



Econ 5110: Managerial Microeconomics
Fall 2020 Syllabus

Xinyu Hua
Department of Economics

Time and Venue:

Time: 9:30– 13:00, Tuesdays, Sep. 1 – Oct. 20 (Exam on Oct 20)

Zoom Meeting ID: 511 915 7346

Zoom Meeting Password: econ5110xh

Instructor:

Xinyu Hua (xyhua@ust.hk ; 2358-7609; LSK 6076)

Email is always a great way to reach me.

Office Hours: By appointment

Course Web Site: canvas.ust.hk

Course credits: 2

Course Description and Intended Learning Outcomes

Warren Buffet once said: “When an industry with a reputation for difficult economics meets a manager with a reputation for excellence, it is usually the industry that keeps its reputation intact.” Many managers fail to appreciate the numerous ways in which economic behavior and competition can destroy profitability. This course focuses on understanding individual economic behavior, competition, and market characteristics that are relevant to business and management.

Students are expected to

- Analyze key trade-offs in pricing, and compare different pricing strategies according to industry or market conditions.
- Apply demand and supply analysis in predicting market price and related dynamics in competitive markets.
- Predict competitors' actions and reactions using basic game-theoretic methods. In the context of oligopoly markets, analyze the strategic effects of various business decisions as well as the impacts of asymmetric information.
- Be able to communicate microeconomic analysis in business decisions to multiple stakeholder groups.
- Work effectively within a team environment for solving both technical and non-technical problems.

Study Groups and the Case Study Method

You are encouraged to follow the grouping made by the MBA office. The groups are responsible for working on cases and group assignments.

The approach toward teaching and learning managerial economics is primarily inductive. That is, you will learn many concepts and topics outlined above largely through cases, examples, and some simple models – this is the essence of **the case study method**. The goal is to carefully study specific business situations and decisions with the goal of extracting broader principles, which will then be available to you in a wide variety of managerial contexts.

Good cases are necessarily complex and ambiguous (but not necessarily new). In preparing for case discussions, you may find sorting through this complexity and ambiguity to be frustrating. The problems presented in the case discussion may not have one correct answer. However, there will generally be a set of insights and solutions which are better than others. And it is in working through the messy details to find these insights and solutions – both in your preparation and in-class discussions – that the concepts and principles introduced in the readings and lectures will come alive and be enriched for you. **For a case discussion to be a valuable learning experience, it is essential that you come prepared to discuss the cases and readings assigned for that class.**

What Materials Will We Use?

The key materials are the lecture notes, cases, and additional readings. You should not distribute these materials outside our class. The following books are just for reference:

Png: *Managerial Economics*, by Ivan Png, Pearson, Prentice Hall.

BDSS: *The Economics of Strategy*, 7th Edition, by David Besanko, David Dranove, Mark Shanley, and Scott Schaefer, Wiley.

How Will You Be Graded?

The grade is made up of five components:

- 1. Final Exam (50%):** The final will be an in-class exam on **Oct 20**.
- 2. Group Written Assignment (10%):** On **Sep 15**, all groups please submit answers to a few questions (to be distributed).
- 3. Group Written Case Analysis (15%):** On **Sep 22**, some groups will submit a written report on the case “Revitalizing Dell” (and the Case Flash Forward), and the other groups will submit their report on the case “Enterprise Rent-A-Car”, based on the case preparation questions on the course site. **The report should be in**

PowerPoint format and has no more than 20 slides. During the class on Sep 22, **two groups will be selected to make 15-20 min presentation each.**

4. Individual Simulation (10%): In Week 5, a URL will be sent to the whole class. Please finish the game and submit a brief summary **by 4 pm on Oct 5** (instructions to be distributed).

5. Active Class Participation and Contribution (15%): Attendance, preparation, and participation are essential in this class, as in any class based on the case method. Active engagement means that you're *listening carefully* to the comments of other students and seeking opportunities to make comments that move the class discussion forward. Class participation will be evaluated also on (1) the effort and incentives to prepare and to participate in class discussion, and (2) the evaluation of content:

- **Relevance:** Are your comments related to the case and the comments of others?
- **Advancement:** Does your comment move the class discussion forward?
- **Fact-Based:** Have you used specific data from the case, from readings, or from personal experience to support the assertions that you are making?
- **Logical:** Is your reasoning logical? Do you use economic concepts correctly?

HKUST Honor Code and Classroom Etiquette

The HKUST Academic Integrity and Honor Code apply to this course. In particular, the group assignments must be strictly your group's original work and the individual assignment must be your original work. And you should not get any course material from the classes in previous years.

Students are expected to join the class on time and the instructor will start the class according to schedule. Students should demonstrate respect for the instructor and fellow students during the class period. **Please try to avoid side conversations when your classmates raise questions or give comments.**

Anyone attending the class online should turn on video/webcam and mute your mic (unless you are called to share insights or questions during class discussions). We will make arrangements so that online students will have opportunities to contribute to class discussions: you can use the "raise hand" function on Zoom and then our TA or I may call your name for sharing. Please be patient if there are technical/internet problems or if you are not called due to time constraints.

Brief Course Outline

The table below gives an approximate outline of the course. **The readings shown in italic are optional and NOT required.**

	Topic	Reading and preparation before class
Week 1	Market Demand Monopoly Market I: Pricing	Background Notes on Demand Estimation Mini-Case on “Apple Watch” Case on “Medicines Co.” <i>Png: Chapter 2 and 8 (optional)</i>
Week 2	Monopoly Market II: Price Discrimination	Case on “ T-Mobile in 2013: The Un-Carrier ” <i>Png: Chapter 9 (optional)</i>
Week 3	Monopoly Market III: Platform Free/Easy Entry Market: Demand-Supply Analysis	Mini-Case on “Upwork in 2019” Case on “Subsidies and the Global Cotton Trade” Group Assignment 1 due <i>Png: Chapter 4 and 5 (optional)</i>
Week 4	Oligopoly Market I: Competitive Advantage	Background Notes on “Industry and Firm Analysis” Case on “Revitalizing Dell” (and Case Flash Forward) Case on “Enterprise Rent-A-Car” (and online updates) Group Assignment 2 due <i>BDSS: Chapter 8 and 9 (optional)</i>
Week 5	Oligopoly Market II: Strategic Decisions	Case on “ CNS Worldwide (Cloud)” <i>BDSS: Chapter 5 and 7 (optional)</i>
Week 6	Oligopoly Market III: Strategic Decisions with Innovation	Online Simulation on Universal Rental Car Case on “Netflix Inc.: Disruptor Faces Disruption” Individual Assignment due
Week 7	Oligopoly Market IV: Strategic Decisions with Asymmetric Information	Case on “Rural Taobao” <i>BDSS: Chapter 10 (optional)</i>
Week 8	Exam	

Remark 1: It is important to recognize upfront that this class cannot be as perfectly organized as the outline suggests. Managerial economics is complicated throughout, and we may adjust the detailed topics or learn new tools throughout the course.

Remark 2: Students who have not been exposed to microeconomics are encouraged to read up on the background note “**Summary of Some Concepts in Economics**” (available on the course website).

Remark 3: In each week (except for week 4), the estimated time for reading the assigned case and making preparations is about 2 hours. In Week 4, the estimated time for Group Assignment 2 (including reading the cases and discussing with teammates) is about 3-5 hours. The estimated time for the online simulation is about 1.5 - 2 hours. These estimations are only for reference.