

PPMT 987

## **THE ECONOMICS OF THE GOVERNMENT REGULATION OF BUSINESS**

### **SPRING 1995 DOCTORAL SEMINAR**

3115 Steinberg Hall-Dietrich Hall, Hours TBA

Professor Faulhaber

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Office Hours: Mon and Wed, 3:00 - 4:00 pm, and by appointment

This seminar is an *adjunct* to the normal class schedule for PPMT 207/787/987, which meets M-W 1:30 - 3:00 pm for students who have registered for this as the doctoral course PPMT 987 *only*. This will be conducted as a reading course; each week, one or more students will read and prepare for a class discussion on one or more readings. All students are required to complete the week's readings and to participate in the discussion. All doctoral students are required to complete a research paper for this course in lieu of a final exam. This paper is to be turned in prior to the final exam date. *Late papers are not accepted; failure to turn in a paper will result in an NC for the course.*

The required text for this course is Willig, R.D. and Schmalensee, R. eds., *Handbook of Industrial Organization* (North-Holland: Amsterdam) 1989. This book is on reserve at the library, as well as available in the bookstore. It is hugely expensive, so you may want to figure out cooperative strategies to reduce the cost.

January 25

#### **Olde-Tyme Regulation I**

Baumol, W.J. and Bradford, D.E., "Optimal Departures from Marginal Cost Pricing", *American Economic Review* **60**, pp. 265-283 (1970)

Faulhaber, G.R., "Cross-Subsidization: Pricing in Public Enterprises", *American Economic Review*, **65**, pp. 967-77 (1975)

Faulhaber, G.R. and Levinson, S.B., "Subsidy-Free Prices and Anonymous Equity", *American Economic Review* **71**, pp. 1083-1091 (1981)

Averch, H. and Johnson, L., "Behavior of the Firm Under Regulatory Constraint," *American Economic Review* **52**, pp. 1053-69 (1962)

February 1

#### **Olde-Tyme Regulation II**

Baumol, W.J., Bailey, E.E., and Willig, R.D., "Weak Invisible Hand Theorems on the Sustainability of Prices in a Multiproduct Monopoly", *American Economic Review* **67**, pp. 350-365 (1977)

- February 8     **Olde-Tyme Regulation III**  
Brauetigam, “Optimal Policies for Natural Monopolies”, Ch. 23 in Willig, R.D. and Schmalensee, R. eds., *Handbook of Industrial Organization* (North-Holland: Amsterdam) 1989 pp. 1290-1346.
- February 15    **The Principal-Agent/Mechanism Design Craze**  
Baron, D.P., “Design of Regulatory Mechanisms and Institutions”, Ch. 24 in Willig, R.D. and Schmalensee, R. eds., *Handbook of Industrial Organization* (North-Holland: Amsterdam) 1989 pp. 1347-1447
- February 22    **The Empirical Research**  
Joskow, P.L. and Rose, N.L., “The Effects of Economic Regulation”, Ch. 25 in Willig, R.D. and Schmalensee, R. eds., *Handbook of Industrial Organization* (North-Holland: Amsterdam) 1989 pp. 1449-1506
- March 1        **The Politics of Regulation**  
Noll, R.G., “Economic Perspectives on the Politics of Regulation”, Ch. 22 in Willig, R.D. and Schmalensee, R. eds., *Handbook of Industrial Organization* (North-Holland: Amsterdam) 1989 pp. 1253-1287
- March 8        *Spring Break*
- March 15       **Price Caps, Bypass, and the New Analysis**  
Panzar, J.C. and Brauetigam, R.R., “Effects of the Change from Rate-of-Return to Price-Cap Regulation”, *American Economic Review*, **83**, pp. 191-198 (1993)  
Laffont, J.-J. and Tirole, J., “Optimal Bypass and Cream Skimming”, *American Economic Review* **80**, pp. 1042-1061 (1990)  
Laffont, J.-J. and Tirole, J., “The Politics of Government Decision-making: A Theory of Regulatory Capture”, *Quarterly Journal of Economics* **CVI**, pp. 1089-1128 (1991)  
Laffont, J.-J. and Tirole, J., “The Politics of Government Decision-making: Regulatory Institutions”, *Journal of Law, Economics, and Organization* **6**, pp. 1-31 (1990)
- March 22       **Economics of Networks, and Deregulation**  
Economides, N., “The Economics of Networks”, mimeo, New York University Stern School (1994)  
Peltzman, S., “The Economic Theory of Regulation After a Decade of Deregulation”, *Brookings Papers: Microeconomics* pp. 1-59 (1989)
- March 29       **An Assessment**  
Laffont, J.-J., “The New Economics of Regulation Ten Years After” *Econometrica* **62**, pp. 507-537 (1994)
- April 5         **Environmental Regulation I** (taught by Professor Kleindorfer)
- April 12        **Environmental Regulation II** (taught by Professor Kleindorfer)

April 19

**Antitrust I** (taught by Professor Yao)

Ordover, J. And Saloner, G., "Predation, Monopolization and Antitrust"  
Ch. 9 in Willig, R.D. and Schmalensee, R. eds. *Handbook of  
Industrial Organization* (North-Holland: Amsterdam) 1989 pp.  
537-596

Milgrom, P. And Roberts, J., "Limit Pricing and Entry Under Incomplete  
Information: An Equilibrium Analysis", *Econometrica* **50**, pp. 443-  
460 (1982)

Elzinga, K., "Collusive Predation: Matsushita v. Zenith", in Kwoka and  
White, eds., *The Antitrust Revolution* (Scott, Foresman and Co.:  
Glenview, IL) 1989, pp. 241-262.

April 26

**Antitrust II** (taught by Professor Yao)

Cabral, L.B. and Riordan, M.H., "Predation in a Learning Curve Model",  
mimeo, Boston University Dept. of Economics

Riordan, M.H., "Predatory Pricing in Immature Markets", mimeo,  
Boston University Dept. of Economics