

Regulatory Economics 680EconS

Second semester, 2022-2023, Section:72346

Instructor Information

Instructor
Nawwaf M. Aljulaifi
Prerequisite Course
NONE
1st Midterm exam

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2nd midterm exam

Office Location & Hours
S209, M & W, 12-1PM, and by appointment
Lectures
CBA 76, Wednesday. 8AM -11:35AM
Final Exam
T, 02/21/2023-1444/08/01, 10:30AM- 12:30PM

General Information

Course Rational

This course in Organizational economics prepares Ph.D. students for further study in the field. The course aims at clarifying the way in which the principles and basics of the economic theory, quantitative analytical tools, can be applied on economic resources and environmental issues. This will be done by studying approaches to projects appraisal on the microeconomic level, with a wide range of related policies. The course also aims at studying approaches to analyzing of costs and benefits, monetary valuation of the environment, pollution and sustainable development, externalities, optimal utilization of renewable and non-renewable natural resources.

Theoretical and empirical methods related to: market structure, pricing, and problems of market failure in industries. Public utilities regulation and network industries such as electricity, gas, telecom and water.

Expectations and Goals

The major objectives of this class are:

- (I) To enhance the student's ability to conduct professional economic research and to develop and present professional proposals, papers, and presentations.
- (II) To increase the student's ability to analyze environmental policies through a deeper understanding of economic behavior and incentives, economic institutions, property rights and contracts.
- (III) Students should have a familiarity with the application of microeconomic theory to the major issues in regulation including antitrust, traditional public utility regulation, and current proposals to alter the regulatory landscape and deregulation and re-regulation.

The course presumes that students are familiar with microeconomic theory, game theory, and some econometrics.

Course Materials

Required Materials (Texts and assigned Reading)

- **MWG** A. Mas-Colell, M. Whinston and J. Green, Microeconomic Theory, Oxford University Press, New York, 1995.
- **EA&MG**: A. Espinola-Arredondo and F. Munoz-Garcia. Common Pool Resources: Strategic Behavior, Inefficiencies, and Incomplete Information, Cambridge University Press (August 31, 2021).
- **B&P**: Belleflamme, P., & Peitz, M. (2018). *Industrial Organization: Markets and Strategies*. Cambridge University Press.
- **C&K&Z**: Carraro, C., Katsoulacos, Y. S., & Xepapadeas, A. (2011). *Environmental policy and market structure*. Springer.
- **Kolstad**: Kolstad: Charles Kolstad, Environmental Economics, Oxford University Press, 2000.
- **T**: Tirole, J. (1998). The theory of industrial organization. MIT Press.
- **VHM**: Viscusi, W. K., Harrington, J. E., & Michael, S. D. E. (2018). Economics of regulation and Antitrust. The MIT Press.

You are not expected to read everything that is on this list. However, the readings marked with a "snowflake" should be read in advance of the corresponding class.

Assignments and Evaluation

One midterm and four assignments will count 20% and 35% respectively in determining the course grade. A Presentation/submission of a 15-page proposal for your own paper idea. Submission of the 15-page proposal is due on or before the last class meeting February 15th, 2023; no late submissions will be accepted. A brief oral presentation of the proposal is also required and will be scheduled for the last two weeks of the semester. Midterm and final makeup's are possible only if reasons beyond the student's control can be verified. Please note that all items in this syllabus are subject to change at the discretion of the professor.

Grading Scale

Assignments	Number	Percentage
Homework	3	35%
Written Proposal	1	30%
Oral Presentation	2	35%
Total	6	100%

A+	95-100
A	90-94
B+	85-89
B	80-84
C+	75-79
C	70-74
D+	65-69
D	60-64
F	<60

Tentative Class Calendar and Topics:

