

Syllabus

Economics 4333-001

Fall, 2004

Course: Government Regulation of Business

Course Objectives: Course objectives are threefold: (1) to study and critically assess the economic rationale for existing (or proposed) public policies toward business; (2) to examine antitrust law and its interpretation by the courts; and (3) to address various issues related to the public regulation of utilities, transportation, and telecommunications.

Professor:

Christopher Brown

412 Business

870-972-3416 (tel.)

870-910-8187 (fax)

crbrown@astate.edu (e-mail)

www.clt.astate.edu/crbrown (web)

Office hours: 2:00-4:00 p.m. MW and 1:30-3:00 TR

Text:

W. Kip Viscusi, John M. Vernon, and Joseph Harrington, Jr. *Economics of Regulation and Antitrust*, 3rd edition. Cambridge, MA: The MIT Press, 2000. The ISBN for this text is 0-262-22062-8. (This text is available at the ASU Book Store or you can purchase it online at campusbooks.com).

Prerequisite: Students are required to have taken a college-level course in microeconomics (ECON 2323 at ASU).

Course Requirements: The course consists of thirteen (13) modules spaced across a period of fourteen weeks. The modules can be accessed at the course web site (www.clt.astate.edu/crbrown/4333.htm--click on course lecture links). The course content consists of web pages, *PowerPoint* presentations, and some streaming audio. Examinations will consist mainly of essay questions. The course grade will be determined based on the student's performance on two (2) examinations, four (4) homework assignments, and a book review. The first exam will be taken on-line using the Blackboard course management system (September 28). To complete this course you must take a proctored final examination (see below). The final exam is **not** comprehensive.

Equipment/Software Needs: These are listed in the [Course Preview Presentation](#) (*PowerPoint* format) which can be viewed in web format at www.clt.astate.edu/crbrown/4333.htm. You will need to have *Microsoft Office* installed on your machine. Under the terms of the [Microsoft Campus Agreement](#), ASU students

may obtain copies of *Microsoft Office* and *Windows* **at no charge**. Students must have internet service and an **ASU email address** to take this course. *No other e-mail address acceptable*. If you do not have an ASU student email address, browse to mail.astate.edu to set one up.

Registration on Blackboard: To register for ECON 4333-001 in the Fall semester, 2004, you must do three things: (1) Register for Spring semester courses at ASU. You can now [register online](#), provided that your advising hold has been cleared; (2) Create an account in [Blackboard](#), the course management system used for this online course; and (3) Enroll for the course at the ASU [Blackboard](#) web site. You can accomplish this by logging in to [Blackboard](#), clicking on the "Course Catalog" button, and then clicking on the "enroll" button adjacent to the ECON 4333 course description. It is **not enough** to create an account in [Blackboard](#). **You must still enroll for the course.**

Homework: There will be four homework assignments which should be submitted to the instructor in *Word* format as email attachments. Students will receive an email message containing the homework assignment along with a due date.

Chat Sessions/Virtual Classroom: [Blackboard](#) has a "virtual classroom" feature that we will use to conduct chat sessions throughout the term. The instructor will notify students of upcoming chat sessions via e-mail. Wednesday evening appears to be the best time. To participate in virtual classroom, login to [Blackboard](#), then click on the "Government Regulation of Business" link. When the new screen appears, click on the "communication" button to your left. Then click on "virtual classroom" and finally "enter virtual classroom." If you wish to view or print transcripts of chats, click on "browse archives."

Discussion Board: The discussion board feature of [Blackboard](#) enables students to state their views on various questions pertaining to the course material (these questions/issues are selected by the instructor). You may also read the comments posted by other students and respond. To you the discussion board, login to [Blackboard](#), then click on the "Government Regulation of Business" link. When the new screen appears, click on the "discussion board" button to your left.

Final Exam: You must take a proctored final examination on **Thursday, December 9**. You may take the examination at any of the following locations: ASU-Jonesboro; ASU-Beebe; ASU-Mountain Home; Arkansas Northeastern Community College in Blytheville, MidSouth Community College in West Memphis, or East Arkansas Community College (EACC) in Forrest City. You must notify the instructor by email of the time and location at which you wish to take the exam by **November 29**. Times are subject to the availability of proctors.

