

<b>Course Title</b>	: Economics of Markets and Regulation
<b>Course Code</b>	: ECO4001
<b>Recommended Study Year</b>	: Third or Fourth Year
<b>No. of Credits/Term</b>	: 3
<b>Mode of Tuition</b>	: Lecture-Tutorial
<b>Class Contact Hours</b>	: 3 hours per week
<b>Category in Major Prog.</b>	: Major in Economics (Elective Course)
<b>Discipline</b>	: Economics
<b>Prerequisite(s)</b>	: Nil
<b>Co-requisite(s)</b>	: N/A
<b>Exclusion(s)</b>	: N/A
<b>Exemption Requirement(s)</b>	: N/A

Professor Junji Xiao,

Lecture: Thursday: 11:30 – 13:30, WYL 115

Tutorial: Monday, 12:30-13:30, WYL101.

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Office hours:

Monday & Thursday: 9:30 -10:30;

### **Brief Course Description**

This course covers the aims, basic theories and applications of antitrust and economic regulation. The course will provide the theoretical foundation for economic analysis while allowing students to apply sound reasoning to actual legal cases or case studies. Insight on regulation in the new/digital economy will be particularly emphasized.

### **Aims**

The course aims to:

1. introduce the basic economic framework of antitrust analysis;
2. provide the essential economic theories of regulation;
3. train students in the application of theories to analyze various regulatory and antitrust issues; and
4. enable students to grasp the basic economic principles and insight of regulation applicable to the evolving new economy.

### **Learning Outcomes (LOs)**

Upon completion of this course, successful students should be able to:

1. understand the role and nature of antitrust policy and government regulation;
2. comprehend the basic economic theories on antitrust and regulation; and
3. apply theories to analyze various antitrust and regulatory issues.

### **Indicative Content**

- I. Introduction of antitrust and government regulation
- II. Economic theories of antitrust
  - a. Efficiency and technical progress
  - b. Oligopoly, collusion and antitrust
  - c. Market structure and strategic competition
  - d. Horizontal mergers
  - e. Vertical mergers and restrictions
  - f. Monopolization and price discrimination
- III. Economics of Antitrust in Hong Kong
  - a. Hong Kong's Competition Ordinance
  - b. Enforcement of the Competition Ordinance
  - c. Real Cases and the Economic Analysis:  
Bid Rigging and Vertical Restriction
- IV. Economic Regulation
  - a. Natural monopoly regulation
  - b. Price regulation
  - c. Dynamic issues in natural monopoly regulation
  - d. The regulation of potentially competitive markets
- V. Applications of Economic Regulation in Hong Kong
  - a. Utility and Energy Regulation in Hong Kong: The SAR Government's Control Scheme
  - b. Water regulation: Pricing and Contracting
  - c. Regulation of professional markets
  - d. Regulations of financial markets
- VI. Antitrust and Economic Regulation in Digital Economy
  - a. Regulation on network and two-sided markets
  - b. IT and big data regulation
  - c. Antitrust issues in digital economy

### **Teaching Method**

Lectures and tutorials combined with assignments, case studies and discussions. Students are expected to participate in class discussions to enhance their understanding of the topics covered.

### **Measurement of Learning Outcomes**

1. A mid-term test will assess students' understanding of the role and nature of antitrust policy and economic regulation (LO 1).
2. Performance in tutorials discussions will be assessed to ensure that students keep up with the course contents and receive timely feedback on their understanding of the course materials. (LOs 1-3).
3. Assignments and case studies will be given to students to improve their ability of applying theories to analyze actual cases. (LO 3).
4. A final examination will be designed to evaluate students' comprehension and overall understanding of the basic economic theories on antitrust and regulation as well as their ability of applying theories to analyze antitrust and regulatory issues (LOs 1-3).

### **Assessment**

Continuous assessment	:	50%	
		(class participation, attendance and assignments	20%,
		mid-term test	30%)
Final examination	:	50%	

### **Required/Essential Reading**

W. Kip Viscusi, Joseph E. Harrington, John M. Vernon, *Economics of Regulation and Antitrust*, 2005, MIT Press, ISBN:9780262220750

John E. Kwoka, Jr. And Lawrence J. White, eds., *The Antitrust Revolution*, 6th edition, 2013, Oxford University Press ISBN: 9780199315499

### **Recommended/Supplementary Readings**

M. Motta, *Competition Policy: Theory and Practice*, 2004, Cambridge University Press

### **Important Notes:**

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest

practice, is “the presentation of another person’s work without proper acknowledgement of

the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.

