

ECON0051 - Economics of Regulation

What will you learn about?

Governments intervene in markets for many reasons. The extent of intervention varies significantly by sector. This course focuses on industries where there is a sector-specific regulator and an assumption of permanent government intervention because of market failures, most notably natural monopoly. The main sectors that we will discuss are water, energy, rail, airports and telecoms. The types of intervention that we focus on are constraints on prices and outputs produced by the regulated firms. We focus primarily on experience in the UK. You are very welcome to contribute ideas from regulation in practice in other countries.

The course will use a mix of economic theory and case studies to explore long-standing questions in the economics of regulation.

1. Why do we regulate some industries and not others?
2. What are the regulator's objectives?
3. What does economic theory tell us is the best way to regulate a natural monopoly?
4. How does regulation work in practice and how has it evolved over time?
5. How does the design of the regulatory framework affect delivery of the regulator's objectives?

These questions build on each other. You will consider them in the materials that you work on in your own time, live Monday sessions and live Friday tutorials (see your online timetable for relevant weeks). You will deepen your knowledge through your engagement with non-assessed activities through the term and with the term-time assessment.

What will you know (better) by the end of the course?

The aim of the course is to provide the analytical skills needed to assess the case for economic regulation and to critically evaluate alternative regulatory frameworks.

The desired learning outcomes are that on completion of the course you are able to:

1. Explain, using economic tools and examples, why some industries are regulated and not others.
2. Describe and evaluate in a balanced manner different forms of economic regulation, taking account of regulatory objectives and available information.

1. Independently investigate and present ideas orally on the rationale for and evolution of regulation in one utility sector.
2. Write clear and well-structured economic essays for a non-expert audience and critically assess the writing of others.
3. Work effectively with others, in peer discussions and on the case study project.

How are you assessed on this course?

Your overall grade for the course is typically based on your performance in the following three assessment components:

1. Take-home essay (max 1,500 words, 60%)
2. Group research project (40%): During the term you will work in an assigned team on a case study project. The outputs of the project are a group video presentation (25%) and a 800 word individual report (15%).

The mix of assessment methods has been designed to assess the extent to which you are meeting the learning outcomes.

How will you learn on this course?

Each week will have a similar structure and you will need to engage with the materials every week to keep on top of everything to prepare you for the assessments. Broadly speaking you should expect to be spending around 10 hours per week on the following activities. In addition, you will be typically spending around 50 hours on the assessments.