



Econ 5110: Managerial Microeconomics (DiMBA)

Tentative Syllabus
Xinyu Hua
Department of Economics

Live Class:

Time: 9:00– 10:50, Saturdays, Apr 6, 13, 27, May 4, 11, 18, 25 (Exam on Jun 1)

Self-learning Platform (please use your ITSC ID and password):

Link: <https://hkust.insendi.com/login?returnPath=>

Instructor:

Xinyu Hua (xyhua@ust.hk)

Email is always a great way to reach me.

Teaching Assistant:

Emily Chen (eckuan@ust.hk)

Course credits: 2 credits

Course Objectives 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, based on the understanding of **consumers**.
- Apply demand and supply analysis in predicting market price and use game-theoretic methods to analyze strategic decisions, based on the understanding of **competitors**.
- Analyze organization strategies based on the understanding of **agents’** incentives.
- Examine the impact of asymmetric **information** on markets and firm decisions.

- Be able to communicate microeconomic analysis in business decisions to multiple stakeholder groups.

Grouping and Learning Activities

The MBA Office will create study groups. 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 lectures, 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 to extract 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). The problems presented in the case discussion may not have one correct answer. However, there will generally be a set of insights and solutions that are better than others. **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*, 6th Edition, by Ivan Png, Routledge.

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 (55%):** The final is via Zoom from 9:00 to 11:00 on **Jun 1**.
- 2. Group Assignment I (10%):** Each group please submit answers to a few questions by **9 am on Apr 27**, on the self-learning website.
<https://hkust.insendi.com/login?returnPath=/>
- 3. Individual Simulation (10%):** A link to the online simulation (together with instructions) will be available on the self-learning website. Please finish the game by **4 pm on May 10 (Friday)**.
- 4. Group Assignment II (10%):** Each group please submit answers to a few questions by **9 am on May 25**, on the self-learning website.
- 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 also means that you're *listening carefully* to the comments of other students and seeking opportunities to make comments that move the class discussion forward.

HKUST Honor Code, Classroom Etiquette and Policies on AI

The HKUST Academic Integrity and Honor Code apply to this course. Also, you should not get any course material from the classes in previous years.

Students are expected to join the live 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.

For the exam and the preparation of case discussions, generative AI products are NOT allowed. For the group assignments, you can use generative AI products, for example, to search and organize information or data. However, you should state which part of your report is generated by AI and which part is purely based on your group analysis.

Brief Course Outline (The table below gives an approximate outline of the course. *The readings shown in italics are optional and NOT required.*)

	Topic/Session	Reading and preparation before the live class
Week 1	Consumer Demand and Market Structure Monopoly and Market Power I: Pricing	Background Notes on Demand Estimation Case on “Medicines Co.” <i>Png: Chapters 2 and 8 (optional)</i>
Week 2	Monopoly and Market Power II: Price Discrimination	Case on “UNIQLO” News on T-Mobile (Oct 17, 2023, Wall Street Journal) <i>Png: Chapter 8 (optional)</i>
Week 3	Monopoly and Market Power III: Pricing and Incentives Free Entry Market: Demand-Supply Analysis	Case on “Aperture Investors” Case on “Subsidies and the Global Cotton Trade” Group Assignment 1 due (9 am, Apr 27) <i>Png: Chapters 4 and 5 (optional)</i>
Week 4	Oligopoly Market I: Strategic Decisions	Note on “Auto-fuel Firms in Hong Kong” <i>BDSS: Chapters 5 and 7 (optional)</i>
Week 5	Oligopoly Market II: Innovation and Entry	Case on “Netflix Inc.: Disruptor Faces Disruption” Individual Assignment due (4 pm, May 10)
Week 6	Agents and Organization	Cases on “P&G Organization” and “P&G Proxy Fight” <i>BDSS: Chapters 12 and 13 (optional)</i>
Week 7	Information Economics	Case on “Rural Taobao” Group Assignment 2 due (9 am, May 25) <i>Png: Chapter 11 (optional)</i>
Week 8	Exam	