

William & Mary
Department of Economics
Regulation of Markets (ECON 362)

Instructor: Enrique Valdes

Spring, 2025

E-mail: *Please use Blackboard "course messages" for anything concerning the course*

Website: enriquevaldes.com

Class Hours: T, R 12:30 PM - 1:50 pm

Class Room: Blow Memorial Hall, Room 334

Office Hours: T, R 9:00-11:30 AM; W 3:00-4:30 pm ; or by appointment

Office: Chancellors Hall 425

Course Description and Purpose

Course Description: This course provides a survey of how government intervenes to address major market failures with emphasis on regulation of competition, natural monopolies, externalities, and imperfect information. We will examine the reasons why markets fail and the theoretical rationale behind government intervention to correct those failures. We will study the tools the government uses to regulate markets including price and rate regulation, command and control regulation, market-based mechanisms, and incentive regulation. We will also analyze the economic consequences of various forms of regulation. The course will include case studies of a variety of regulated industries including electricity and utilities, telecommunications, and transportation.

Course Objectives

At the end of the course, students should:

- Explain economic rationale for government regulation of markets.
- Evaluate the likely consequences of a regulation given appropriate information about the regulated industry and the policy in question.
- Define the key types of economic regulations

- Explain the ways the regulations work (or fail to work) to increase efficiency.
- Describe regulations selected industries. I will provide more detailed learning objectives throughout each course section

Prerequisites

The course catalog outlines ECON 101 and ECON 102 as prerequisites.

Course Materials

Textbook

- The recommended text for the course will be **Economics of Regulation and Antitrust by Viscusi, Harrington Jr. and Sappington**. We will be using the fifth edition published in 2018. Note that the Swem Library has an electronic version of the previous edition freely available to William & Mary students.
- In addition to the required text, you may want to use an intermediate microeconomics textbook as a reference for some of the models covered in class.
- Textbook readings will be supplemented with additional readings, which will be posted on the course Blackboard website. Reading assignments will be posted on the Blackboard site at least two days before they are due.
- Optional: The textbook *Contemporary Regulatory Policy*, 3rd edition by Marc Allen Eisner, Jeff Worsham, Evan J. Ringquist, and Franchesca Nestor is suggested reading for political science or government majors but is not required.

Course Structure

Class Structure

- The class is meeting face-to-face two times a week for 80 minutes per class.

COVID

- The CDC calls for any COVID-19-positive person to avoid others while they are sick, returning to normal activity when symptoms have been improving overall for 24 hours and there is no fever.
- Helpful resources
 - CDC COVID website <https://www.cdc.gov/coronavirus/2019-nCoV/index.html>
 - [W&M COVID-19 Information](#)

Homework

- All homework will be distributed through Blackboard.
- The problem set will cover the concepts introduced in class during the week.
- If a problem set is not turned in by midnight, you will receive a zero for that problem set.
- Together, the problem sets are worth 10% of your final grade.
- I will drop your lowest homework score. If you miss a homework assignment, it will count as your lowest grade and will be dropped.
- I encourage you to work together on these problem sets. However, each student must submit an individual solution to the problem set each week and must indicate the names of the other students with whom they worked on the problem set.
- Please note that it will be difficult to do well on the midterms and the final if you cannot solve the types of problems on the problem set, so make sure that you are an active participant in your problem set group, not a free-rider.
- We will be using Gradescope this term, which allows me to provide fast and accurate feedback on your work. Homework will be submitted through Gradescope (on Blackboard, access the Gradescope link). As soon as grades are posted, you will be notified immediately so you can log in and see your feedback. You may also submit regrade requests if you feel I have made a mistake. This [guide](#) will teach you how to scan your work using your phone. You can also use the scanners from [W&M library](#).

