ECON3121 / ECON5321
MANAGERIAL ECONOMICS

Course Outline
Semester 1, 2016

Part A: Course-Specific Information

Students are also expected to have read and be familiar with Part B Supplement to All Course Outlines. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the BUSINESS SCHOOL PROGRAM LEARNING GOALS.
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1 STAFF CONTACT DETAILS

**Lecturer**: Keiichi Kawai  
**Room**: UNSW Business School 404B  
**Consultation Times**: TBA  
**Email**: Communication takes place on *piazza*

Communications with staff
Lecturer and tutor(s) may be contacted through *piazza*. You should feel free to approach your lecturer or tutor about any academic matter. A full list of tutorials, times and tutors will be posted on the course website.

Electronic correspondence on administrative matters will be responded to within 48 hours, but not over weekends. Please note that *piazza is not an appropriate medium for resolving technical questions regarding course material*. These should be asked in *the classroom, in tutorials and in consultation hours*.

Note that lecturers have no advance notice of the date and time of the final exam.

2 COURSE DETAILS

2.1 Teaching Times and Locations
Lectures start in Week 1 and run to Week 12.  
**Time**: Tue 16:00 - 18:00  
**Location**: Electrical Engineering Building G25

Tutorials start in Week 2 and run to Week 13. Full details can be found here: [http://www.timetable.unsw.edu.au/current/ECON3121.html](http://www.timetable.unsw.edu.au/current/ECON3121.html)

2.2 Units of Credit
The course is worth 6 units of credit. There is no parallel teaching in this course.

2.3 Summary of Course
This course aims to equip students with the knowledge and skills necessary to tackle many of the complex strategic decisions facing modern managers. Topics to be covered include a selection from optimal pricing strategies in the context of complements, durable goods, and price discrimination; strategic competition over prices, product characteristics and capacity; and the role of networks and platforms in modern economies; the theory of bargaining and auctions; and personnel economics.

2.4 Aims and Relationship to Other Courses
This course is offered as part of the economics stream in the B.Com and B.Econ degrees. A prerequisite for this course is ECON2101 (Micro II) or ECON2112 (Game Theory and Business Strategy). It aims to build upon the basic theories learned in Micro I (and Micro II) using the mathematical tools learned in QABE and BES. It is useful to have taken both ECON2101 and ECON2112. The course complements
ECON3123 (Economics of Corporations), and acts as a springboard for more advanced courses in industrial organisation and organisation economics.

2.5 Presumed Knowledge

It is expected that you will begin the course with knowledge in the following areas:
- Mathematics: Solid capacity to use basic algebra and graphing, and a firm grasp of calculus (especially in relation to multivariate optimization).
- Statistics: An elementary understanding of random variables and properties of their distribution (e.g. conditional expectation), as well as competence in interpreting multivariate OLS regression results.
- Game Theory: A good understanding of basic concepts such as Nash Equilibrium covered by both ECON2101 and ECON2112.

If you wish to brush up on these topics, you should revisit the material covered in previous courses such as ECON1202 (QABE), ECON1203 (BES), ECON2101 (Micro II) and ECON2112 (Game Theory).

2.6 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate coursework students in the Business School. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Undergraduate Program Learning Goals and Outcomes, see Part B of the course outline.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

<table>
<thead>
<tr>
<th>Program Learning Goals and Outcomes</th>
<th>Course Learning Outcomes</th>
<th>Course Assessment Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>This course helps you to achieve the following learning goals</td>
<td>On successful completion of the course, you should be able to:</td>
<td>This learning outcome will be assessed in the following items:</td>
</tr>
<tr>
<td>1 Knowledge</td>
<td>Describe and formalize problems facing managers. Recognise and describe the breadth of economic problems they may confront as managers. Identify and appraise the key trade-offs involved in managerial decision problems.</td>
<td>• Midsession Exam (AOL) • Final Exam • Assignment (AOL)</td>
</tr>
<tr>
<td>2 Critical thinking and problem solving</td>
<td>Demonstrate methods and techniques to formally solve problems faced by managers. Critically analyse the underlying assumptions of formal models</td>
<td>• Midsession Exam (AOL) • Final Exam</td>
</tr>
</tbody>
</table>
Evaluate the plausibility and ‘real world’ relevance of formal models