Date	Topic	Assignment
Week 1 1444/5/13 2022/12/7	Introduction Introduction to Economics Regulation Introduction to the Market Failures	Ch:10 VMH
Week 2 1444/5/20 2022/12/14	Introduction to Antitrust Recommended Reading <i>Articles:</i> Antitrust: <ul style="list-style-type: none"> ➤ Steven C. Salop and Lawrence J. White, "Private Antitrust Litigation: An Introduction and Framework," in Lawrence J. White, ed., Private Antitrust Litigation: New Evidence, New Learning (Cambridge, Mass.: MIT Press,1989). ➤ William P. Rogerson, "The Social Costs of Monopoly and Regulation: A Game-Theoretic Analysis," Bell Journal of Economics 13 (Autumn 1982): 391-401. ➤ Lagerlof, J. and P. Heidhues (2005) "On the desirability of an efficiency defense in merger control," International Journal of Industrial Organization, 23, 803-27. ➤ Cooper, James C., Luke Froeb, Dan O'Brien, and Michael Vita, "Vertical Antitrust Policy as a Problem of Inference," International Journal of Industrial Organization, 23 (2005), 639-664. ➤ Winter, Ralph A. "Vertical Control and Price versus Nonprice Competition," Quarterly Journal of Economics, (February 1993), 61-76. ➤ j. Sproul, Michael. "Antitrust and Prices." Journal of Political Economy (August 1993): 741-754. ➤ k. Andrade, Gregor, et. al. "New Evidence and Perspective on Mergers." Journal of Economic Perspectives (Spring 2001): 103-120. ➤ Einav, L. and L. Jonathan (2010), "Empirical Industrial Organization: A Progress Report," Journal of Economic Perspectives, 145-162. 	Ch:3 VMH Submission of the first homework (Topics)

Advertising:

- Becker, G. and K. Murphy (1993) A simple theory of advertising as a good or bad, *Quarterly Journal of Economics*, 941-65.
- Milgrom, P. and J. Roberts (1986) Price and advertising signals of product quality, *Journal of Political Economy*, 796-721.
- Johnson, J.P. and D.P. Myatt (2006) On the simple economics of advertising, marketing, and product design, *American Economic Review*, 756-84.

Product differentiation, price, and non-price competition:

- Aguirre, I., Cowan, S., & Vickers, J. (2010). Monopoly price discrimination and demand curvature. *American Economic Review*, 100(4), 1601-1615. <https://doi.org/10.1257/aer.100.4.1601>
- Church, J., & Gandal, N. (1993). Complementary network externalities and technological adoption. *International Journal of Industrial Organization*, 11(2), 239-260. [https://doi.org/10.1016/0167-7187\(93\)90006-x](https://doi.org/10.1016/0167-7187(93)90006-x)
- Gal-Or, E., & Dukes, A. (2003). Minimum differentiation in commercial media markets. *Journal of Economics & Management Strategy*, 12(3), 291-325. <https://doi.org/10.1162/105864003322309491>
- Liu, Q., & Serfes, K. (2004). Quality of Information and oligopolistic price discrimination. *Journal of Economics Management Strategy*, 13(4), 671-702. <https://doi.org/10.1111/j.1430-9134.2004.00028.x>
- Moghadam, H. M. (2019). Price and non-price competition in an oligopoly: An analysis of relative payoff maximizers. *Journal of Evolutionary Economics*, 30(2), 507-521. <https://doi.org/10.1007/s00191-019-00653-8>.

Externalities & Environmental Policy:

- Oxoby R. and J. Spraggon (2009), *Game Theory For Playing games: Sophistication in a Negative Externality Experiment*, *Economic Inquiry*, Forthcoming.
- Erik T. Verhoef (1999), *Externalities*, In: J.C.J.M. van den Bergh (ed.), *Handbook of Environmental and Resource Economics* Edward Elgar, Cheltenham, 197-214
- Hal R. Varian (1994), *A Solution to the Problem of Externalities When Agents Are WellInformed*, *The American Economic Review*, Vol. 84, No. 5, pp. 1278-1293
- Montero, J.-P. (2008), *A simple auction mechanism for the optimal allocation of the commons*, *American Economic Review*, March.
- Spulber, D. (1988), *Optimal environmental regulation under asymmetric information*, *Journal of Public Economics* 35, 163-181.
- Ana Espinola-Arredondo (2008), *Green Auctions: A biodiversity study of mechanism design with externalities*, *Ecological Economics*, vol. 67(2), pages 175-183
- Tracy Lewis (1996), *Protecting the Environment When Costs and Benefits are Privately Known*, *Rand Journal of Economics* 27 (4), 819-847.

Environment and Game Theory:

- * Espinola-Arredondo, A. (2009) *Free-riding and Cooperation in Environmental games*, *Journal of Public Economic Theory*, Volume 11, Issue 1, Pages 119-158.
- Espínola-Arredondo, A., & Muñoz-García, F. (2013). Asymmetric Information may protect the commons: The welfare benefits of uninformed regulators. *Economics Letters*, 121(3), 463-467. <https://doi.org/10.1016/j.econlet.2013.09.032>
- Espínola-Arredondo, A., & Muñoz-García, F. (2013). When does environmental regulation facilitate entry-detering practices. *Journal of Environmental Economics and Management*, 65(1), 133-152. <https://doi.org/10.1016/j.jeem.2012.06.001> .

