

ECON4114 Industrial Organization and Competitive Strategy Syllabus

2021/2022 Fall Semester

Department of Economics, Hong Kong University of Science and Technology

Instructor Information

Instructor	Email	Office Location & Office Hours
Kohei KAWAGUCHI (Lecturer)	kkawaguchi@ust.hk	LSK6070, appointment basis
Yi Zhang (TA)	yzhangil@connect.ust.hk	LSK5067, appointment basis

Communication rule

- I set up a Slack workspace for communicating with students. I share the link to the workspace in the first lecture.
- I post teaching materials and communicate with students on the Slack workspace.
- Slack should be the primary way of contacting me. If you send me a message by email, I may not respond to you.
- I will be responsive during the day but will be slow in the evening and weekend.
- You can make an appointment to see me in the office or zoom.

General Information

Enrollment requirement

The prerequisite of this course is ECON3014 Managerial Microeconomics or (ECON3113 Microeconomic Theory I and ECON3133 Microeconomic Theory II).

Course objectives and intended learning outcomes

This is an elective course for the industrial organization and competitive strategy. The learning goal of this course is to be able to apply Economics and Econometrics reasoning to problems related to competitive strategy and competition policy. The topics include monopoly and oligopoly pricing, merger and acquisition, vertical restraints, horizontal agreement, monopolization, R&D, regulation, auction, etc., across various industries such as the pharmaceutical industry, app economy, media, online shopping platforms. I assume that students are already familiar with introductory microeconomics, game theory, managerial economics, and econometrics.

Teaching and learning activities

The course adopts the following approaches to meet the objectives. Each topic consists of two classes. In the first class, I introduce a case study and invites students to the classroom discussion. In the second class, I present formal arguments using Economics and Econometrics. Finally, I assign homework to associate the classroom discussions and the formal arguments with the concepts in the textbook and recommended materials and explain how they are applied. I expect students to actively participate and discuss in the classroom and learn how Economics and Econometrics can help us to clarify and solve issues.

To evaluate whether the students understand how to apply Economics and Econometrics reasoning to the real-world problem, I assign a final report to discuss one of the hot topics in the corporate strategy and competition policy.

Class Time

Mon 16:30-17:50, Fri 12:00-13:20.

Course Materials

I post the teaching materials in the designated Slack workspace.

Textbook

- Besanko, Dranove, Shanley, and Schaefer, 2015, Economics of Strategy, 7th edition.
 - This book is available online at the HKUST Library.

Recommended Materials

- Cabral, 2017, Introduction to Industrial Organization, 2nd edition.
- Belleflamme and Peitz, 2015, Industrial Organization: Markets and Strategies, 2nd edition.
- Motta, 2015, Competition Policy: Theory and Practice.

Evaluation

Students in Hong Kong are not allowed to attend the class online. Only students outside Hong Kong who got the approval in advance can do so. The online students have to voice up to ask questions and participate in the classroom discussion. I treat in-class and online students equally in the evaluation. Because the contribution to the classroom discussion shares a substantial portion of the evaluation, I recommend online students to do their best to actively participate in the classroom discussion.

1. Approximately A range for ≥ 90 , B range for ≥ 80 , and C range for ≥ 50 .
2. **Participation 30%:** I give every question and comment in the classroom 1 point. If the question and comment are of high quality, I provide an extra one point. The points are up to 30.
3. **Assignments 50%:** I give every submitted work up to 5 points. In total, I will assign at least ten homework. Thus, you can, in total, earn up to 50 points by submitting as many as possible. I share the submitted solutions with other students for their reference.

4. **Final report 20%:** I evaluate the submitted work based on the clarity of the argument, the strength of the supporting theory and evidence, the effectiveness of the proposed solution to the suggested problem, and the basic understanding of Economics and Econometrics.

Schedule

The weekly schedule is tentative and may change.

- Motivations for acquisition: Week 1
- The price of privacy: Week 2
- Successful management practice: Week 3
- The value of regulatory discretion: Week 4
- The incentive to collude: Week 5
- Firm response to minimum wage policy: Week 6
- Production of information: Week 7
- Algorithmic pricing: Week 8
- Regulatory competition: Week 9
- Hospital competition: Week 10
- Technology adoption: Week 11
- Merger and buying power: Week 12
- Leniency program: Week 13
- Advantages of chain organization: Week 14
- Discussion for the final report: Week 15

Academic Integrity

Without academic integrity, there is no serious learning. Thus, you are expected to hold the highest standard of academic integrity in the course. You are encouraged to study and do homework in groups. However, no cheating, plagiarism will be tolerated. Anyone caught cheating, plagiarism will fail the course. Please make sure adhere to the HKUST Academic Honor Code at all time (see <http://www.ust.hk/vpao/integrity/>).