- (3) Students are required to submit writing assignment(s) using Turnitin.  
 (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.

**Assessment Rubrics (class participation, attendance and assignments)**

Learning Outcome	Excellent (20%)	Good (20%)	Fair (20%)	Pass (20%)	Failure (20%)
1. Explain the basic concepts in antitrust and economic regulation (10%)	Accurate grasp of the concept	Good grasp of the concept	Fair grasp of the major concept	Fair grasp of some basic concept	Little grasp of the concept
2. Understand the basic economic theories of antitrust and regulation (5%)	Excellent mastery of the basic economic theories of antitrust and regulation	Good knowledge of the basic economic theories of antitrust and regulation	Basic knowledge of most of the basic economic theories of antitrust and regulation	Little knowledge of some basic economic theories of antitrust and regulation	Little knowledge of basic economic theories of antitrust and regulation
3. Apply theories to analyze various antitrust and regulatory issues. (5%)	Excellent mastery of applying theories to analyze various antitrust and regulatory issues.	Good knowledge of applying theories to analyze various antitrust and regulatory issues.	Basic knowledge of applying theories to analyze various antitrust and regulatory issues.	Little knowledge of applying theories to analyze various antitrust and regulatory issues.	Unable to apply theories to analysis of antitrust and regulatory issues.

***Rubrics for Midterm Examinations***

	<b>Excellent (10%<sup>a</sup>)</b>	<b>Good (30%)</b>	<b>Fair (30%)</b>	<b>Pass (20%)</b>	<b>Failure (10%)</b>
<b>Demonstrate familiarity with the concepts and theory of anti-trust and economic regulation (15%)</b>	Able to demonstrate thorough understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate good understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate basic understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate partial understanding of the concepts and theories of anti-trust and economic regulation	Unable to demonstrate basic understanding of the concepts and theories of anti-trust and economic regulation
<b>Apply economic theories to practical anti-trust and economic regulation problems (10%)</b>	Demonstrate proficient ability to apply economic theories to anti-trust and economic regulation problems	Demonstrate good ability to apply economic theories to anti-trust and economic regulation problems	Demonstrate basic ability to apply economic theories to anti-trust and economic regulation problems	Demonstrate basic ability to partially apply economic theories to anti-trust and economic regulation problems	Unable to demonstrate basic ability to apply economic theories to anti-trust and economic regulation problems
<b>Quality of English (5%)</b>	English is consistently excellent	English is proficient with no major errors	English is proficient with some errors	English conveys the essential meaning but contains a number of errors	English is below acceptable university standard

***Rubrics for Final Examinations***

	<b>Excellent (10%<sup>a</sup>)</b>	<b>Good (30%)</b>	<b>Fair (30%)</b>	<b>Pass (20%)</b>	<b>Failure (10%)</b>
<b>Demonstrate familiarity with the concepts and theory of anti-trust and economic regulation (20%)</b>	Able to demonstrate thorough understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate good understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate basic understanding of the concepts and theories of anti-trust and economic regulation	Able to demonstrate partial understanding of the concepts and theories of anti-trust and economic regulation	Unable to demonstrate basic understanding of the concepts and theories of anti-trust and economic regulation
<b>Apply economic theories to practical</b>	Demonstrate proficient ability to apply economic	Demonstrate good ability to apply economic theories to anti-trust and	Demonstrate basic ability to apply economic theories to anti-trust and	Demonstrate basic ability to partially apply economic	Unable to demonstrate basic ability to

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<b>anti-trust and economic regulation problems (20%)</b>	theories to anti-trust and economic regulation problems	economic regulation problems	economic regulation problems	theories to anti-trust and economic regulation problems	apply economic theories to anti-trust and economic regulation problems
<b>Quality of English (10%)</b>	English is consistently excellent	English is proficient with no major errors	English is proficient with some errors	English conveys the essential meaning but contains a number of errors	English is below acceptable university standard