UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Economics of Regulation

2122-1-F6302N006-F6302N006M

Learning objectives

The course proposes are:

a) to offer basic and specialist knowledge on Reasons, Tools and Effects of public intervention in the markets of contemporary capitalist societies characterized by non-competitive conditions from which market power in favor of private companies derives.

b) to enable the student to critically evaluate the policies of reduction of the aforementioned intervention followed in various countries over the past three decades and to analyze the effects of the consequent elimination or privatization of the activities previously carried out by the public sector.

c) to allow the student to acquire professional skills in the planning and management of still existing public enterprises still offering public services

Contents

The course is organized in two parts (modules), which cannot be separated.

The first part is called Public and Service Economics. It is dedicated to the study of the theory of business and market regulation in the public utility sectors where conditions of natural monopoly prevail. Economic theories that have dealt with this problem will be presented and discussed following their historical development and the relative results will be examined with reference to contexts characterized by both perfect information and information asymmetry. The theories that motivate the nationalization of natural monopolies and the theories that merely reccommend regulatory rules of conduct to be imposed on private companies will be exposed and analysed. In the latter case, the study will cover both the Bayesian and the non-Bayesian (or anonymous) models of regulation of the natural monopoly.The main oligopoly models will be subsequently taken up and the most common forms of regulation of these markets will be examined. Ample space will be dedicated to the analysis of the so-called

competition for the market achieved through the application of auction mechanisms. In this context, specific cases of application of auction mechanisms to the regulation of sectors such as electricity, gas, telecommunications, etc. will also be treated.
The second part is called Economics of regulatory choices and deals with regulatory activity, carried out by applying the rules "to protect competition and the market as well as consumers", carried out through the activity of independent authorities. The historical profile of this form of "intervention" and the main guiding criteria for consumer and producer protection activities followed by the Authorities will be examined. Some cases derived from specific rulings of the European and national Anti Trust Authorities will be subsequently treated.

Detailed program

1 Allocative efficiency I

L 2 Allocative efficiency II

L3 Perfect competition and efficiency

L 4 Natural monopoly II

L 5 Natural monopolyII

L 6 Multi product natural monopoly

L7 Scale return and subadditivity

L8 Marginal cost pricing and firm's loss

L9 Hotelling I

L 10 Hotelling II

L 11 Financing firm's loss

L 12 First best pricing:a balance

L 13 the SB

L14 SB pricing I

L 15 Distribution and SB pricing

L 16 SB pricing: interpretations and balance

L 17 The Loeb and Magat model

L 18 Bayesian regulation

L 19 RoR I^

L 20 RoR II^

L 21 Price -cap

L 22

Yardstick competion I^

L 23 Back to Loeb and Magat and Demzets auction

L24 Auctions I

L 25 Auctions II

L26 auctions III

L27 Examples and applications

L 28 Criticisms

L 29 Oligopoly and regulation

L 30Cournot I

L 31 II

L32 Counot with N > 2

L 33 Bertrand I^

L 34 Bertrand with N > 2

L 35 Social surplus andoligopoly

L 36 State intervention in oligopoly

IL 37 Vertical Integration I

L 38 Vertical Integration II

L 39 Alternatives to vertical integration

L 40 Mergers I

L 41 Mergers II

L 42 Unilateral effects

L 43 Antitrust cases I

L 44 Antitrust cases II

L 45 Antitrust cases III

L46 Antitrust cases IV

Prerequisites

Basic microeconomics as presented for instance in

H. Varian, Intermediate Microeconomics with Calculus, W. W. Norton & Company – 2014

is necessary.

Calculus and optimization are highly recommended.

Teaching methods

Recorded class lectures with exercises. The e learning page contains slides, notes, exercises and examples. Modalities are subjected to Bicocca anti Corona virus regulations.

Assessment methods

Final written exam (6 questions including 3 exercises; each question is divided into individual parts).
At the end of the first module (after about 45 h of frontal lectures) students can take an intermediate test related to the program treated until then in class. Passing the intermediate test (with a mark between 0 and 16; minimum 9) implies limitation of the content of the final test to the second part of the course only (always with a mark between 0 and 16; minimum 9). The intermediate test is not mandatory. In its absence, the student takes the complete exam relating to both parts / modules (score between 0 and 32 = 30 with honors; minimum 18).

Non-attending students cannot access the intermediate test and must take the complete test together with the attending students.

Methods may change according to Bicocca's anti Corona virus policy.

Textbooks and Reading Materials

Textbooks and Reading Materials

Bruno Bosco, **LEZIONI DI TEORIA DELLA REGOLAMENTAZIONE** (Lectures on Regulation Theory),
Second Edition, Giappichelli, Turin, 2020 (except the paragraphs indicated with double asterisk in the general introduction)

M. Motta -M. Polo, **Antitrust. Economia e politica della concorrenza** (Antitrust and competition policy), Il Mulino, 2005 (chapters to be indicated at the beginning of the second module)

Bruno Bosco, **Additional Lecture Notes** (Material included in the e-learning page of the course)

A purely supplementary ("not so hard going" and less thorough) bibliographic reference discussing specific regulatory topics and cases is

C. Decker, **Modern Economic Regulation**, CUP, 2015 (part III in particular)

Semester

First and Second Semester

Teaching language

Italian