



Econ 5110: Managerial Microeconomics
Fall 2021 Syllabus

Xinyu Hua
Department of Economics

Time and Venue:

L1, 9:30 – 13:00, Mondays, Aug. 30 – Oct. 11 (LSK 2001)

L2, 14:00 – 17:30, Mondays, Aug.30 – Oct. 11 (LSK 2001)

Both sections will have exam in the afternoon on Oct 18 (venue TBD)

Please note that Section L1 is purely offline and Section L2 will use the hybrid mode.

L2 Zoom Meeting ID: TBD

L2 Zoom Meeting Password: TBD

Instructor:

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

Email is always a great way to reach me.

Office Hours: By appointment

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

You are encouraged to follow the grouping made by the MBA office. 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*, 5th 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 on **Oct 18**.

2. Group Assignment I (10%): On **Sep 13**, all groups please submit answers to a few questions (to be distributed).

3. Individual Simulation (10%): A URL will be sent to the whole class. Please finish the game and submit a brief online summary by 4 pm on Sep 26 (instructions to be distributed).

4. Group Assignment II (10%): On Oct 11, all groups please submit answers to a few questions (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're 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 to 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 video/webcam and mute your mic (unless you are called to share insights or questions during class discussions). We will make arrangements so that online students will have opportunities to contribute to class discussions: you can use the "raise hand" function on Zoom and then our TA or 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 table below gives an approximate outline of the course. **The readings shown in italic are optional and NOT required.**

	Topic	Reading and preparation before class
Week 1	Market Demand Monopoly Market I: Pricing	Background Notes on Demand Estimation Case on “Gillette: Cutting Price to Regain Share” Case on “Medicines Co.” <i>Png: Chapter 2 and 8 (optional)</i>
Week 2	Monopoly Market II: Price Discrimination	Case on “ T-Mobile in 2013: The Un-Carrier ” <i>Png: Chapter 9 (optional)</i>
Week 3	Monopoly Market III: Incentive Free/Easy Entry Market: Demand-Supply Analysis	Case on “Aperture Investors” Case on “Subsidies and the Global Cotton Trade” Group Assignment I due <i>Png: Chapter 4 and 5 (optional)</i>
Week 4	Oligopoly Market I: Strategic Decisions	<i>BDSS: Chapter 5 and 7 (optional)</i>
Week 5	Oligopoly Market II: Strategic Decisions with Innovation	Online Simulation on Universal Rental Car Case on “Netflix Inc.: Disruptor Faces Disruption” WSJ News “Netflix Signals No Acquisition Plans” (July 20, 2021) Individual Assignment due
Week 6	Oligopoly Market III: Horizontal Merger and Vertical Relationships	Case on “UNIQLO” <i>BDSS: Chapter 2 and 3 (optional)</i>
Week 7	Oligopoly Market IV: Strategic Decisions with Asymmetric Information and CSR/Social Initiatives	Case on “Rural Taobao” Group Assignment II due <i>BDSS: Chapter 10 (optional)</i> <i>Or Png: Chapter 13 (optional)</i>
Week 8	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: In each week, the estimated time for reading the assigned cases and making preparations is about 3 hours. The estimated time for the online simulation is about 2 hours. These estimations are only for reference.