

Term Information

Effective Term Spring 2014

General Information

Course Bulletin Listing/Subject Area	Economics
Fiscal Unit/Academic Org	Economics - D0722
College/Academic Group	Arts and Sciences
Level/Career	Undergraduate
Course Number/Catalog	4700H
Course Title	Government and Business
Transcript Abbreviation	Govt & Business
Course Description	Economic and legal aspects of government regulation of business in the United States: philosophies and concepts of public control; contemporary problems.
Semester Credit Hours/Units	Fixed: 3

Offering Information

Length Of Course	14 Week, 7 Week
Flexibly Scheduled Course	Never
Does any section of this course have a distance education component?	No
Grading Basis	Letter Grade
Repeatable	No
Course Components	Seminar
Grade Roster Component	Seminar
Credit Available by Exam	No
Admission Condition Course	No
Off Campus	Never
Campus of Offering	Columbus

Prerequisites and Exclusions

Prerequisites/Corequisites	Prereq: Econ 2001.01, 2001.02, 2001.03H, 4001.02 or 4001.03 and Math 1151.
Exclusions	Not open to students with credit for 4700 (570) or 5700 (670)

Cross-Listings

Cross-Listings

Subject/CIP Code

Subject/CIP Code	45.0601
Subsidy Level	Baccalaureate Course
Intended Rank	Sophomore, Junior

Quarters to Semesters

Quarters to Semesters

New course

Give a rationale statement explaining the purpose of the new course

This course will fill a significant hole in the current honors undergraduate economics curriculum by providing an introduction to the economic reasoning tools to analyze regulatory and antitrust issues.

Sought concurrence from the following Fiscal Units or College

Creating honors version of an existing course.

Requirement/Elective Designation

The course is an elective (for this or other units) or is a service course for other units

Course Details

Course goals or learning objectives/outcomes

- The objective of this course is to introduce the economic tools used to analyze regulatory and antitrust issues.
Students will learn theory and empirical methodology used to analyze market operations and government action.

Content Topic List

- Price theory, firms and cost functions
- Efficiency
- Policy in competitive markets
- Monopoly and market power
- Price discrimination
- Natural monopoly and regulation
- Patents
- Oligopoly and collusion
- Production differentiation
- Market, Structure, market power, and antitrust
- Predation, extension of monopoly
- Externalities
- Networks and standards
- Asymmetric information

Attachments

- Economics4700H-Intended Audience (2).docx: Intended Audience
(Other Supporting Documentation. Owner: Ramirez, Ana G)
- Econ4700-Syllabus AU12.pdf: Old 4700 Syllabus
(Syllabus. Owner: Ramirez, Ana G)
- Proposal.docx: Proposal-Qualitative Difference
(Statement of Qualitative Difference. Owner: Ramirez, Ana G)
- Syllabus-4700H-2014Spring.doc: Econ4700H Syllabus
(Syllabus. Owner: Ramirez, Ana G)
- FCOB econ 4700H concurrence.pdf: FCOB Concurrence
(Concurrence. Owner: Ramirez, Ana G)
- Blau ltr of support for econ 4700H 4-23.pdf: Chair LTR of Support
(Cover Letter. Owner: Ramirez, Ana G)

Comments

- Attached concurrence from FCOB. Corrected course name on Chair letter.
Corrected spelling errors on new syllabus.
Added 2001.03H to prereqs and corrected 570 to 670. *(by Ramirez,Ana G on 05/24/2013 08:44 AM)*
- - Can 2001.03H (200H) be a possible alternate prereq? It is an alternative for 4700.
-I believe there is a mistake in the course numbers of the exclusions box. Shouldn't it say: "Not open to students with credit for 4700 (570) or 5700 (670)." *(by Vankeerbergen,Bernadette Chantal on 05/23/2013 01:43 PM)*
- The letter of support from the chair refers to a different course title than all of the other supporting documents.
Please clarify. *(by Haddad,Deborah Moore on 04/19/2013 05:06 PM)*

Workflow Information

Status	User(s)	Date/Time	Step
Submitted	Ramirez,Ana G	04/19/2013 10:57 AM	Submitted for Approval
Approved	Logan,Trevon D'Marcus	04/19/2013 01:34 PM	Unit Approval
Revision Requested	Haddad,Deborah Moore	04/19/2013 05:06 PM	College Approval
Submitted	Ramirez,Ana G	04/23/2013 12:36 PM	Submitted for Approval
Approved	Logan,Trevon D'Marcus	04/23/2013 01:19 PM	Unit Approval
Approved	Haddad,Deborah Moore	04/23/2013 01:57 PM	College Approval
Revision Requested	Vankeerbergen,Bernadette Chantal	05/23/2013 01:54 PM	ASCCAO Approval
Submitted	Ramirez,Ana G	05/24/2013 08:44 AM	Submitted for Approval
Approved	Ramirez,Ana G	05/24/2013 08:45 AM	Unit Approval
Approved	Haddad,Deborah Moore	05/24/2013 10:24 AM	College Approval
Pending Approval	Nolen,Dawn Jenkins,Mary Ellen Bigler Vankeerbergen,Bernadette Chantal Hogle,Danielle Nicole Hanlin,Deborah Kay	05/24/2013 10:24 AM	ASCCAO Approval



MEMORANDUM

Date: April 15, 2013

From: David Blau

A handwritten signature in blue ink that reads "David Blau".

