

16C028

6 ECTS

## Economics of Market Regulation

### Overview and Objectives

This course aims to understand the market failures that originate the need for regulation and overview the mechanisms used in practice and the problems that regulators might encounter. Special emphasis is placed on the study of the liberalization process of public utilities and the new kinds of regulation that have emerged. This new regulation will be illustrated using the international experience in sectors such as telecommunications, railway and energy.

### Course Outline

1. Economic Regulation: When and Why
2. The Classical Theory of Economic Regulation
  - a. Ramsey Pricing
  - b. Rate-of-Return Regulation
  - c. Price Caps
3. Liberalization and Competition
  - a. When to Liberalize
  - b. Market Structure
  - c. Access to Infrastructure: Vertical vs Horizontal Separation
4. Universal Service Obligations.

### Required Activities

Problem sets will be assigned regularly, the solution of which will be discussed in class.

### Evaluation

30% problem sets, 70% final exam.

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### Materials

Armstrong, M., S. Cowan and J. Vickers (1994)  
"Regulatory Reform," *MIT Press*.

Laffont, J.J. and J Tirole (2000) "Competition in

Telecommunications," *MIT Press*.

Viscusi, W.K, Vernon, J.M. and J.E. Harrington (2004)  
"Economics of Regulation and Antitrust," *MIT Press*,  
Fourth Edition