Attendance/in-class assignments

- Your attendance/in-class assignments grade will be based on your attendance and in-class assignments that you will turn in.
- You are able to miss four classes without penalty to your grade. After missing 4 classes, each additional absence will lose 1/2 of a percentage point. A student can lose at most 2% points from missing classes.
- I may mark a student absent if excessively tardy or engaged in off-topic activities, e.g., social media, texting, sleeping, etc.
- You may be excused from class for university-sanctioned schedule conflicts or observance of religious holidays. If you are a student-athlete, please provide me with your travel letter detailing the dates you anticipate being absent. Similarly, if you observe a specific religious holiday that prevents you from attending class, kindly inform me in advance so we can make appropriate arrangements. Please note that absences for club team activities or attending sporting events as a spectator do not qualify as excused.
- You do not need to email me if you miss class. Make sure to meet with your colleagues to get any notes that you may have missed and/or make sure to read over the section we were going over in class.

- The other 2% of the attendance/in-class assignments will come from in-class assignments that will be collected.

Exams

- There are three exams in total. You are required to take all the exams at the scheduled time. All exams are hard-copied exams taken in class.
- All of the exams are cumulative but will focus on the material covered after the previous exam.
- The exams will have different types of questions; for example, multiple choice, short answer questions, definitions, true-false and explain, questions where you have to make calculations and write an interpretation, and questions where you need to draw a graph.
- The first midterm exam is on February 20, 2025.
- The second midterm is on March 27, 2025. Around 25% of the questions will come from the material before the first exam, and the other 75% of the questions will come from the material after the first exam.
- The final is cumulative, Around 65% of the questions will come from material covered after the 2nd midterm, another 25% of the questions will come from the material after the first midterm, and 10% will come from the material before the first exam.
- The final exam will last 2.5 hours, and we will start the exam at the beginning of the scheduled time. The exam time and date is set by the college and subject to change by the college. The most updated official date of the exam can be checked [here](#). Any individual request to change a scheduled exam must be approved by the Dean of Undergraduate Studies, click [here](#) for more details.
- **Make-up exams:** Unless you have a university-sanctioned schedule conflict, there will be no make-up exams. If you think you have a university-sanctioned schedule conflict, please notify me at least two weeks before the exam. If you miss a midterm exam the final exam score will replace the missed one. If you miss a second midterm exam due to a **documented emergency**, then we will deal with those situations on an individual basis. Any make-up exam will be different than the exam given in class. The level of difficulty will be about the same.

Grading Policy

I will keep you posted on your progress in the course by posting your grades on Blackboard. If you have any questions or concerns about your grade, please contact me immediately. You should be proactive about your grade and not wait until the last minute.

Incomplete grade Policy Statement

A student who has not completed all work due to exceptional circumstances, may, with the consent of the instructor, temporarily receive a grade of incomplete ("I"). It is the student's

responsibility to make arrangements with the instructor to complete the work by a specified date (the first full week of the upcoming semester for deferred examinations). "I" automatically becomes "F" if the work is not completed by the last day of classes of the following regular semester, or if the postponed work has not been completed satisfactorily by the date specified by the professor.

Grade Calculation

The grade will be calculated using the following proportions:

- 1% of your grade will be determined by the syllabus quiz on Blackboard
- 4% of your grade will be determined by participation/in-class assignments
- 50% of your grade will be determined by midterm exams, (i.e. the first two exams, each worth 25% of your grade)
- 35% of your grade will be determined by the final exam
- 10% of your grade will be determined by homework

$$\text{Final Grade} = (\text{Midterm average} * .50) + (\text{Final Exam} * 0.35) + (\text{Homework Average} * 0.10) + (\text{Syllabus quiz} * .01) + (\text{Participation} * .04)$$

Grading Scheme

Letter	Range	Letter	Range	Letter	Range
A	93.00 or above	B-	80.00- 82.99 %	D+	67.00- 69.99 %
A-	90.00-92.99 %	C+	77.00- 79.99 %	D	63.00- 66.99 %
B+	87.00-89.99 %	C	73.00- 76.99 %	D-	60 -62.99
B	83.00- 86.99%	C-	70.00- 72.99 %	F	59.99 or less

I reserve the right to curve the scale dependent on overall class scores at the end of the semester. Any curve will only make obtaining a higher letter grade easier.

Weekly schedule

The schedule is tentative and subject to change.

