ECON3121 / ECON5321
MANAGERIAL ECONOMICS

Course Outline
Semester 1, 2015

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
Email: k.kawai@unsw.edu.au
Room: Business School buildings 404B
Phone No: 9385 4967
Consultation Times: TBA

Tutor: TBA
Email: TBA

1.1 Communications with staff
You should feel free to contact your lecturer about any academic matter. However, it is strongly encouraged that, for efficiency, all enquiries about the subject material be made at lectures or tutorials or during consultation hours. Discussion of course subject material will not be entered into via lengthy emails. Email correspondence on administrative matters will be responded to within 48 hours, but not over weekends. Please note that the lecturer has no advance notice of the date and time of the exam.

If you wish to see the lecturer but are unable to attend consultation hours, you must first contact him to schedule an appointment.

2  COURSE DETAILS

2.1 Teaching Times and Locations
Lectures start in Week 1 and run to Week 12.
Time: Wed 10:00 - 12:00
Location: Webster Theatre B (K-G15-290)

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

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 • Final Exam • Assignment</td>
</tr>
<tr>
<td></td>
<td>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. Evaluate the plausibility and ‘real world’ relevance of formal models.</td>
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<tr>
<td>---</td>
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</tr>
<tr>
<td>3a</td>
<td>Written communication</td>
<td>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.</td>
</tr>
<tr>
<td>3b</td>
<td>Oral communication</td>
<td>Communicate ideas, intuition, technical explanations, and areas of difficulty in a succinct and clear manner during weekly tutorials.</td>
</tr>
<tr>
<td>4</td>
<td>Teamwork</td>
<td>Work collaboratively to complete weekly set of tutorial problems.</td>
</tr>
<tr>
<td>5a</td>
<td>Ethical, environmental and sustainability considerations</td>
<td>Identify and assess ethical considerations facing managers.</td>
</tr>
<tr>
<td>5b</td>
<td>Social and cultural awareness</td>
<td>Identify and assess the social consequences of managerial decisions.</td>
</tr>
</tbody>
</table>

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.

AND

- Achieve a satisfactory level of performance in the final exam. This means a minimum mark of 40 per cent. Any student having an overall mark of 50 or more but less than 40 per cent in the final examination will be given an UF grade (unsatisfactory fail).

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>10%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Session Examination</td>
<td>30%</td>
<td>1hr 40 mins</td>
<td>Week 7</td>
</tr>
<tr>
<td>Assignment</td>
<td>20%</td>
<td>1,500 words</td>
<td>Week 11</td>
</tr>
<tr>
<td>Final Examination</td>
<td>40%</td>
<td>2hrs</td>
<td>TBA</td>
</tr>
</tbody>
</table>

4.3 Tutorial Participation

Your Tutorial Participation mark will come from 3 components:

1) Attendance;
2) Participation; and
3) Homework.
Students must sign on by 10 minutes from the start of tutorial to qualify as ‘in attendance’. Signing on for another student will be treated as misconduct. If, owing to illness or other exceptional circumstances, you are unable to attend your usual tutorial, you may try to attend another tutorial in the same week. Students should note that 80% attendance is required by UNSW and Business School rules. This equates to 9 tutorials out of 11 (there are no tutorials in week 7). In certain circumstances, such as where a request for special consideration is made in relation to assessment items, tutorial attendance will be taken into account in determining your final assessment or whether special consideration is granted.

A note of your participation during the tutorials will be kept. Students are encouraged to prepare for the tutorials by attempting the homework problems and completing the assigned reading. Preparation for tutorials will allow students to contribute in constructive and meaningful ways. Relevant and meaningful contributions to class discussion will be rewarded. Note that marks are awarded for participation, not necessarily for correct answers.

Students are expected to attempt the homework questions prior to attending tutorials. Homework questions will be posted online one week prior to the tutorials. Students will be required to bring their answers to tutorials for discussion. Homework will be collected and marked on AT LEAST three (3) randomly chosen weeks during semester. Students will be awarded one (1) mark if genuine effort is evident, half (1/2) mark if some effort is evident, and zero (0) marks if no effort is evident. Students may handwrite solutions if it is neatly presented but are encouraged to type their answers using Lyx or Latex. A guide to these programs will be made available during the lecture.

4.4 Mid-session Exam

There will be a mid-session exam in Week 7. The exam will be 1 hour and 40 minutes in length and will cover material from Week 1 to Week 5 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 Assignment

The assignment consists of two components. The first component requires you to find a journal article which relates to a topic covered in this course. The article must be related to a topic covered in this course and be approved by the Lecturer. You will be required to submit a topic proposal for approval in Week 6 tutorial. More guidance on appropriate papers will follow in the lectures but you may use the supplementary reading list as a guide. The second component requires you to write a response paper to the journal article. Your response paper should demonstrate that you have read the article, understood its aims, methodology and results, and thought critically about it. More guidance on what is expected in the response paper will be provided later in the course. The response paper should be no more than 1,500 words and follow an accepted academic style (eg. Chicago, Harvard, Oxford, AGLC). You are encouraged to speak to the lecturer about the assignment, including, but not limited to, questions about researching or choosing a paper.

