SYLLABUS
REGULATORY POLICY–PPOL 4600
SPRING QUARTER 2012
GRADUATE PROGRAM IN PUBLIC POLICY
THE UNIVERSITY OF DENVER
WEDNESDAY 5 - 7:50 P.M.
STURM HALL 133

Instructor
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Office Hours
Tuesday:  8:30 a.m. - 9:45 a.m.
1:00 p.m. - 2:30 p.m.
Thursday: 8:30 a.m. - 9:45 a.m.
1:00 p.m. - 2:30 p.m.

Course Description

"[A]ny theoretical economic argument that can be stated in a sentence is as likely to be untrue as true in the real world, no matter how clever or intuitive it is."1

1 James Kwak, coauthor of 13 Bankers.
We will cover a broad range of issues relating to the development and administration of the modern regulatory state. A focus of the class will be the financial collapse of 2008 and its causes. This will be a vehicle to examine broad fundamental issues pertaining to regulation of economic activity. In addition we will deal with: 1) the legal and constitutional basis for federal and state regulation; 2) local and state regulation including land use and employment; 3) eminent domain and property issues; 4) the Administrative Procedure Act; 5) the Government in the Sunshine Act; 6) the modern deregulatory movement and the efficient market theory; 7) regulatory capture and regulatory culture; and 8) public choice theory.

Students should gain an appreciation of: 1) the powerful effect of conventional wisdom and ideology on regulatory policy choices; 2) the apparent failure of traditional economic/regulatory policies and the need for a new synthesis; 3) the history of financial crises and bubbles and implications for policy; and 4) critical current regulatory policy debates and their importance.

**Background Materials**

Students are strongly encouraged to read publications such as the Financial Times, The Economist; New York Times; and Wall Street Journal to keep up with current developments.

Also recommended for general background reading on the financial crisis and current regulatory issues is Simon Johnson's blog [www.baselinescenario.com](http://www.baselinescenario.com). His posts on "Financial Crisis for Beginners" and "Integrated slide presentation" are very good basic introductory material that will be helpful for those who are new to the issues involved in the financial collapse.

Additional blogs that I find invaluable and that often point to insightful additional sources include:


**Required Reading**

Note: Items below indicated with * will be posted on blackboard in .pdf format.


* U.S. Constitution: Spending Clause, Article 1, clause 1; Commerce Clause, Article 1, section 8, clause 3; Article II, section 1; Amendment IX; Amendment X; Amendment XIV, section 1.

* Securities Law excerpts

* Lochner v. New York, 198 U.S. 45 (1905)

* West Coast Hotel Co. v. Parrish, 300 U.S. 379 (1937)

* U.S. v. Darby, 312 U.S. 100 (1941)

* Wickard v. Filburn, 317 U.S. 111 (1942)


* Gonzales v. Raich, 545 U.S. 1 (2005)


* A License to Shampoo, Jobs Needing State Approval Rise, Wall Street Journal 2/7/2011

**Grading**

This course will be graded on two critiques of required reading materials, an analytic policy memorandum and class discussion. See pages 15-16 for details concerning the written assignments.

Written work will be graded on: 1) quality of argument and reasoning; 2) organization; 3) effective analysis of counter-arguments; 4) quality and use of sources; and 5) writing, spelling, and grammar. Be prepared to take and defend a firm position in your written work.

Weighing is as follows:

- Critique 1 20% (due April 25, 2011)
- Critique 2 20% (due May 16, 2011)
- Policy brief 40% (due June 1, 2011)
- Class discussion/attendance 20%

**Critiques And Policy Briefs**

Critiques and the policy brief are due respectively on: April 25, 2011; May 16, 2011; and June 1, 2012. Please deliver a hard copy of your essay to the instructor in class on the due date and also send an additional copy to him by email before class starts. See pp. 11-12 for details.

**Honor Code and Electronic Devices**

This course is strictly governed by the DU honor code. **Cell phones may not be turned on or used during class and audio or video recording of classes is prohibited.** While you may use laptops to take notes you are not permitted to be connected to the internet during class. Anyone who does so will be asked to leave.

**Absences**

Attendance at all classes is mandatory unless excused in advance by the instructor. Please notify the instructor promptly by email if they are unable to attend based on illness or other emergency.

**Suggested Additional Reading**

The materials listed below will help you to gain a more complete understanding of the issues involved in financial market regulation, the instability of financial markets, and
macro economic policy. Students who want to explore issues relating to financial regulation are strongly encouraged to read some or all of these materials. Items noted by * will be posted on the bulletin board.


* The Other-Worldly Philosophers, *The Economist*, July 16, 2009

* Efficiency and Beyond, *The Economist*, July 16, 2009


failures of both Keynesianism and monetarism from an architect of "supply side economics" with an emphasis on tax, political, and budgetary issues.


* Fed interview of Gary Gorton, Minneapolis Federal Reserve Board, 11/5/10. If the full book is too much, here is a 15 page summary of his views.


* Kane, *The Importance of Monitoring and Mitigating Safety-Net Consequences of Regulation Induced Innovation*, Networks Financial Institute, Indiana State University, November 2009. One set of ideas on too big to fail.


* Liebowitz, ARMs, Not Subprimes, Caused the Mortgage Crisis, The Economists' Voice, November 2009.

