

Law & Economics

UGRA_005937

Departments	Department of Economics, Finance & Accounting, Department of International, European Union and Comparative Law
Teaching Languages	English and Spanish
ECTS	5
Teacher responsible	Sebastien Alexandre Fassiaux - sebastien.fassiaux@esade.edu

Course Goals

This course will equip students with the tools of economic theory to study market regulation. The course will cover the different areas of regulation following the classic taxonomy of market failures: market power, incomplete markets and externalities, and asymmetric information. This course is neither a law class nor an economics class. Rather, it aims at teaching future policymakers how to think like economists about legislation. The emphasis will be on important results from economic theory and how they can be applied in designing efficient regulations to tackle market failures.

Students will initially be invited to reflect on why governments intervene in the economy and the main reasons why markets may fail. After identifying areas where regulation is warranted, the course will analyze the costs and benefits of different policy instruments using economic theory as a reference. Refinements of regulations based on different market structures and institutional settings will be presented. Several real-world examples from the US and Europe will be used to understand the challenges that regulators may face in practice as well as how to evaluate the results of different regulatory efforts.

Previous knowledge

Introductory microeconomics.

Prerequisites

Basic microeconomics.

Teaching methodology

Readings, class exercises, case studies, student presentations.

Description

Course contribution to program

By the end of the course, students should be able to:

- Understand where markets tend to fail and the importance of regulation in “free market” economies;
- Understand the challenges and tradeoffs that regulators policymakers face when regulating markets;
- Identify potential market failures, propose and discuss potential solutions;
- Use results from economic theory to analyze complex problems rigorously;
- Apply a combination of theory and empirical analysis to evaluate the impact of policy instruments in specific markets.

Bibliography

Thomas Lambert, How to Regulate: A Guide for Policymakers, Cambridge University Press, 9781316534885 (Book)

Jean Tirole, The Theory of Industrial Organization, MIT Press (Book)

Jean Tirole, Economics for the Common Good, Princeton University Press, 0691175160 (Book)

W. Kip Viscusi , John M. Vernon, et al., Economics Of Regulation And Antitrust, MIT Press (Book)

Content

#	Topic
1	Free Markets and The Welfare Theorems Introduction to perfect competition: Rationality of consumers and producers under perfect competition, partial and general equilibrium and definitions of economic efficiency. First and Second Welfare theorems and interpretations.
2	Imperfect Competition Economics of imperfect competition: monopoly and oligopoly. Principles of antitrust law. Failures of antitrust regulation: natural monopolies, contestable markets, innovation. Recent issues in antitrust law and new anticompetitive practices from technology companies. Case studies.
3	Externalities Definition of economic externalities. Coase theorems and applications. Pigouvian solutions to externalities. Political considerations in the regulation of externalities. Applications to environmental regulation.
4	Asymmetric Information Basic decision making under uncertainty: risk neutrality vs risk aversion. Different types of information asymmetries: Principal/Agent models, Moral Hazard. Applications: the market for lemons, adverse selection in the insurance market, regulation of the financial sector.

Assessment

Tool	Assessment tool	Category	Weight %
In-class analysis and discussion of issues	Active class participation	Retake and ordinary round	10.00%
Individual or team exercises	Problem sets	Retake and ordinary round	20.00%
Written and/or oral exams	Midterm Exam	Retake and ordinary round	30.00%
Written and/or oral exams	Final Exam	Retake and ordinary round	40.00%

PROGRAMS

GDL20-Double Degree in Law and Global Governance, Economics and Legal Order (Undergraduates: Law)
GDL20 Year 4 (Mandatory)

GDL23-Double Degree in Law and Global Governance, Economics and Legal Order (Undergraduates: Law)
GDL23 Year 4 (Mandatory)

GEL19-Bachelor in Global Governance, Economics and Legal Order (Undergraduates: Law)
GEL19 Year 3 (Mandatory)

GEL23-Bachelor in Global Governance, Economics and Legal Order (Undergraduates: Law)
GEL23 Year 3 (Mandatory)