

# EF4481: REGULATORY ECONOMICS

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## Effective Term

Semester A 2022/23

## Part I Course Overview

### Course Title

Regulatory Economics

### Subject Code

EF - Economics and Finance

### Course Number

4481

### Academic Unit

Economics and Finance (EF)

### College/School

College of Business (CB)

### Course Duration

One Semester

### Credit Units

3

### Level

B1, B2, B3, B4 - Bachelor's Degree

### Medium of Instruction

English

### Medium of Assessment

English

### Prerequisites

EF3440Microeconomics for Business Strategy OR  
EF3442Intermediate Microeconomics

### Precursors

EF4480 Industrial Organization

### Equivalent Courses

Nil

### Exclusive Courses

Nil

## Part II Course Details

### Abstract

This course aims to help students understand why some business practices affect competition; how governments regulate the market to safeguard competition, stability and efficiency; and how business strategies should be formulated in dealing with the regulatory environment. Most governments attempt to maintain and regulate a competitive environment in the marketplace or use regulatory measures to achieve economic efficiency and other political objectives. The course is an introduction to the role of government in markets where competitive equilibria “fail.” In this course we go beyond the strategic interaction of firms and concentrate on the interaction between firms and the government in the following settings: a firm as a regulated monopoly; a firm as a participant in a market regulated by the government; and a firm as an agent to provide goods and/or services financed by the government. This course covers three areas in the economics of regulations: (i) how to regulate the market competition through the application of anti-trust law; (ii) how to regulate the monopolies through the practices of incentive regulation; and (iii) how to reduce systemic risk through financial regulation. The course also encourages discovery learning, which takes place when students use the knowledge and skills they acquired from the lectures to discover, for themselves, practical solutions to problems on economics of regulations in real-life contexts. The project presentation and examination will reflect their accomplishment in discovery and innovation.

### Course Intended Learning Outcomes (CILOs)

CILOs		Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Identify the basic elements of the competition law; identify the basic elements of risk regulation in the financial market; to motivate discovery based learning; compare and contrast the economic theories to explain the risk regulation and competition law.	25	x	x	
2	Perform the competition analysis in anti-trust cases. Students are encouraged to develop innovative solutions, critical thinking and problem solving skills in the anti-trust cases.	25	x		x
3	Apply different regulatory approaches on neutral monopolies, such as power companies and water companies; analyse scenarios related to real life issues and comment on the current issues through discovering the underlying concepts and economic theories.	25	x	x	x
4	Develop financial and non-financial performance measures for regulated industries; and develop systemic risk management performance measures for financial institutions; perform analyses on global issues with the concepts and models. This is important in developing students' abilities and skills to discover and innovate.	25	x	x	x

#### A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

#### A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

## A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

## Teaching and Learning Activities (TLAs)

	TLAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	Lecturer encourages students to think critically and logically by asking students to respond to questions and getting students to solve the problems by themselves rather than giving away the solutions.	1, 2, 3, 4	3 hours/week
2	Case Studies discussion in the lectures	MBA case studies will be discussed in the lectures. Students will be encouraged to apply the basic theories of microeconomics and game theories in the discussion.	2, 3, 4	weeks 10-13; incorporated in lectures

3	Group Projects	<p>Students will form small groups of 3-5 people and prepare a 10-page report on a case study. Various industries will be discussed and students can choose one industry and study it. Students are required to read the newspapers and apply the theories they learned from the lectures to the real life cases. The analysis should be based on facts, data, logical reasoning and economic principles. Both quantitative analysis and qualitative analysis will be required. Presentation is also an important part in enhancing students' interpretation skills. The Q&amp;A led by the lecturer will help students get a better understanding of their research. Peer evaluation: students will give comments on their team members in terms of their contribution to the group project near the end of semester. This practice avoids free-rider problem.</p>		student work
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**Assessment Tasks / Activities (ATs)**

	ATs	CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	Group Projects and Peer Evaluation	1, 2, 3, 4	30	
2	Class Participation	1, 2, 3, 4	10	including performance in experiments

**Continuous Assessment (%)**

40

**Examination (%)**

60

**Examination Duration (Hours)**

3

## Assessment Rubrics (AR)

### Assessment Task

Final Examination

### Criterion

Understand the basics of competition law, and risk, and be able to apply these concepts to various real life cases.

#### Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base.

#### Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature.

#### Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material.

#### Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course.

#### Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature.

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### Assessment Task

Group Projects and Peer Evaluation

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**Assessment Task**

Class Participation

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**Part III Other Information****Keyword Syllabus**

1. Introduction to competition law
2. Measurement of Market Boundary and Market Collusion
3. Merger Control
4. Monopolization and Abuse of Dominance
5. Introduction to Regulatory Reform
6. Theory of Incentive Regulation
7. Commitments on Incentive Regulation
8. Regulatory Policy Considerations
9. Theory and Practices of Financial Regulation
10. Common Features of Financial Crisis
11. Assessing the Risky Environment
12. Financial Regulatory Reform Debate

**Reading List****Compulsory Readings**

	Title
1	Hylton N Keith: Anti-trust Law: Economic Theory and Common Law Evolution Cambridge University Press 2003. (Hylton)
2	IMF: "Containing Systemic Risks and Restoring Financial Soundness" Global Financial Stability Report April 2008 (IMF)

**Additional Readings**

	Title
1	Anti-trust Cases can be found from the following link: <a href="http://www3.oup-usa.org/sc/0195161181/bytopic.html">http://www3.oup-usa.org/sc/0195161181/bytopic.html</a>