GENERAL INFORMATION

Instructor: Cheng Chen
Email: ccfour@hku.hk
Office: K.K.Leung 901
Phone: 39178129
Office Hour: TBA
Classroom: TBA

Pre-requisites: Microeconomic theory at the master-level; basic calculus, linear algebra and statistics.
Website: http://www.sef.hku.hk/~ccfour

COURSE DESCRIPTION

The course studies what the firm is and how firm organization and strategies matter in the world economy. The whole course can be divided into four parts. The instructor will start the course with descriptive statistics on management quality of firms over the world. In addition, the teacher will show how managers work in daily life. In the second part, the instructor will teach basic models such as the standard adverse selection model (two-type) and the standard moral hazard model (two-action). In the third part, the instructor will teach applications of the basic models (family firms, optimal incentive contracts, firm hierarchy, incomplete contracts and theories of the firm). In the last part of this course, extended theoretical topics (e.g., limited liability constraint, relative performance measure, career concerns, tournament, multi-task) will be discussed in the class. Recent papers including the instructor’s own papers will be discussed in the class. Both theoretical and empirical papers will be covered during the course (theory: 55% and empirical: 45%).

COURSE OBJECTIVES

1. Provide students basic analytic tools of microeconomics.
2. Provide students basic analytic tools of reduced-form empirical analysis (diff-in-diff, IV regressions, clustering).
3. Develop students’ ability to deal with cost-benefit analysis in real life.

COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Aligned Programme Learning Outcomes</th>
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<tbody>
<tr>
<td>CLO1 Understand what the firm is.</td>
<td>PLO 3, PLO 4</td>
</tr>
<tr>
<td>CLO2 Master basic tools of microeconomic analysis (contract theory and economics of information).</td>
<td>PLO 1</td>
</tr>
<tr>
<td>CLO3 Understand how firm-level frictions matter at the aggregate level.</td>
<td>PLO 3, PLO 4</td>
</tr>
<tr>
<td>CLO4 Know how to implement reduced-form empirical analysis.</td>
<td>PLO 2, PLO 5</td>
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COURSE TEACHING AND LEARNING ACTIVITIES

<table>
<thead>
<tr>
<th>Course Teaching and Learning Activities</th>
<th>Expected</th>
<th>Study Load</th>
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<tbody>
<tr>
<td>Activity</td>
<td>Contact Hours</td>
<td>% of Study</td>
</tr>
<tr>
<td>--------------------------------------------</td>
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</tr>
<tr>
<td>T&amp;L1. Lectures</td>
<td>36 hours</td>
<td>30%</td>
</tr>
<tr>
<td>T&amp;L2. Reading research papers</td>
<td>24 hours</td>
<td>20%</td>
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<tr>
<td>T&amp;L3. Preparing for homework, the exam and the research proposal</td>
<td>36 hours</td>
<td>30%</td>
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<tr>
<td>T&amp;L4. Self-study</td>
<td>24 hours</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120 hours</strong></td>
<td><strong>100%</strong></td>
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<tr>
<th>Assessment Methods</th>
<th>Brief Description (Optional)</th>
<th>Weight</th>
<th>Aligned Course Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Mid-term exam</td>
<td></td>
<td>50%</td>
<td>CLO 1, CLO 2, CLO 3</td>
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<tr>
<td>A2. Final exam</td>
<td></td>
<td>50%</td>
<td>CLO 1, CLO 2, CLO 4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>100%</td>
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**STANDARDS FOR ASSESSMENT**

**Course Grade Descriptors**

- **A+, A, A-**
  - Candidate has consistently demonstrated a thorough grasp of the subject as evidenced by original or exceptionally astute analysis and synthesis...

- **B+, B, B-**
  - Candidate frequently demonstrated a substantial grasp of the subject ...
  - ... some of the responses are well organized, clear but with insufficient elaboration...

- **C+, C, C-**
  - ... solutions to questions and problems containing unstructured but relevant observations, and marginally interesting and ...

- **D+, D**
  - ... little evidence of basic familiarity with the subject...

**Assessment Rubrics for Each Assessment** (Please provide us the details in a separate file if the space here is not enough)

**COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE**

- Part one: 2 weeks.
- Part two: 2 weeks.
- Part three: 5 weeks.
- Part four: 2 weeks.

**REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS** (e.g. journals, textbooks, website addresses etc.)
There is no required textbook for this course. The instructor will upload and use his lecture notes. Bolton and Dewatripont’s “Contract Theory” (Princeton University Press) and Gibbons’ “Handbook of Organizational Economics” (Princeton University Press) are two good references.

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<th>MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE</th>
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<tr>
<td>○ conducting mid-term survey in additional to SETL around the end of the semester</td>
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<td>○ Online response via Moodle site</td>
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<tr>
<td>○ Others: ________________________ (please specify)</td>
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<tr>
<th>COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)</th>
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<td>Standard rules of HKU apply.</td>
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<tr>
<th>ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms &amp; materials, penalty for late assignments, etc.)</th>
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<tr>
<td>This course is a research-oriented course. After taking this course, the students should be familiar with frontier research and able to conduct his or her own research project.</td>
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