ECON4114
Industrial Organization and Competitive Strategy
Syllabus
Kohei Kawaguchi
January 24, 2018

Course Information

• Instructor: Kohei Kawaguchi
  – Email: k.kawaguchi@ust.hk
  – Class time: Monday 13:30-14:50, Friday 9:00-10:20
  – Office hour: TBA
• Teaching assistant: William Li
  – Email: jxliecon@ust.hk
  – Tutorial time: TBA
  – Office hour: TBA
• Required textbook:

Learning Goal

• The course teaches student knowledge about key aspects of an industry: market, firms, and regulator. For market, it covers market structures, market power, and sources of market power. For firms, we cover topics on pricing, quality, branding, and asymmetric information. From regulator perspective, we cover welfare, regulation, and competition policy. Students are trained to understand microeconomic models and game theory to think critically and analyze real market scenario.

• Completing this course, students will
  1. Understand the logic, scientific basis, and critical thinking of economic analyses.
  2. Have a sophisticated knowledge of economics and can use it to explain economic and social phenomena.
  3. Develop ability to qualitatively analyze basic economic and social problems.
  4. Apply economic knowledge to practical situations and make sound economic decisions.
  5. Conduct basic economic analysis and research of the economy and society.
  6. Have informed ethical thinking based on rigorous economic and social analyses.
  7. Communicate effectively.
  8. Be a lifelong user of economic analysis.

Grading

• Classroom discussion: 10.
  – Every time a student asks a question in the class in front of everyone, the student gets 1 point, regardless of the quality, up to 10 points in total.
To claim a point, for the record, the student has to post the question and answer in the “classroom discussion” section in Canvas after the class. Otherwise, the points will not be awarded.

- Problem sets: 0.
  - I provide several problem sets and solutions for your practice.
  - The teaching assistant will arrange a tutoring session to explain the solutions.
  - They are not graded but will be tested in the quiz sessions.

- Quiz: 20 × 2. Closed book
- Final exam: 50. Closed book

Course Outline

- On top of the class schedule below, the tutor will hold at least two tutorial sessions per part. In the tutorial sessions, the tutor will demonstrate the solutions to some of the end-of-chapter problems.

Part I. Demand and pricing

1. February 2
   - Introduction and overview
   - Reading: Ch. 1
2. February 5
   - Basic pricing
   - Reading: Ch. 3.2
3. February 9
   - Price discrimination by indicators
   - Reading Ch. 6
4. February 12
   - Price discrimination by self-selection
   - Reading Ch. 6
5. February 23
   - Price discrimination: applications
   - Reading Ch. 6
   - Mini-case: Monsanto’s Roundup
6. February 26
   - Demand estimation: examples
   - Reading Ch. 2.2-2.3
   - Mini-case: Wednesdays at Cinemex
7. March 2
   - Pricing in practice: examples
   - Mini-case: Merck and Aids
8. March 5
   - Quiz 1

Part II. Static oligopoly analysis

1. March 9
   - Introduction to game theory
   - Reading: Ch. 7
2. March 12
   - Introduction to game theory (cont)
   - Reading: Ch. 7
3. March 16
• Oligopoly price competition
• Reading: Ch. 8
4. March 19
• Oligopoly output competition
• Reading: Ch. 8
5. March 23
• Oligopoly competition: applications
• Reading: Ch. 8

Part III. Dynamic oligopoly analysis

1. March 26
• Repeated games
• Reading: Ch. 7.3
2. April 6
• Repeated interaction and collusion
• Reading: Ch. 9
3. April 9
• Horizontal agreements
• Reading: Ch. 9

Part IV. Entry and exit

1. April 13
• Entry costs, market structure, and welfare
• Reading: Ch. 10
2. April 16
• Entry costs, market structure and welfare (cont)
• Reading: Ch. 10
3. April 20
• Quiz 2
4. April 23
• Tutorial session by the tutor.
5. April 27
• Mergers and merger policy
• Reading: Ch. 11
• Mini-case: GE and Honeywell
6. April 30
• Sequential games and commitment
• Reading: Ch. 7.2
7. May 4
• Market foreclosure
• Reading: Ch. 12
• Mini-case: Mars and Unilever
8. May 7
• Market foreclosure (cont)
• Reading Ch. 12
• Mini-case: Spirit Airlines
Other Information

- Academic Integrity and Honesty: Please read the information on academic integrity carefully and follow the instruction: http://www.ust.hk/vpaa/ug-guide/integrity/. You should be familiar with Academic Honor Code and the content on Academic Integrity website.

- Learning Environment: Matured conduct in classroom is the requirement for this course. Distractive behaviors such as use of cell phone, instant messaging and chatting are not tolerated. Violation of this rule will result in significant deduction of points from student’s grade. Please refer to following website for the guideline for good learning environment: http://www.ust.hk/vpaa/conduct/good_learning_experience.pps.