

COURSE INFORMATION

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|------------------------|---------------------------|-----------------|--|
| Course title: | Managerial Economics I | Credits: | 1.5 |
| Course code: | BAPA 550 | Class location: | HA 133 |
| Session, term, period: | 2022S1, Period 1 | Class times: | MW 10am—12pm (DD1) MW 2pm—4pm (DD2) |
| Section(s): | DD1, DD2 | Pre-requisites: | n/a |
| Course duration: | June 6 to July 15, 2022 | Co-requisites: | n/a |
| Division: | Strategy & Business Econ. | | |
| Program: | MMDD | | |

INSTRUCTOR INFORMATION

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|-------------|--|------------------|--------|
| Instructor: | Isaac Holloway, Ph.D. | Office location: | HA 272 |
| Phone: | 604-827-2037 | Office hours: | TBA |
| Email: | isaac.holloway@sauder.ubc.ca | | |

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 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?
- 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 essay assignment, and a final exam.

LEARNING OBJECTIVES

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

1. Apply 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 economics of multisided platform businesses;
6. Understand how public policy can influence firm behaviour to correct for market failures;
7. Explain how information asymmetries can lead to market failure.

ASSESSMENTS

Summary

| <u>Component</u> | <u>Weight</u> |
|-----------------------|---------------|
| Group project | 20% |
| Quizzes (best 4 of 5) | 40% |
| Final exam | 40% |
| Total | <u>100%</u> |

Details of Assessments

Group Project (20%)

Group essays are intended to further your understanding of how firm behavior and market outcomes are informed by economic principles and public policy in real-life applications. Essays will be written by teams of four students, who can collaborate on the research, discussion, and writing. I will form teams on Canvas. Each essay should be 1750 (+/- 150) words (plus figures and references). Teams may choose their topic.

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

Quizzes (40%)

There will be five online quizzes, to be completed after each week. The quizzes will be worth 10% each and will be based on only the material covered in the preceding week. Students' top four quiz scores will count, while the lowest quiz score will be discarded.

Final Exam (40%)

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) 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;
- (iii) D. Curtis and I. Irvine: *Principles of Microeconomics*, Lryrx, 2020 - A. [\[Link to PDF\]](#)

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 before Week 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

Recommended viewing before Week 2

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

Tying: 6:47

Bundling: 15:28

Recommended viewing before Week 3

Bonus Topics: Game Theory ~5 minutes

Recommended viewing before Week 4

Chapter 8: Externalities (all subsections) ~60 minutes

Recommended viewing before Week 5

Chapter 15: Asymmetric Information (all subsections) ~30 minutes

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>. 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.

If a student is required to self-isolate (e.g., while waiting for test results), they should follow the steps above (stay home, email instructor(s) and program manager, submit an [Academic Concession Request & Declaration Form](#), and follow BC Health Guidance.

Students who are required to quarantine, should get in touch with their Program Manager to discuss the possibility of academic concessions for each impacted course. The Program Manager will work closely with your instructors to explore options for you to make up the missed learning.

COVID-19 Safety in the Classroom:

Masks: Masks are **required** for all indoor classes, as per the BC Public Health Officer orders. For our in-person meetings in this class, it is important that all of us feel as comfortable as possible engaging in class activities while sharing an indoor space. For the purposes of this order, the term “masks” refers to medical and non-medical masks that cover our noses and mouths. Masks are a primary tool to make it harder for COVID-19 to find a new host. You will need to wear a medical or non-medical mask for the duration of our class meetings, for your own protection, and the safety and comfort of everyone else in the class. You may be asked to remove your mask briefly for an ID check for an exam, but otherwise, your mask should cover your nose and mouth. Please do not eat in class. If you need to drink water/coffee/tea/etc, please keep your mask on between sips. Students who need special accommodation are asked to discuss this with the program office.

Seating in class: To reduce the risk of COVID-19 transmission, please sit in a consistent area of the classroom each day. This will minimize your contacts and will still allow for the pedagogical methods planned for this class to help your learning.

Visit the following website for the most recent updates regarding COVID-19 protocol on campus:
<https://students.ubc.ca/campus-life/returning-to-campus>

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.

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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 x^wməθk^wəyəm (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 LOCR)

| Session | Topic | Readings | Assessments due |
|-------------|--|--|---|
| 1 – June 6 | Supply & Demand | Lyryx: 3.1-3.9 | |
| 2 – June 8 | Elasticity & Welfare | Lyryx: 4.1-4.2, 4.7-4.8 Lyryx: 5.2-5.3 | Quiz 1 due June 11 |
| 3 – June 13 | Pricing Strategies | MRU: Monopoly P/B Ch. 10.1-10.3 | |
| 4 – June 15 | Advanced Pricing Strategies | P/B Ch. 10.4-10.6 | Quiz 2 due June 18 |
| 5 – June 20 | Game Theory and Business Strategy | Custom Lecture Note | |
| 6 – June 22 | Game Theory and Business Strategy | Custom Lecture Note | Quiz 3 due June 25 |
| 7 – June 27 | Multi-Sided Platforms | Evans & Schmalensee; Hagiu | |
| 8 – June 29 | Externalities and Environmental Economics | Brander Chapter 9; “The Social Cost of Carbon” | Quiz 4 due July 2 |
| 9 – July 4 | Risk preferences and Insurance | McKinsey risk article | Quiz 5 due July 9 Group Project due July 9 |
| 10 – July 6 | Asymmetric Information: Adverse Selection and Agency Relationships | “Secrets and Agents”; NYT: Healthcare Policy | |