



MGCR 293 Managerial Economics

Fall Semester 2014 (Section 5)

1. Instructor

Instructor: Taweewan Sidthidet

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Office hours: Tuesdays and Thursdays: 1.15 pm - 2.15 pm (or by appointment)

2. General Information

Course: MGCR 293 Managerial Economics

Class time: Tuesdays and Thursdays (11.35 – 12.55 pm)

Class room: BRONF 151

The first class is on Tuesday 2nd September 2014.

The last class is on Thursday 27th November 2014.

Midterm date: **Friday 7th November, 2014 (9.00 – 11.00 am)**

Final exam date: TBA

3. McGill Policy Statements

3.1 McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for more information).

3.2 In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded."

4. Textbooks

- (Required) W. Bruce Allen, Neil A. Doherty, Keith Weigelt, and Edwin Mansfield (2013) **Managerial Economics: Theory, Applications and Cases**, custom edition, W. W. Norton & Company (ISBN: 978-0-393-90560-1)

This custom edition is based on the 8th edition of the full version.

- (Recommended) Pindyck Robert S., and D. L. Rubinfeld (2013) **Microeconomics**, 8th edition, Prentice Hall (ISBN: 978-0-13-285712-3)

5. Course Overview

If everything (e.g., food, time, money, and other resources) we wanted were unlimited, we would not study economics and would not need to manage or make a decision. However, most of the things in our life are limited. We cannot have everything we want. We have to make choices with limited resources. Likewise, managers of any firm cannot produce everything and use any resources they want. They have to make a decision carefully what to produce, how much to produce, and how to produce.

Managerial economics is the application of microeconomic theories to decision-making problems in business for non-economic students. Business will either succeed or fail depending on a firm's managerial decision in the face of limited resources. The course provides you with a basic framework of microeconomic theories with an emphasis on managerial application for decision-making.

Microeconomic analysis helps managers develop strategies to achieve a firm's objective (e.g., maximizing profit or minimizing cost) by allocating the limited resources. Therefore, the goal of this course is to provide students an understanding of and how to apply microeconomic models and theories to business decisions. To make decisions, managers need to understand the market structure, how the market works, and strategic interactions (e.g., pricing or quantity strategies) among the participants in the market.

The main aspects of microeconomic theory that are related to our course to apply in business decisions are as follows (although not necessarily only these):

1. Theory of the firm (firm's objective)
2. Theory of consumer behaviour (demand)
3. Production and cost theory (supply)
4. Price theory (interaction between demand and supply)
5. Market structure and competition and game theories (e.g., perfect competition, monopoly, oligopoly)

The course is built around an analytic framework that uses calculus and math-based analysis such as algebraic analysis and optimization techniques. Statistical estimation and forecasting, as well as discounting and time-value-of-money techniques are not covered in this course.

6. Grading

Your final grade in this course will be based on the following criteria:

- | | |
|--------------------------------|-----|
| 1. Term paper (in groups) | 10% |
| 2. Two assignments (in groups) | 10% |
| 3. Mid-term exam | 25% |
| 4. Cumulative final exam | 55% |

Midterm exam will cover materials from Chapters 1, 2, 3, 5, and Chapter 18 (Optimization Techniques). The midterm exam will be 2 hours in length and closed book/notes (**Date: 7th November 2014: 9.00 am – 11.00 am**).

Final exam will cover all topics in the course (i.e., comprehensive). The final exam will be at the end of the semester, 3 hours in length, and closed book/notes (Date TBA).

Students are not allowed to bring any additional material and information related to the exams. Note that missing an exam is an issue that you will have to settle first with the B.Com office.

**** THE COURSE POLICY IS NOT TO OFFER MAKE-UP EXAMS. ****

If a student has a conflict with another course he or she is taking at the time of the midterm, he or she must report it to me at least 2 weeks in advance, so that alternate arrangements can be made. Documented proof of such a conflict will be required.

