



Econ 5110: Managerial Microeconomics
Syllabus for the Bi-weekly Class
Fall 2022

Xinyu Hua
Department of Economics

Time and Zoom:

9:30am-1:00pm and 2:30pm-6:00pm, Saturdays, Sep. 3 and 17, Oct. 15 and 22

Zoom Meeting ID: 511 915 7346

Zoom Meeting Password: econhua

Instructor:

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

Email is always a great way to reach me.

Office Hours: By appointment

TA:

Pang Tsoi (pangtsoi@ust.hk)

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

Please create groups by yourself. Each group should have **at least three but no more than six members**. 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*, 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 will be in **the afternoon on Oct 22.**

2. Group Assignment I (10%): On Sep 17, all groups please submit answers to a few questions (to be distributed).

3. Group Assignment II (10%): On Oct 15, all groups please submit answers to a few questions (to be distributed).

4. Individual Simulation (10%): A URL will be sent to the whole class. Please finish the game **by 4 pm on Oct 14** (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 are *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 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 the video/webcam and mute your mic (unless you are called to share insights or questions during class discussions). During the class discussions, you can use the "raise hand" function on Zoom and then 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 pre-readings can be found on Canvas and WSJ refers to Wall Street Journal. **The readings shown in italic are optional and NOT required.**

	Topic	Reading and preparation
Sep 3 (AM)	Market Demand Monopoly Market I: Pricing	Background Notes on Demand Estimation Case on “Medicines Co.” <i>Optional case on “Gillette: Cutting Price to Regain Share”</i> <i>Png: Chapters 2 and 8 (optional)</i>
Sep 3 (PM)	Monopoly Market II: Price Discrimination	Case on “T-Mobile in 2013: The Un-Carrier” <i>Png: Chapter 8 (optional)</i>
Sep 17 (AM)	Monopoly Market III: Pricing and Incentive Free/Easy Entry Market: Demand-Supply Analysis	Case on “Aperture Investors” Group Assignment I due (9 am on Sep 17) <i>Png: Chapters 4 and 5 (optional)</i>
Sep 17 (PM)	Oligopoly Market I: Competition and Coordination	Case on “Enterprise” <i>BDSS: Chapters 5 and 7 (optional)</i>
Oct 15 (AM)	Oligopoly Market I: Competition and Coordination (Cont’d)	Background Notes on the HK Auto-fuel Market Individual Assignment due (4 pm on Oct 14) Group Assignment II due (9 am on Oct 15) <i>BDSS: Chapter 2 (optional)</i>
Oct 15 (PM)	Oligopoly Market II: Innovation and Disruption	Case on “Netflix Inc.: Disruptor Faces Disruption” WSJ News about Netflix (Aug 3, 2022)
Oct 22 (AM)	Oligopoly Market III: Asymmetric Information and CSR/Social Initiatives	Case on “Rural Taobao” WSJ News about GE and Toshiba (Nov 11 and 12, 2021) <i>BDSS: Chapter 10 (optional)</i> <i>Png: Chapter 11 (optional)</i>
Oct 22 (PM)	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: Please read the cases but do not spend more than 3 hours on each major case.