Chair, Department of Economics

To: Course Review Committees

Subject: Proposed new course Econ 4700H, Government and Business, Honors Section

I strongly support the new course proposed by Professor Javier Donna, Econ 4700H, Government and Business, Honors Section. The department does not have enough courses designed to serve advanced economics students, so this course will be of considerable value to students who are looking for a challenge. The prerequisites will ensure that course enrollment is limited to Honors students with a strong commitment to economics. The prerequisites are Principles of Microeconomics, Intermediate Microeconomics, and Calculus I (Math 1151). Many economics students plan to go into the private sector after graduation, and are interested in issues involving government regulation of business. Other students plan to enter the public sector, where they will be involved in government regulation. As a result, the economics of regulation and antitrust is a popular course. However, the prerequisites for the course are rather minimal. The addition of an honors version would enhance the experience of our best students.

The course is well designed to engage students in state-of-the-art research methods in the analysis of interactions among firms and consumers, and the role of government in regulating the marketplace. These are important and topical issues, and Professor Donna is an expert who can provide interested and qualified students with an unusual opportunity to learn how economists use modern quantitative methods to study these issues.

The Department of Economics will support the offering of this course on a regular basis.



PROFESSOR: Javier Donna
OFFICE: Arps Hall 417
PHONE: (614) 688-0364
EMAIL: <donna.1@osu.edu>
OFFICE HOURS: TBA or by appointment

COURSE OVERVIEW

The objective of the course is to introduce you to the economic reasoning tools to analyze regulatory and antitrust issues. We will depart from the traditional emphasis on institutions to ask how economic theory and empirical analyses can illuminate the character of market operation and the role for government action. We will bring together new developments in theory and empirical methodology to bear on these questions.

In the introduction we will focus on regulation and the role of government. Then, in Part I, we will study antitrust, focusing on the advances in economic theory and recent antitrust cases (e.g., the case against Microsoft and the Supreme Court's Kodak decision). On Part II, on economic regulation, we will study public enterprise, natural monopoly regulation (e.g., electric power) and its dynamic issues (e.g., telecommunications), regulation of transportation services (e.g., surface freight and airlines) and the problems of regulation (e.g., the U.K. railway privatization or California's electricity crisis). Finally, in Part III, on social regulation, we will discuss externalities, the value of life, environmental regulation (e.g., clean air, global commons), the regulation of workplace safety, pharmaceuticals and patents, and the regulation of the internet (e.g., should the state have protected napster?)

STRUCTURAL INDUSTRIAL ORGANIZATION APPROACH

In this course we will emphasize the importance of market structure and industrial performance, including the strategic interaction of firms. We will examine the behavior of individual markets in some detail, focusing on cost analysis, the determinants of market demand, investment behavior, market power, and the implications of government regulatory behavior. The course will be broken into three parts. In the first part, we will review firm behavior and the theory of the market. Here, we will discuss perfectly competitive markets (our benchmark), efficiency, market structure, strategic competition, and productivity. Once the foundations of the market are well understood, we will then move on to the second part of the course, where we will study economic regulation. Here, we will look at the behavior of natural monopolies and regulatory options for dealing with them. And in the third part of the course, we will study "social" regulation—focusing on environmental, health, and safety regulation. The many case studies included provide students not only pertinent insights for today but also the economic tools to analyze the implications of regulations and antitrust policies in the future.

COURSE STRUCTURE AND PREREQUISITES

You should read the relevant chapters of the required books and papers for each lecture before class. Class attendance and participation is strongly recommended. Students who miss classes are still expected to keep up with the information discussed in those classes. There will be 4 problem sets, one midterm exam, a presentation and a final exam. The syllabus is subject to change. I will notify you when I update it.

The prerequisites for this course are Calculus I (Math 1151) plus Introduction to Microeconomics (Econ 2001) or Intermediate Microeconomic Theory (calculus based, Econ 4001.02 or Econ 4001.03) or consent of instructor. *Game Theory* and *Econometrics* will be a plus. Students must also be in good-standing in the honors program.

PRESENTATIONS

There will individual student presentations (approximately 30 minutes each). You should choose one paper from the reading list to present (you should discuss it with me for approval first). The presentation will feature a discussion. The discussion will be led by the student, who will present the paper, with the expectation that everyone reads the paper in advance and participates. All students are expected to participate actively in this discussion to carefully address each of the issues brought up by the presenter and the paper's author.

COMMUNICATION

All announcements will be sent via email or through the course web page at *Carmen* (<http://carmen.osu.edu>). I will assign, occasionally, supplementary readings from *The Economist* and the *Wall Street Journal*. I will send you announcements with the links to these required additional assignments. We will use your *Buckeye* email address. Be sure your email address registered with the University is correct, your spam filters are not set too tight, and that your inbox is not full. **Emails sent to me really need to have "Econ 4700H: Government and Business" at the start of the subject heading.**

GRADING

Problem Sets:	15%
Midterm Examination:	15%
Presentation:	20%
Class Participation:	10%
Final Examination:	40%

Makeup exams will not be given. Notify me **in advance** if you have a documented medical emergency or family emergency. In that case, the weight for the missed midterm exam will be reallocated to the final exam. Travel plans are not an emergency. It is your responsibility to plan around scheduled exam times. The date of the final examination is fixed and will not be changed. If you miss the final, you will not receive credit for the class. Do not register for this course if you will be unable to take the final at the scheduled day and time.