**COURSE CALENDAR**

1. **MARCH 28, 2012 – INTRODUCTION & HOLLYWOOD NIGHT - "INSIDE JOB"


**Required Reading (complete By April 4)**

* U.S. Constitution: Spending Clause, Article 1, clause 1; Commerce Clause, Article 1, section 8, clause 3; Article II, section 1; Amendment IX; Amendment X; Amendment XIV, section 1.
  * *Lochner v. New York*, 198 U.S. 45 (1905)
  * *West Coast Hotel v. Parrish*, 300 U.S. 379 (1937)
  * *U.S. v. Darby*, 312 U.S. 100 (1941)
  * *Wickard v. Filburn*, 317 U.S. 111 (1942)
  * *Williamson v. Lee Optical*, 348 U.S. 483 (1955)
  * *Gonzalez v. Raich*, 545 U.S. 1 (2005)
  * *US v. Comstock* (2010)

**Complete By April 11**

*Cassidy, How Markets Fail*

Introduction and Part One: Utopian Economics (pp. 3-110)
Part Two: Reality-Based Economics (pp. 111-220)
3. **APRIL 18, 2012 – HISTORY OF REGULATION AND INTRODUCTION TO KEY CONCEPTS**

**Required Reading**

*Cassidy, How Markets Fail*
Part Three and Conclusion, The Great Crunch, pp. 221-346


**Required Reading**

* Securities law excerpts

*Posner, A Failure of Capitalism*
Preface (pp. vii - xix)
Chapter 1 – The Depression and Its Proximate Causes (pp. 1-40)
Chapter 2 – The Crisis in Banking (pp. 41-74)
Chapter 3 – The Underlying Causes (pp. 75-116)
Chapter 4 – Why a Depression Was Not Anticipated (pp. 117-147)

5. **MAY 2, 2012 – STATE AND LOCAL REGULATION**

**Required Reading**

* A License to Shampoo, Jobs Needing State Approval Rise, Wall Street Journal 2/7/2011

*Richard Posner, A Failure of Capitalism*
Chapter 5 – The Government Responds (pp. 148-219)
Chapter 6 – A Silver Lining? (pp. 220-233)
Chapter 7 – What We Are Learning About Capitalism and Government (pp. 234-251)

Required Reading (complete by May 9)

Richard Posner, *A Failure of Capitalism*
Chapter 8 – The Economics Profession Asleep at the Switch (pp. 252-268)
Chapter 9 – Apportioning Blame (pp. 269-287)
Conclusion (pp. 315-330)

Kindleberger, *Manias, Panics, and Crashes*
Chapter 1, Financial Crisis: A Hardy Perennial, pp. 1-23
Chapter 2, Anatomy of a Typical Crisis, pp. 24-37
Chapter 3, Speculative Manias, pp. 38-63

7. **MAY 23, 2012 – IS INSTABILITY INHERENT IN THE SYSTEM?**

Required Reading

Kindleberger, *Manias, Panics, and Crashes*
Chapter 4, Fueling the Flames: The Expansion of Credit, pp. 64-89
Chapter 5, The Critical Stage, pp. 90-112
Chapter 9, Frauds, Swindles, and the Credit Cycle, pp. 165-202

8. **MAY 30, 2012 – TOO BIG TO FAIL AND WHY IT MATTERS ("SEND LAWYERS GUNS AND MONEY")**

Required Reading

Kindleberger, *Manias, Panics, and Crashes*
Chapter 10, Policy Responses, pp. 203-224
Chapter 11, The Domestic Lender of Last Resort, pp. 225-242
Chapter 13, The Lessons of History and the Most Tumultuous Decades Ever, pp. 275-293

Critiques/Policy Briefs

All written work should include: 1) a cover page (containing only your name, the date, word count, and a title in the top 2 inches); and 2) a list of sources. Use 10 or 12 point

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Critiques should be a minimum of 1,000 words and a maximum of 1,200 words exclusive of cover page, and list of sources.

The policy brief should be a minimum of 1,800 words and a maximum of 2,000 words exclusive of cover page, and list of sources.

Critique. You will do two critiques, each one based on a different book from the required readings (Posner, Cassidy, Kindleberger) Your critique should either agree or disagree with one of the main positions taken by the author and discuss the significance of that position from a current policy perspective, i.e., what can we learn about a current regulatory policy issue from this work? You should cite some authority to support your critique. Think of this as a book review in The New York Review of Books, The Atlantic, or similar publications, that argues that the author is either right or wrong in which you rely on some evidence as well as logic and analysis to make your point. It is critical that your critique should analyze the policy implications of the work as it relates to a specific current policy issue. This is not an essay or a rant, it should be an analysis and evaluation that references some appropriate amount of outside research.

Policy Brief. Choose a major current public policy controversy relating to a specific regulatory policy issue of your choosing (It can be on any matter related broadly to regulatory policy and need not be limited to the specific policy areas focused on in the readings and lectures).

Using Bardach's methods define a problem and offer a solution. Make sure you discuss objections to your proposal and explain what standards you will use to judge whether your solution is effective. It is important that you reach a firm conclusion.

In your policy brief you should be prepared to: precisely define the problem and its causes; propose a valid analytic framework; perform a persuasive analysis of the problem; effectively use relevant evidence and documentation; discuss alternative solutions; discuss costs, benefits and tradeoffs (not a formal cost/benefit analysis); project outcomes; and deal with political consequences and obstacles.