

The Economics of Regulation (ECON 470)

Summer 2018

Tuesdays 4:30-7:10pm

Fridays 9:00-11:30am

George Mason University, Arlington Campus

ROOM

Dr. Stefanie Haeffele

www.stefaniehaeffele.com

shaeffele@mercatus.gmu.edu

(703) 993-8938

Dr. Jayme Lemke

www.jaymelemke.com

jlemke@mercatus.gmu.edu

(703) 993-9109

Email is the best way to reach both of us. We are available for office hours multiple days every week by appointment and would be happy to hear from you!

Course Description & Objectives

This course is designed to explore the extent and diversity of ways in which societies regulate, the process through which regulations come to be created and enacted, and the evaluation and comparison of alternative forms of regulation. The subject will be approached from both a theoretical perspective, to better understand what it means to regulate and how to understand the impact of regulation, and from an applied perspective, in order to witness how the process of regulation plays out in the real world.

As this is a writing intensive course, you will also have the opportunity to write and workshop your own policy white paper on an important topic within the economics of regulation. This is designed to accomplish two goals. First, investigating a particular regulatory environment in depth will enable you to advance your understanding of the role of regulation in society and the complexity of the environment within which regulation takes place. Second, workshopping a single research project over the course of the semester with the instructors and with your peers in the course will provide you with practical tools to help develop your research-investigative skills as well as your research-writing skills.

Course Readings & Required Books

All required readings for this course are available online, either in an open access form or through the GMU library's electronic journal databases. In order to access an article through the GMU library, visit (<http://library.gmu.edu/>), select the "Articles & More" tab, and search for the relevant journal. You will be prompted to log in with your GMU credentials. Once logged in to the journal, you can either search for the article on the journal's website or navigate directly to it

by clicking on the link in the syllabus.

Course Grading & Structure

Grades for this class will be based on four components:

- 1) **Contributions to discussion (10%).** Throughout the semester, we will experiment in class with a variety of different discussion strategies in order to give all of you the opportunity to push yourselves to be able to apply, critique, and extend the content offered in the readings and the lectures. These strategies will include pair-and-share discussions, small group break-outs, round-table discussion, and possibly more.
- 2) **Reading quizzes (10%),** to be given at the beginning of each class beginning with the second class meeting, except for the group presentation days at the end of the term. Once the quizzes for the class session have been collected, the quiz cannot be made up.

If you miss class or choose not to take the quiz for any other reason, you may instead practice your skills as a researcher by submitting a carefully written 500 word summary of a piece of original research related to the topic of the week's readings. You may select this option **up to two times** this semester. The research you choose cannot be one of the required readings from this class—though the readings may contain within them good suggestions on where to find related literature. If you choose this option, the research summary will be due **in hard copy only** at the beginning of the next class meeting.

If you attend class but prefer not to take the quiz, you must declare this *before* the quiz has been distributed.

- 3) **Policy White Paper and Presentation (50%).** This is a writing-intensive (WI) course. By definition, WI courses will devote class time to instruction on how to complete assignments successfully, assign and grade a minimum of 3500 words, provide constructive feedback on drafts, and allow revision of at least one graded assignment.

For your writing project, you will independently produce your own 3500-5000 word policy white paper with collaboration and assistance from a peer research group. The paper you write will be entirely your own, but your research group will be a source of support, constructive feedback, and dialog as you work on your project. This portion of your grade is comprised of several sub-components. More detail on each of these components will be provided on separate assignment sheets which will be distributed at the first class meeting.

- a. Annotated bibliography and research plan, to familiarize yourself with existing research on the subject and ensure every member of the group is working on a

- unique project that will contribute to your group's understanding of the assigned regulatory arena (10% of total grade)
- b. First draft of policy white paper and referee report on a paper written by another member of your group (20% of total grade)
 - c. Final revised policy white paper and explanation of revisions (10% of total grade)
 - d. Group presentation on research area (10% of total grade)
- 4) **Final Exam (30%).** The final portion of your grade for this class will be based on a final exam. The exam will consist of a combination of multiple choice, short answer, and essay questions that will require you to synthesize and apply the content you have studied throughout the semester. While attending class and doing the readings, always remember: you're not just adding pages read to your lifetime count, you're seeking *understanding*. If you don't feel like you understand a particular reading or concept, please ask! If you ask questions, you will be helping me figure out where you are in your understanding, so we can help you figure out how to master the content and excel on the final exam.

