CORNELL UNIVERSITY
Department of Policy Analysis and Management
PAM 3400/PAM5400: The Economics of Consumer Policy
Spring 2016
Tuesdays and Thursdays 11:40-12:55
Room 280 MVR Hall

Instructor: Professor Sharon Tennyson
Email: sharon.tennyson@cornell.edu
Office: MVR 252 Tue 1-2, Thu 1-2:30
and by appt.

Teaching Assistant: Kai Xie
Email: kx57@cornell.edu
Office: MVR 3M28 Mon 5:10-6:20,
and Wed 1:00-2:10

COURSE DESCRIPTION:
This course is designed to develop students’ critical understanding of government policies aimed toward protecting consumers’ wellbeing in markets. The course uses the tools of microeconomic analysis to investigate the various rationales for and the effects of these forms of government regulation. Economic theory is applied to the study of specific consumer protection policies in the United States and elsewhere.

COURSE RATIONALE:
An important role of governments in market economies is the enactment and enforcement of laws and regulations designed to protect consumers from fraudulent or deceptive actions of firms. Such policies are generally premised on consumers’ lack of information or lack of sophistication (relative to firms’). There is a large and fascinating array of such policies, and consumer protection concerns and policy tools are continually evolving. The rationale for and effectiveness of these policies, and their effects on markets, are the subject of significant interest in both economics and politics.

PREREQUISITES:
Although the primary focus of the course is on consumer protection policy, a critical understanding of the policies requires some economics. Knowledge of economics at the level of PAM 2000 or CRP 5122 or equivalent (Intermediate Microeconomics), is required.

LEARNING OBJECTIVES:
Students will leave the course with a critical understanding of the scope and limitations of consumer protection policies, and with insights into current consumer protection concerns. Specifically, students who successfully complete the course will be able to:
1. Describe specific consumer protection regulations in place in a variety of markets; compare policies across markets and across government jurisdictions.
2. Use concepts from information economics and behavioral economics to explain the rationale for specific types of consumer protection regulations.
3. Analyze the predicted efficiency and distributional consequences of consumer protection regulations, using the tools of microeconomics.
4. Use empirical evidence to critically analyze the performance of regulations.
COURSE STRUCTURE:
The course will be divided roughly into two parts. Part One is focused on institutional background and economic principles and addresses three broad questions: (i) what is consumer protection regulation and how is it carried out? (ii) is “market discipline” sufficient protection for consumers? (iii) why are consumer protection regulations enacted and how can we measure their effects? Part Two examines key issues in consumer protection regulation: (i) assuring product quality; (ii) assuring truthful advertising and disclosure; (iii) assuring service quality; (iv) assuring fairness in contracts; (v) assuring consumer privacy.

COURSE MATERIALS:
There is no text book for the course. Required readings are available online or links are provided on the blackboard site for the course, http://blackboard.cornell.edu. Lecture notes, assignments and other course materials are also be posted on the course website. Students must be enrolled in the course on the blackboard website in order to make use of materials posted there.

EVALUATION:
Assignments, examinations and grading will differ for PAM 3400 and PAM 5400. Specific information on requirements for each course is provided separately. All students with graduate status must enroll in PAM 5400.

ADMINISTRATIVE POLICIES:
1. Notes and handouts for the lecture will be made available on the course website. Students are expected to attend lecture, and should not assume that the course notes are a substitute for lectures.
2. All assignments are due at the beginning of the class period for which they are assigned. Late assignments will be docked 10 percent of points per day that they are late. Assignments more than one week late will lose all points.
3. Requests for re-grading of exams must be submitted in writing within one week of the work’s return. Responses to re-grade requests will be returned in writing.

ACADEMIC INTEGRITY:
Cornell’s code of academic integrity applies to all course work: specifics can be found at http://web.cornell.edu/UniversityFaculty/docs/AIC.pdf. General expectations for this course are as follows: Although discussion of problems and questions among students is allowed and encouraged, any work submitted for credit in the course must be a student’s individual work unless stated otherwise in the instructions for the assignment. A student's submission of work for academic credit in this course indicates that the work conforms to the academic integrity expectations for the assignment. Use of Turnitin.com software: All required papers in this course may be subject to submission for textual similarity review to Turnitin.com or similar software for the detection of plagiarism.
### COURSE SCHEDULE AND READINGS

**Lecture 1**  
**Course overview, requirements and expectations**  
**Required Reading:**  
Course syllabus and course outline.

**Lecture 2**  
**Institutions for consumer protection**  
**Required Reading:**  
**Optional Reading:**  

**Lecture 3**  
**Economic perspectives on consumer protection policy**  
**Required Reading:**  
**Optional Reading:**  

**Lecture 4-6**  
**The role of “market discipline” in consumer protection**  
**Required Reading:**  
Fake online reviews trip travelers, *USA Today*, December 27, 2015.  
Amazon and Yelp (finally) fight back against bogus reviews, *CIO*, 2015.  
How Congress can protect online consumer reviews, *Forbes*, November 2, 2015.  
**Optional Reading:**  

**Lecture 7**  
**Consumer psychology and consumer protection policy**  
**Required Reading:**  
Cubita, P. et al., FTC Proposes Survey of Consumer Experience in Financing Auto Purchases
Lecture 8  Consumer pressure and consumer protection policy
Required Reading:
Optional Reading:

Lecture 9  Evaluating consumer protection policy
Required Reading:
Optional Reading:

Lecture 10-11  Markets with unobservable product quality
Required Reading:
Optional Reading:

Lecture 12-13  Market solutions to unobservable quality
Required Reading:
Optional Reading:
Lecture 14-15  Advertising and regulation of advertising
Required Reading:
China’s new advertising regulations, MMLC Group, 2015
Optional Reading:
International Center for Alcohol Policies, Self-Regulation of Beverage Alcohol Advertising, ICAP Reports, 2001.

Lecture 16-17  Mandating information disclosure
Required Reading:
Optional Reading:
White, V., B. Webster and M. Wakefield, Do graphic health warning labels have an impact on adolescents' smoking-related beliefs and behaviors?, Addiction, 103: 1562-1571, 2008.

Lecture 18-19  Direct regulation of product quality
Required Reading:
Dangerous Products Seldom Get Recalled, Washington Post, November 2002
Optional Reading:

Lecture 20-21  Regulating markets with experts
Required Reading:
Schneider, H., Excerpt from Agency Problems and Reputation in Expert Services: Evidence

Optional Reading:

Lecture 22-23 Regulating consumer contracts

Required Reading:

Optional Reading:

Lecture 24 Consumer privacy

Required Reading:
FTC, Executive Summary of *Big Data: A Tool for Inclusion or Exclusion?* January 2016.