Grade Disputes: Grade disputes impose a significant cost in terms time and energy. The best way to avoid them is to answer questions clearly and concisely. Vague or ambiguous answers will typically lead to a low grade. If you have a question or complaint about the grading of your exam, the first person to speak with is the TA who graded it. For simple matters, such as asking a question about how a question was graded or pointing out an arithmetic error in the calculation of your score, simply inform the grader of your question or problem. If your concerns are more substantial and are not satisfied after a discussion with the TA, you may ask the TA to bring your exam and concern to me. Regrade requests will be considered if they are submitted (a) in writing, and (b) after discussing the issues with your grader. I would like to discourage you from doing so. My policy is that you may ask to have your entire exam re-graded (not just one particular question), **which could ultimately result in either a higher or lower total score**. In the past, on average, re-grading exams led to an overall lower score. The reason is that almost all of the appeals resulted from lack of clarity in formulating answers, and re-reading these answers did not make them clearer. Concise and clear writing is your best course of action. Problems sets may not be disputed and will not be re-graded.

PROBLEM SETS

Homework assignments will be given periodically. **Problem sets are due at the start of the class** on the designated day (I will announce this in class). Late assignments can be handed in for (at most) **half credit** late during the class that day. No problem sets will be accepted after class. There will be no exceptions.

Fifteen per cent of your final grade will be determined by weighting equally each of the problem sets. The problem set with the lowest score will be dropped. You will be rewarded with 1% extra credit if you turn in all problem sets and obtain a positive score in each problem set.

Cooperation in doing problem sets is encouraged. You may work in groups of four students or less to discuss the problem sets. You only need to hand in one problem set per group. I encourage that every student participate actively answering every question/exercise. Handing in others' work either for this class or for other purposes as your own is not encouraged, will earn you a zero on the assignment, and referral to the University authorities.

I hope you enjoy the course. Good luck.

Week	Date	Class	Topic	Readings	Assignments
Introduction					
1	6-Jan	1	Introduction and Course Organization	Viscusi, W. Kip, John M. Vernon, and Joseph E. Harrington. Economics of Regulation and Antitrust. 4th Ed. Chaps. 1 and 2. (Hereafter "VHV")	
		2	Regulation and the Role of Government	VHV ch. 2	
Part I: Antitrust					
2	13-Jan	3	Antitrust	VHV ch. 3	
		4	Efficiency and Technical Progress	VHV ch. 4	Problem set 1
3	Jan 20*	5	Oligopoly, Collusion and Antitrust	VHV ch. 5	
		6	Market Structure and Strategic Competition	VHV ch. 6	Problem set 1 due
4	27-Jan	7	Mergers	VHV ch. 7	
		8	Vertical Mergers and Vertical Restraints	VHV. ch. 8	
Part II: Economic Regulation					
5	3-Feb	9	Economic Regulation	VHV ch. 10	
		10	Public Enterprise	VHV ch. 14	
6	10-Feb	11	Natural Monopoly Regulation and Electric Power	VHV ch. 12	
		12	Franchise Bidding: Cable Television.	VHV ch. 13	
7	17-Feb	13	Dynamic Issues in Natural Monopoly: Telecommunications	VHV ch. 15	Problem set 2
		14	Dynamic Issues in Natural Monopoly: Telecommunications II	Council of Economic Advisors. Appendix 2: "Case Study of Finnish Wireless Cluster." Klemperer, P. "How (not) to Run Auctions: The European 3G Telecom Auctions." Pp. 829-845.	
8	24-Feb	15	Review for Midterm Examination		Problem set 2 due
		16	Midterm		Midterm
9	3-Mar	17	Economic Regulation of Transportation: Surface Freight and Airlines	VHV ch. 17	
		18	Problems of Regulation: The Case of UK Railway Privatization.	Pollitt, M. G., and A. J. Smith. "The Restructuring and Privatization of British Rail: Was it really that bad?" Pp. 463-502.	
	Mar 10**				

Part III: Health, Safety, and Environmental Regulation

10	17-Mar	19	Problems of Regulation: The Case of Californian Electricity Deregulation.	Joskow, P. "California's Electricity Crisis." Pp. 365-388.	
		20	Externalities	VHV ch. 19	
11	24-Mar	21	The Value of Life	VHV. ch. 20	Problem set 3
		22	Environmental Regulation I	VHV. ch. 21 Hahn, Robert W. "Economic Prescriptions for Environmental Problems: How the Patient Followed the Doctor's Orders." Pp. 95-114.	
12	31-Mar	23	Environmental Regulation 2: Markets for Clean Air	Joskow, P. L., R. Schmalensee, and E. M. Bailey. "The Market for Sulfur Dioxide Emissions." Pp. 669-85.	Problem set 3 due
		24	Environmental Regulation 3: Regulating the Global Commons	Chichilinsky, G., and G. Heal. "Global Environmental Risks." Pp. 65-86.	
13	7-Apr	25	The Regulation of Workplace Safety, Pharmaceuticals and Patents	VHV ch. 23 and 24	
		26	Guest Speaker	TBA	Problem set 4
14	14-Apr	27	Regulation of the Internet: Should the State have Protected Napster?	Klein, B., A. V. Lerner, and K. M. Murphy. "The Economics of Copyright 'Fair Use' in a Networked World." Pp. 204-208. Boldrin, M., and D. Levine. "The Case Against Intellectual Property." Pp. 209-212. Silva, F., and G. B. Ramello. "Sound Recording Market: The Ambiguous Case of Copyright and Piracy." Pp. 415-442.	
		28	Concluding Remarks and Revision for Final Exam		Problem set 4 due
15	Apr 21***				

* Martin Luther King Day - no classes on Mon, Apr 21

** Spring Break begins - no classes

*** Last day of regularly scheduled semester and second-session classes is Mon, Apr 21.

FINAL EXAMINATION FOR SEMESTER: April 23-29 (Wed-Tue) in our regular class room

TEXTBOOKS

- Viscusi, W. Kip, Joseph E. Harrington, and John M. Vernon. *Economics of Regulation and Antitrust* (Cambridge, MA: MIT Press, August 2005, 4th edition).
- Jeffrey Church and Roger Ware, *Industrial Organization: A Strategic Approach* (Irwin McGraw-Hill, 2000, 1st edition). Free PDF version available online [here](#).