Grading Scale

A+ 97-100;	A 93-96;	A- 90-92
B+ 87-89;	B 83-86;	B- 80-82
C+ 77-79;	C 73-76;	C- 70-72
D 60-69;		
F <60		

Special Accommodations

If you require any special accommodations, please see one of us immediately so that we can work together to make sure that you have what you need to succeed in this course. Visit <http://ds.gmu.edu/> for more information on resources available to students at GMU.

Academic Integrity

The George Mason University community, of which you are now a member, firmly believes in and strictly adhere to the following honor code:

*To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set for this Honor Code: **Student Members of the George Mason University community pledge***

not to cheat, plagiarize, steal, or lie in matters related to academic work.

Penalties for violations of the honor code, including cheating and plagiarism, can range from receiving no credit on an assignment or in this class, to expulsion. We do adhere to these principles and will report violations of academic integrity. Please visit <http://oai.gmu.edu/> to familiarize yourself with the full terms of the GMU Honor Code.

Course Outline

As the conversation in this class evolves over the course of the semester, these readings may change in order to better serve the goals of our group. You will always be informed in writing and in class of any changes to the readings.

Readings are required and will be fair game for the quiz given at the start of that day's class.

Dudley and Brito's *Regulation: A Primer* is a short volume that summarizes many of the concepts we will be using in the class. It appears on the reading list below multiple times as "Dudley and Brito, *Regulation*." The full citation for the volume is Dudley, Susan and Jerry Brito. *Regulation: A Primer*. Arlington, VA: Mercatus Center at George Mason University, https://www.mercatus.org/system/files/RegulatoryPrimer_DudleyBrito_0.pdf.

❖ June 5, 2018 (SH and JL) – What is regulation? Why does it matter?

- An introduction to the class and to the subject.

❖ June 8, 2018 (SH) – How Markets Work

- Readings:
 - Reed, Leonard E. 1999. *I, Pencil: My Family Tree as told to Leonard E. Read*. Irvington-on-Hudson, NY: The Foundation for Economic Education, Inc. <http://www.econlib.org/library/Essays/rdPncl1.html>
 - Hayek, F. A. 1945. "The Use of Knowledge in Society." *The American Economic Review*, 35 (4): 519–30. <https://www.jstor.org/stable/1809376>

❖ June 12, 2018 (JL) – Why regulate?

- DISTRIBUTION OF RESEARCH TOPICS
- Readings:
 - Dudley and Brito, *Regulation*
 - Chapter 1 (What Is Regulation?)
 - Chapter 2 (Theories of Regulation)

- Cowen, Tyler. "Public Goods." *The Concise Encyclopedia of Economics*. Library of Economics and Liberty.
<http://www.econlib.org/library/Enc/PublicGoods.html>
- Akerlof, George A. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." *The Quarterly Journal of Economics* 84 (3): 488-500.
<http://www.jstor.org/stable/1879431>

❖ **June 15, 2018 (JL) –Secondary Effects of Regulation**

- **GROUP DISCUSSION: Discussion of Research Plans**
- Readings:
 - Bastiat, Frédéric. 1848. "What is Seen and the Unseen." *Selected Essays on Political Economy*. Seymour Cain, trans. Library of Economics and Liberty.
<http://www.econlib.org/library/Bastiat/basEss1.html>
 - Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, and Destructive." *Journal of Political Economy* 98 (5, Part 1): 893-921.
<http://www.jstor.org/stable/2937617>

❖ **June 19, 2018 (SH) – The Regulatory Process**

- Readings:
 - Dudley and Brito, *Regulation*
 - Chapter 4 (The Regulatory Process)
 - Chapter 8 (Regulatory Analysis)
 - White House. 1993. *Executive Order 12866: Regulatory Planning and Review*. Washington, DC: The White House.
<https://www.archives.gov/files/federal-register/executive-orders/pdf/12866.pdf>

