

### COURSE INFORMATION

Course title:	Foundations of Managerial and Business Economics		
Course code:	BAPA 560	Credits:	1.5
Session, term, period:	2023W2, Period 3	Class location:	HA 132
Section(s):	301	Class times:	Dates: Feb. 4, Feb. 25, March 10 Time: 8:30am - 4pm
Course duration:	Feb. 4 to March 24, 2024	Pre-requisites:	n/a
Division:	Strategy & Business Econ.	Co-requisites:	n/a
Program:	PMBA		

### INSTRUCTOR INFORMATION

Instructor:	Isaac Holloway, Ph.D.		
Phone:	604-827-2037	Office location:	HA 272
Email:	<a href="mailto:isaac.holloway@sauder.ubc.ca">isaac.holloway@sauder.ubc.ca</a>	Office hours:	TBD

### COURSE DESCRIPTION

The purpose of this course is to help students understand key ideas in microeconomics and how they can be applied to managerial business problems. The course develops capacity to analyze an organization's economic environment, to understand the constraints this environment places on the organization's pursuit of its goals, how these constraints may change with time, and to apply economic reasoning to decision making. The course will discuss the following topics:

- Market equilibrium; supply and demand.
- How do firms learn about market demand?
- How can firms price their products effectively?
- How do firms interact strategically with others?
- How do firms and governments interact in the presence of environmental and other externalities?
- How does uncertainty affect decision-making and market outcomes?

### COURSE FORMAT

This course will comprise readings, lectures, discussion, and exercises. Evaluation will entail online quizzes, a group presentation assignment, and a final exam.

### LEARNING OBJECTIVES

After successfully completing this course, students should be able to:

- Apply economic principles to solve a range of managerial problems;
- Determine optimal production levels and prices for a profit-maximizing firm operating in different market structures, and explain the effect of market structure on the firm's potential profits;
- Show how a firm with market power can use advanced pricing strategies to increase profit;
- Use game theory to analyze strategic interactions among firms;
- Understand the economics of multi-sided platform businesses;
- Understand how public policy can influence firm behaviour to correct for market failures;
- Explain how information asymmetries can lead to market failure.

### ASSESSMENTS

BAPA 560	301
Program: PMBA	

*Summary*

<u>Component</u>	<u>Weight</u>
Group project	25%
Quizzes (10%, 8%, 7%)	25%
Final exam	50%
Total	<u>100%</u>

*Details of Assessments*

**Group Project (25%)**

The group project is intended to further your understanding of how firm behavior and market outcomes are informed by economic principles and public policy in real-life applications. Projects will be completed in teams of four students, who can collaborate on the research, writing, and presentation. I will form teams on Canvas. Each team will present on a topic of their choice with instructor approval. The goal is to explain the economics behind the firm strategy, public policy, and/or industry dynamics, as applicable. Teams will submit a bibliography of references along with their slide presentations. Grades will be based on the economic content and analysis and the quality of communication. Students will provide anonymous peer feedback on the other groups. Grades will be out of 25 points. More details will be posted to Canvas.

**Quizzes (25%)**

There will be three auto-graded online quizzes, to be completed after each of the three weekend sessions. The quizzes will be worth 10%, 8%, and 7%, with your higher grades getting the higher weight. Each quiz will be based on the material covered in the preceding session.

**Final Exam (50%)**

The final exam will include both quantitative and qualitative questions. It will consist of multiple choice and short-answer questions. Partial credit will be granted for answers to the short-answer questions that show evidence of learning even if the answer is incorrect or incomplete.

**LEARNING MATERIALS**

Required: **All readings will be available on Canvas.** There will be a mix of textbook, lecture note, and applied readings. The textbook readings are excerpted from:

- i. D. Curtis and I. Irvine: *Principles of Microeconomics*, Lrryx, 2020 - A. [\[Link to PDF\]](#)
- ii. Jeffrey M. Perloff and James A. Brander: *Managerial Economics and Strategy*, 2<sup>nd</sup> edition, Pearson, 2017;
- iii. James A. Brander (ed.): *Government Policy Toward Business*, 6<sup>th</sup> edition, Wiley, 2023;

Estimated cost of required materials: \$0

Additional recommended materials:

For those of you looking to get a jump on some of the material, you might find the following optional online resource helpful.

Marginal Revolution University Principles of Economics: Microeconomics

I recommend viewing the videos and completing the short set of practice questions after each one.