SUPPLEMENTARY READING

This following reading list contains the references for the papers discussed in class and available for student presentations.

The Role of Government

- Crews, C. W. Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State. 2002 Edition. Washington D.C.: Cato Institute, 2002. Available at: http://www.cato.org/tech/pubs/10kc_2002.pdf.

Markets

- Cowling, K., and D. C. Mueller. "The Social Costs of Monopoly Power." *Economic Journal* 88 (December 1978): 727-48.
- Harberger, A. C. "Monopoly and Resource Allocation." *American Economic Review* 44 (1954): 77-87.
- Leibenstein, H. "Allocative Efficiency vs. X-Inefficiency." *American Economic Review* 56, 3 (1966): 392-415.

Public Enterprise

- Alchian, A. A. "Some Economics of Property Rights." *Il Politico* 30 (1965): 816-829.
- Baron, D. P., and R. B. Myerson. "Regulating a Monopolist with Unknown Costs." *Econometrica* 50 (1982): 911-930.
- Boycko, M., A. Shleifer, and R. W. Vishny. "A Theory of Privatization." *Economic Journal* 106 (1996): 309-19.
- Domah, P. D., and M. G. Pollitt. "The Restructuring and Privatization of Electricity Distribution and Supply Businesses in England and Wales: A Social Cost-Benefit Analysis." *Fiscal Studies* 22, 1 (2001): 107-146.
- Gleaser, E. L. "Public Ownership in the American City." Harvard Institute of Economic Research Working Paper No. 1930. 2001.
- Hart, O., A. Shleifer, and R. W. Vishny. "The Proper Scope of Government: Theory and Application to Prisons." *Quarterly Journal of Economics* 112, 4 (1997): 1127-58.
- Megginson, W. L., and J. M. Netter. "From State to Market: A Survey of Empirical Studies on Privatization." *Journal of Economic Literature* 39, 2 (June 2001): 321-89.

- Milgrom, P., and J. Roberts. "Bargaining Activity, Influence Costs, and the Organization of Economic Activity." Chap. 3 in *Perspectives on Positive Political Economy*. Edited by J. E. Alt and K. A. Sheple. Cambridge: Cambridge University Press, 1990.
- Niskanen, W. A. "The Peculiar Economics of Bureaucracy." *American Economic Review, Papers and Proceedings* 58 (1968): 298-305.
- Parker, D., and K. Hartley. "Organizational Status and Performance: The Effects on Employment." *Applied Economics* 23 (1991): 403-416.
- Peltzman, S. "Pricing in Public and Private Enterprises and Electric Utilities in the United States." *Journal of Law and Economics* 14 (1971): 109-147.
- Vickers, J. S., and G. K. Yarrow. "Economic Perspectives on Privatization." *Journal of Economic Perspectives* 5, 2 (1991): 111-132.

Regulating Natural Monopolies: Electric Power Example

- Demsetz, H. "Why Regulate Utilities?" *Journal of Law and Economics* 11 (1968): 55-65.
- Joskow, P. "Restructuring, Competition and Regulatory Reform in the U.S. Electricity Sector." *Journal of Economic Perspectives* 11, 3 (1997): 119-138.
- Shleifer, A. "A Theory of Yardstick Competition." *Rand Journal of Economics* 16 (1985): 319-327.

Franchise Bidding: The Case of Cable Television

- Pollitt, M. G. "The Declining role of the State in Infrastructure Investments in the UK." Chap. 8:1 in *Private Initiatives in Infrastructure: Priorities, Incentives and Performance*. Edited by M. Tsuji, S. V. Berg, and M. G. Pollitt. Aldershot: Edward Elgar, 2002. Available at: <http://www.econ.cam.ac.uk/dae/repec/cam/pdf/WP0001.PDF>.
- Williamson, O. E. *Markets and Hierarchies, Analysis and Antitrust Implications: A Study in the Economics of Internal Organization*. New York: Free Press, 1975.
- Williamson, O. E. "Franchise Bidding for Natural Monopolies – In General and with Respect to CATV." *Bell Journal of Economics* 7 (Spring 1976): 73-104.

Dynamic Issues in Natural Monopoly Regulation: Telecommunication Example 2

- Funk, J. L. "Competition between Regional Standards and the Success and Failure of Firms in the World-Wide Mobile Communication Market." *Telecommunications Policy* 22, 4/5 (1998): 419-441.
- Binmore, K., and P. Klemperer. "The Biggest Auction Ever: The Sale of the British 3G Telecom Licenses." *Economic Journal* 112 (Mar. 2002): C74-C96.

Transportation Regulation

- Morrison, S. A., and C. Winston. *The Evolution of the Airline Industry*. Washington D.C.: Brookings Institution, 1995.

