



**COURSE INFORMATION**

**Course Title:**

ECON310 Managerial Economics

**Semester:**

July Session, 2020

**OVERVIEW**

Managerial Economics is a core economics course that aims to expose students to a rigorous foundation in microeconomics, game theory and industrial organization. ECON310's main objective is to develop a student's capacity to analyze economic environments in which business entities operate and to understand how managerial decisions may vary under different constraints that each economic environment places on a manager's pursuit of his/her goals.

ECON310's focus is on analyzing the functioning of markets, the economic behavior of firms and other economic agents under various market structures, and the economic and social implications of outcomes. Course structure includes basic economic tools, business objectives, demand analysis; pricing policies & competitive strategies, cost & production analysis, market structure, decision-making under uncertainty, capital budgeting & investment analysis.

**Strategy examples:**

**Strategy 1:** Many families purchase Sunday edition papers and or subscribe to online and mobile coupon providers to gain access to hundreds of dollars-worth of coupons or rebates that allow discounts and price reductions for many goods and services. However, for many businesses, lowering prices and running an 'on sale' advertisement would be a lot simpler. Moreover, coupon strategies create both extra work and extra cost for financial officers, cashiers and store managers. Thus, the following questions are raised:

- a) Why use coupons, while marking down the price is simpler and, seemingly, less costly? That is, what net benefits does a coupon strategy bring to a firm?
- b) Why are some products heavily relying on coupons/rebates and others not?
- c) If a coupon strategy is to be introduced, how much of coupon value should a firm recommend for its \$30 shampoo?
- d) If you are one of those Sunday coupon clippers, how would you perceive spot discounts and rebates as alternatives?

**Strategy 2:** On many occasions, the ideal decision depends on the choices of others.

Some examples:

- a) Why are there so few successful cartels (OPEC, Four Pillar Banks) when in reality firms often have a strong incentive to behave collusively? What are the factors that affect a firms' ability to maintain a cartel?
- b) Some OPEC countries– like Venezuela – often export more than the agreed quota. However, it may still be in the best interest of big member countries – like Saudi Arabia – not to follow suit. Your strength may turn into a weakness and vice versa. How would you get out of such dilemma? Also, how does the new shale oil boom change the global oil industry competition, and what are the real key strategic aspects of this new dynamic?
- c) Building an extra plant and idling it; a man walking into a bank and showing the teller that he's strapped with dynamite; burning his ships by Cortés after he landed on the Yucatan Peninsula - Aztec Empire. Which strategic feature do these episodes share in

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common and why are they called smart moves?

Students' appreciation of the analytic strength and practical applicability of microeconomic theory is the main objective of course MGT205. The course is concerned with both theory and applications where the theory serves to construct a rigorous framework of principles and techniques and the applications bring real aspects into the classroom through multiple cases and examples from various sources. Students are expected to develop intuitions behind each economic concept and understand the theory to formalize it. More importantly, students are encouraged to build ability to apply their learning to complex business realities.

Knowledge of basic algebra and calculus skills are assumed throughout the course. (Calculators allowed)

### LEARNING OUTCOME

Students should be able to:

1. Apply relevant theories, concepts and principles in harnessing managerial Economic theory and application in contemporary organizations
2. Identify and describe core economic management skills needed in the contemporary workplace
3. Apply various leadership and management skills in a variety of situations
4. Critically analyse challenges for the application of Managerial Economic theory in the workplace
5. Reflect on ethical principles and social impact associated with the application of Managerial Economics in contemporary organizations
6. Develop and activate a plan to build upon your strengths and weaknesses in applying Managerial Economics in contemporary consumer markets

### CLASS HOURS

Class Times and Locations: Monday to Friday, 180 minutes each day, each week there will be a one-hour discussion session.

### LEARNING RESOURCES

#### Suggested textbooks:

Title: Leadership - Managerial Economics

Core Economics for Managers

Author(s): Gans, J.

