving Holiday—No class meetings	
November 28	Chapter 20	Valuing life and nonpecuniary benefits
November 30-December 2	Chapter 21	Economics of product safety regulation
December 5	Completion/Review	Final Q&A
December 9	Final Exam, 2:00-4:00 PM	The course