

BUSI 5803 Managerial Economics

Fall 2014

Classroom: 328 Dunton Tower
Days and Time: Section A: Tuesday, 8:30 to 11:30 PM
Section B: Thursday, 2:30 – 5:30pm

Office: Dunton Tower # 1009 A
Office Hours: Tuesday, 3:00 PM – 4:00 PM

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Course Description:

The Managerial Economics course uses the principles of economics to address important issues in the business world today. These economic principles are applied to study cases and selected readings. The cases will be analyzed and discussed in the seminars.

The goal of this course is to provide students with an understanding of the major economic concepts, combined with an understanding of how to use economics as framework in making decisions.

This course is a Seminar on Managerial Economics. Students are required to read the case studies prior to class. And, in class students are expected to contribute to discussions and to have questions, and to share experiences using current examples from other sectors or other countries. Given the global dimension to business and a multi-cultural student body at Sprott School of Business, the cases should be interesting, topical, and current.

Learning Objectives:

Managerial Economics builds on micro-economics and macro-economics by considering various dimensions to management behaviour and management decisions.

Students that complete the course will have solid understanding of major economic concepts. Papers and an exam will demonstrate this, in order to be able analyse business problems using these concepts post-graduation. Therefore it is also anticipated that some/many of these concepts will make a lasting impression and carry-forward to your careers.

The key concepts covered in Business 5803 are:

- The fundamentals of supply and demand,
- The decision managers face in optimizing/minimizing production costs,
- The different dimensions of competition in producer theory,
- The structure of markets and the existence of market imperfections,
- The application of Game Theory in business decisions, and
- The determinants of monetary policy and interest rates.

Course Restrictions: None.

Course Prerequisites: Enrolment in the MBA Program. The School of Business enforces all prerequisites.

Text:

Text: *This year the text is available in electronic form from McGraw-Hill publishing. Our e-book incorporates ten (10) chapters from Managerial Economics and Business Strategy by Baye & Prince, 7th Edition, and two (2) chapters from Macroeconomics, by Dornbusch et al, 11th Edition. The e-text is required for this course.*

Go to: <https://create.mheducation.com/shop/#/catalog/details/?isbn=9781121998797>

Seminar Format: There are assigned readings and a case topic each week in class. Each seminar has a theoretical segment and a discussion segment, based on the economic theme as applied to the case. Students are expected to have read the case material, and to have questions on the case, and/or observations and examples of the themes being used in current business practice. Students are expected to read the papers and cases prior to each class.

Cellular Phones:

The use of cellular phones IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry a phone to class, please make sure it is turned off. If an emergency situation requires you to keep your cell phone turned on you may wish to keep the silent mode on, please discuss this with the instructor prior to the class starting.

Drop Course Policy:

Students can drop a course up until the END of the second week of classes. Students that drop a class in the third week will receive a WDN but will automatically have the grade changed to ABS. A grade of ABS is considered a failing grade. A required course will have to be taken again. Students with medical reasons and supporting documentation may petition the School to have the ABS grade changed back to WDN.

Grading Scheme:

➤ <i>Individual Assignments, two (2) discussion papers valued at 10% each</i>	<i>20%</i>
➤ <i>1st Group Assignment</i>	<i>25%</i>
➤ <i>2nd Group Assignment</i>	<i>25%</i>
➤ <i>Final Exam</i>	<i><u>30%</u></i>
<i>Total:</i>	<i>100%</i>

Policies on Discussion Papers, Group Assignments, Exam:

The Individual Assignments in weeks 1 & 2 will focus on the respective economic principle under discussion. Students will prepare a summary of the economic concept as applied to a specific problem. Any assignment not completed on time will have zero (0) marks – unless supported by medical certificate.

Students unable to fully complete either of the Group Assignments will have their marks pro-rated, according to Carleton University policies.

Student Responsibilities and Commitments:

Students are required to read the case studies and have questions or observations prepared for discussion in the seminar. Students are therefore expected to be prepared for the class, and to contribute to the discussions and debates. Projects must be completed by the assigned date.

Students are expected to work in different groups for the papers and assignment.

Professor's Responsibilities and Commitments:

The discussions in class should be topical and informative. The course material and readings will apply economics concepts to challenges and opportunities in the world today.

Note: reading material will be provided through cuLearn in .pdf format.

Textbook and Other Material:

The texts for the course are in electronic form. The first is Managerial Economics and Business Strategies by Baye & Prince. Published by McGraw-Hill. The second is Macro Economics by Dornbusch, Fischer & Startz.

Week	Topic/Agenda	Preparation Material
1	<p>Topic: Understanding Demand & Supply</p> <ul style="list-style-type: none"> • Introduction to Economics for Managers • Introduction to Demand & Supply <p>Application: What is your MBA worth?</p>	<p>TEXT: <u>Managerial Economics and Business Strategy</u></p> <p>Chapter 1 – <i>Fundamentals of Managerial Economics</i> Chapter 2 – <i>Market Forces: Demand and Supply</i></p> <p><i>“Price-Quantity Determination”</i> – Harvard Business Publishing</p> <p><i>Article on Demand for and Supply of MBA’s.</i></p> <p>READINGS:</p> <p><u>Required</u> <i>Article on Demand for and Supply of MBA’s.</i></p> <p><u>Suggested</u> <i>Article on “Price-Quantity Determination”</i></p>

