



Econ 4114 Industrial Organization and Competitive Strategy
Fall 2018 Syllabus (Draft)

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Time and Venue

Lectures: Monday, Wednesday 10:30AM - 11:50 (LSK 1033)
Tutorial: Monday 18:00PM - 18:50 (LSK 1014)
(There may not be tutorial every week. Please look out for advance announcements during lectures and on Canvas. Attendance of tutorial is NOT optional.)
Remark: No classes on October 1 and 17 (public holidays)

<u>Instructor</u>	<u>Teaching Assistant</u>
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Course Web Site: <https://canvas.ust.hk/>

Required textbook: *Industrial Organization, Markets and Strategies* (2nd edition), by Paul Belleflamme and Martin Peitz, Cambridge University Press.

Prerequisite

Econ 3014 Managerial Microeconomics, or
Econ 3113 Microeconomic Theory I & Econ 3133 Microeconomic Theory II

Important Remark: Students already learned many industrial organization concepts and basic game theory from ECON3014 or Econ 3133. Therefore, for concepts that you have already learned, I would only briefly review or teach at a relatively fast pace. With the time saved, I would cover some more advanced topics in industrial organization. Students are required to conduct a group research project under my supervision. You should also be comfortable with simple calculus. If your goal is to learn basic IO knowledge, it is sufficient to take Econ 3014 or Econ 3133 given the way they are currently taught.

Course Description and Learning Goal

This course teaches student knowledge about key aspects of an industry: market, firms, and regulator. For market, we 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 and apply them to analyze real-life market scenarios.

Completing this course, students are expected be able to

- Apply frameworks and concepts in industrial organization to explain rationales for commonly observed business practices
- Apply frameworks and concepts in industrial organization and game theory to explain reasoning behind strategic interaction among firms and predict market outcomes following changes in market environment
- Identify distortions and inefficiency arising from misalignment of interests between firms and the society, and assess the effectiveness of regulatory and competition policies.
- With the professor's help, build a simple theoretical model in a group and apply it to analyze a current business issue.

Exams and Grading

Your course grade is made up of four components:

1. Midterm Exam (20%): There will be one midterm exam. This is an in-class, closed-book, closed-note exam. The exam will cover lecture materials, problem sets and assigned reading (if any). The date and exact coverage of the midterm exam will be announced near the midterm season.

2. Final Exam (40%): Final exam is cumulative. The style is similar to the midterm exam. The exam is centrally administered during December 8-20 and the date and time will be announced by the ARR.

Important note on absence from exam: You will need a very strong justification for missing an exam. Application for a make-up exam have to be supported by valid documents. Considering the extra time you have to prepare for the exam, the level

of difficulty of the make-up exam will be adjusted upward to be fair to the rest of the class.

3. Class Participation (5%): Every time a student asks a question during the lecture, the student gets 1 point, regardless of its quality, and each student can earn up to 5 points in total. Questions asked right after the class counts as half a point. Please self-report the question(s) you have asked on Canvas after each class.

For recording your class participation, I would set up a discussion on Canvas titled "Class Participation". If you have asked a question during the class or right after the class on a day, write a remark under the discussion containing your name, student ID, and your question.

4. Problem Sets (15%): There will be at least seven problem sets. Each problem set counts as 3 points. Each students can earn up to 15 points. Problem sets are graded based on effort instead of accuracy. Full solutions will be posted on Canvas, and more challenging questions will be discussed in tutorial.

4. Group Project (20%): Students form groups of up to four members. Select a current business issue related to topic(s) covered in our course. Seek professor's approval for the topic. Once the topic is approved, write an economic model and solve the model to analyze the business issue. Professor will provide you guidance on modeling and give you hints for solving the model. [If your model is developed by the professor, the professor retains the right to the model.] You're fully responsible for writing the rest of the project. This project can be used to meet the ECON 4670 (Economics Research and Communication) requirement.

While you are strongly encouraged to conduct theoretical research and I believe you would find the process rewarding, it is an option to carry out a policy discussion or a case study.

Course Website/Additional Materials:

Lecture handouts, problem sets and their solutions, supplementary readings, and announcements will be posted on Canvas. Please visit the course website regularly to check for the latest postings.

Academic Honesty and Integrity

Academic integrity and honesty are key values of HKUST. Please read the information on academic integrity carefully. It is your responsibility to be familiar with the Academic Honor Code and the content on the Academic Integrity website.

The site address is: <http://www.ust.hk/provost/integrity>

The Code will be STRICTLY enforced. I will report any cases to the University WITHOUT EXCEPTIONS.

Classroom Etiquette

Students are expected to arrive for class on time and the instructor will start and end the class according to schedule. Students should demonstrate respect for the instructor and fellow students during the class period. Please do not disturb others with side conversations. You are welcome to bring your laptop to class in order to view lecture slides, take notes, or perform calculations as needed. However, you may not engage in distracting behavior such as using your laptop to surf the Web, to check e-mail, or use social media apps.