

# Research Assessment Exercise 2020

Two Impact Cases submitted by Department of Economics were rated 100% at 4\* (50%) or 3\* (50%) at the results of Research Assessment Exercise 2020 announced by the University Grants Committee (UGC) on 24 May 2021. One of the exemplary impact cases is shown as below.

Remark: 4\* - outstanding impacts in terms of their reach and significance  
3\* - considerable impacts in terms of their reach and significance  
2\* - some impacts in terms of their reach and significance  
1\* - limited impacts in terms of their reach and significance

## *"Promoting competition policy development and effective enforcement of competition laws in Hong Kong and Mainland China"*

### Research Team:

**Prof. Ping LIN, Prof. Tianle ZHANG, Prof. WONG Chi-leung, Adam and Dr. Yanchen WANG**

In 1998 the Unit established itself as a leading research centre in competition policy in Hong Kong. Since then it has produced numerous research outputs that have influenced competition policy development both in terms of policy debate and design. This was prior to the enactment of Hong Kong's 2012 Competition Ordinance and after the Ordinance took effect in 2015. The Unit's research has also generated direct impacts on competition law enforcement in China by:

- Drafting various important regulations for the enforcement of China's 2018 Anti-Monopoly Law (AML);
- Drafting the merger control regulations in China, which have been used by the competition agency to assess over 3000 merger notification cases since 2018;
- Directly assisting the competition law enforcement agency in high-profile cases;
- Introducing, via book translation and case analysis, international best practices and up-to-date economic reasoning to China.

Competition developments in Hong Kong and China have benefited both businesses and consumers by maintaining a "level-playing field" and consequently promoting economic efficiency. The research has also impacted competition enforcement agencies and the courts.

Research on competition policy started in 1998 by Prof. Ho L.S., who was later joined by Prof. Lin Ping (2000-present), Prof. Adam Wong (2015-present) and Prof. Zhang Tianle (2017-present). The Unit's research is a combined effort by Lingnan University's Department of Economics and its Centre for Competition Policy and Regulation & Centre for Public Policy Studies. The underpinning research is of two categories: (1) theoretical studies on firm competitive strategies and potential welfare effects and (2) policy research on competition policy design and implementation.

### **Theoretical Studies**

Since 2000, Prof. Lin has conducted research on the strategic behaviour of firms in innovation, vertical spin-offs and vertical integration. This has provided insight into how antitrust authorities should assess such business strategies. His research on cross-border investments has direct implications for merger review policies in developing countries such as China.

Prof. Adam Wong's publication in the RAND Journal of Economics shows that the all-unit-discount, a new form of pricing strategy for dominant firms in certain industries (e.g., in the EU vs. Intel case in 2009 and the Tetra Pak Anti-Monopoly Case in China in 2016), can significantly foreclose competition from rivals and hurt consumers. This research provides the basis for the economic analysis of the Tetra Pak case in China in 2016.

Furthermore, among his publications in leading academic journals, Prof. Zhang's research on interpersonal bundling, published in 2014 in Management Science, has been recognized as the first academic research on group discount pricing policies by platform retailing companies.

### **Policy-Oriented Research**

Prof. Lin has actively conducted research on competition policy developments in both Hong Kong and Mainland China using Lingnan University's first Public Policy Research grant from the RGC, which he received in 2008. This resulted in a comprehensive policy paper that gave concrete recommendations to the Hong Kong SAR government during its public consultation process before Hong Kong's Competition Ordinance was enacted in 2012.

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## *"Applying innovative education practices to combat inequality in education"*

### Research Team:

**Prof Xiangdong WEI, Prof Simon C. FAN and Prof WONG Ho-lun Alex**

Several colleagues in the Department of Economics, implemented a series of projects in collaboration with local education bureaus in China to find ways to combat education inequality in China. These projects have covered over 17 cities/counties, over 300 schools and 50,000 students. Several of their innovative education practices have increased student test scores and reduced education inequality. Their research have generated many insights on how government education policies can be better shaped to help the disadvantaged, such as left-behind children in China. The research also attracted the support from three GRF grants and over HK\$8m donation from various organizations.

Substantial research in economics and other social sciences has led to a consensus among both academia and the general public that human capital is a key determinant of economic efficiency, income distribution and poverty alleviation. However, numerous empirical studies show that in developed countries and even in some developing countries, various school expenditures that affect teacher quality, school resources, and even class size, etc., generally have little to no effect on students' academic performances. The problems facing China's education system are even more acute. For example, amongst China's working aged population (15-64), only 29% had received high school and above education in 2015, which is well below the average of 61% for G20 countries and 80% for OECD countries. Moreover, the rural/urban gap is huge. The percentage of rural working-age population who have attained high school education is only 11%, comparing to 44% for their urban counterparts in 2015. On top of the inequality of education resources between urban and rural areas, China also faces a huge problem of so-called left-behind children in rural area. The problem is huge, since extensive migration means that there are over 61 million (or 22% of the cohort) children and young people aged between 0-17 "left-behind" in the rural areas. Thus, there is an urgent need for the Chinese government to come up with good education policies to reduce its rural/urban educational gap in general and help the left-behind children in particular.

In a series of studies carried out by faculty members of Lingnan's Economics Department in collaboration with scholars from UPenn, Stanford, CUHK, Baptist and Chinese Academy of Sciences, they designed innovative education policies/practices to help China to tackle the education inequality problems. In the study by Wong et al. (2013), they conducted a randomized controlled trial among 150 young children in a poor, rural county in China. The analysis shows that the intervention, consisting of a tuition waiver and a cash transfer conditional on attendance, raised attendance by 20 percentage points (or by 35%). In another study done by Wong et al (2014), they conducted a randomized controlled trial among over 2,000 children in 60 elementary schools in rural Shaanxi Province, North-west China. They find that providing children with daily iron supplements for six months improved children's haemoglobin levels and standardised maths scores. The results provide the local government with good policy tools to combat poor diet and malnutrition and improve academic performance of rural children. In a project that funded by Hong Kong's Research Grants Council and both Simona Fan and Xiangdong Wei had participated as major collaborators, they provided first convincing evidence on how being left-behind has adversely affected academic achievements of rural school children in China (2014). They also collaborated with the local education bureau in Longhui County, Hunan Province and conducted a randomized trial of a low cost after across-age tutoring programme in which high-achieving 4th and 5th graders were recruited to provide high-dosage, one-on-one tutoring to low-achieving 2nd and 3rd graders. Their research has shown that such a low cost tutoring programme can help improve the math score of underperforming students, in particular those left-behind children (2019). Wei and Wong together with colleagues from Birmingham University UK also collaborated with the local education bureau in Shaoyang County, Hunan Province (2018). Their research experimentally evaluates a teacher-student feedback policy, whereby the teacher discusses the student's academic and classroom performance every 2 weeks. For a subset of the students, the feedback results are also communicated with the parents. The research takes place in rural Hunan, a low-income area of central China where a large proportion of the school children are "left-behind", that is, have both parents working far away in the cities. 4,000 primary school children are involved in grades 3 and 5. The results show that such a feedback policy can significantly improve the academic performance of school children, especially for those left-behind children.