Week	Date	Section
1	January 23, 2025	Introduction to Course/Overview/ The Rationale for Regulation
2	January 28, 2025 January 30, 2025	The Rationale for Regulation (Ch. 1-3) The Regulatory Process/ Antitrust Regulation (Ch. 4)
3	February 4, 2025 February 6, 2025	Antitrust Regulation (Ch. 4)/ Monopolization and Market Power (Ch. 5 and Ch. 8) Monopolization and Market Power (Ch. 5 and Ch. 8)
4	February 11, 2025 February 13, 2025	Collusion (Ch. 4) Collusion (Ch. 4)/ Mergers (Ch. 6 and Ch. 7)
5	February 18, 2025 February 20, 2025	Mergers (Ch. 6 and Ch. 7) Exam #1
6	February 25, 2025 February 27, 2025	Economic Regulation and Natural Monopoly/ Natural Monopoly Pricing Natural Monopoly Pricing/ Energy and Electricity Markets (Ch. 10)
7	March 4, 2025 March 6, 2025	Energy and Electricity Markets (Ch. 10) Energy and Electricity Markets (Ch. 10)/ Telecommunications Regulation (Ch. 6)
8	March 11, 2025 March 13, 2025	No Class (Spring Break) No Class (Spring Break)
9	March 18, 2025 March 20, 2025	Transportation Regulation Transportation Regulation/ Financial Regulation (Ch. 5)
10	March 25, 2025 March 27, 2025	Financial Regulation (Ch.5) Exam #2
11	April 1, 2025 April 3, 2025	Introduction to Social Regulation/ Externalities and Environmental Regulation (Ch. 7) Externalities and Environmental Regulation (Ch. 7)
12	April 8, 2025 April 10, 2025	Externalities and Environmental Regulation (Ch. 7)/ Self Regulation and Voluntary Environmental Initiatives Imperfect Information and Product Safety Regulation (Ch. 9)
13	April 15, 2025 April 17, 2025	Imperfect Information and Product Safety Regulation (Ch. 9) Regulation through Litigation
14	April 22, 2025 April 24, 2025	Regulation through Litigation/ Regulation of Worker Safety and Health (Ch.8) Regulation of Worker Safety and Health (Ch.8)
15	April 29, 2025 May 1, 2025	Social Media and Regulation Social Media and Regulation/ Course Wrap-up (Ch. 11)
16-17	May 5-9, 2025 May 12-13, 2025 May 5, 2025	Exam period Exam period Final Exam 9:00 am- 11:30 am

Key Dates

Classes start	Thursday, January 23, 2025
Last day to add/drop	Friday, January 31, 2025
Spring Break (No Classes)	Saturday-Sunday, March 8-March 16, 2025
Last day to withdraw from a full-term course	Monday, March 24, 2025
Last day of classes	Friday, May 2, 2025
Final exam periods	May 5-9 and May 12-13
Final exam	Monday, May 5, 2025; 9:00 am-11:30 am

Course Policies

Policies on Late Assignments

Late assignments will not be accepted and under no circumstances will make-up homework be allowed. A student who fails to complete the homework before the due date will receive a grade of "0" for the respective assignment or quiz. Deadlines are strictly enforced and are detailed on Blackboard. Please be mindful of these dates, as they will not change.

I must be as fair as possible to everyone in this course. For that reason, I cannot accept late work. It would not be fair if some students are given extensions while others are not. Moreover, deciding who merits an extension would be an arbitrary process. There is no way of me knowing who is being honest with me and who is just trying to get an extension because they forgot to do their work. That being said to avoid all of these issues I have designed the course to take into account the fact that life happens and for whatever reason, you may miss an assignment or you have some issue where you do poorly on an assignment or test.

Here are the two main features of the course that are designed to help you just in case you miss assignments or do poorly on an exam

- Your lowest homework score will be dropped. That being said if you do miss a homework assignment it will not hurt your grade. However, if you miss more than one homework assignment, your homework grade will suffer.
- As mentioned above, if you do better on the final exam than on one of the midterm exams the final exam score will replace the lowest exam score. Therefore, if you miss an exam, the final will count twice and replace the missed exam grade.

Extra credit policy

- **Extra credit assignments** will not be given on an individual basis, **so do not ask**. If and when extra credit is given the entire class will have the opportunity to get it. Usually, extra credit opportunities are available during the class. If you do not attend class then you may miss the extra credit opportunity.

