



**BUSI 5803 Managerial Economics  
Summer 2018**

<b>Instructor:</b>	<b>William Clements, M.B.A., C.F.A.,</b>
<b>Classroom:</b>	<b>DT 328</b>
<b>Days and Time:</b>	<b>Section: D</b>
<b>Office:</b>	<b>DT 1009A</b>
<b>Office Hours:</b>	<b>To be advised</b>
<b>Telephone:</b>	Cell: 613-301-4978
<b>E-mail:</b>	<a href="mailto:william.clements@carleton.ca">william.clements@carleton.ca</a>

**Course Calendar Description:**

BUSI Managerial Economics provided the application of economic principles and methodologies to business decision problems. Formal material and the case studies follow the logic and consequences of consumer and producer decision-making and the resultant market outcomes.

Precludes additional credit for BUSI 5604.

**Course Content:**

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 analysed 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 applying economic concepts to management decisions.

Students that complete the course will have solid understanding of major economic concepts. 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,
- How demand is quantified, and concept of demand elasticity
- The decision managers face in optimizing/minimizing production costs,
- 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:**

The text for this semester is Managerial Economics and Business Strategy by Baye & Prince, 8<sup>th</sup> Edition and Macroeconomics, by McConnell et al, 13<sup>th</sup> Canadian. Edition.

This text is available in electronic form from McGraw-Hill publishing. Our e-book incorporates eleven (11) chapters, in whole or in part, from Managerial Economics and Business Strategy and two (2) chapters from Macroeconomics. The e-text is required for this course.

**Title:** Managerial Economics  
**School:** Carleton University  
**Primary Instructor:** William Clements

1. Go to <http://create.mheducation.com/shop/>
2. Search for and select book by Title, ISBN, Author, or State/School. ISBN: 9781308671413
3. Add the book to your cart and pay using a credit card or access code.

**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.

**Deferred Final Examination:**

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

**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:**

**The deadline for academic withdrawal is the last day of classes (each term).**

**Grading Scheme:**

➤ <i>Individual Assignment</i>	<i>20%</i>
➤ <i>1<sup>st</sup> Group Assignment</i>	<i>25%</i>
➤ <i>2<sup>nd</sup> Group Assignment</i>	<i>25%</i>
➤ <i>Final Exam</i>	<i>20%</i>
➤ <i>Participation</i>	<i><u>10%</u></i>
<i>Total:</i>	<i>100%</i>

**Policies on Discussion Papers, Group Assignments, Exam:**

The Individual Assignment will focus on the respective economic principle under discussion. Any assignment not completed on time will have zero (0) marks – unless supported by medical certificate, or other valid explanation.

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.

Week	Topic/Agenda	Preparation Material
1	<p><b>Topic: Understanding Demand &amp; Supply</b></p> <ul style="list-style-type: none"> <li>• Introduction to Economics for Managers</li> <li>• Introduction to Demand &amp; Supply</li> </ul> <p><b>Application:</b> What is your MBA worth? Business media now put forward serious questions on the value of an MBA, and the direction (mission statement) of the numerous Business Schools that offer an MBA.</p>	<p><b><u>TEXT:</u> <u>Managerial Economics and Business Strategy</u></b></p> <p><b>Chapter 1 – <i>Fundamentals of Managerial Economics</i></b>  <b>Chapter 2 – <i>Market Forces: Demand and Supply</i></b></p> <p><b><u>READINGS</u> – Required</b></p> <p><i>My \$125,000 MBA investment: Was it worth it?</i> - The Globe and Mail, January 10, 2017</p> <p><i>Is an MBA worth the cost?</i> - Financial Times, January 26, 2014</p> <p><i>“Price-Quantity Determination”</i> – Harvard Business Publishing.</p> <p><b><u>READINGS</u> – Suggested</b></p> <p><i>Is Business School Worth the Money?</i> - Fortune Magazine, February 23, 2016</p>

