

ECON 5990-105: Special Studies: Government Relations to Business

Course Description:

This course studies the functioning of markets, focusing on imperfectly competitive markets. We will study the causes and consequences of firms' strategic behavior in such markets, as well as the role of public policies. The course emphasizes practical applications of economic theory and techniques to business problems. We will complement our theoretical work with empirical evidence from academic research and the popular press, and analyze how the theories work in action.

Class Dates, Location and Hours:

Dates: September 25 – October 1, 2017
Location: Washington, D.C. Liaison Office - 2189 Crystal Plaza Arcade, Arlington, VA, 22202.
Hours: Monday - Friday 6:00 p.m.-9:30 p.m.; Saturday 8:00 a.m.-4:30 p.m.; Sunday 8:00 a.m.-12:00 p.m.
Last day to enroll or drop without penalty: August 27, 2017

Site Director:

Email: apwashington@ou.edu. Phone: 703-418-4800.

Professor Contact Information:

Course Professor: Qihong Liu
Mailing Address: Department of Economics
University of Oklahoma
Norman, OK 73019
Telephone Number: (405) 325-5846
E-mail Address: qliu@ou.edu
Professor availability: The professor will be available via e-mail to students before and after the class sessions. On-site office hours are half an hour before and after each class session, and by appointment.

Instructional Materials:

No textbook required.

I will use **Canvas** in conjunction with e-mails, to distribute various course materials. Please verify that you can log on to Canvas and access course information before semester starts. Access Canvas at <https://canvas.ou.edu>, enter your OU NetID and password, and select course to access material. If you require assistance with Canvas, please click on the Help icon. You can search the Canvas guides, chat with Canvas support, or contact OU IT.

Course Objectives:

This course consists of two themes. In one theme, we focus on quantitative techniques for decision making and solving business problems. Our main analytical tools will be microeconomics and game theory. In the other theme, we analyze the role of regulation and public policies, particularly the US antitrust laws which try to create a balance between the benefits of coordination/consolidation and the detriments of market power. We will discuss various actual antitrust cases relating to the topics we cover, with a few classes devoted to selected cases.

Course Outline:

- Chapter 1 and 2 are for you to read on your own **before class starts**. We will start with Chapter 3 in class.
- Chapter 3 Monopoly product and pricing strategies
 - Price discrimination, tying and bundling
- Chapter 4 Market structure and market power
- Chapter 5 Game theory and applications
 - Static games, dynamic games, applications
- Chapter 6 Merger
 - Horizontal merger, vertical merger
- Chapter 7 Potentially anticompetitive behavior
 - Price fixing, bid rigging, exclusivity contracts, resale price maintenance, non-compete agreement, tying and bundling, predatory pricing
- Chapter 8 Selected topics
 - Information technology, economic vs. legal perspective

Lecture notes will be posted under Canvas, under “Modules”

Assignments, Grading and Due Dates:

ECON5990 Research Paper Guidelines

Description:

An important requirement in ECON5990 is an individual research paper. There are two possible routes. **One route** is to study competition and market performance in a particular industry. You will gather information about the industry (such as products, determinants for demand and costs, historical developments, market share distributions, etc.), analyze its market structure and firms’ competitive strategies, and suggest ways in which firms may gain competitive advantages and/or the industry performance may be improved.

To help you pick a topic, there are some things you should definitely do in the beginning of class or even before class starts. Review the syllabus and the topics we will be covering. If there is something specific that interests you, read the topic and related references further. Chapter headings in the course syllabus are often too broad. For example, there have been thousands of articles on market structure and market power. You would need to narrow it down. Talk to me if you have questions and make sure you are getting a narrow, but not too narrow, topic.

The other route is to apply what you learn in this class to a real-world setting. A particularly useful approach is to identify some kind of puzzle that you observe in practice. You then use the economic theories we learn in class to make sense out of the puzzle.