Publisher: Thomson, Cengage Learning Australia

Year Published: 2005

Title:

#### Supplementary materials utilized during the class:

1. Shackle, G.L.S. (1969). *Decision Order and Time*. Cambridge University Press.
2. Dixit, A. K., and Nalebuff, B. J. (2008). *The Art of Strategy: A Game Theorist's Guide to Success in Business and Life*. W.W. Norton & Company.
3. Taleb, N.N. (2012). *Antifragile*. Penguin
4. Brooks, J. (1969). *Business Adventures*. John Murray
5. Earl, P.E. (1995). *Microeconomics for Business and Marketing*.
6. Edward Elgar. Earl, P.E., and Wakeley, T. (2005). *Business Economics*. McGraw-Hill Education
7. Kay, N.M. (1997). *Pattern in Corporate Evolution*. Oxford University Press.
8. Gans, J. (2016). *The Disruption Dilemma*. MIT Press.

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9. Baye, M.R. and Prince, J.T. (2006). *Managerial Economics and Business Strategy*. McGraw Hill.

### WEEKLY SCHEDULE

Week	Day	Topic	Reading
1	1	Course overview, theory of incentives, theory of trade and exchange	Gans, J. Chapters 1-2-3
	2	Incentives and the theory of games	Chapter 4
	3	Bilateral exchange and negotiation	Chapter 5
	4	Multilateral negotiation in markets	Chapter 6
	5	Negotiation in evolving environments	Chapter 7
2	1	Pricing strategy: mass markets with imperfect competition	Chapter 8
	2	Pricing strategy: games and oligopoly	Chapter 9
	3	<b>Mid-Semester Exam (Exam):</b> During lecture time	
	4	Pricing strategy: using prices as signals	Chapter 10
	5	Contract theory: writing external contracts	Chapter 11
3	1	Contract theory: designing incentive	Chapter 12
	2	Contract theory: building lasting relationships	Chapter 13
	3	Free Topic Presentations	
	4	Revision lecture	
	5	<b>Final Exam</b>	

### ASSESSMENT

Assessment Task	Score Percentage
Class participation	10%
Pop-up Quiz's (3)	15%
Case study (group project), Free Topic Presentation	20%
Mid-term exam (Essay)	20%
Final Exam (Essay)	35%
<b>Total</b>	<b>100%</b>

### DETAILS ON GRADE COMPONENTS

**Note on assessment:** The Case Study and/or Free Topic Presentation assessments will be based on team-work. Students will be asked to form teams. Team members are expected to work cooperatively as a group and will receive the same evaluation for their work regardless of the individual variation in their contribution. All teams will be subject to a 'Morally Hazardous' situation and will practice how to overcome such an economic problem.

**Class Participation:** Students are required to attend all classes and participate actively. Students should treat their classroom obligations as they would treat any serious professional engagement. Your participation grade will be based on the instructor's assessment of how well you contribute to classroom dynamics relative to your class peers.

**NB:** In case of an absence, the student is responsible for the materials and assignments for

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that class; it is the student's responsibility to inform the instructor regarding absences and assignments that are missed. **Unexcused absence from five or more scheduled class sessions will be grounds for failure in this course.** If you do have to miss class due to a personal emergency, please let the instructor know as soon as possible. Such emergencies will be dealt with on a case-by-case basis.

Participation grades will be based on **quality** (in-class performance that reflects intellectual depth, insightfulness, and contribution to class learning) and **quantity** (consistency and regularity of performance).

Accordingly, **you are expected to read the related chapters before participating the class.** Be prepared to be called upon to "open" a class discussion by presenting your full analysis and thoughts on the assigned topic at the start of class, or to be asked through a "cold call" for comment during the discussion.

The grading of class participation is necessarily a subjective exercise. However, high-quality comments have one or more of the following characteristics: **(1) insightfulness, (2) appropriate application of course concepts, and (3) advancement of the in-class discussion at hand.**

## 1. POP-UP QUIZ'S

1. Three comprehensive quiz's will be given during the course.
2. Each student is encouraged to take notes independently to prepare for the quiz's and to generate material for their essays.
3. Each answer will be carefully – and with effort – marked, commented and returned. Only electronic submissions will be accepted.