Week	Topic/Agenda	Preparation Material
2	<p><b><u>Topic: Quantifying Demand</u></b></p> <ul style="list-style-type: none"> <li>• Concept of Elasticity</li> <li>• Consumer Behaviour: Preferences &amp; Opportunities; Indifference Curves</li> </ul> <p><b><u>Application:</u></b> Managing finite resources, such as water, in Canada and in China</p>	<p><b><u>TEXT:</u> <u>Managerial Economics and Business Strategy</u></b></p> <p><b>Chapter 3 – p. 77 – 99 <i>Quantitative Demand Analysis</i></b>  <b>Chapter 4 – <i>The Theory of Individual Behaviour</i></b></p> <p><b><u>READINGS</u> – Required</b></p> <p><i>Water: the Oil of the Future</i> - Canadian Business, October 16, 2013</p> <p><i>The growing water crisis in China</i> – Global Risk Insights, August 10, 2017</p> <p><i>The Price Elasticity Of Water Demand Economics Essay</i> – UK Essays, March 23, 2015</p> <p><b><u>READINGS</u> – Suggested</b></p> <p><i>An Estimation of the Elasticity Demand for Tap Water</i> - Journal of Strategic Innovation and Sustainability vol. 7(3) 2012</p>

Week	Topic/Agenda	Preparation Material
3	<p><b><u>Topic: The Firm and The Nature of Industry</u></b></p> <ul style="list-style-type: none"> <li>• Production Theory &amp; Cost Analysis</li> <li>• Optimizing Inputs and Outputs</li> <li>• Production Process, and Managing Production Costs</li> <li>• Externalities and Public Goods</li> </ul> <p><b><u>Application:</u></b> Off-shoring is a form of labour-capital trade-off. The net benefit is now becoming questionable.</p> <p>Many companies are examining “re-shoring”, which means returning to their country of origin.</p>	<p><b><u>TEXT: Managerial Economics</u></b></p> <p><b>Chapter 5 – <i>The Production Process and Costs</i></b></p> <p><b>Chapter 7 – p. 245 – 256 <i>The Nature of Industry</i></b></p> <p><b>Chapter 14 – p. 534 – 538 <i>Externalities</i></b></p> <p><b><u>READINGS – Required</u></b></p> <p><i>The “Dis-location” of U.S. Medicine – the Implications of Medical Outsourcing</i> – The New England Journal of Medicine</p> <p><i>The Advantages and Measures of Outsourcing in Healthcare</i> – Datica Health</p> <p><i>Why AI and Robotics Will Define New Health</i> – PWC</p> <p><b><u>READINGS – Suggested</u></b></p> <p><i>“The Off-Shoring of America”</i> – Harvard Business Publishing</p>

Week	Topic/Agenda	Preparation Material
4	<p><b><u>Topic: Market Structures and Marketing</u></b></p> <ul style="list-style-type: none"> <li>• From Full Competition to Monopoly</li> <li>• Price Discrimination</li> </ul> <p><b><u>Application:</u></b> Oligopolies in large commercial airline manufacture.</p> <p><b><u>Case:</u></b> Bombardier Aerospace: The C Series Dilemma</p>	<p><b><u>TEXT: Managerial Economics</u></b></p> <p><b>Chapter 8 – <i>Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets</i></b></p> <p><b>Chapter 9 – <i>Basic Oligopoly Markets</i></b></p> <p><b><u>READINGS – Required</u></b></p> <p><i>Why are Boeing and Airbus Afraid of Bombardier?</i> – AirInsight</p> <p><i>The Changing Landscape of the Aircraft Industry</i> – Chatham House</p> <p><b><u>READINGS – Suggested</u></b></p> <p><i>“Competitor Analysis: Anticipating Competitive Actions”</i> – Harvard Business Publishing</p>

Week	Topic/Agenda	Preparation Material
------	--------------	----------------------