Problems of Regulation: The Case of UK Railway Privatization

- Evans, A. W. "Fatal Train Accidents on Britain's Mainline Railways." *Journal of the Royal Statistical Society A* 163 (2000): 99-119.
- Evans, A. W. "Are Train Accident Risks Increasing?" *Modern Railways* 59 (August 2002): 49-51.
- Jones, L. P., P. Tandon, and I. Vogelsang. *Selling Public Enterprise. A Cost-Benefit Methodology*. Cambridge, Mass.: MIT Press, 1990.

Problems of Regulation: The Case of Californian Electricity Deregulation

- Hogan, W. *Competitive Electricity Market Design: A Wholesale Primer*. Cambridge, Mass.: Kennedy School, 1998. Available at: <http://www.hks.harvard.edu/fs/whogan/empr1298.pdf>.
- Joskow, P. "California's Electricity Crisis." *Oxford Review of Economic Policy* 17, 3 (2001): 365-388.
- Sweeney, J. *The California Electricity Crisis*. Stanford: Hoover Institution, 2002.

Externalities

- Viscusi, W. K. *Risk by Choice: Regulating Health and Safety in the Workplace*. Cambridge MA: Harvard University Press, 1983.
- **The Value of Life**
- Beattie, J., J. Covey, L. Dolan, M. Hopkins, M. Jones-Lee, G. Lommes, N. Pidgeon, A. Robinson, and A. Spencer. "On the Contingent Valuations of Safety and the Safety of Contingent Valuations: Part 1 – Caveat Investigator." *Journal of Risk and Uncertainty* 17, 1 (1998): 5-25.
- Brookshire, D., M. Thayer, W. Schulze and R. d'Arge. "Valuing Public Goods: A Comparison of Survey and Hedonic Approaches." *American Economic Review* 72 (1982): 165-77.
- Dardis, R. "The Value of Life: New Evidence from the Marketplace." *American Economic Review* 70, 5 (1980): 1077-1082.

Environmental Regulation 2 – Markets for Clean Air

- Burtraw, D., A. Krupnick, E. Mansur, D. Austin, and D. Farrell. "Costs and Benefits of Reducing Air Pollutants Related to Acid Rain." *Contemporary Economic Policy* 16, 4 (Oct. 1998): 379-400.
- Ellerman, A. D. "Ex Post Evaluation of Tradable Permits: The U.S. SO₂ Cap-and-Trade Program." Center for Energy and Environmental Policy, MIT, Research WP-2003-003. Available at: <http://web.mit.edu/ceep/www/publications/emissions.html>.
- Ellerman, A. D., P. L. Joskow, and D. Harrison, Jr. *Emissions Trading in the U.S.: Experience, Lessons and Considerations for Greenhouse Gases*. Report for Pew Center on Climate Change. Arlington, VA, 2003.
- Sweeney, J. *The California Electricity Crisis*. Stanford: Hoover Institution, 2002. Available at: <http://www.hoover.org/publications/books/8325>.

Environmental Regulation 3 – Regulating the Global Commons

- Jacoby, H. D., R. S. Eckaus, A. D. Ellerman, R. G. Prinn, D. M. Reiner, and Z. Yang. CO2 Emissions Limits: Economic Adjustments and the Distribution of Burdens. Report No.9, MIT Joint Program on the Science and Policy of Global Change. 1996. Available at: <http://web.mit.edu/globalchange/www/rpt9.html>.
- Reilly, J. M., H. D. Jacoby, and R. G. Prinn. Multi-Gas Contributors to Global Climate Change: Climate Impacts and Mitigation Costs of Non-CO2 Gases. Report for Pew Center on Climate Change. Arlington, V.A., 2003.
- Tol, R. S. J. "The Marginal Costs of Greenhouse Emissions." *Energy Journal* 20, 1 (1999): 61-81.
- Webster, M., C. Forest, J. Reilly, M. Babiker, D. Kicklighter, M. Mayer, R. Prinn, M. Sarofim, A. Sokolov, P. Stone, and C. Wang. Uncertainty Analysis of Climate Change and Policy Response. Report No. 95, MIT Joint Program on Science and Policy of Global Change. 2002. Available at: http://web.mit.edu/globalchange/www/MITJPSPGC_Rpt95.pdf.

The Regulation of Workplace Safety

- Akerlof, G. A. "The Market for Lemons: Qualitative Uncertainty and the Market Mechanism." *Quarterly Journal of Economics* 84 (1970): 488-500.
- Hersch, J., and W. K. Viscusi. "Cigarette Smoking, Seatbelt Use, and Differences in Wage-Risk Tradeoffs." *Journal of Human Resources* 25, 2 (1990): 202-27.
- Moore, M. J., and W. K. Viscusi. "Doubling the Estimated Value of Life: Results Using New Occupational Fatality Data." *Journal of Policy Analysis and Management* 7 (1990): 476-90.
- Ruser, J., and R. S. Smith. "The Effect of OSHA Records Check Inspections on Reported Occupational Injuries in Manufacturing Establishments." *Journal of Risk and Uncertainty* 1, 4 (1988): 415-35.
- Viscusi, W. K., and M. J. Moore. "Workers' Compensation: Wage Effects, Benefit Inadequacies, and the Value of Health Losses." *Review of Economics and Statistics* 69 (1987): 249-61.
- Viscusi, W. K., and C. O'Connor. "Adaptive Responses to Chemical Labelling: Are Workers Bayesian Decision Makers?" *American Economic Review* 74, 5 (1984): 942-56.