<https://mru.org/principles-economics-microeconomics> (scroll down for videos by chapter)

**Recommended viewing for Session 1**

Chapter 1: Supply and Demand ~70 minutes

The Demand Curve: 3:30  
The Supply Curve: 2:54  
The Equilibrium Price and Quantity: 4:50  
A Deeper Look at the Demand Curve: 7:47  
The Demand Curve Shifts: 14:00  
A Deeper Look at the Supply Curve: 7:30  
The Supply Curve Shifts: 12:15  
Exploring Equilibrium: 5:35  
Does the Equilibrium Model Work?: 8:00  
Supply and Demand Terminology: 3:55

Chapter 3: Elasticity ~35 minutes

Elasticity of Demand: 13:36  
Calculating the Elasticity of Demand: 15:52  
Office Hours: Elasticity of Demand: 4:22

Chapter 11: Monopoly ~35 minutes

Maximizing Profit Under Monopoly: 11:10  
Office Hours: Calculating Monopoly Profit: 5:48  
The Monopoly Markup: 8:54  
The Costs and benefits of Monopoly: 8:39

Chapter 12: Price Discrimination ~20 minutes

Introduction to Price Discrimination: 9:40  
The Social Welfare of Price Discrimination: 8:03

**Recommended viewing for Session 2**

Bonus Topics: Game Theory ~5 minutes

Chapter 15: Asymmetric Information ~30 minutes

Asymmetric Information and Used Cars: 2:29  
Asymmetric Information in Health Insurance: 7:30  
Moral Hazard: 4:09  
Solutions to Moral Hazard: 5:54  
Signaling: 6:45

**Recommended viewing before Week 3**

Chapter 8: Externalities ~50 minutes

An Introduction to Externalities: 12:14  
External Benefits: 7:31

Command and Control Solutions: 9:18  
The Coase Theorem: 8:15  
A Deeper Look at Tradable Allowances: 6:00  
Externalities and Incentives: The Economics of COVID: 5:57

### COURSE-SPECIFIC POLICIES AND RESOURCES

*Missed or late assignments, and regrading of assessments*

Late submissions will not be accepted and will receive a grade of zero.

#### *Academic Concessions*

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](https://webforms.sauder.ubc.ca/academic-concession-rhlee) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

### POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

#### *Attendance*

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

#### *COVID-19 Policies for Attendance & Academic Concessions:*

If a student feels unwell, they should stay home and send a courtesy email to each impacted instructor and cc their program manager. The student should also submit an [Academic Concession Request & Declaration Form](#).

If a student suspects possible COVID-19 infection, they should use the BC Ministry of Health's [self-assessment tool](#), to help determine whether further assessment or testing for COVID-19 is recommended.

#### *Punctuality*

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

#### *Electronic Devices*

##### In-Person Regulations

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

### *Citation Style*

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at: <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

### UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

### *Respect for Equity, Diversity, and Inclusion*

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

### *Academic Integrity*

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

### COPYRIGHT

All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. Any lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may the lecture recording or part of the recording be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without

the prior consent of the instructor. Students may not share class Zoom links or invite others who are not registered to view sessions.

**ACKNOWLEDGEMENT**

UBC’s Point Grey Campus is located on the traditional, ancestral, and unceded territory of the x̣m̄əθk̄w̄əȳəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

**COURSE SCHEDULE**

\*P/B refers to Perloff and Brander (available on Canvas)

Session	Topic	Readings	Assessments due
<b>1a – Feb. 4 AM</b>	Supply & Demand; Elasticity; Surplus and Efficiency	Lyryx: 3.1-3.9 Lyryx: 4.1-4.2, 4.7-4.8 Lyryx: 5.2-5.3	
<b>1b – Feb. 4 PM</b>	Pricing with Market Power: Monopoly and Price Discrimination	<a href="#">MRU: Monopoly</a> P/B Ch. 10.1-10.4	<b>Quiz 1 due Feb. 19</b>
<b>2a – Feb. 25 AM</b>	Game Theory and Business Strategy	Custom Lecture Note	
<b>2b – Feb. 25 PM</b>	Decision-making under Uncertainty; Asymmetric Information: Adverse Selection and Agency Relationships	McKinsey risk article; “Secrets and Agents”; NYT: Healthcare Policy	<b>Quiz 2 due March 3</b>
<b>3a – March 10 AM</b>	Externalities and Environmental Economics	Brander Chapter 8; “The social cost of carbon”	
<b>3b – March 10 PM</b>	Project Presentations		<b>Project PPTs due Quiz 3 due March 17</b>
<b>March 24</b>	<b>Final Exam: 9 – 11am</b>		<b>Final Exam</b>