Below I list some pricing puzzles (Since they are already listed, they cannot be chosen for your research paper):

- Movie Ticket Pricing
 - Movies are differentiated products.
 - But we typically observe flat pricing across movies (even though prices vary across time of the day)
- Countercyclical pricing
 - Price is lower when demand is higher.
- Add-on pricing
 - High-end hotels used to charge for wi-fi yet low-end hotels provide wi-fi for free

Evaluation:

Your paper will be evaluated on how much I can learn from your paper, not number of pages/words. A paper studying an industry cannot exceed 6 pages, while a paper studying a puzzle cannot exceed 3 pages, 11-12 size font, 1.5-spacing with normal margin. You will need to work very hard in packing more insights into fewer words.

Submission:

The paper is to be sent by email to qliu@ou.edu. **Due Date: October 15, 2017**

Grading:

This is a letter-graded course: A, B, C, D, or F.

Grades in this class will be based on final exam (50%) at the last session of class, in-class debates (15%) and a research paper (35%) due 2 weeks from the last day of class. More details about the debates and research paper will be posted before the class starts and will be discussed in the first class.

Notice: Failure to meet assignment due dates could result in a grade of I (Incomplete) and may adversely impact Tuition Assistance and/or Financial Aid.

POLICIES AND NOTICES

Attendance/Grade Policy

Attendance and participation in interaction, individual assignments, group exercises, simulations, role playing, etc. are valuable aspects of any course because much of the learning comes from discussions in class with other students. It is expected that you attend all classes and be on time except for excused emergencies.

Excused absences are given for professor mandated activities or legally required activities such as emergencies or military assignments. It is the policy of the University to excuse absences of students that result from religious observances and to provide without penalty for the rescheduling of examinations and additional required class work that may fall on religious holidays. Unavoidable personal emergencies, including (but not limited to) serious illness; delays in getting to class because of accidents, etc.; deaths and funerals, and hazardous road conditions will be excused.

If you are obtaining financial assistance (TA, STAP, FA, VA, Scholarship, etc.) to pay all or part of your tuition cost, you must follow your funding agency/institution's policy regarding "I" (Incomplete) grades unless the timeline is longer than what the University policy allows then you must adhere to the University policy. Students who receive Financial Aid must resolve/complete any "I" (Incomplete) grades by the end of the term or he/she may be placed on "financial aid probation." If the "I" grade is not resolved/completed by the end of the following term, the student's Financial Aid may be suspended making the student ineligible for further Financial Aid.

Students are responsible for meeting the guidelines of Tuition Assistance and Veterans Assistance. See the education counselor at your local education center for a complete description of your TA or VA requirements.

Academic Integrity and Student Conduct

Academic integrity means honesty and responsibility in scholarship. Academic assignments exist to help students learn; grades exist to show how fully this goal is attained. Therefore all work and all grades should result from the student's own understanding and effort.

Academic misconduct is any act which improperly affects the evaluation of a student's academic performance or achievement. Misconduct occurs when the student either knows or reasonably should know that the act constitutes misconduct. Academic misconduct includes: cheating and using unauthorized materials on examinations and other assignments; improper collaboration, submitting the same assignment for different classes (self-plagiarism); fabrication, forgery, alteration of documents, lying, etc...in order to obtain an academic advantage; assisting others in academic misconduct; attempting to commit academic misconduct; destruction of property, hacking, etc...; intimidation and interference with integrity process; and plagiarism. All students should review the Student's Guide to Academic Integrity at http://integrity.ou.edu/students_guide.html

Students and faculty each have responsibility for maintaining an appropriate learning environment. All students should review policies regarding student conduct at <http://studentconduct.ou.edu/>

Accommodation Statement

The University of Oklahoma is committed to making its activities as accessible as possible. For accommodations on the basis of disability, please contact your local OU Site Director.

Adjustment for Pregnancy/Childbirth-Related Issues

Should you need modifications or adjustments to your course requirements because of documented pregnancy-related or childbirth-related issues, please contact me as soon as possible to discuss. Generally, modifications will be made where medically necessary and similar in scope to accommodations based on temporary disability. Please see <http://www.ou.edu/content/eoo/faqs/pregnancy-faqs.html>.