Pharmaceuticals

- Congressional Budget Office. How Increased Competition from Generic Drugs has affected Prices and Returns from the Pharmaceutical Industry. July 1998. Available at: <http://www.cbo.gov>.
- Nordhaus, W. D. *Invention, Growth and Welfare*. Cambridge, Mass.: MIT Press, 1969.

Regulation of the Internet: Should the State have Protected Napster?

- Landes, W. M., and R. A. Posner. "An Economic Analysis of Copyright Law." *Journal of Legal Studies* 18, 2 (1989): 325-36.

DISABILITY SERVICES:

If you have a documented disability, please register with the Office for Disability Services (ODS). After registration, make arrangements with me as soon as possible to discuss your accommodations so that they can be implemented in a timely fashion. If you have any questions about this process please contact ODS at (614) 292-3307. All discussions will remain confidential.

ECONOMICS LEARNING CENTER

The Department of Economics runs the Economics Learning Center (ELC). The ELC provides free peer tutoring in Economics 2001, 2002, 4001 & 4002 200, 201, 501 & 502 (and other courses, as available). Assistance with other classes is frequently available. The ELC is located in 311 Arps Hal and is typically open from 9am-5pm Monday-Friday starting the second (full) week of the semester. Note that the purpose of the tutoring center is not to provide answers to assignments, but to help students learn economics. As the student, you are ultimately responsible for all course work you submit. More information can be found here:

<https://economics.osu.edu/economics-learning-center>

ACADEMIC MISCONDUCT

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as "any activity that tends to compromise the academic integrity of the University, or subvert the educational process". Examples of academic misconduct include—but are not limited to—plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. Ignorance of the University's Code of Student Conduct is never considered an excuse for academic misconduct. I recommend that you review the Code of Student Conduct. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). Therefore, if I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. For additional information, see the Code of Student Conduct:

http://studentaffairs.osu.edu/resource_csc.asp

Other sources of information on academic misconduct and integrity to which you can refer include:

- The Committee on Academic Misconduct:
www.oaa.osu.edu/coam/home.html
- Ten Suggestions for Preserving Academic Integrity:
www.oaa.osu.edu/coam/ten-suggestions.html



ECON 4700: GOVERNMENT AND BUSINESS
DEPARTMENT OF ECONOMICS, THE OHIO STATE UNIVERSITY

Autumn 2012

CLASSES: Tue and Thu, 12:45pm-2:05pm—Bldg: Koffolt Lab, Rm 207

PROFESSOR: Javier Donna
OFFICE: Arps Hall 417
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OFFICE HOURS: Tue and Thu, 2:20pm-3:20pm or by appointment

COURSE OVERVIEW

This course is an introductory class to modern industrial organization (IO). IO is the field of economics that studies how firms behave, how markets are structured, and how they interact with each other. We will combine the latest theories with empirical evidence about the organization of firms and markets. We will discuss issues that arise from the market structure and business practices—such as price discrimination and strategic behavior—, the role of information and advertisement, and the government's role in antitrust policy and regulating industries.

TEXTBOOK

- Carlton D. and J. Perloff, *Modern Industrial Organization*, 4th Ed., HarperColins (CP)

READING

- Dasgupta, P., *Economics: A Very Short Introduction* (D)
- Friedman M. and R. Friedman, *Free to Choose: A Personal Statement* (FF)
- Seabright, P., *The Company of Strangers: A Natural History of Economic Life* (S)

TENTATIVE COURSE OUTLINE

WEEK STARTS	TOPICS	REQUIRED CHAPTERS	
		CP	READING
Aug 20*	Intro and Course Organization	1	D—Preface, prologue, 1
Aug 27	Firm, Costs and Competition	2 & 3	D—2, 3, 4
Sep 3	Monopolies and Monopsonies	4	D—5, 6
Sep 10	Cartels and Oligopolies	5 & 6	D—7, 8
Sep 17	Review and Midterm I on Thu Sep 20 (in class exam)		FF—Preface, intro
Sep 24	Midterm Discussion and Monopolistic Competition I	7	FF—1, 2, 3, 4
Oct 1	Monopolistic Competition II and Industry Structure	7 & 8	FF—5, 6, 7, 8
Oct 8	Price Discrimination and Non Linear Pricing	9 & 10	FF—9, 10
Oct 15	Mixed Bundling and Strategic Behavior	10 & 11	S—Intro, 1
Oct 22	Review and Midterm II on Thu Oct 25 (in class exam)		S—2, 3, 4
Oct 29	Vertical Integration, Double Marginalization and Durability	12 & 15	S—5, 6, 7
Nov 5	Asymmetric Information and Advertising	13 & 14	S—8, 9, 10,
Nov 12	Game Theory and Applications	Class notes	S—11, 12, 13
Nov 19**	Market Failure I: Externalities	Class notes	S—14, 15, 16
Nov 26	Market Failure II: Public Goods	Class notes	S—17, 18
Dec 3***	Review	Class notes	

* Classes begin on Aug 22 - no classes on Aug 21

** Thanksgiving Break begins - no classes on Nov 22

*** Last week of classes- no classes on Dec 6

FINAL EXAMINATION: Wednesday, Dec 12 from 2:00pm-3:45pm in our regular class room

COURSE STRUCTURE AND PREREQUISITES

You should read the relevant chapters of the required books for each lecture before class. Class attendance and participation is strongly recommended. Students who miss classes are still expected to keep up with the information discussed in those classes. There will be 5-8 Problem Sets, two midterms exam, and a final exam. The syllabus is subject to change. I will notify you when I update it.

