

# **Economics of Business and Government**

ECO 370W – Spring 2008 – MonWed 9:30-10:50

**Instructor:** Mark W. Frank, Ph.D.

**Office:** Smith-Hutson Business Building, Room 237-K

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**Online:** Grades, handouts, and online Q&A discussions will be organized through Blackboard

**Office Hours:** Monday & Wednesday: 9 to 9:30 am, and 2 to 3 pm. Tuesday: 9 to 11 am.

## **Required Books:**

- The Structure of American Industry (11<sup>th</sup> ed.) (2005) by Walter Adams and James Brock,
- Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life (1991) by Avinash Dixit & Barry Nalebuff
- The Regulators: Anonymous Power Brokers in American Politics (2003) by Cindy Skrzycki

**Description:** This course will cover the prominent economic theories and concepts covering the interaction between business and government. Throughout the course, these discussions will be supplemented with real-world case studies of specific industries. Prominent topics and concepts will include: public choice theory, voting systems, median voter theorem, logrolling, the use of auctions in government license allocations, the Coase theorem, tradable permits, and self-governance. Industries surveyed will include: petroleum, cigarettes, beer, automobiles, music recording, airlines, and college sports. The organization of the course will be hands-on, with class lectures being supplemented with in-class experiments in which students are active participants. As Benjamin Franklin argued, “tell me and I forget, teach me and I remember, involve me and I learn.” Additional topics may be added during the semester. Graphs and algebra will be used where necessary to develop the concepts central to economic theory.

**Objective:** To develop an understanding of the complex relationship between the business sector and the public sector in the United States and in the global marketplace.

**Evaluation:** Grades will be based on the highest three of four in-class examinations, and several homework assignments. Exams will consist of multiple choice, short answer, fill-in-the-blank, and one essay question taken from class lectures and assigned readings. The final exam is comprehensive. Each of the student's three highest exams will be worth 25% of the final grade. Homework assignments will comprise the remaining 25%.

Letter grades will be assigned in the following manner:

A - Above 90.0%	B - 80.0% to 89.9%
C - 70.0% to 79.9%	D - 60.0% to 69.9%
F - Below 59.9%	

**Attendance Policy:** Regular and punctual class attendance is expected; many of the homework assignments will have in-class components that cannot be made up if a student misses class! A student is allowed to drop one exam grade (only the highest three of the four exams will count towards the final grade). If a student misses *two* exams, however, then the comprehensive final exam will count twice. All late homework assignments are assessed a penalty of 5 points per day.

**Student Absences on Religious Holy Days Policy:** Section 51.911(b) of the Texas Education Code requires that an institution of higher education excuse a student from attending classes or other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. A student whose absence is excused under this subsection may not be penalized for that absence and shall be allowed to take an examination or complete an assignment from which the student is excused within a reasonable time after the absence.

University policy 861001 provides the procedures to be followed by the student and instructor. A student desiring to absent himself/herself from a scheduled class in order to observe (a) religious holy day(s) shall present to each instructor involved a written statement concerning the religious holy day(s). This request must be made in the first fifteen days of the semester or the first seven days of a summer session in which the absence(s) will occur. The instructor will complete a form notifying the student of a reasonable timeframe in which the missed assignments and/or examinations are to be completed.

**Disabled Student Policy:** It is the policy of Sam Houston State University that no otherwise qualified disabled individual shall, solely by reason of his/her handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any academic or Student Life program or activity. Disabled students may request help with academically related problems stemming from individual disabilities from their instructors, school/department chair, or by contacting the Chair of the Committee for Continuing Assistance for Disabled Students and Director of the Counseling Center, Lee Drain Annex, or by calling (936) 294-1720.

**Tentative Course Outline:**

<b>Class Days:</b>	<b>Topic:</b>	<b>Assigned Readings:</b>
Jan 16, 23, 28, 30 (No class on Jan 21)	Market Failure: Public Goods and Monopoly Power	<ul style="list-style-type: none"> <li>▪ The Structure of American Industry – Ch. 2, 12</li> </ul>
Feb 4, 6, 11, 13	Government Failure: Voting Paradoxes	<ul style="list-style-type: none"> <li>▪ Thinking Strategically – TBA</li> </ul>
<b>Feb 18</b>	<b>Exam 1</b>	
Feb 20, 25, 27, March 3, 5, 17, 19, 24, 26 (No class on March 10, 12)	Government Failure: Logrolling, Federal Bureaucracy, Interest Groups	<ul style="list-style-type: none"> <li>▪ The Regulators – Ch. 1, 2, 3</li> <li>▪ The Structure of American Industry – Ch. 5, 9</li> <li>▪ Thinking Strategically – TBA</li> </ul>
<b>March 31</b>	<b>Exam 2</b>	
April 2, 7, 9, 14, 16, 21, 23, 28, 30, May 5	Market Failure: Externalities Recent Trends in Regulation	<ul style="list-style-type: none"> <li>▪ The Structure of American Industry – Ch. 3, 4</li> <li>▪ Thinking Strategically – TBA</li> </ul>
<b>May 7</b>	<b>Exam 3</b>	
<b>Wednesday May 14<sup>th</sup>, 9:00 – 10:00 am</b>	<b>Exam 4 - Comprehensive Final</b>	