



## **BUSI 5803 - B**

### **Managerial Economics**

**Fall-2 2017**

Thursday 6:05 pm - 8:55 pm  
Venue: Dunton Tower 328

Instructor: Dr. Fred Olayele  
Office: Dunton Tower 919  
Email: fred.olayele@carleton.ca  
Office Hours: By appointment

#### **Course calendar entry from 2016/2017 graduate calendar:**

The application of economic principles and methodologies to business decision problems. The logic and consequences of consumer and producer decision-making and the resultant market outcomes.

#### **Course Description:**

Market structure influences the behaviour of firms to a great extent. This course introduces students to a set of analytical tools used to simplify and predict how consumers and firms behave under different market structures and strategic situations. The course objective is to provide students with the conceptual and analytical tools needed to effectively navigate today's business environment. At the end, students will learn how economic theory helps in optimal decision-making by looking more closely at the firm's production process and costs; price and output determination under perfectly and imperfectly competitive market structures; the role of business strategy and strategic cooperation; and the impact of government intervention when externalities lead to market failure.

Using a problem-solving approach, students will focus on the application of economic tools and models. Essentially, students will learn how to make decisions in uncertain environments, predict industry-level changes using demand/supply analysis, and help increase a company's profitability by applying economic analysis to a wide array of business problems. The primary method for learning is case analysis. We will use cases to explore different strategies, specific challenges, and their managerial implications. The majority of class time will be devoted to discussions of the cases and readings. Students are expected to be prepared to provide their analysis of the cases when called upon.

**Course Prerequisites:**

Precludes additional credit for BUSI 5604.

**Readings and Cases:**

Readings will be made available through the library e-reserve system and cuLearn. Cases are available through Harvard Business Press and other listed sources.

**Drop Course Policy:**

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

**Textbook(s):**

Michael R. Baye, *Managerial Economics and Business Strategy*, 8<sup>th</sup> edition

**Grading Scheme:**

Two Assignments (5% each)	10%
Attendance & Contribution to Class Discussion	20%
Project	30%
Final Exam	40%
<b>TOTAL</b>	<b>100%</b>

**Term Project:**

I am flexible about what constitutes a project; what is important is to see that you have applied the concepts and methods learned in class to analyze and provide a set of strategic recommendations to an existing company. Further details are available on cuLearn.

**Final Exam:**

This is a take-home exam, and will be based on a case to be provided a day prior to the exam. Students will be expected to demonstrate their ability to think critically; organize and synthesize knowledge; convey judgement; and communicate in simple, clear and precise terms. Final exam date is December 18<sup>th</sup>.

**Preparation and Participation:**

The course design assumes that you will attend all the classes and review all assigned readings. I will be allocating points for attendance, so I strongly encourage you to attend classes. I will also introduce supporting and tangential material not included in cuLearn. For a complete understanding of the cases and to achieve excellent grades, you should plan to attend all classes. To help you achieve your course objectives, preparation and class participation – in addition to attendance – are an important part of your grade. This includes, among other things, arriving on time for all classes and being fully prepared to

participate in class activities and discussions. Preparation and participation grades will range from 0 to 20 points, depending upon performance. Students are required to submit their case preparation notes in cuLearn at least 24 hours before the class meeting. For more details on how to prepare for case discussions, see case preparation guidelines.

**Missed Assignments and Deferred Examination:**

Weekly assignments are an important component of the learning. It is important that assignments are submitted on time. Requests for deferred assignments may be granted provided they are supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Requests for deferred assignments will not be granted for students who have made travel arrangements that conflict with class schedule.

**Deferred Final Examination:**

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MBA office 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.

**Course Schedule:**

Week	Date	Topic/Agenda	Readings	Pre-class Prep
1	Nov. 9 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Overview of Managerial Economics</li> <li>✚ The Price System</li> <li>✚ Benefits and Costs Analysis</li> <li>✚ Economics &amp; Management Decisions</li> </ul>	Chapters 1-3	
2	Nov. 16 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Rationality and Decisions</li> <li>✚ The Theory of Consumer Behaviour</li> </ul>	Chapter 4  Brickley <i>et. al</i> (1995), ““The Economics of Organizational Architecture”, <i>Journal of Applied Corporate Finance</i>  Dhebar, A. (1990). “Price-Quantity Determination”, <i>Harvard Business Review</i>	Case Preparation: Uber

3	Nov. 23 <sup>rd</sup>	<ul style="list-style-type: none"> <li>✚ Production Theory</li> <li>✚ Cost Analysis</li> <li>✚ Market Failures, Public Goods and Externalities</li> <li>✚ Demand, Elasticity and Revenue Analysis</li> </ul>	<p>Chapter 5</p> <p>Ghemawat, P. (2014) “What Economists Know that Managers Don’t (and Vice Versa)”, <i>Harvard Business Review</i></p> <p>Webber, A. (1993) “What’s So New About the New Economy?”, <i>Harvard Business Review</i></p>	<p>Case Preparation: Emirates Airline</p> <p>Assignment Due 1</p>
4	Nov. 30 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Economies of Scale and Scope</li> <li>✚ Markets, Industry Changes and Strategic Cooperation.</li> <li>✚ Pricing Strategies for Firms with Market Power</li> </ul>	<p>Chapters 8- 11</p> <p>Coyne, K. and J. Horn (2009), “Predicting Your Competitor’s Reaction”, <i>Harvard Business Review</i></p>	<p>Case Preparation: Facebook</p>
5	Dec. 7 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Exchange Rate</li> <li>✚ Inflation</li> <li>✚ Interest Rate</li> <li>✚ Business Cycle</li> <li>✚ Fiscal Policy</li> </ul>	<p>Sadun, R. (2007), “Google’s Secret Formula for Management? Doing the Basics Well”, <i>Harvard Business Review</i></p> <p>Fox, J. (2013), “What We’ve Learned from the Financial Crisis”, <i>Harvard Business Review</i></p>	<p>Assignment Due 2</p>
6	Dec. 14 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Information, Risk, Uncertainty and the Fundamental Theorems of Welfare Economics: Strategic and Managerial Implications.</li> </ul>	<p>Courtney et. al (1997), “Strategy under Uncertainty”, <i>Harvard Business Review</i></p>	<p>Class Presentations</p>
Final Exam	Dec. 18 <sup>th</sup>	<ul style="list-style-type: none"> <li>✚ Final Exam</li> </ul>		<p>Final Exam</p>

**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: <http://carleton.ca/studentaffairs/academic-integrity/>.

**Important dates and deadlines:**

Nov. 6: Fall 2 term begins

Dec. 8: Last day for academic withdrawal from Fall 2 courses.

Dec. 15: F2 classes end.

Dec. 18-22: MBA Exam week

Dec. 25-Jan. 1: University closed