The prerequisite for this course is *Principle of Microeconomics*, Econ 2001 (Econ 200 with the old quarter course numbering).

COMMUNICATION

All announcements will be sent via email or through the course web page at *Carmen* (<http://carmen.osu.edu>). I will assign, occasionally, supplementary readings from *The Economist* and the *Wall Street Journal*. I will send you announcements with the links to these required additional assignments. We will use your *Buckeye* email address. Be sure your email address registered with the University is correct, your spam filters are not set too tight, and that your inbox is not full. **Emails sent to me really need to have "Econ 4700: Government and Business" at the start of the subject heading.**

GRADING

Midterm Examination I:	20% (Thu Sep 20, in class exam)
Midterm Examination II:	20% (Thu Oct 25, in class exam)
Problem Sets:	20%
Final Examination:	40% (Wed, Dec 12, 2:00pm-3:45pm, in our regular class room)

Makeup exams will not be given. Notify me **in advance** if you have a documented medical emergency or family emergency. In that case, the weight for the missed midterm exam will be reallocated to the final exam. Travel plans are not an emergency. It is your responsibility to plan around scheduled exam times. The date of the final examination is fixed and will not be changed. If you miss the final, you will not receive credit for the class. Do not register for this course if you will be unable to take the final at the scheduled day and time.

Grade Disputes: Grade disputes impose a significant cost in terms time and energy. The best way to avoid them is to answer questions clearly and concisely. Vague or ambiguous answers will typically lead to a low grade. If you have a question or complaint about the grading of your exam, the first person to speak with is the TA who graded it. For simple matters, such as asking a question about how a question was graded or pointing out an arithmetic error in the calculation of your score, simply inform the grader of your question or problem. If your concerns are more substantial and are not satisfied after a discussion with the TA, you may ask the TA to bring your exam and concern to me. Regrade requests will be considered if they are submitted (a) in writing, and (b) after discussing the issues with your grader. I would like to discourage you from doing so. My policy is that you may ask to have your entire exam re-graded (not just one particular question), **which could ultimately result in either a higher or lower total score.** In the past, on average, re-grading exams led to an overall lower score. The reason is that almost all of the appeals resulted from lack of clarity in formulating answers, and re-reading these answers did not make them clearer. Concise and clear writing is your best course of action. Problems sets may not be disputed and will not be re-graded.

PROBLEM SETS

Homework assignments will be given periodically. **Problem sets are due at the start of the class** on the designated day (I will announce this in class). Late assignments can be handed in for (at most) **half credit** late during the class that day. No problem sets will be accepted after class. There will be no exceptions.

Twenty per cent of your final grade will be determined by weighting equally each of the problem sets. The problem set with the lowest score will be dropped. You will be rewarded with 1% extra credit if you turn in all problem sets and obtain a positive score in each problem set.

Cooperation in doing problem sets is encouraged. You may work in groups of four students or less to discuss the problem sets. You only need to hand in one problem set per group. I encourage that every student participate actively answering every question/exercise. Handing in others' work either for this class or for other purposes as your own is not encouraged, will earn you a zero on the assignment, and referral to the University authorities.

I hope you enjoy the course. Good luck.

DISABILITY SERVICES:

If you have a documented disability, please register with the Office for Disability Services (ODS). After registration, make arrangements with me as soon as possible to discuss your accommodations so that they can be implemented in a timely fashion. If you have any questions about this process please contact ODS at (614) 292-3307. All discussions will remain confidential.

ECONOMICS LEARNING CENTER

The Department of Economics runs the Economics Learning Center (ELC). The ELC provides free peer tutoring in Economics 2001, 2002, 4001 & 4002 200, 201, 501 & 502 (and other courses, as available). Assistance with other classes is frequently available. The ELC is located in 311 Arps Hal and is typically open from 9am-5pm Monday-Friday starting the second (full) week of the semester. Note that the purpose of the tutoring center is not to provide answers to assignments, but to help students learn economics. As the student, you are ultimately responsible for all course work you submit. More information can be found here:

<https://economics.osu.edu/economics-learning-center>

ACADEMIC MISCONDUCT

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as "any activity that tends to compromise the academic integrity of the University, or subvert the educational process". Examples of academic misconduct include—but are not limited to—plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. Ignorance of the University's Code of Student Conduct is never considered an excuse for academic misconduct. I recommend that you review the Code of Student Conduct. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). Therefore, if I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. For additional information, see the Code of Student Conduct:

http://studentaffairs.osu.edu/resource_csc.asp

Other sources of information on academic misconduct and integrity to which you can refer include:

- The Committee on Academic Misconduct:
www.oaa.osu.edu/coam/home.html
- Ten Suggestions for Preserving Academic Integrity:
www.oaa.osu.edu/coam/ten-suggestions.html

Economics 4700H Honors Government and Business

Proposal

Dear members of the Honors & Scholars Faculty Advisory Committee—

The Department of Economics at The Ohio State University has a shortage of dedicated honors classes. I propose a new honors course to satisfy this demand: *Government and Business, Economics 4700H*. Below is a description of the aims of the course I propose.