3a Written communication
- Construct written work which is logically and professionally presented.
- Identify a managerial problem of interest and explain related approaches taken by the recent academic literature
- Assignment
- Assignment (AOL)
- Final Exam

3b Oral communication
- Communicate ideas, intuition, technical explanations, and areas of difficulty in a succinct and clear manner during weekly tutorials.
- Not specifically assessed.

4 Teamwork
- Work collaboratively to complete weekly set of tutorial problems
- Not specifically assessed.

5a Ethical, environmental and sustainability considerations
- Identify and assess ethical considerations facing managers.
- Assignment (AOL)

5b Social and cultural awareness
- Identify and assess the social consequences of managerial decisions
- Midsession Exam
- Final Exam

The course assessments indicated with (AOL) are used to assess the Program Learning Goals and Outcomes according to the Assurance of Learning (AOL) processes of the UNSW Business School. At least some components of the AOL assessments will be marked according to the AOL rubric for the assessment criteria. The AOL rubric relevant for your course will be posted on the course Moodle site.

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course
The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturer and tutor(s) aim to provide meaningful and timely feedback to students to improve learning outcome.

3.2 Learning Activities and Teaching Strategies
The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

Lectures
The purpose of Lectures is to provide a logical structure for the topics that make up the course; to emphasize the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied.
Tutorials
Tutorials are an integral part of the subject. Tutorial discussion questions and problems will build on the material discussed in lectures.

Out-of-Class Study
While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An “ideal” strategy (on which the provision of the course materials is based) might include:

- Reading of the relevant chapter(s) of the texts and any readings before the lecture. This will give you a general idea of the topic area.
- Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.
- Attending tutorials and attempting the tutorial questions.

4 ASSESSMENT

4.1 Formal Requirements
In order to pass this course, you must:
- achieve a composite mark of at least 50 out of 100; and
- make a satisfactory attempt at ALL assessment tasks. This means attendance at 80% of tutorials (9 out of 11) and a mark of at least 40% in all assessment items.

4.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting</th>
<th>Length</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tutorial Participation</td>
<td>5%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Session Examination</td>
<td>20%</td>
<td>1hr 40 mins</td>
<td>Week 5</td>
</tr>
<tr>
<td>Final Examination</td>
<td>40%</td>
<td>2hrs</td>
<td>TBA</td>
</tr>
<tr>
<td>Journal</td>
<td>15%</td>
<td></td>
<td>See Course Webpage</td>
</tr>
<tr>
<td>Moodle Assignments</td>
<td>20%</td>
<td></td>
<td>Due at Mon 18:00</td>
</tr>
</tbody>
</table>

4.3 Tutorial Participation
Tutors will check attendance in tutorials. There are 5% marks for attendance. **Attendance will not be granted to any student who arrives at the tutorial more than 10 minutes late.**

4.4 **Mid-session Exam**

There will be a mid-session exam in Week 5. The exam will be 1 hour and 40 minutes in length and will cover material from Week 1 to Week 4 lectures. The exam will be held during the regular lecture time in the regular lecture room. Further details will be provided in lectures prior to the exam.

There will be NO supplementary exams offered for the mid-session exam. You should make every effort to take the mid-session exam. Students who fail to attend the examination will need to apply for Special Consideration.

In cases of serious illness, students will need full and convincing documentation of that illness. Students who are found to be genuinely too ill to have attended the exam will have their mark in the remaining assessment tasks re-weighted to include the mark reserved for the missed test. In all other cases of non-attendance students will receive a grade of zero.

