

### COURSE INFORMATION

Course title:	Foundations of Managerial and Business Economics		
Course code:	BAPA 560	Credits:	1.5
Session, term, period:	2019W2	Class location:	Collaborate Ultra
Section(s):	300	Class times:	Sundays, see schedule below
Course duration:	Mar 29 to May 24, 2020	Pre-requisites:	n/a
Division:	SBE	Co-requisites:	n/a
Program:	PMBA		

### INSTRUCTOR INFORMATION

Instructor:	Isaac Holloway, Ph.D.		
Phone:	604-827-2037	Office location:	Online
Email:	isaac.holloway@sauder.ubc.ca	Office hours:	TBA

### 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 internal decision making. The course will discuss the following topics:

- Basic economic concepts: market equilibrium; supply and 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 and market failures?
- Survey of important markets: multi-sided platforms; digital entertainment; healthcare

### COURSE FORMAT

This course will comprise readings, video lectures and live discussion and exercises. Evaluation will entail online quizzes, a group essay assignment, and a remote closed-book exam.

### LEARNING OBJECTIVES

By the end of this course, students will be able to:

1. Understand the forces that shape supply and demand;
2. Apply basic economic principles to solve a range of managerial problems;
3. Determine optimal production levels and prices for profit-maximizing firms operating in different market structures, and explain effects of market structure on firms' potential profits;
4. Show how firms with market power can use pricing strategies to increase profit;
5. Use game theory to analyze strategic interactions among firms;
6. Understand the additional challenges and competitive opportunities of multi-sided platforms;
7. Explain how externalities and information asymmetries can lead to market failure;
8. Understand how public policy can influence firm behaviour to correct for market failures.

## ASSESSMENTS

### Summary

<u>Component</u>	<u>Weight</u>
Group project	20%
Online quizzes	30%
Final exam	50%
Total	<u>100%</u>

### Details of Assessments

#### Group Project (20%)

Group essays are intended to further your understanding of how firm behaviour is informed by economic principles and public policy in real-life applications. Essays will be written by teams four students, who can collaborate on the research, discussion, and writing. I will form teams on Canvas. Each essay is limited to about 1500 words (plus figures and references). Teams may propose essay topics that are subject to review and approval by the instructor.

Grades will be based on the economic content, the quality of the analysis, and the understanding of the material discussed. Grades will be out of 20 points. Additional instructions will be made at the time of the assignment.

#### Quizzes (30%)

There will be three online quizzes, to be completed after each of the three weekend sessions. The quizzes will be worth 10% each and will be based on only the material covered in the preceding class.

#### 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. For most sessions, there will be a textbook (or lecture note) reading and an applied reading. The textbook readings are excerpted from: (i) Jeffrey M. Perloff and James A. Brander: *Managerial Economics and Strategy*, 2<sup>nd</sup> edition, Pearson, 2017; (ii) James A. Brander: *Government Policy Toward Business*, 5<sup>th</sup> edition, Wiley, 2014. Hard copies of both books are also available at the David Lam library.  
Estimated cost of required materials: \$0

Given the upheaval to the delivery of the course, I have selected some video lectures that do a good job of covering the basics of our first session. Fortunately this material is standard enough that I could find high-production-value videos that adhere to the course material well. I am in the process of curating something similar for other lectures, but I might have to make some videos myself. In class we will review and discuss some of the concepts, use the frameworks to solve some problems together, and discuss some additional pricing strategies not covered in the videos.

See below for the list of required viewing.

**Required viewing before Session 1**

Marginal Revolution University Principles of Economics: Microeconomics

Please watch the videos and complete the short set of practice questions after each one.

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

**Video Set 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

**Video Set 2**

**Elasticity, Monopoly, and Price Discrimination: ~110 minutes**

Chapter 3: Elasticity ~40 minutes

Elasticity of Demand: 13:36

Calculating the Elasticity of Demand: 15:52

Office Hours: Elasticity of Demand: 4:22

Chapter 11: Monopoly ~30 minutes

Maximizing Profit Under Monopoly: 11:10

Office Hours: Calculating Monopoly Profit: 5:48

The Monopoly Markup: 8:54

Chapter 12: Price Discrimination ~40 minutes

Introduction to Price Discrimination: 9:40

The Social Welfare of Price Discrimination: 8:03

Bundling: 15:28

**COURSE-SPECIFIC POLICIES AND RESOURCES**

*Missed or late assignments, and regrading of assessments*

Late submissions will lose 20 percentage points per day.

*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>. 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.

### *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*

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>.

### *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.

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**ACKNOWLEDGEMENT**

UBC’s Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwməθkwəyəm (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 text reading; B refers to Brander text reading

Session	TOPIC	READINGS/VIDEOS	DELIVERABLES
1a – March 29	Supply & Demand; Market Equilibrium; Surplus and Efficiency	P/B Chapter 2 MRU Video Set 1	Meet 12:30 – 4pm
1b– March 29	Pricing with Market Power: Monopoly, Price Discrimination, and Advanced Pricing Strategies	P/B Chapter 10 MRU Video Set 2	Quiz 1 due April 12
2a – April 26	Game Theory and Business Strategy	Game Theory Lecture Notes Videos TBA	Meet 9am – 12pm
2b – April 26	Multi-sided Platforms & Economics of Entertainment in the Digital Age	Evans & Schmalensee Reading Digital Entertainment Reading TBA	Quiz 2 due May 3
3a – May 10	Externalities and Environmental Economics	B Chapter 9 Videos TBA	Meet 9am—12:30pm
3b – May 10	Asymmetric Information: Adverse Selection, & Moral Hazard	Greg Mankiw on Health Economics Videos TBA	Essay due May 17 Quiz 3 due May 17
May 24	<b>Final Exam</b>		Exam: May 24

Below I outline a potential study plan to follow. To be honest, many of the estimated hours are guesses and I imagine they will vary depending on your background comfort with the material, and with the other things you have going on in your lives. I decided it would be worthwhile for us to “meet” for a few hours on each of the scheduled weeks because my experience is that students like to ask questions and see examples worked out. I also think we can all benefit from relating the concepts to different industries that are collectively represented in the class. This was my favourite part of teaching PMBAs last year. Note that you have two weeks to complete the first quiz after our first meeting, but only one

week after the second and third meetings. I will provide a practice quiz for you to work on before you attempt the real thing.

Suggested Study Plan

		Video	Quiz	Group Work	Study	Live Class	Total
March 26 – 29	Video Sets 1 & 2 Readings	3			3	3.5	9.5
March 30 – April 5	Review				3		3
April 6 - 12	Review, Quiz 1		0.5		4		4.5
April 13 - 19	Pre-view				3		3
April 20 - 26	Video Sets 3 & 4 Readings	4			3	3	10
April 27 – May 3	Review, Quiz 2		0.5	2	4		6.5
May 4 – May 10	Video Sets 5 & 6 Readings	3		2	3	3.5	11.5
May 11 –May 17	Review, Quiz 3 Group Essay		0.5	3	3		6.5
May 18 – May 24	Exam Review				7		7
	Total	10	1.5	7	33	10	61.5