Technology policy

- I have a no laptop or cell phone policy. I find that although there are merits to taking notes on these devices, they can cause a distraction. Sometimes even distracting those around you, which in economics is what we call a "negative externality" (You should have learned about this in your microeconomics course). Additionally, because my goal is to promote long-term retention of this material this is best done through taking notes with paper and pencil. Do not take my word for it look at the research below.
 - [Attention, Students: Put Your Laptops Away](#), NPR Article.
 - Mueller, P. A., & Oppenheimer, D. M. (2014). [The pen is mightier than the keyboard: Advantages of longhand over laptop note taking](#). Psychological science, 25(6), 1159-1168.

- I will allow students to use a tablet with a stylus to take notes. However, please make sure to sit towards the front row during class. If students are seen using the tablet for non-academic purposes during the class they will be asked to take notes with paper and pencil.

Email policy

Send all emails concerning anything going on in the course via Blackboard. Just click on the course messages link in Blackboard. Please use common courtesy when sending e-mails. Please allow 48 business hours for a response. E-mails will be checked periodically Monday-Friday from 9:00 AM – 5:00 PM. E-mails will not be checked on the weekends.

Classroom etiquette

- Arrive on time.
- No food or beverages except for water.
- Please silence cell phones during class.
- Please do not wear headphones during the lecture. If you have a legitimate reason you need to wear headphones please let me know.
- If you need to use your cell phone for any non-academic purposes during class (i.e. social media, texting, checking voicemails, phone calls, etc.) please step outside of the classroom to do so.
- Please be respectful during the lecture. Do not make it difficult for those around you to learn by having sidebar conversations.

Academic Integrity and Honesty

Students are required to comply with the William & Mary College policy on academic integrity found in the [The Honor Code](#). Cheating in exams, homework or any other assignment will not be tolerated. Students found cheating on an exam will be given a score of "0" and will not be replaced with the final exam grade. In addition, they will be reported to the relevant authorities of the university.

The pledge: "As a member of the William & Mary community, I pledge on my honor not to lie, cheat, or steal, either in my academic or personal life. I understand that such acts violate the Honor Code and undermine the community of trust, of which we are all stewards."

A note on AI-generated content

All work submitted in this course, whether in draft or final form, must be your own and must be cited appropriately. If you do use natural language processing bots such as ChatGPT, please limit your use to gathering information and not completing your assignments. Additionally, any content you gather must be cited, and you must fact-check all material because AI-generated content often contains falsehoods and **fictional sources**. Moreover, any improper use of AI-generated

content will be considered plagiarism, e.g., submitting an assignment generated from a natural language processing bot as your own.

For the purposes of this class, you should consider appropriate uses of artificial intelligence in ways similar to appropriate ways to seek help from a friend. For example, the following would be appropriate uses of outside help:

- You are completing your homework assignment and want to study an economic model discussed in class in more detail. You ask your roommate, an economics expert, where you could find more resources to help you better understand the economic model. He points to some different textbooks and articles that help you better understand. You acknowledge your roommate's assistance in the final write-up of your assignment.

Conversely, the following would be an example of inappropriate outside help, whether from human or machine:

- You give your economics expert roommate your assignment and ask them to complete it for you. Whether you acknowledge this help or not, this is a case of your roommate completing a core component of the assignment and is, therefore, unacceptable.

This course is accessible to students with disabilities

William & Mary accommodates students with disabilities following federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see [Student Accessibility Services](#).

- Students who are taking the exam at the testing center should schedule to take the exam during our class time. If you cannot, please email me a week in advance to find an alternative time.
- Make sure to schedule your exam immediately, as the dates are listed below.

Mental and Physical Well-Being

William & Mary recognizes that students juggle different responsibilities and can face challenges that make learning difficult. There are many resources available at W&M to help students navigate emotional/psychological, physical/medical, material/accessibility concerns, including:

- The W&M Counseling Center at (757) 221-3620. Services are free and confidential.
- The W&M Health Center at (757) 221-4386
- For additional support or resources & questions, contact the Dean of Students at 757-221-2510.