The assignment will test your research and analytical skills. It is designed to encourage students to explore the academic literature and consider how academics and other practitioners have applied the concepts taught in this course to real-life problem solving. In particular, students are encouraged to consider how they might apply the concepts taught in this course to future employment or research. Potential Honours students might find this exercise useful in deciding a thesis topic.

4.5.1 Submission Procedure for Assignment

The Topic Proposal for the assignment is due in Week 6 tutorials. You will be required to submit the Abstract of your chosen article and a complete Proposal form. The Proposal form will be made available online.

The Response paper is due at 11:59pm on Thursday 21 May 2015 (Week 11). You must submit the Response paper through Turnitin. A link will be made available online. You must submit your assignment as a Word Document. You must also submit a hard copy of the Response paper during the tutorials in Week 11.

You must submit BOTH the soft copy by Turnitin and the hard copy during tutorials for your submission to count.

4.5.2 Late Submission of Assignment

Late Submission of any component of the Assignment will be penalised at 10% of the total marks available per day for a maximum of 5 days. Any assignments submitted more than 5 days late will automatically receive a mark of zero (0). The word limit of the assignment is strictly 1,500 words excluding citations and bibliography. Exceeding the word limit by less than 10% will be penalised by 10% of the total marks available. Exceeding the word limit by 10% or more will be penalised by 20% of the total marks available.

Special consideration will only be granted in the most dire of circumstances (such as extended hospitalisation). You have many weeks to complete the assignment and it is up to you to manage the risk associated with leaving it to the last few days to complete.
4.6 Final Exam Format

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 in Week 11. Students should note that, given changes in the course content, past exam papers for this subject may be misleading.

4.7 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. For the first half we will be drawing on the following free textbooks:

Freely available (in pdf format) at: http://works.bepress.com/jeffrey_church/23

[VZ] *Firms, Prices, and Markets*, by Timothy Van Zandt, 2012

[M] *Introduction to Economic Analysis*, by Preston McAfee
Freely available (in pdf format) at: http://www.mcafee.cc/Introecon/IEA.pdf

[MP] *Lectures on Pricing*, by Preston McAfee
Freely available (in pdf format) at:
http://www.mcafee.cc/Classes/BEM116/PDF/LectureNotes.pdf

Freely available as an e-book from the UNSW library

Links to other resources, such as journal articles, will be provided during the course.

7 COURSE SCHEDULE

7.1 Lecture Schedule
Lectures start in Week 1 and finish in Week 12. Specific readings will be posted on the Course website prior to each lecture. 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>02 – 06 Mar</td>
<td>Introduction and Administration Monopoly</td>
</tr>
<tr>
<td>Week 2</td>
<td>9 – 13 Mar</td>
<td>Durable Goods and 1st Degree Price Discrimination</td>
</tr>
<tr>
<td>Week 3</td>
<td>16 – 20 Mar</td>
<td>3rd and 2nd Degree Price Discrimination</td>
</tr>
<tr>
<td>Week 4</td>
<td>23 – 27 Mar</td>
<td>Introduction to Game Theory</td>
</tr>
<tr>
<td>Week 5</td>
<td>30 Mar – 02 Apr</td>
<td>Duopoly and Oligopoly I</td>
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<td></td>
<td></td>
<td>Mid-semester break: Friday 3rd April – Sunday 12th April</td>
</tr>
<tr>
<td>Week 6</td>
<td>13 – 17 Apr</td>
<td>Duopoly and Oligopoly II</td>
</tr>
<tr>
<td>Week 7</td>
<td>20 – 24 Apr</td>
<td>MID SESSION EXAM (NB: No tutorials)</td>
</tr>
<tr>
<td>Week 8</td>
<td>27 Apr – 01 May</td>
<td>Sequential Game</td>
</tr>
<tr>
<td>Week 9</td>
<td>04 – 09 May</td>
<td>Strategic Behavior: Limit Pricing, Entry Deterrence</td>
</tr>
<tr>
<td>Week 10</td>
<td>11 – 15 May</td>
<td>Collusion</td>
</tr>
<tr>
<td>Week 11</td>
<td>18 – 22 May</td>
<td>Market with Imperfect Price Information: Diamond Paradox, Price Dispersion</td>
</tr>
<tr>
<td>Week 12</td>
<td>25 – 29 May</td>
<td>Adverse selection and moral hazard</td>
</tr>
</tbody>
</table>

7.2 Tutorial Schedule
Tutorials start in Week 2 and finish in Week 13. Weekly tutorial discussion questions and problems will be posted on the Course website. Tutorials will cover material from the previous week’s lecture. Note there will be no tutorials in Week 7 due to the mid-session exam.