



Department of Economics Course Outline

		Term:	Winter 2013
Course:	Economics 477 [Regulatory Economics]	Section:	01
Time:	TR 12:30-13:45	Place:	SA 119 (subject to change)
Instructor:	Dr. J. Church		
Office:	SS 442	Telephone:	220-6106
Office Hours:	TR 11:00-12:00 and by appointment	E-mail:	jrchurch@ucalgary.ca

Textbook:

Church, J., and R. Ware. 2000. *Industrial Organization: A Strategic Approach*. San Francisco: McGraw-Hill. [Required for certain chapters. Available online at <http://homepages.ucalgary.ca/~jrchurch/page4/page5/page5.html>.]

In addition, required and recommended readings will be assigned from material on reserve in the MacKimmie Library, from the periodical collection in the MacKimmie Library, and the internet.

Book(s) on Reserve:

Armstrong, M., S. Cowan, and J. Vickers. 1994. *Regulatory Reform: Economic Analysis and British Experience*. Cambridge, Mass.: MIT Press.

Berg, S., and J. Tschirhart. 1986. *Natural Monopoly Regulation*. Cambridge: Cambridge University Press.

Cave, M., S. Majumdar, and I. Vogelsang, ed. 2002. *Handbook of Telecommunications Economics*. Volume 1, Amsterdam: Elsevier.

Cave, M., S. Majumdar, and I. Vogelsang, ed. 2005. *Handbook of Telecommunications Economics*. Volume 2, Amsterdam: Elsevier.

Crew, M.A., and D. Parker. 2005. *International Handbook of Regulation*. Northampton, MA: Edward Elgar.

Giacchno, L., and J. Lesser. 2011. *Principles of Utility Corporate Finance*. Vienna, Virginia: Public Utilities Reports.

- Glachant, J-M., D. Finon, and A de Hautesclocque, eds. 2011 *Competition, Contracts, and Electricity Markets*. Northampton, MA: Edward Elgar.
- Griffin, J.M., and S. Puller. 2005. *Electricity Deregulation: Choices and Challenges*. Chicago: University of Chicago Press.
- Harris, C. 2006. *Electricity Markets*. John Wiley: West Sussex, UK.
- Leveque, F., ed. 2006. *Competitive Electricity Markets and Sustainability*. Northampton, MA: Edward Elgar.
- Levy, B., and P. Spiller, eds. 1996. *Regulations, Institutions, and Commitment*. Cambridge: Cambridge University Press.
- Makholm, J. 2012. *The Political Economy of Pipelines*. Chicago: University of Chicago Press
- Newbery, D. 2000. *Privatization, Restructuring, and Regulation of Network Utilities*. Cambridge: MIT Press.
- Stoft, S. 2002. *Power System Economics: Designing Markets for Electricity*. Piscataway New Jersey: IEEE Press
- Train, K. 1991. *Optimal Regulation: The Economic Theory of Natural Monopoly*. Cambridge: The MIT Press.

Blackboard:

This course will make use of Blackboard—students who are registered in the course can log on at <http://blackboard.ucalgary.ca/webapps/login>. Please note that Blackboard features a class email list that I will use. It is your responsibility to make sure that Blackboard uses the email of your choice. The default is your University of Calgary email address.

Course Description:

The objective of this course is to provide an introduction to regulatory economics, defined as price and entry regulation. Price and entry regulation occurs when the state restricts who can provide services and approves the terms (price, quality, product variety etc.) of service. The course will consider three broad topics: (i) Why regulate? (ii) How should firms/industries be regulated? and (iii) How are firms actually regulated? A particular focus will be on the regulation of electricity in Alberta, regulation of telecommunication by the Canadian Radio-Television and Telecommunications Commission and the National Energy Board's oversight of pipelines.

Students who successfully complete this course will

- (i) Understand and appreciate the history, rationale, and functioning of regulatory institutions.
- (ii) Understand and appreciate key principles, theories and ideas in the regulatory economics literature.

- (iii) Be able to apply the key principles in the regulatory literature to analyze, critique, and craft regulatory institutions and policies.
- (iv) Develop skills in researching, writing, and presenting analysis of regulatory issues.

Brief Course Outline:

1. Why Regulate? The Rationale for Regulation and Theories of Regulation
2. Optimal Pricing of Natural Monopoly
3. Regulation Under Asymmetric Information
4. Regulatory Regimes
5. Access Pricing and Introducing Competition into Network Industries
6. Regulation in Practice (Electricity, Pipelines, and Telecommunications)

Term Project:

The term project in this course can **EITHER** be an economic analysis of a major regulatory decision or a research project on regulatory policy. For a case analysis students are expected to use the principles/theories introduced in class to consider whether the decision in the case is consistent with efficiency. For a research project students are expected to *use economics to make a policy recommendation*. This entails using economics to determine the relative efficiency of different options to address a problem and make a recommendation. In both cases the term project is written in stages, with feedback and opportunity to revise. Only the final submission is graded. Detailed instructions on the term project will be provided.

Summer Internship in Regulatory Economics

Students who complete Econ 477 may qualify for the Summer Internship in Regulatory Economics. See Section 8.5 of the Department of Economic's Explicit Syllabus at <http://econ.ucalgary.ca/undergraduate/explicit-syllabus/section-8>.

Grade Determination and Final Examination Details:

Midterm	20%
Term Project	40%
Final Examination	<u>40%</u>
	100%

Students must receive a passing grade on the final exam to pass the course. As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work.

Non-programmable calculators are permitted for all exams. There will be a Registrar scheduled final examination which will be two hours in duration. It will be held in a classroom. The final

examination will be comprehensive. The exact date for the in-class midterm will be announced at least one week in advance.

In cases of documented illness or family emergency, extra weight will be given to the final examination. Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

The official grading system will be used.

Tests and exams will not involve multiple choice questions.

Students seeking reappraisal of a piece of graded term work should discuss their work with the instructor within *fifteen days* of work being returned to class. However, the earliest that grades will be discussed will be two days after the return of an assignment or examination.

Notes:

Students' Union Vice-President Academic:

Kenya-Jade Pinto

Phone: 220-3911

E-mail suvpaca@ucalgary.ca

Students' Union Faculty Representative (Arts)

Phone: 220-3913 Office: MSC 251

E-mail arts1@su.ucalgary.ca arts2@su.ucalgary.ca, arts3@su.ucalgary.ca, arts4@su.ucalgary.ca

Society of Undergraduates in Economics (S.U.E.):

www.ucalgary.ca/sue

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. Join now by contacting sue@ucalgary.ca.

Faculty of Arts Program Advising and Student Information Resources

- Have a question, but not sure where to start? The new Faculty of Arts Program Information Centre (PIC) is your information resource for everything in Arts! Drop in at SS110, call us at 403-220-3580 or email us at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns.
- For program planning and advice, contact the Student Success Centre (formerly the Undergraduate programs Office) at (403) 220-5881 or visit them in their new space on the 3rd Floor of the Taylor Family Digital Library.

- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at (403) 210-ROCK [7625] or visit them at the MacKimmie Library Block.
- Online writing resources are available at <http://ucalgary.ca/ssc/writing-support/online-writing-resources>
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Safewalk / Campus Security: 220-5333
Emergency Assembly Point: Social Sciences Food Court
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