- For a list of other [resources](#), available to students, see:

Acknowledgement of Indigenous Peoples as the Historical Custodians of the Land at William & Mary

Like peer institutions around the country, William & Mary seeks formally to acknowledge the original Indigenous inhabitants of the state-owned land on which the Williamsburg campus resides, and has partnered with their present-day descendants to create appropriate language. After consultation and input from VA Tribal leaders in August 2020, President Rowe approved the following statement:

William & Mary acknowledges the Indigenous peoples who are the original inhabitants of the lands our campus is on today – the Cheroenhaka (Nottoway), Chickahominy, Eastern Chickahominy, Mattaponi, Monacan, Nansemond, Nottoway, Pamunkey, Patowomeck, Upper Mattaponi, and Rappahannock tribes – and pay our respect to their tribal members past and present.

For more information, please see <https://www.wm.edu/as/anthropology/research/centers/airc/land-acknowledgement/index.php>.

This Course was Designed with You in Mind

Main additional resources that will help you pass the course

- Office hours. Office hours are for you to come and ask questions about anything you are unclear about. Please come by during the specified times, you do not need to make an appointment.
- [Here are some Hidden Rules for Office hours](#) developed by Josh Burk, Cheryl Dickter, Karin Wulf and Janice Zeman during a University Teaching Project in 2012-13.
- Tutor zone is available for tutoring. Visit the following website to make an appointment <https://www.wm.edu/as/anthropology/research/centers/airc/land-acknowledgement/index.php>.

Tips to being successful in this course

- Reading the chapter or reviewing it before class is necessary to understand the material.
- Take notes in class. Note-taking helps you process, organize, and retain information
- Vary the type of material studied in a single session. Improve your comprehension of challenging material by seeing it applied and presented in multiple ways.
- Ask questions, either during class or during office hours. If you do not seek my help it is difficult for me to help you.
- Make sure to complete the homework. It is the best practice for the exams.

- Space study time. Improve your comprehension of material by letting it sink in between multiple encounters with it.
- Practice drawing diagrams and writing equations. Don't just memorize images. Practice drawing them on your own while reading the textbook. Use diagrams and equations to think through new problems.
- Practice explaining economic concepts and logic. Talk about what you are learning to classmates, roommates, and family.
- The exams will challenge you to think critically so make sure to be prepared. An effective study strategy is to practice "recall", i.e. answering questions and checking if you got the question correct after you answered it. This can be done with flashcards or practice exams.
- Here is a great blog post from Eric Barker on how to become an expert. It provides great study tips. <https://bakadesuyo.com/2023/06/become-an-expert/>

Some of the above tips were adapted from Bayer, Amanda, 2021. Diversifying Economic Quality. American Economic Association Committee on the Status of Minority Groups in the Economics Profession. <http://diversifyingecon.org>

This class's community is inclusive

Students in this class represent a wide variety of backgrounds and perspectives. I am committed to providing an atmosphere for learning that respects diversity and creates inclusive environments in our course. While working together to build this community, I ask you to:

- Understand that we are bound to make mistakes in this space, as anyone does when approaching complex tasks or learning new skills. Strive to see your mistakes and others' as valuable elements of the learning process.
- Understand that your words have effects on others. Speak with care. If you learn that something you've said was experienced as disrespectful or marginalizing, listen carefully and try to understand that perspective. Learn how you can do better in the future.
- Take pair work, or small group work seriously. Remember that your peers' learning is partly dependent upon your engagement.
- Understand that others will come to these discussions with different experiences from yours. Be careful about assumptions and generalizations you make based only on your own experience. Be open to hearing and learning from other perspectives.
- I welcome any feedback on how I could make the course more diverse and inclusive. Please reach out to me with your suggestions.

We use each other's preferred names and pronouns

Please let me know of your preferred or adopted name and gender pronoun(s), and I will make those changes to my records and address you that way in all cases.

I personally preferred to be called Enrique. If you want to refer to me as Professor Valdes, that is fine, too.

Interested in a career in economics or grad school?

It is never too early to start thinking about what to do after college. An undergraduate degree in economics offers many opportunities. Below are a few websites from the American Economic Association that provide great information about careers and graduate school.

- [American Economic Association student resources](#)
- [American Economic Association careers website](#)
- [American Economic Association graduate school information](#)

Please note: The syllabus is tentative and subject to change at the professor's discretion