



Department of Economics and Finance

**ECON*3580
Economics of Regulation
Winter 2014**



Economics of Regulation (Econ 3580)

Instructor: Dr. Talat Genc

Email: tgenc@uoguelph.ca

Office hours: 1-2pm (T Th)
or by appointment.

Office: MacKinnon 732

Teaching assistant: TBA

Winter, 2014

Class time: T Th 2:30-3:50 pm

Classroom: Mack 238

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, email communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

https://dev.web.uoguelph.ca/economics_d7/important-notice-about-students-responsibilities-and-university-policies

Textbook: Economics of Regulation and Antitrust *by* W.K. Viscusi, J.E. Harrington, J.M. Vernon. Publisher: MIT Press, 4th ed.

Additional readings from some journals will also be assigned.

Prerequisite(s): Econ*2310 and Econ*2770.

Course Objectives: The main purpose of this class is to understand economic issues of regulated industries such as electricity, crude oil, natural gas, and natural monopolies. We will discuss rationale of government interventions for market failures. We will also study economic behavior of firms/industries in the case of the interventions. We will use some theoretic and empiric models to understand these issue.

Grading Policy: Students will write two midterms and a final exam with the following weights:

Midterm 1: 25% (of the final grade),

Midterm 2: 25% (of the final grade),

Final exam: 50% (of the final grade).

Examination Policy: You are expected to be present for each examination. *There will be no make-up examinations.* In case of an unavoidable emergency, please contact the instructor (contact person can be you or someone delegated by you) immediately; otherwise expect a grade of zero.

Tentative Course Outline: Chapters are from the textbook.

Chapter 1: Introduction.

Chapter 4: Efficiency and Technical Progress.

Chapter 10: Introduction to Economic Regulation.

Chapter 11: Theory of Natural Monopoly.

Chapter 12: Natural Monopoly Regulation and Electric Power.

Chapter 14: Public Enterprise.

Chapter 18: Economic Regulation of Energy: Crude Oil and Natural Gas.

Chapter 16: The Regulation of Potentially Competitive Markets: Theory and Estimation Methods.

Chapter 17: Economic regulation of Transportation: Surface Freight and Airlines.

OTHER

* You should be ready to follow up on class notes *daily* at home. Advanced reading of material to be covered in the class will assist you in better understanding the material.

* Students with disabilities who require reasonable accommodations to fully participate in course activities or meet course requirements are encouraged to contact me.

* Students who want to appeal a grade should do it in writing, no later than the day after the exam was returned.

* You will be asked to complete in-class course evaluation some time during the last two weeks of the semester. The Department of Economics policy regarding the conduct and use of these evaluations will be found at

<https://www.uoguelph.ca/economics/course-evaluation>

In keeping with the University's Learning Outcomes, the Department of Economics and Finance *Learning Outcomes* (skills and knowledge competencies) for this course are:

Skills:

- 1) ***Written Communication:*** Short answer essay questions which will be graded with the usual essay writing criteria except for the requirement of a bibliography.
- 2) ***Numerical Problem Solving:*** Students will have to **solve** various optimization problems. Students will also have to make **quantitative predictions**. These numerical skills will be assessed with quantitative problems in the homework assignments, the midterm and final.
- 3) ***Analytical Problem Solving:*** Some chapters of the course rely on graphical **analysis** to **demonstrate** and **interpret** various economic models. This will be tested on the homework assignments, midterms and final.
- 4) ***Problem solving in a Real World Context:*** Students will have to **apply** the course materials to historical and current microeconomic problems.
- 5) ***Professional and ethical awareness and conduct:*** There will be no time extension to complete the homework assignments in order to master **time management** skills.

Knowledge:

- 1) ***Mathematical Methodology:*** Students are expected to **analyze** equilibrium models.
- 2) ***Microeconomic modelling:*** Students are expected to **apply** the supply and demand framework to various markets, the theory of the firm and the theory of the consumer.
- 3) ***Understanding of Specific Markets:*** Several sectors are **analyzed** such as crude oil, natural gas, electricity and transportation industries.
- 4) ***Economic Policy and Regulation:*** Students should **understand** and **explain** the role of government interventions on the market outcomes.