5	<p><b><u>Topic: Strategic Thinking, Markets &amp; Pricing Strategies</u></b></p> <ul style="list-style-type: none"> <li>• Market Power</li> <li>• Game Theory</li> <li>• Auctions</li> </ul> <p><b><u>Application:</u></b> Canadian wireless spectrum auctions; applying game theory and considering competitors' actions.</p> <p><b><u>CASE:</u></b> The Canadian Telecommunications Industry: Regulation and Policy</p>	<p><b><u>TEXT: Managerial Economics</u></b></p> <p><b>Chapter 10 – Game Theory</b></p> <p><b>Chapter 11 – Pricing Strategies for Firms with Market Power</b></p> <p><b><u>READINGS – Required</u></b></p> <p><i>A Survey of Game Theory Applications in Wireless Networks</i> – Elsevier</p> <p><i>Minister of Innovation proposes ‘competitive measures’ for 600MHz wireless spectrum auction</i> - MapleSyrup</p> <p><b><u>READINGS – Suggested</u></b></p> <p><i>Note on Microeconomics for Strategists</i> – Harvard Business Publishing</p>
---	---	--

Week	Topic/Agenda	Preparation Material
6	<p><b><u>Monetary Policy and Interest Rates</u></b></p> <ul style="list-style-type: none"> <li>• Monetary Policy; Money Supply &amp; Interest Rates</li> <li>• Past, Present, and Future directions for interest rate changes.</li> </ul> <p><b><u>Application:</u></b> we examine the Central Banks' monetary policies; and apply this to an upcoming monetary policy decision.</p> <p><b><u>CASE:</u></b> U.S. Federal Reserve Governors 'Fed Funds' Rate Decision</p>	<p><b><u>TEXT: Macroeconomics</u></b></p> <p><b>Chapter 12 – Money, Banking, and Money Creation</b></p> <p><b>Chapter 13 – Interest Rates and Monetary Policy</b></p> <p><b><u>READINGS – Required</u></b></p> <p><i>The Yield Curve and Growth Forecasts</i> – Darden Business Publishing</p> <p><i>The Role of the U.S. Federal Reserve / Council on Foreign Relations</i> – Council on Foreign Relations</p> <p><b><u>READINGS – Suggested</u></b></p> <p><i>Higher rates could spell comeback for 5-year mortgages</i> – MoneySense</p>

**NOTE:** A reading list will be posted to the ARES section on cuLearn course site.

**Deliverables during the Course:**

***There will be a scheduled exam following Week 6. This will be held during the MBA Exam Week, in DT 328 on the same days as the seminars for each Section.***

***Individual Assignment:***

The Individual Assignment 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.

***1<sup>st</sup> Group Paper:***

The 1<sup>st</sup> paper will examine one (1) of the topics development in module 1, or 2, or 3. Specific problems will be analyzed in terms of economic concepts. These problems will focus on either Supply & Demand, or on Consumer Behaviour, or on Production Processes and Inputs.. Three (3) specific problems will be suggested, each group will select one (1) from the three (3) problems.

***2<sup>nd</sup> Group Paper:***

The 2<sup>nd</sup> paper will also examine one (1) of the themes from module 4, or 5, or 6. These are respectively on Oligopoly Markets, or on Game Theory, or on Macro Economics determination of 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:***

1<sup>st</sup> Individual Paper

Due: at start of the second (2<sup>nd</sup>) seminar

1<sup>st</sup> Group Paper

Due: at start of the fourth (4<sup>th</sup>) seminar

2<sup>nd</sup> Group Paper

Due: at start of the sixth (6<sup>th</sup>) seminar

**ADDITIONAL INFORMATION**

### **Course Sharing Websites**

Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### **Policy on Mobile Devices**

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

### **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, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.

*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**

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). Requests made within two weeks will be reviewed on a case-by-case basis. After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website ([www.carleton.ca/pmc](http://www.carleton.ca/pmc)) for the deadline to request accommodations for the formally-scheduled exam (if applicable).

### **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: <https://carleton.ca/registrar/academic-integrity/>.