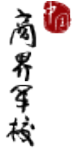# MGT519
Managerial Economics
4ᵗʰ Module, 2018/2019

Course Information

Instructor: Yan Feng

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Office Hour: Mondays, 5:30pm-6:30pm

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Classes:
Lectures: Monday & Thursday, 10:30am – 12:20pm
Venue: PHBS Building, Room 231

1. Course Description

1.1 Context

Course overview:
Almost every managerial decision making problem is an economics problem. The purpose of Managerial Economics is to apply a series of basic economics principles to understand the decision making process within the firm and the impact of the decision making environment. The course addresses the need for choice implied by the scarcity of resources. The fact of scarcity necessitates that individuals, firms, and societies choose among alternative uses of its limited resources. At the same time, the various choices made by different economic agents must be mutually consistent. Markets are a mechanism to achieve such reconciliation. Issues related to demand and supply, appropriate estimation of economic profits/value, among others, can be successfully tackled with managerial economics tools. In this class we seek to understand what the foundation of managerial choices of firms is, and how markets work to coordinate these choices and some consequence resulted from unique economic and managerial situations such as imperfect information. This course focus on the managerial economics of organization, emphasize the fundamentals, the organizational issues, and the peripheral issues related to managerial considerations.

Prerequisites:

A basic knowledge of microeconomics and management is helpful。

1.2 Textbooks and Reading Materials
Required textbook：
Christopher R. Thomas & S. Charles Maurice, Managerial Economics: Foundations of Business Analysis and Strategy (11e), China Machine Press, 2015 (English)

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes; business cases analysis
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	Yes
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Yes; embedded test
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes; business cases analysis
	5.3. Our students will demonstrate competency in critical thinking.	Yes; business cases analysis

2.2 Course specific objectives
The basic objective of this course is to familiarize the students with the approach, language and techniques of managerial economics. More specifically, this course has two objectives:
- Develop specific tools – quantitative as well as broadly analytical – that are useful for assessing basic managerial economics problems.

- Instill the unique "economic point of view" on each student. This point of view is extremely powerful and has proven to be a useful analytical perspective in many circumstances, including business decision making at the highest level.

2.3 Assessment/Grading Details
Participation	5%
Case 1 (individual)	10%
Case 2 (group)	20%
Case 3 (group)	15%
Final exam (closed book)	50%

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate

dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics and Teaching Schedule

3.1. Topics

1. Introduction
Managerial economics
Firm and market

2. Demand Analysis
Consumer theory
Demand
Elasticity

3. Production, costs, and firm boundary
Short run production
Supply
Long run production
Economic costs
Economies of scale
Economies of scope
Learning effect/experience curve

4. Market power
Monopoly
Monopolistic competition
Pricing with market power

5. Strategic decision
Game theory basics
Oligopoly market

6. Organization and incentives
Moral hazard and principle-agent problem
Adverse selection

3.2. Class schedule (may subject to adjustment according to actual class progress)

Time	Date	Topic	Notes
Week 1	04.25	Introduction	
	05.06	Consumer theory (5.1-5.4)	
Week 2	05.09	Demand (2.1, 5.5)	
	05.13	Elasticity (6)	
Week 3	05.16	Case 1: Apple Watch (A): The Launch (BAB345)	Collect case 1 write-up
	05.20	Short run production (2.2, 8.2-8.4, 11.1-11.2)	
Week 4	05.23	Supply (2.2, 11.3)	
	05.27	Long run production (9.1-9.5, 9.7)	
Week 5	05.30	Firm boundary (9.6 & supplementary content)	
	06.03	More on costs (1.2, 8.1, & supplementary content)	
Week 6	06.06	Market power (12.1-12.3, 12.5)	
	06.10	Case 2: Augusta Training Shop (NA0481)	Collect case 2 write-up
Week 7	06.13	Sophisticated pricing (14)	
	06.17	Games theory basics (13)	
Week 8	06.20	Oligopoly market (supplementary content)	
	06.24	Case 3: Pricing Games (W88C82)	Collect case 3 write-up
Week 9	06.27	Principal-agent problems (supplementary content)	
	07.01	Adverse selection (supplementary content)	
Week 10	**07.04**	**Final Exam**	9am-11am

4. Miscellaneous

- Avoid tardiness
- Email notification of absence
- NO cell phone use in classroom