Title IX Resources

For any concerns regarding gender-based discrimination, sexual harassment, sexual misconduct, stalking, or intimate partner violence, the University offers a variety of resources, including advocates on-call 24/7, counseling services, mutual no-contact orders, scheduling adjustments, and disciplinary sanctions against the perpetrator. Please contact the Sexual Misconduct Office at smo@ou.edu or (405) 325-2215 (8-5), or the Sexual Assault Response Team at (405) 615 -0013 (24/7) to report an incident. To learn more about Title IX, please visit the Institutional Equity Office's website at <http://www.ou.edu/content/eoo.html>

Course Policies

Advanced Programs policy is to order books in paperback if available. Courses, dates, and professors are subject to change. Please check with your OU Site Director. Students should retain a copy of any assignments that are mailed to the professor for the course. Advanced Programs does not provide duplicating services or office supplies.

Any and all course materials, syllabus, lessons, lectures, etc. are the property of professor teaching the course and the Board of Regents of the University of Oklahoma and are protected under applicable copyright.

For more information about Advanced Programs, visit our website at: <http://www.goou.ou.edu/>

INSTRUCTOR VITA

Qihong Liu, Ph.D.

Education

- 2003 Ph.D. Economics, State University of New York at Stony Brook
- 2000 M.A. Economics, State University of New York at Stony Brook
- 1997 M.S. Management, China University of Mining and Technology, Beijing, China
- 1994 B.S. Management, Anhui University of Technology and Science, Wuhu, China

Current Positions

Associate Professor (with tenure), Department of Economics, University of Oklahoma

Frequently Taught Advanced Programs Courses

Managerial Economics II

Major Areas of Teaching and Research Interest

- Managerial Economics I and II
- Microeconomic Analysis
- Strategy
- Government Relations to Business

Representative Publications and Presentations

Journal Articles

- "Customer poaching and coupon trading," (with Georgia Kosmopoulou and Jie Shuai), forthcoming, *Journal of Economics*.
- "Price discrimination with varying qualities of information," (with Jie Shuai), forthcoming, *B.E. Journal of Economic Analysis and Policy (Topics)*.
- "Market structure, competition intensity and market foreclosure," *Economics Bulletin* 36(1), 337-348 (2016).
- "Reverse pricing and revenue sharing in a vertical market" (with Jie Shuai), *Managerial and Decision Economics* 36(5), 299-313 (2015).
- "Private and Social Incentives for Vertical Contract Disclosure" (with X. Henry Wang), *Managerial and Decision Economics* 35(8), 567-573 (2014).
- "Is the Effect of Competition on Price Dispersion Non-Monotonic? Evidence from the U.S. Airline Industry" (with Mian Dai and Konstantinos Serfes), *Review of Economics and Statistics* 96(1), 161-170 (2014).
- "Price discrimination in two-sided markets" (with Konstantinos Serfes), *Journal of Economics & Management Strategy*, v22, n4, 768-786 (2013).
- "Multi-Dimensional Price Discrimination" (with Jie Shuai), *International Journal of Industrial Organization* 31, 417-428 (2013).
- "Tacit Collusion with Low-Price Guarantees," *Manchester School* 81(5), 828-854 (2013).
- "Where Do New Economics Ph.D.S Go? Evidence from Recent Initial Job Placements" (with Sherrilyn Billger and Susan Chen), *Journal of Labor Research* 34(2), 312-338 (2013).
- "Information Markets, Product Markets, and Vertical Merger" (with Susan Chen), *Journal of Economics and Finance*, v37, 33-61 (2013).
- "The Effect of Most-Favored Customer Clauses on Prices," (with Susan Chen), *Journal of Industrial Economics*, v59, 343-371 (lead article), 2011.
- "Loyalty Rewards Facilitate Tacit Collusion" (with Yuk-fai Fong), *Journal of Economics & Management Strategy*, v20, 739-775 (2011).
- Featured in "Membership Has Its Punishments," *Kellogg Insight* January 2010, and reprinted in *Morningstar*, January 4, 2010.

