
BAPA 550: Managerial Economics I
Full-time MBA 2020
Course Outline

COURSE INFORMATION

Division: Strategy and Business Economics

Term/period: Period 1 (2018W)

Instructor: Isaac Holloway

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Phone: 604-822-2037

Office hours: Henry Angus 267

Wednesdays 10:30—12:00 & by request

Credit value: 1.5

Section number: 002

Class meeting times: T Th 10am—12pm

Course duration: Sept. 4 – Oct 13, 2018

Classroom location: Henry Angus 132

Course website: Canvas

BRIEF COURSE DESCRIPTION

The purpose of this course is to help students think conceptually about profitable business strategies. 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 internal decision making. The course will discuss the following topics:

- Basic economic concepts: supply and demand.
- How do firms learn about demand and costs?
- 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 and market failures?
- Survey of important markets: healthcare; housing & real estate; multi-sided platforms

COURSE GOALS & LEARNING OBJECTIVES

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

1. Apply basic economic principles to solve a range of managerial problems;
2. 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;
3. Show how a firm with market power can use advanced pricing strategies to increase profit;
4. Use game theory to analyze strategic interactions among firms;
5. Understand the additional challenges and competitive opportunities of multi-sided platforms;
6. Understand how public policy can influence firm behavior to correct for market failures;
7. Explain how information asymmetries can lead to market failure;
8. Understand some basic economics of housing markets.

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COURSE MATERIALS & REQUIREMENTS

Reading Materials: Readings will be available on Canvas. For most sessions, there will be a textbook (or lecture note) reading and an applied reading. While it is best for all readings to be done in advance, it is particularly important that students read and think about the applied reading before class. The textbook readings are excerpted from: (i) Jeffrey M. Perloff and James A. Brander: *Managerial Economics and Strategy*, 2nd edition, Pearson, 2017; (ii) James A. Brander: *Government Policy Toward Business*, 5th edition, Wiley, 2014. Hard copies of both books are available at the David Lam library.

Other Learning Resources: The Canvas website is an important resource for this course. It will be used to post lecture notes, readings, and other course-related resources. It will also be used to make announcements. *You must check the course Canvas website regularly so that you don't miss any important announcements or emails.*

You can also use the Canvas website to access the Discussion Forum. This forum provides an easy way for you to discuss various course-related topics with other members of the class. You can also use the forum to ask your peers for help when you need it and to help your peers when you are able. The discussion forum is student-led and student-moderated: students ask the questions and students provide the answers. I will only occasionally check in on how things are going in the forum.

ASSESSMENT SUMMARY

Two Essay Assignments	20% + 20% (teams of two or three students)
Class participation	10%
Final Exam	50%

ASSESSMENT DESCRIPTION

Assignments (40%)

Essays are intended to further your understanding of how firm behavior is informed by economic principles and public policy in real-life applications. Essays should be written by teams of two or three students, who can collaborate on the research, discussion, and writing. Please use Canvas for team sign-up. Each essay is limited to five pages and will be based on a set of eligible news articles from which each team can choose. These articles will be posted on Canvas for each assignment. Students may propose additional essay topics that are subject to review and approval by the instructor. Each essay should answer the general questions:

1. How is the selected news article related to the economic concept(s) we have covered in this section of the course? (20 points)
2. How do market forces and/or public policy influence managerial decision-making in this setting? (40 points)
3. What lessons can be learned from the particular case? Would other firms react similarly under the same circumstances? Would public policy need to change to achieve a different outcome? Can you predict how the situation will evolve over time? (40 points)

The assignment due dates are shown on the schedule below. Grades will be based on the economic content, the quality of the analysis, and the understanding of the material discussed. Evaluation is effort-based and merit-based, with grades out of 100 points. Each of the two essays may provide additional instructions and/or

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refinements of the above generic questions.

Class participation (10%)

High-quality participation demonstrates preparation, active listening, understanding, and respect for your peers. Please bring your name tent to each class and place it in front of you. Please also sit in the same seat for each class, as doing so will increase the likelihood I will learn who you are faster.

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.

SCHEDULE

*P/B refers to Perloff and Brander; B refers to Brander

Session	TOPIC	READINGS	ASSIGNMENTS / DELIVERABLES
1 – Sept 4	Supply & Demand Equilibrium	P/B Chapter 2	
2 – Sept 6	Demand Elasticity and Experimentation	Lecture Notes #1; Applied reading #1	
3 – Sept 11	Pricing with Market Power: Monopoly and Price Discrimination	P/B Chapter 10; Applied reading #2	
4 – Sept 13	Advanced Pricing Strategies: Two-Part Tariffs, Dynamic Pricing, and Bundling	P/B Chapter 10; Applied reading #3	
5 – Sept 18	Game Theory and Business Strategy	Lecture Notes #2; Applied reading #4	
6 – Sept 20	Multisided Platforms	Lecture Notes #3; Applied reading #5	Essay #1 Friday Sept. 21
7 – Sept 25	Competition Policy	B Chapter 11; Applied reading #6	
8 – Sept 27	Externalities and Environmental Economics	B Chapter 9; Applied reading #7	
9 – Oct 2	Health Insurance and Labour Contracts: Risk Sharing, Adverse Selection, & Moral Hazard	Lecture Notes #4; Applied reading #8	
10 – Oct 4	Housing & Real Estate Markets	Lecture Notes #5; Applied reading #9	Essay #2 Friday Oct. 5
Oct 9 – 12	Final Exam Week		Exam

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KEY REGULATIONS

Attendance: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes. Students missing more than 20% of scheduled classes for reasons other than illness will be withdrawn from the course. Withdrawals, depending on timing, could result in a “W” or an “F” standing on a student’s transcript. Students must notify their instructors at the earliest opportunity if they are expected to miss a class due to illness. A medical note from a licensed, local doctor is required if more than 20% of scheduled classes for a course are missed due to illness. Students are required to notify the Student Experience Manager if they are absent from two or more classes due to illness.

Tardiness: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to arrive for classes and activities on time and fully prepared. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving halfway through a scheduled class, or later, will be treated as absent for that class.

Electronic Devices: As per RHL Regulations on Professionalism, Attendance and Behaviour, laptops and other electronic devices (cellphones, tablets, personal technology, etc.) are not permitted in class unless required by the instructor for specific in-class activities or exercises. Cellphones and other personal electronic devices must be turned off during class and placed away from the desktop. Students who fail to abide by the RHL “lids down” policy will be asked to leave the room for the remainder of the class. Research has shown that multi-tasking on laptops in class has negative implications for the learning environment, including reducing student academic performance and the performance of those sitting around them.

ACADEMIC MISCONDUCT

All UBC students are expected to behave as honest and responsible members of an academic community. Failure to follow appropriate policies, principles, rules and guidelines with respect to academic honesty at UBC may result in disciplinary action.

It is the student’s responsibility to review and uphold applicable standards of academic honesty. Instances of academic misconduct, such as cheating, plagiarism, resubmitting the same assignment, impersonating a candidate, or falsifying documents, will be strongly dealt with according to UBC’s procedures for Academic Misconduct. In addition to UBC’s Academic Misconduct procedures, students are responsible for reviewing and abiding by RHL’s policy on Academic Integrity.

STANDARD REFERENCE STYLE

The Robert H. Lee Graduate School uses American Psychological Association (APA) reference style as a standard. Please use this style to cite sources in your work unless directed to use a different style.

LATE ASSIGNMENTS

Late submissions will be penalized by five points on the first day late, and ten points on the second day late. Submissions that are received three or more days late will not be accepted and will receive a grade of zero. Assignments must be turned in through Canvas.