Government and Business is a stand-alone honors course. The closest currently offered non-honor course to the one I propose is *Government and Business, Economics 4700*, which I taught during Fall 2012. There are significant differences between the course I propose, *Government and Business Honors*, and *Government and Business*. First, the course contents differ substantially. *Government and Business* is an introductory class to modern industrial organization. In this class the students learn the issues that arise from the market structure and business practices—such as price discrimination and strategic behavior—, the role of information and advertisement, and a **descriptive** analysis of the government's role in antitrust policy and regulating industries. In contrast, in my proposed *Honors* course, the objective is to provide the students with the **quantitative** economic tools to analyze regulatory and antitrust issues. In this course we will depart from the traditional emphasis on institutions to ask how economic theory and empirical analyses can illuminate the character of market operation and the role for government action. We will bring together new developments in theory and empirical methodology to bear on these questions. In the first part of the course, we begin with an introduction centered on regulation and the role of government, followed by a study of antitrust policy that focuses on the advances in economic theory and recent antitrust cases (e.g., DOJ v. Microsoft, and the US Supreme Court v. Kodak). The second part of the course, which focuses on economic regulation, will study public enterprise, natural monopoly regulation (e.g., electric power) and its dynamic issues (e.g., telecommunications), regulation of transportation services (e.g., surface freight and airlines) and the problems of government regulation (e.g., U.K. railway privatization, California's electricity crisis). The final part of the proposed course, which is centered on social regulation, will discuss externalities, the value of life, environmental regulation (e.g., clean air, global commons), the regulation of workplace safety, pharmaceuticals and patents, and the regulation of the internet (where we will study questions like "*should the state have protected*

Napster?"). I attach with my application both syllabi for your consideration.

Another important difference between my proposed course and *Government and Business* is the student audience that is being targeted. *Government and Business* class is intended for interested students from other programs and/or those pursuing a minor in economics without mathematical background. In contrast, the intended audience for the *Honors course*, are honor students with a solid mathematical background. This is because the tools that are required in *Econ4700H* to analyze the aforementioned applications demand knowledge of calculus. While the only prerequisite for *Government and Business* is *Introduction to Microeconomics* (Econ 2001), the prerequisites for *Economics of Regulation and Antitrust* are *Calculus I* (Math 1151) plus *Introduction to Microeconomics* (Econ 2001) or Intermediate Microeconomic Theory (calculus based, Econ 4001.02 or Econ 4001.03). This will help attract a wider number of students with the required math background for the course.

Finally, the teaching approach of *Econ4700H* is markedly different. The content of *Government and Business* is almost exclusively based on the textbook. This is because of the aforementioned background of its students that requires a substantial investment in basic economic concepts without using sophisticated (calculus-based) mathematical techniques. Unlike *Government and Business*, the topics in *the honors course* go beyond the textbook. Its content is complemented with an extensive reading list that contains references to scientific papers that are discussed in class and available for student presentations (a complete reading list can be found in the attached syllabus). It is important to emphasize that students are not expected to master the whole content of the papers. The objective of this approach is to foster students' intellectual curiosity and research skills. Specifically, the course combines traditional lectures with real-world cases where the students are placed in the role of the decision maker as they analyze the case situation and identify the problem they are faced with. Students problem-solving skills will be evaluated by an oral presentation. The presentation will feature a discussion lead by the student with the expectation that the entire class reads the paper (case) in advance and participates. All students are expected to actively participate in this discussion and carefully address each of the issues brought up by the presenter and the paper's author.

To additionally foster students intellectual growth, I will invite an outside guest speaker with expertise in one of the topics analyzed in the course based on the students' interests.

Economics 4700H

Honors Government and Business

Intended Audience

This course is intended to serve advanced economics students at The Ohio State University. It will be open to majors, minors, and other students, provided students have taken the prerequisites. The prerequisites for this course are Calculus I (Math 1151) plus Introduction to Microeconomics (Econ 2001) or Intermediate Microeconomic Theory (calculus based, Econ 4001.02 or Econ 4001.03). Students must also be in good-standing in the honors program.

Because of the preparation required, the target audience for this course will be primarily sophomores and juniors, looking for an advanced economic elective. This course is also intended to help prepare students who are planning to complete a senior thesis in economics.

The teaching approach of the course, which combines traditional lectures with real-world cases (see attached proposal for details), requires limiting enrollment. Like honors seminar courses, this course will be capped at 35. This should allow for sufficient participation and engagement from all members of the class.

Ohio State Department Course Review Concurrence Form

The purpose of this form is to provide a simple system of obtaining departmental reactions to proposed new courses, group studies, study tours, workshop requests, and course changes. A letter may be substituted for this form.

Academic units initiating a request which requires such a reaction should complete Section A of this form and send a copy of the form, course request, and syllabus to each of the academic units that might have related interests in the course. Initiating units should allow at least two weeks for responses.

Academic units receiving this form should response to Section B and return the form to the initiating unit. Overlap of course content and other problems should be resolved by the academic units before forwarding this form and all other accompanying documentation to the Office of Academic Affairs.

A. Information from academic unit *initiating* the request:

Initiating Academic Unit: Economics

Date: 4/22/2013

Registrar's Listing: Government and Business

Course Number: 4700H Level: U ☒ P ☐ G ☐

Credit Hours: 3

Course Title: Government and Business Honors

Type of Request: ☐ New Course ☐ Group Studies ☐ Workshop ☐ Study Tour ☒ Course Change

Academic Unit with related interests asked to review the request (use a separate form for each unit while requesting concurrences from multiple units):

Date responses are needed: April 29, 2013

B. Information from academic units *reviewing* the request:

- ☒ The academic unit **supports** the proposal
☐ The academic unit **does not support** the proposal.
Please explain:

☐ The academic unit suggests:

Signature of Department Chair

Signature of Graduate Studies Chair (if applicable)

Rat West Associate Dean of Undergraduate Programs
Fisher College of Business