## 2a. CASE DISCUSSION

- a) Case discussion will start from Week 2. Case pack containing all cases will be electronically delivered and case assignment will be determined on a first-come first-served base.
- b) Students will be asked to challenge the cases as a team for in-class discussions. Although everyone is expected to come to the classes being prepared for discussion, the assigned teams are to formally present its analysis and lead a discussion. After presentation, each team is to upload its presentation materials on the designated electronic group app for other students to view.
- c) Evaluation will be based on the overall quality of the presentation – how rigorous, disciplined, creative and how much it is to the points in issue. Time management (8 minutes including Q&A) will be strictly enforced.

## FREE TOPIC PROJECT

Whereas typical economics course may stop after giving you the intuition and the proof, MGT205 is designed to test student capacity to apply theory and concepts in practice. Thus, each team is required to do an independent project – Free Topic Presentation.

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1. Each team picks an issue/case/observation that they believe is a challenging economic phenomenon.
2. Each team meets regularly to bond, discuss, debate and finally come up with an economic interpretation/analysis of the issue it chose.
3. The team leader is to submit via email a one-page proposal containing the followings by Week 3.
  - a) Names of the team members
  - b) Tentative title of the presentation
  - c) Brief sketch on the idea/plan of the presentation
  - d) First and second preferred presentation times. The lecturer will then finalize the presentation schedules based on the students' preferences and the topics of their projects. (When in conflict, it will be randomly determined.)
4. Each team has 12 minutes to present including Q&A. No written report is required.
5. Evaluation will be based on how rigorous, disciplined, and creative the analytical idea is from economics perspective. Time-management will also be an important assessment factor. All team members receive the same evaluation for the project regardless of the individual variation in their contribution.

### **MIDTERM AND FINAL EXAM ESSAYS:**

The Mid-term Exam will consist of a short essay of 450 words (+ or - 10%) outlining the basic theories, concepts and principles of Managerial Economics.

The Final Exam will consist of a 1000-word essay (+ or – 10%) describing how the theory, concepts and principles of Managerial Economics have been applied in a case study.

**NB:** The careful and assiduous taking of notes during class, the annotation of reference material and the descriptive paragraphs for the case study and free topic presentations will mean that both essays can be partially or completely written prior to the submission date. Time will be given by the instructor to guide students in their written exams.

**NB:** Advance notification must be given to the instructor in case of emergency or inadvertent events for an alternative exam time; otherwise a grade of zero (0%) will be given.

**NB: Late submissions are not accepted**

### **COURSE GRADING**

Upon completion of this course, you receive a final grade. A final grade is a letter grade that carries with it a numerical value, as outlined below.

<b>Grade</b>	<b>Percentage</b>
A	80-100
B	70-79
C	60-69
D	50-59

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E	0-49
<p><b>To pass this subject, students are required to obtain Grade C or above in order to satisfy all the intended learning outcomes.</b></p> <p><b>CLASSROOM ETHICS &amp; COURSE POLICIES</b></p> <p>Being respectful of others' opinions, values and culture</p> <p>Cell phones are only permitted when the usage is related to the course. Absolutely <b>NO TEXTING</b> during class will be tolerated. If you have an emergency situation and you must be able to be reached, set the phone to vibrate and leave the room immediately when it goes off.</p> <p>Any student with a documented disability needing academic adjustments or accommodations should notify the instructor or the program administrator before the start of the program, so such an arrangement will be made accordingly.</p> <p>Any student who anticipates a schedule conflict because of religious reasons should make arrangements within two weeks of the start of class.</p> <p><b><i>Academic misconduct</i></b></p> <p>Please follow the guideline of the university policy. Academic dishonesty or misconduct will not be tolerated and may result in disciplinary action including a grade F for the course. Work submitted must be the original work of the student. Original work may include the words and ideas of others, but the source of these words and ideas must be indicated in a manner consistent with an academically recognized form, style, and citation manual. Resubmission of work previously presented in another course is prohibited.</p>	