**FA19 BCOR1015- Sec 001 and 002 – Module #5 Guide**

**Competition and Monopoly**



**Learning Objectives*:*** *At the end of this module, you should be able to*

* Explain the concept of a “just” price
* Understand the role of competition in a market economy
* Describe the role of “creative destruction” in the evolution of industries and market economies
* Understand the impact of “creative destruction” in both the short-term and long-term
* Explain the impact of algorithms and virtual competition
* Recognize the economic reasoning for surge pricing
* Evaluate the growth of Big Tech and the impact on competition and consumer welfare

**Reading Questions**

**Day #2:**

1. Excerpts from Vance, L.M. (2008, March 31). The Myth of the Just Price. Mises Institute, Daily Articles - mises.org

*This article is an opinionated discussion about the “morality” of pricing, the concept of a just price and government intervention in pricing. Read for the main ideas not detailed biblical support.*

*Focus your reading on the sections up to “The State” and then read the conclusion at the end.*

* What is a just price? Where did this concept come from? How did Thomas Aquinas define a just price?
* What are examples of government intervention in pricing?
* What is usury? How does it relate to interest?
* What is the author’s conclusion and point of view? How does he support it?

1. Cox, W.M., & Alm, R. (2008). Creative Destruction. In The Concise Encyclopedia of Economics (2nd ed.). Library of Economics and Liberty.
2. J. A. Schumpeter’s Capitalism, Socialism and Democracy, 1942

*These two articles (#2 and #3) discuss the same material. Schumpeter is the originator of the concept of creative destruction and his writing is from his original publication. Cox is essentially an explanation of what Schumpeter’s term “creative destruction”.*

* What is creative destruction?
* What is the paradox of progress, what are the implications of creative destruction?
* How does creative destruction relate to capitalism?

1. Christensen: HBR Video. (2013). The Explainer: Disruptive Innovation [Video file].
2. A.W. (2015, January 25). The Economist explains: What disruptive innovation means.

*These two very short assignments – video and 1 page reading – explain a related term “disruptive innovation”.*

* What does disruptive innovation mean?
* What is the innovator’s dilemma?

**Day #3:**

1. Powles, J. (2017, January 5). No invisible hand in cyberspace. The Times Higher Education Supplement: THE, (2287). [Review of Virtual Competition].

* What might be the impact of algorithms or “virtual” competition on a market economy and the role of competition?

1. Hall, J., Kendrick, C., & Nosko, C. (2015). The Effects of Uber’s Surge Pricing: A case or current event Study. The University of Chicago Booth School of Business.
   * What is meant by surge pricing?
   * Who is benefited by this type of pricing and how are they benefited?
   * Any problems with surge pricing?
2. Kolhatkar, S. (2017, July 10). Uber and Out. The New Yorker.

* Is Uber’s rule-breaking “bold disruption”? Why or Why not?
* What business strategy has Uber been using to deal with competitors?
* Is Uber profitable? If not, where is the funding coming from to support the company?

1. Zetlin, M. (2019, May 23). Here’s why Uber and Lyft drivers are artificially creating surge prices. Inc.

* How can drivers artificially create surge pricing and why would they do so?

**Day #4:**

1. Competition, not break-up, is the cure for tech giants’ dominance: Taming big tech. (2019, Mar 13). The Economist

* How does this article suggest that more competition can be introduced into the “big tech market”?

1. Godwin, M. (2019, April 30). A Facebook request: Write a code of tech ethics. Los Angeles Times.

* What is meant by an “information fiduciary”?
* Why does the author suggest a code of tech ethics?
* Would regulation be needed if there was a code of ethics?

1. Yglesias, M. (2019, May 3). The push to break up big tech explained. Vox

* What has been the traditional focus when evaluating companies for anti-trust behavior?
* Is the focus changing?
* What other considerations should be evaluated when looking at anti-trust behavior?
* Explain how the baseball analogy relates to owners of tech platforms? Is this a good analogy?