

PUBLIC AFFAIRS 880.05

Markets or Mandates: The Political Economy of Regulation, Deregulation, and Reregulation

Professor Douglas N. Jones and Dr. Alan R. Schriber
Winter Quarter 2010
5 Credits, Mondays, 4:00 – 6:48pm
Page Hall Rm. 240

General Statement:

The *economic* regulation of industries and business activities has been a major governmental practice in the U.S. for over a century. *Social* regulation – importantly including environmental regulation – has been especially salient over the past forty years. The broad goals for both are consumer protection and an enhanced quality of life. In the last twenty-five years, however, there has been a reexamination of how best to achieve these goals – specifically when and where to employ various market competition mechanisms to replace direct intervention and oversight. The result has been perhaps a paradigm shift to relaxed regulation (sometimes deregulation) and major reliance on markets in the utility (energy and telecommunications) and banking fields. This course examines the strengths and limitations of each approach, the occasion for and evolution of their policy development, and the prospects for regulation, deregulation, and re-regulation in the U.S. economy.

Class Procedure and Grading:

The class will meet weekly on Wednesdays, and lecture/discussion will be the format based on assigned readings. A course packet will be for sale, and certain additional readings will be handed out during class. A seminar atmosphere will be encouraged, and substantial class participation will be expected. A mid-term exam and a final exam will be given. The weighting for grading purposes will be: mid-term = 35%; final = 50%; and class participation = 15%.

Course Materials:

A required reading packet should be purchased. Some additional required reading will be provided electronically and some by hard copy handouts.

Session Topics: The Course in Outline

- Session #1 – Origin and Concept of Commission Regulation
- #2 – Goals, Theories, and Independence of Administrative Regulation
- #3 – Energy Regulation and Sector Performance
- #4 – Telecommunications Regulation and Sector Performance
- #5 – Appraisal of Utility Regulation/Deregulation: Successes, Failures, and In-Between
- #6 – Midterm Examination (first hour) and Distinguished Guest Speaker (second hour)
- #7 – Environmental Regulation, Alternative Energy Sources, and PUCs
- #8 – Banking, Brokerage, and Investment Regulation/Deregulation
- #9 – Reregulation: Whether, Where, and How Much?

Final Examination (over entire course)

Session Assignments:

#1, January 4, -- Charles F. Phillips, Jr., *The Regulation of Public Utilities*, 3rd ed., Public Utilities Reports, Inc. Arlington, Va., 1993, Chapter 1 and Chapter 2 (through p. 61).

#2, January 11,-- Phillips, Ch. 4 and 5.

#3, January 25, -- Alan Schriber and James Brock, "The Electricity Industry", Chapter 3 in *The Structure of American Industry*, James Brock, ed., Twelfth Edition, Prentice Hall, 2009, pp. 58 – 97. Ohio Senate Bill 221, electric sector stabilization; also selected documents on the August 14, 2003, power outage in the northeast and Ohio's role.

#4, February 1, -- Genio Staranczak, "The Evolving Nature of Telecommunications Regulation", *NRRI Journal of Applied Regulation*, November 2004, pp. 25-35. Howard A. Shelanski, "Adjusting Regulation to Competition: Toward a New Model for U.S. Telecommunications Policy", *Yale Journal on Regulation*, Winter 2007, pp. 1—23.

#5, February 8,-- Harry M. Trebing, "A Critical Assessment of Electricity and Natural Gas deregulation", *Journal of Economic Issues*, Vol. XLII, No. 2. June 2008, pp. 469-477. Douglas N. Jones, "Agency Transformation and State Public Utility Commissions", *Utilities Policy*, 14, March 2006, pp. 8-13; Jones and Rosenberg, "Utility Restructuring and Unnatural Acts," *Public Utility Fortnightly – Spark*, #50, February 2008.

#6, February 15,-- Midterm Examination (first hour); Distinguished Guest Speaker (second hour).

#7, February 22, -- A. Myrick Freeman III, "Environmental Policy Since Earth Day 1: What Have We Gained?" *Journal of Economic Perspectives*, Vol. 16, No. 1, Winter 2002, pp. 125-146. Andrew Keeler, "State Commission Electricity Regulation Under Greenhouse Gas Cap-and-Trade Policy," *The Electricity Journal*, Vol. 21, Issue 4, May 2008, pp. 19-30. Gilbert Metcalf, "Market-based Policy Options to Control U.S. Greenhouse Gas Emissions," *Journal of Economic Perspectives*, Vol. 23, No. 2, Spring 2009, pp. 5—27.

#8, March 1, -- Robert Kuttner, *Everything For Sale*, Ch. 5 – Money Markets and the Corporation (pp. 159-178), 20th Century Fund Book, A. A. Knopf, N.Y., 1997. Steven Pilloff, "The Banking Industry", Chapter 10 in *The Structure of American Industry*, James Brock, ed., Twelfth Edition, Prentice Hall, 2009, pp. 265 – 293. [add selected articles on current financial industry troubles/fixes]

#9, March 8,-- James Brock, "Public Policy in a Free Enterprise Economy", Chapter 14 in *The Structure of American Industry*, Twelfth Edition, Prentice Hall, 2009, pp. 389--404. Richard D. Cudahy, "Whither Deregulation: A Look at the Portents", *New York Survey of American Law*, Vol.58, No. 2, 2001, pp. 155 - 186. Douglas N. Jones, "Regulatory Resurgence ?", *Public Power*, June 2009, Vol. 67, No. 4, pp. 52—57. [add current congressional legislation]

Final Examination, March 15, 3:30 -- 5:30pm.

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