Law 289: Perspectives on Regulation
George Mason University School of Law

Professor: Thomas W. Hazlett, Ph.D.
Class meets: Tuesdays @ 8 pm to 10:40 pm
Classroom: Hazel Hall 224
Each week: Jan. 10 – April 17
Final Exam: May 11 @ 6 pm
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TWEN password: F2R8e9D

Textbooks (required)

2. Clifford Winston, GOVERNMENT FAILURE VS. MARKET FAILURE (Brookings; 2006)

Overview
Perspectives on Regulation, aimed at law students who have some basic knowledge of economic analysis, strives to explain how U.S. regulatory structures evolve, operate, and alter market outcomes. Simple models are used to evaluate competition, pricing, and consumer welfare. We will also focus on a few case studies in specific markets to observe how regulatory institutions perform.

Basic Focus
Two themes dominate our analysis. First, regulatory structures reflect economic theories requiring empirical verification. Because there are no “perfect” or “costless” regulatory strategies, each mix of policies is properly evaluated by the outcomes achieved. Our analysis seeks a symmetric appraisal of rival regimes, discovering how consumer welfare is impacted by alternative rules.

Second, regulation is a political institution. As such, it is appropriate to separate the announced intentions of various policies, generated in the competition between coalitions seeking particular rules, from actual regulatory strategies or their effects. In other words, we treat economic regulation in a positive, scientific fashion, attempting to understand why various policies are sought and, in fact, what they achieve. In this vein, we encounter the primacy of intra-industry rivalries (oil producers v. refiners, or cable TV operators v. broadcasters).

Grade is determined by performance on Final Exam.
All students are expected to be prepared to discuss the readings each week. Lecture PPT slides will be posted on TWEN after class. During lecture, the following activities are banned: Internet access, texting, making or receiving voice calls, cell phone ringtones, playing on Game Boy, Xbox or Wii. Courtesy counts, even after purchasing the unlimited data plan.

Note on readings: All papers may be found via the high-quality databases your GMU law student status yields access to, or (if they have my name on the front page) are linked on my GMULS webpage under Research Articles. JLE = JOURNAL OF LAW & ECONOMICS; SEJ = SOUTHERN ECONOMIC JOURNAL; Economic Inquiry = EI; Bell J. = BELL JOURNAL OF ECONOMICS & MANAGEMENT SCIENCE (now the RAND JOURNAL OF ECONOMICS). Unless otherwise noted, the entire article is “on the list.” All articles are “required reading.”

Class Outline 1.0

WEEK 1 (Jan. 10): **What is Regulation?**

WEEK 2 (Jan. 17): **Regulation as Rent Seeking**

WEEK 3 (Jan. 24): **Market Failures Reconsidered**
* Steven Cheung, *The Fable of the Bees*, JLE (1973)
* Stan Leibowitz & Steve Margolis, *The Fable of the Keys*, JLE (1990)

WEEK 4 (Jan. 31): **Policy Alternatives**
* Oliver Williamson, *Franchise Bidding for Natural Monopolies-in General and with Respect to CATV*, Bell J. (1976)
* Thomas Hazlett, *Cable TV Franchises as Barriers to Video Competition*, VIRGINIA JOURNAL OF LAW & Technology (W 2007).

WEEK 5 (Feb. 7): **Genesis of Railroad Regulation** -- Charles Adams
* McCraw: Chapters 1-2

WEEK 6 (Feb. 14): **Contortions of Competition Policy** – Louis Brandeis
* McCraw, Chapters 3-4

WEEK 7 (Feb. 21): **New Deal Regulation** – James Landis
* McCraw, Chapters 5-6
WEEK 8 (Feb. 28): **Airline Deregulation – the Inimitable Alfred Kahn**
* McCraw, Chapters 7-8
* Thomas W. Hazlett, *Fred Kahn’s First Class Flight*, Financial Times (12.31.10)

WEEK 9 (March 6): **Unintended Consequences**

WEEK 10 (March 20): **Transaction Costs in Radio Spectrum Regulation**
* FCC, National Broadband Plan (Mar. 2010): Chapter 5

WEEK 11 (March 27):  

WEEK 12 (April 3): **Regulatory Potpourri**  
* Winston: 1-70

WEEK 13 (April 10): **Regulation Potpourri**  
* Winston: 71-140

WEEK 14 (April 17): **Deregulation**  
* Paul Joskow, *Deregulation* (Feb. 2009)  