7. Assignments

There will be two graded assignments during the course, each worth 5% of the total marks to be done in a group of 6 students (it can be the same group as the term paper, see below, or a different one). All assignment submissions are required to be in a hardcopy format. You can submit the assignment either in the class or at my office by 5pm on the deadline. The submission deadlines will be announced in the class (I will give the assignment questions around 2 weeks before the deadline).

Although I strongly suggest that you practice the assignments alone (this will be a very good preparation for the exam), you are required to submit only one assignment report for each group. The solutions will be made available after the due-date. **It is important to include the names and IDs of all the group members on the first page and staple all pages together.**

8. Tutorial and TA Information

Another important part of this course would be the tutorials to be provided by a tutor.

Tutor: TBA

Time and Place: TBA

Tutorial Periods: Scheduled each week on Fridays (to begin in the second week)

The aim of the tutorials is to review course material and provide clarifications regarding course materials and solutions to the problem exercises. I highly encourage you to attend the tutorial sessions.

There will also be a teaching assistant for the course (TA) who can be consulted for any questions/clarifications about the course material during her/his office hours.

TA: TBA

Office Hours: TBA

Time and Place: TBA

In addition, I will try to arrange review sessions before midterm and final exams by the TA.

9. Term Paper Assignment

There will be a term project for this course and you will have to form your own **groups consisting of 6 students**.

9.1 Topic

A. Choose an article/topic related to managerial economics that is of interest to the group members and analyze it as it pertains to this course. Specifically, your analysis must link to one or more aspects of managerial economics (e.g., demand, supply, market structure, competition, and mergers). You also might raise an issue related to macroeconomics such as a new government policy or new regulations and try to analyze the effects of macroeconomic policies on certain sectors of the economy (e.g., healthcare) or certain industry segment (e.g., aerospace or infotainment). Keep note of the following.

- You can select any article/ news from established newspapers or journals (e.g., The Globe and Mail, The Economist, The New York Times, and The Wall Street Journal).
- You can also select a particular firm (e.g., Apple Inc.) or an industry segment that you are interested in. In this case you need to find some data or background information to support your analysis.
- For accessing the supporting data of your firm or industry, you might consult “the value line” (<http://www.valueline.com/>). You can access the value line data through McGill Library.

Example topics:

- Market structure/competition in a particular sector (e.g., game consoles, online retail, automobile, aerospace, energy)
- Effects of outsourcing on the Canadian economy
- Effects of mergers and acquisitions in different industry sectors (e.g., banking, telecommunication)
- Risk management in the face of natural disasters

B. In the context of your topic, you need to first decide on the particular issue that you would like to address and generate 3-4 questions related to that issue that are related to this course. Subsequently, you can perform the analysis in order to answer the questions.

Some examples of questions are as follows (these are just examples):

- What determines the prices of goods and services in this industry segment and how can managers affect them?
- What determines the output of particular firms and industries and what can managers do to affect them?
- How do government policies—such as minimum wage laws—affect the price and output levels of individual firms or industry segments?

C. You have to submit the names of your group members, your term paper option, the selected topic and 3-4 questions that you are going to address **by 24th September 2014, 6 pm**). Each group will submit one document by **e-mail (201405mgcr293@gmail.com)**. I will approve the topic and questions before you perform the detailed analysis.

9.2 Term paper submission

You have to submit a 7-page report **on 28th November, 2014 by 3 pm** (one report per group, hardcopy format). See the end of this document for the detailed guidelines about the paper format.

10. Tentative Course Schedule

Although no attendance will be taken, students who expect to have to miss more than the occasional lecture are cautioned against taking the course. Note that the schedule below is not rigid and may require minor modification as the course progresses. We should always be within one week of the indicated material.