Date	Topic	Assignment
	<ul style="list-style-type: none"> ➤ Espínola-Arredondo, A., & Muñoz-García, F. (2014). Why do firms oppose entry-deterrence policies? environmental regulation and entry deterrence. <i>Environment and Development Economics</i>, 20(2), 141-160. https://doi.org/10.1017/s1355770x14000138. 	
Week 3		
1444/5/27 2022/12/21	Continue to Introduction to Antitrust	Ch:5,6,7 VMH
Week 4		
1444/6/4 2022/12/28	Continue to Introduction to Antitrust	Ch:8,9 VMH
Week 5		
1444/6/11 2023/1/4	Theory of Natural Monopoly	CH:11, 12 VMH
	<p>Submission of written Proposal (First Draft) (Research Questions, the methodology)</p>	First Draft
Week 6		
1444/6/18 2023/1/11	<p>Franchise Bidding and Cable Television & Public Enterprise</p>	CH:13 &14
Week 7		
1444/6/25 2023/1/18	<p>The Regulation of Potentially Competitive Markets: Theory and Estimation Methods</p>	Ch:16
Week 8		
1444/7/3 2023/1/25	<p>Economic Regulation of Transportation: Surface Freight and Airlines</p> <p>Submission of written Proposal (Second Draft) No more than 15 pages. (Literature Review, Methodology, primary results)</p>	CH:17
Week 9		
1444/7/10 2023/2/1	<p>Economic Regulation of Energy: Crude Oil and Natural Gas & Environmental Regulation</p>	CH:18 & 21
Week 10		
1444/7/17 2023/2/8	<p>Students Presentation</p> <p>Each Student will present one published article. Your presentation should be about 40 minutes, leaving 15 minutes for questions.</p>	
Week 11		
1444/7/24 2023/2/15	<p>Final Exam for 680EconS</p> <p><u>Presenting your research paper</u></p>	<p>Final Exam Starts</p> <p>Submission of written Proposal (Last Draft)</p> <p>Final Exam for 680EconS</p>

Date	Topic	Assignment
Week 12 1444/8/2 2023/2/22	<u>The Saudi Foundation Day</u>	<u>The Saudi Foundation Day</u>
Week 13 1444/8/9 2023/3/1	Ending Final Exam	Ending Final Exam

Requirement Program Languages

Mathematica and State software **or** any other programs you feel comfortable to use in this course.

I have been using **Zotero** to manage bibliographic data and related research materials. I highly recommend downloading it on your device. It is free and open-source reference management software.

Please familiarize yourself with these programs before the course starts.

Disability Resource Accommodation:

Disability Resource Accommodation: Reasonable accommodations are available for students who have a documented disability. Please notify the instructor the first week of class of any accommodations needed for the course. Late notification may cause the requested accommodations to not be available. All accommodations must be approved through Students with Special Needs Services (King Saud University). Please text +966114675035 (WhatsApp) or call 0114675584 to make an appointment with a disability specialist <https://dar.ksu.edu.sa/ar/Disability>, or at @KsuNeeds (Twitter)

Academic Honesty:

As an institution of higher education, King Saud University is committed to principles of truth and academic honesty. All members of the University community share the responsibility for maintaining and supporting these principles. When a student enrolls in King Saud University, the student assumes an obligation to pursue academic endeavors in a manner consistent with the standards of academic integrity adopted by the University. To maintain the academic integrity of the community, the University cannot tolerate acts of academic dishonesty including any forms of cheating, plagiarism, or fabrication. King Saud University reserves the right and the power to discipline or to exclude students who engage in academic dishonesty. To that end, the University has established the following rules defining prohibited academic dishonesty and the process followed when such behavior is alleged. These rules. King Saud University 's Academic Integrity Policy, the University-wide document establishing policies and procedures to foster academic integrity. This policy is applicable to undergraduate and graduate students alike, as it pertains to dishonesty in course work and related academic pursuits. In cases of dishonesty in research and original scholarship, the University's Policy and Procedural Guidelines for Misconduct in Research and Scholarship may take precedence over the policies and procedures contained herein. Academic dishonesty includes cheating, plagiarism, and fabrication in the process of completing academic work. These standards should be interpreted by students as general notice of prohibited conduct. They should be read broadly and are not designed to define misconduct in exhaustive forms.

Disclaimer: This syllabus is subject to change to facilitate instructional and/or student needs.