Week	Topic/Agenda	Preparation Material
2	<p><u>Topic: Production & Cost Strategies</u></p> <ul style="list-style-type: none"> • Production Theory & Cost Analysis • Marginal Benefit & Marginal Cost • Optimizing Inputs and Outputs <p><u>Application:</u> Off-shoring is a form of labour-capital tradeoff. The net benefit is....</p>	<p>TEXT: <u>Managerial Economics</u></p> <p>Chapter 5 – <i>The Production Process and Costs</i></p> <p>READINGS</p> <p><u>Required</u> <i>Article on Globalization of Health Care</i></p> <p><u>Suggested</u> <i>“The Off-Shoring of America”</i>- Harvard Business Publishing</p>

Week	Topic/Agenda	Preparation Material
3	<p><u>Topic: The Firm and The Nature of Industry</u></p> <ul style="list-style-type: none"> • Organization of a Firm • Nature of Industry • Externalities and Public Goods <p><u>Application: Climate Change & Carbon Pricing are externalities not considered in energy prices.</u></p>	<p>TEXT: <u>Managerial Economics</u></p> <p>Chapter 6 – <i>Organization of the Firm</i>; Chapter 7 – <i>The Nature of Industry</i>; Chapter 14 – <i>Externalities (p. 534 – 538)</i></p> <p>READINGS</p> <p><u>Required</u></p> <p><i>Articles on proposed Keystone oil pipeline between Canada and United States</i></p> <p><u>Suggested</u></p> <p><i>“The Economics of Climate Change” – Stanford University, November 2005</i></p>

Week	Topic/Agenda	Preparation Material
4	<p><u>Topic: Market Structures and Marketing</u></p> <ul style="list-style-type: none"> • From Full Competition to Monopoly • Price Discrimination <p><u>Application: Oligopolies in large commercial airline manufacture.</u></p>	<p>TEXT: <u>Managerial Economics</u></p> <p>Chapter 8 – <i>Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets</i>; Chapter 9 – <i>Basic Oligopoly Markets</i></p> <p>READINGS</p> <p><u>Required</u></p> <p><i>Articles on competition in the airplane manufacturing industry.</i></p> <p><u>Suggested</u></p> <p><i>“Competitor Analysis: Anticipating Competitive Actions” – Harvard Business Publishing</i></p>

Week	Topic/Agenda	Preparation Material
5	<p><u>Topic: Strategic Thinking, Markets & Pricing Strategies</u></p> <ul style="list-style-type: none"> • Market Power • Game Theory • Auctions <p><u>Application:</u> Canadian wireless spectrum auctions; applying game theory and considering competitors' actions.</p>	<p>TEXT: <u>Managerial Economics</u></p> <p>Chapter 10 – <i>Game Theory</i>; Chapter 11 – <i>Pricing Strategies for Firms with Market Power</i></p> <p>READINGS</p> <p><u>Required</u></p> <p><i>Article on the 2013 Auction for Wireless Spectrum in Canada</i></p> <p><u>Suggested</u></p> <p><i>“Note on Microeconomics for Strategists” – Harvard Business Publishing</i></p>

Week	Topic/Agenda	Preparation Material
6	<p><u>Monetary Policy and Interest Rates</u></p> <ul style="list-style-type: none"> • Monetary Policy; Money Supply & Interest Rates • Past, Present, and Future directions for interest rate changes. <p><u>Application:</u> we examine Central Banks' monetary policies; and apply this to an up-coming monetary policy decision.</p>	<p>TEXT: <u>Macroeconomics</u></p> <p>Chapter 11 – Monetary and Fiscal Policy Chapter 16 – The FED, Money, and Credit</p> <p>READINGS</p> <p><u>Required</u></p> <p><i>Articles on the Bank of Canada and the U.S. Federal Reserve decisions on interest rate policies.</i></p>

Deliverables during the Course:

There will be a scheduled exam following Week 6. Date, time, and location to be announced.

Individual Assignments:

Two (2) Individual Assignments are required during the course. These assignments will require (a) some theoretical discussion, and (b) a summary analysis of the discussions in the class. The individual assignment will be no more than two (2) pages in length.

Note: this means double-spaced typing. (This is similar to a one-page business memo).

Group Projects:

There are two (2) group projects. These may be done in groups of three (3) or four (4) students. Students are to select their own group members.

These group assignments will focus on themes development in the modules. Each group will address a problem or propose a decision on an issue, based on an economic concept.

The group assignments will be between five (5) and ten (10) pages in length, double-spaced and single-sided. Appendices may be additional to these pages.

1st Group Paper:

The 1st paper will examine one (1) of the topics development in module 1, or 2, or 3. Specific problems will analyzed in terms of economic concepts. These problems will focus on either Supply & Demand, or on Production Theory, or on Taxes & Externalities. Three (3) specific problems will be put forward, each group will select one (1) from the three (3).

2nd Group Paper:

The 2nd paper will also examine one (1) of the themes from module 4, or 5, or 6. These are respectively on the Structure of Markets, or on Game Theory, or on Macro Economics to determine Money Supply & Interest Rates. Here too there will be three (3) specific problems. Your group will select one of these, to be considered and evaluated using the economic concepts developed in modules 4, 5, and 6.

Due Dates for Papers and Assignments:

1st Individual Paper

Due: at start of second (2nd) seminar

2nd Individual Paper

Due: at start of third (3rd) seminar

1st Group Paper

Due: at start of fifth (5th) seminar

2nd Group Paper

Due: one week after the sixth (6th) seminar

IMPORTANT ADDITIONAL INFORMATION

Group Work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. If you have a group assignment you may find the resources at http://sprott.carleton.ca/academic_programs/groupwork useful.

Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a coordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please note the deadline for submitting completed forms to the PMC for formally scheduled final exam accommodations is November 7, 2008, for the Fall term courses. Please refer to <http://www.carleton.ca/pmc/> for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete *a letter of accommodation*. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy, which is available, along with resources for compliance at: <http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>.