Topic	Timeline
Part I: Introduction and Decision Analysis Techniques	
<ul style="list-style-type: none"> Intro, syllabus, expectation, topics, basic concepts Background and overview materials for the courses Optimization techniques 	Weeks 1-2
Readings/ Assignment: Chapters 1 and 18	
Part II: The Nature of Markets	
<ul style="list-style-type: none"> Chapter 2: Demand Theory 	Week 3
Readings/ Assignment: Chapter 2	
<ul style="list-style-type: none"> Chapter 3: Consumer behaviour and rational choice 	Week 4
Readings/ Assignment: Chapter 3	
Part III: Production and Cost	
Chapter 5: Production theory	Week 5
Readings/ Assignment: Chapter 5	
Chapter 6: The analysis of costs	Week 6
Readings/ Assignment: Chapter 6	
Midterm Exam: Chapters 1, 2, 3, 5 and 18 (Optimization Techniques)	
Friday 7th November, 2014 (9.00 – 11.00 am)	

Part IV: Market Structure and Simple Pricing Competition

Chapter 7: Perfect Competition Week 7

Readings/ Assignment: Chapter 7

Chapter 8: Monopoly and Monopolistic Competition Week 8

Readings/ Assignment: Chapter 8

Part V: Sophisticated Market Pricing

Chapter 9: Managerial Use of Price Discrimination Week 9

Readings/ Assignment: Chapter 9

Chapter 10: Bundling and Intrafirm Pricing Week 10

Readings/ Assignment: Chapter 10

Part VI: The Strategic World of Managers

Chapter 11: Oligopoly Week 11

Readings/ Assignment: Chapter 11

Chapter 12: Game Theory

Readings/ Assignment: Chapter 12 Weeks 12-13

Final Exam covers all chapters

Date and Time: TBA

FORMAT FOR TERM PAPER ASSIGNMENT

The following are the general guidelines are for your use in structuring your paper. Some of the sections might not be relevant for particular groups (e.g., a particular group may focus mostly on analysis); so, use your judgement in formatting the report. In general, the report should be composed of the following five sections:

1. Overview/Background information
2. Problem analysis (Based on your questions)
3. Summary and recommendations
4. Limitations and Assumptions
5. Reference(s)

Restrict the report to no more than 7 pages typewritten, using default margin and 12-point font, 1.5 spacing.

Summary tables in the text are encouraged for quantitative information/comparison. In addition to the analysis, you may supply any data or figures in the appendix (if absolutely required, max. 2 pages).

The evaluation of the paper will be based on the following:

1. How well is the paper organized, and how clear it is in terms of exposition.
2. How well convincing your arguments are, including how well you use the theories from the class for analysis or recommendation.

11. Peer evaluation

Peer evaluation form is for you to use individually if you want to evaluate the participation of the members of your group during the term project and assignments.

Note that submitting the peer evaluation form is not compulsory.

- If at least half of the members of a group submit their forms, I will use the feedback during the final marking of the term project and assignments for individual group members.
- If less than half of your group members submit their forms, all your group members will get the same marks.

Peer Evaluation Form			
Evaluator's Name		ID#	
Project: Assignment 1			
DATE Submitted:		December 1, 2014	
Scale 0 – 3: Please rate each group member's participation, including yourself			
0 = No participation (0%)	1 = Minimal participation (30%)	2 = Kind of participation (60%)	3 = Active participation (100%)
Team member name		Rating	
1.			
2.			
3.			
4.			
5.			
6.			
Comment:			

Peer Evaluation Form			
Evaluator's Name		ID#	
Project: Assignment 2			
DATE Submitted:		December 1, 2014	
Scale 0 – 3: Please rate each group member's participation, including yourself			
0 = No participation (0%)	1 = Minimal participation (30%)	2 = Kind of participation (60%)	3 = Active participation (100%)
Team member name		Rating	
1.			
2.			
3.			
4.			
5.			
6.			
Comment:			

Peer Evaluation Form			
Evaluator's Name		ID#	
Project: Term Paper			
DATE Submitted:		December 1, 2014	
Scale 0 – 3: Please rate each group member's participation, including yourself			
0 = No participation (0%)	1 = Minimal participation (30%)	2 = Kind of participation (60%)	3 = Active participation (100%)
Team member name		Rating	
1.			
2.			
3.			
4.			
5.			
6.			
Comment:			