❖ **June 22, 2018 (JL) – The Politics of Regulating**

- **ASSIGNMENT: BIBLIOGRAPHY AND RESEARCH PLAN DUE**
- **GROUP DISCUSSION: Workshop Bibliographies**
- Readings:
 - Dudley and Brito, *Regulation*
 - Chapter 5 (The Bureaucracy)
 - Shughart, William F. "Public Choice." *The Concise Encyclopedia of Economics*. Library of Economics and Liberty.
<http://www.econlib.org/library/Enc/PublicChoice.html>
 - Mitchell, Mathew D. 2012. *Pathology of Privilege: The Economic Consequences of Government Favoritism*. Arlington, VA: Mercatus Center at George Mason University.
https://www.mercatus.org/system/files/Mitchell_Pathology_web_v3.pdf

❖ June 26, 2018 (SH) – Economic Regulation

- Readings:
 - Dudley and Brito, *Regulation*
 - Chapter 6 (Economic Regulation)
 - Rockoff, Hugh. “Price Controls.” *The Concise Encyclopedia of Economics*. Library of Economics and Liberty. <http://www.econlib.org/library/Enc/PriceControls.html>
 - Roberts, Russ. 2007. “Munger on Price Gouging.” EconTalk Podcast. Library of Economics and Liberty. http://www.econtalk.org/archives/2007/01/munger_on_price_1.html

❖ June 29, 2018 (SH) – Consumer Protection

- Readings:
 - Dudley and Brito, *Regulation*
 - Chapter 7 (Social Regulation)
 - Hoffer, Adam J., William F. Shughart II, and Michael D. Thomas. 2014. “Sin Taxes and Sindustry: Revenue, Paternalism, and Political Interest.” *The Independent Review* 19 (1): 47-64. http://www.independent.org/pdf/tir/tir_19_01_04_hoffer.pdf
 - Vlasits, Anna. 2017. “How 23andMe won back the right to foretell your diseases.” *Wired*. <https://www.wired.com/2017/04/23andme-won-back-right-foretell-diseases/>

❖ July 6, 2018 (JL) – Labor Regulation

- **ASSIGNMENT: DRAFT PAPERS DUE**
- **GROUP DISCUSSION: Workshop Draft Papers**
- Readings:
 - White House. 2015. *Occupational Licensing: A Framework for Policymakers*. Washington, DC: The White House. https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf
 - Casselman, Ben. 2016. “Licensing Laws Are Shutting Young People Out of The Job Market.” *Five Thirty Eight*. <https://fivethirtyeight.com/features/licensing-laws-are-shutting-young-people-out-of-the-job-market/>
 - Kopf, Dan. 2017. “Economists still can’t decide whether the minimum wage is a good thing.” *Quartz*. <https://qz.com/1034952/economists-still-cant-decide-whether-the-minimum-wage-is-a-good-thing/>

❖ **July 10, 2018 (SH) – Environmental Regulation**

- Readings:
 - McGartland, Al. 2013. “Thirty Years of Economics at the Environmental Protection Agency.” *Agricultural and Resource Economics Review* 42 (3): 436–452.
 - Ostrom, Elinor. 2008. “Institutions and the Environment.” *Economic Affairs*. <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-0270.2008.00840.x>
 - Anderson, Terry and Donald Leal. 2015. “Climate Policy: Adaptation, Part I, Theory.” *Property and Environment Research Center*.. <https://www.perc.org/2015/05/22/climate-policy-adaptation-part-i-theory/>.
 - Anderson, Terry and Donald Leal. 2015. “Climate Policy: Adaptation, Part II, Examples.” *Property and Environment Research Center*. <https://www.perc.org/2015/05/22/climate-policy-adaptation-part-ii-examples/>

❖ **July 13, 2018 (JL) – Regressive Effects & Inequality**

- **ASSIGNMENT: FINAL DRAFT OF PAPERS DUE**
- Readings:
 - Thomas, Diana. 2012. “Regressive Effects of Regulation.” *Mercatus Working Paper*. Arlington, VA: Mercatus Center at George Mason University. <https://www.mercatus.org/publication/regressive-effects-regulation>
 - Kliff, Sarah. 2017. “The truth about the gender wage gap.” *Vox*. <https://www.vox.com/2017/9/8/16268362/gender-wage-gap-explained>

❖ **July 17, 2018 (JL) – Group Research Presentations and Discussion**

❖ **July 20, 2018 (SH) – Group Research Presentations and Discussion**

❖ **July 24, 2018 – Final Exam**