Practice Online Exam: There is one "practice" exam administered online prior to the first exam. The purpose of the practice exam is twofold: (1) to familiarize students with online testing using [Blackboard](#); and (2) to give students a better idea of what to expect of the "real" exams.

Book Review: As part of the course requirements, students are to submit a review of **ONE** (1) of the following:

Walter Adams and James Brock. *Antitrust Economics on Trial*. Princeton, NJ: Princeton University Press, 1991 (ISBN: 1563437481).

Alfred E. Kahn. *Lessons from Deregulation: Telecommunications and Airlines after the Crunch*. Washington: Brookings Institution Press, 2004. (ISBN: 0815748191).

Richard B. McKenzie. *Trust on Trial. How the Microsoft Case is Reframing the Rules of Competition*. New York: Perseus Publishing, 2000 (ISBN: 1402844492).

These books are not in stock at the ASU Bookstore. You should select a book as quickly as possible and order it through the ASU Bookstore or online at campusbooks.com. I would recommend the latter method. Priority delivery takes 2-3 days.

The book review should be a minimum of 4 pages and is to be typed (double spaced) checked for proper grammar and spelling. You will be send further instructions for the book review by email. The book review is due no later than **Friday, December 3rd** . You can e-mail it to the instructor if typed in *Word* format. Otherwise, mail it to P.O. Box 729, State University, AR 72467-0729.

Grades : The weights attached to the various components in the determination of your final average are as follows:

Item	Weight (percent)
Exam 1	25
Homework	20
Book Review	20
Final Exam	35
Total	100

Final grades will be assigned according to the following scale:

88% or higher	A
77% or higher	B
66% or higher	C
55% or higher	D
Below 55%	F

Schedule of Topics and Reading Assignments

Date(s)	<u>Internet Module</u>	Topic(s)	Reading Assignments
Aug 23-27	#1	Intro to Antitrust, Economic, and Social Regulation;	Chapter 1, and Chapter 10, pp. 301-307, "Brief History of Economic Regulation."
Aug 30- Sept 3	#2	Tools of Industrial Organization Analysis; Antitrust Enforcement, Remedies, and Exemptions	Chapter 2, Chapter 3, and Chapter 6, pp. 143-149. Stop at "Using Concentration indices . . ."
Sept 6-10	#3	Market Structure and Allocative, Technical, and Dynamic Efficiency	Chapter 4
Sept 13-17	#4	Oligopoly; Game Theory; the Cournot Model; Seller Collusion	Chapter 5, pp. 99-117
Sept 20-24	#5	Feasibility of Cartels; Price Fixing; Judicial Interpretation of the Sherman Act, section 1	Chapter 5, pp. 117-142, but you may skip Appendix A.
Oct 4-8	#6	Types of Mergers; Incentives to Mergers; Welfare Effects of Mergers; the Celler-Kefauver Act	Chapter 7
Oct 11-15	#7	Vertical mergers; Resale Price Maintenance; Territorial Restraints; Exclusive Dealing; Tying	Chapter 8
Oct 18-22	#8	Judicial Interpretation of the Sherman Act, section 2; Predatory Pricing; Price discrimination	Chapter 9
Oct 25-29	#9	Instruments of Economic Regulation; The Regulatory Process; Alternative Theories of Regulation	Chapter 10
Nov 1-5	#10	The Theory of Natural Monopoly	Chapter 11, pp. 337-350
Nov 8-12	#11	Nonlinear Pricing; Ramsey Pricing	Chapter 11, pp. 350-360 (beginning with "Ramsey Pricing")
Nov 15-19	#12	Rate levels and Rate Structures; Valuing the Rate Base; the Averch-Johnson Effect; Peak Load Pricing; Deregulation of the Electric Power Industry	Chapter 12
Nov 29- Dec 3	#13	The Modified Final Judgment; the Telecommunications Act of 1996	Chapter 15

Exam Schedule

- Thursday, September 28: **Exam 1**
- Thursday, December 9: **Final Exam**