- "Consumer sorting of vertically differentiated goods," (with Peyton Ferrier), *Economics Letters*, v109, 11-13 (2010).
- "Third-degree price discrimination," (with Konstantinos Serfes), *Journal of Industrial Organization Education* Vol. 5: Iss. 1, Article 5 (2010).
- "Pricing-to-market: Price discrimination or product differentiation?" (with Nathalie Lavoie), *American Journal of Agricultural Economics*, v89, 571-581 (2007).
- "Product customization," (with Dan Bernhardt and Konstantinos Serfes), *European Economic Review*, v51, 1396-1422 (2007).
- "Market segmentation and collusive behavior," (with Konstantinos Serfes), *International Journal of Industrial Organization*, v25, 355-378 (2007).
- "Customer information sharing among rival firms" (with Konstantinos Serfes), *European Economic Review*, v50, 1571-1600 (2006).
- "Imperfect price discrimination, market structure and efficiency" (with Konstantinos Serfes), *Canadian Journal of Economics*, v38, 1191-1203 (2005).

Invited Seminar Presentations

- 2014: Southwestern University of Finance and Economics, China
- 2014 HeFei University of Technology, Hefei, China
- 2013: Indiana University-Purdue University Indianapolis, Indianapolis
- 2011: Drexel University
- 2011 University of Missouri
- 2009: Texas Tech University
- 2008: University of Oklahoma
- 2008 University of South Carolina
- 2007 University of North Dakota

National & International Conference Presentations

- 2016: China Meeting of the Econometric Society, Chengdu, China (scheduled)
- 2015: WEAI Annual Conference, Honolulu
- 2015 International Industrial Organization Conference, Boston
- 2014: International Industrial Organization Conference, Chicago
- 2014 Industrial Organization and Public Policy Biennial Conference, Chengdu, China
- 2014 Western Economic Association International Conference, Denver
- 2014 Southern Economic Association Meeting, Atlanta
- 2013: Industrial Organization Theory Workshop, Jinan, China
- 2013 International Industrial Organization Conference, Boston
- 2012: Southern Economic Association Meeting, New Orleans
- 2012 Midwest Economic Theory Meeting, Indiana University
- 2012 International Industrial Organization Conference, George Mason University
- 2011: International Economic Association World Congress, Beijing, China
- 2011 International Industrial Organization Conference, Boston
- 2010: International Industrial Organization Conference, Vancouver
- 2010 Southern Economic Association Meeting
- 2009: International Industrial Organization Conference, Boston
- 2008: Southern Economic Association Meeting, Washington DC
- 2008 Midwest Mathematical Economics and Theory Meeting, Ohio State University
- 2008 International Industrial Organization Conference, Washington DC
- 2008 NET Institute Conference, New York University
- 2007: Southern Economic Association Meeting, New Orleans
- 2007 Far Eastern Meeting of the Econometric Society, Taipei
- 2007 Chinese Economists Society Meeting, Changsha, China
- 2006: Southern Economic Association Meeting, Charleston
- 2006 Far Eastern Meeting of the Econometric Society, Tsinghua University, Beijing, China

- 2006 Chinese Economists Society Meeting, Shanghai, China
- 2006 International Industrial Organization Conference, Northeastern University
- 2006 Spring Midwest Economic Theory Meeting, Michigan State University

Representative Honors and Awards Received

- Summer grant, Networks, Electronic Commerce, and Telecommunications (NET) Institute, New York University, 2007 (with Konstantinos Serfes, equal share).
- Outstanding Reviewer, International Journal of Industrial Organization, 2015.
- Excellence in Reviewing Award, International Journal of Industrial Organization, 2013.
- College of Arts & Sciences Junior Faculty Research Fellowship, Summer 2006, 2008.
- Faculty Enrichment Grant, University of Oklahoma, Fall 2007, Fall 2008.
- College of Arts & Sciences Classroom IT Grant, University of Oklahoma (with Gary Hoover), Spring 2015.
- College of Arts & Sciences IT Grant Award, University of Oklahoma (with Alexander Holmes), Fall 2008.
- Presidential International Travel Fellowship, Summer 2007, Summer 2011.
- Research Council Funds - Small Grant, Spring 2008.