*Students should also note that satisfactory performance in the course to that time, including attendance at tutorials, will be taken into account by the Lecturer-in-charge in deciding whether to approve an application for special consideration. Employment obligations or holiday plans of any kind are not acceptable reasons for absence from any test/examination.*

4.5 **Final Exam**

There will be a Final Examination held during the University Examination Period. Details on the scheduling of the exam will be released later in the semester through the myUNSW system. The Final Examination will be 2 hours in length and shall examine all the material covered in the course with an emphasis on materials covered after the mid-semester break. Details concerning the format of the final exam will be communicated during the first lecture.

4.6 **Journal**

This course requires a hefty amount of material and reading. To help you in organizing your understanding of materials covered during the lecture, I require you to keep a written record of your reactions and thoughts in the form of course journal. Further information will be provided during the lecture and on the course webpage.

4.7 **Moodle Assignment**

Questions will be uploaded on Moodle by Tuesday 18:00 every lecture week, starting week 1. There are total of 10 sets. You will receive feedback regarding your performance on Moodle immediately after you submit your answers. The purpose of Moodle assignments is to cement your understanding of basic concepts, and not to
“test” your understanding. Therefore, you are required to answer at least 80% of questions correctly to receive 2 marks. Otherwise, your mark will be 0. But you can try questions unlimited times until you get 80%.

4.8 Quality Assurance

Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential and will not be related to course grades.

5 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

6 COURSE RESOURCES

The website for this course is on UNSW Moodle at: http://moodle.telt.unsw.edu.au

You are not required to purchase any textbook for this course. Course will be based on lecture notes, which will be drawing on the following books.

- *Intermediate Microeconomics with Calculus*, by Hal Varian, 2014 (Textbook for ECON2101)
- *Game Theory for Applied Economists* by Robert Gibbons, 1992 (Textbook for ECON2112)
- *Industrial Organization: Markets and Strategies*, by Paul Belleflamme and Martin Peitz, 2010 (Freely available as an e-book from the UNSW library)
- *Auction Theory*, by Vijay Krishna, 2009
- *The theory of Industrial Organization*, by Jean Tirole, 1988

7 COURSE SCHEDULE

7.1 Lecture Schedule

Lectures start in Week 1 and finish in Week 12. The following is a preliminary schedule of topics to be covered. It does not represent a commitment and more or fewer topics may be covered depending on available time and student interest.
<table>
<thead>
<tr>
<th>Week</th>
<th>Dates</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>29 Feb – 4 Mar</td>
<td>Introduction and Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consumer Surplus</td>
</tr>
<tr>
<td>Week 2</td>
<td>7 – 11 Mar</td>
<td>Uniform Pricing</td>
</tr>
<tr>
<td>Week 3</td>
<td>14 - 18 Mar</td>
<td>Price Discrimination</td>
</tr>
<tr>
<td>Week 4</td>
<td>21 - 25 Mar</td>
<td>Durable goods monopoly</td>
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<td></td>
<td></td>
<td>Mid-semester break: Friday 25 March – Saturday 2 April inclusive</td>
</tr>
<tr>
<td>Week 5</td>
<td>4 – 8 Apr</td>
<td>Mid Semester Exam</td>
</tr>
<tr>
<td>Week 6</td>
<td>11 - 15 Apr</td>
<td>Bundling</td>
</tr>
<tr>
<td>Week 7</td>
<td>18 - 22 Apr</td>
<td>Auction</td>
</tr>
<tr>
<td>Week 8</td>
<td>25 – 29 Apr</td>
<td>Competition</td>
</tr>
<tr>
<td>Week 9</td>
<td>2 – 6 May</td>
<td>Product Differentiation</td>
</tr>
<tr>
<td>Week 10</td>
<td>9 - 13 May</td>
<td>Collusion</td>
</tr>
<tr>
<td>Week 11</td>
<td>16 - 20 May</td>
<td>Signaling, Adverse Selection, Moral Hazard and Reputation I</td>
</tr>
<tr>
<td>Week 12</td>
<td>23 - 2 May</td>
<td>Signaling, Adverse Selection, Moral Hazard and Reputation II</td>
</tr>
</tbody>
</table>