

**MBA Program**  
**BAPA 500: Managerial Economics**  
**Course Outline**

**January 2007**

**Instructor:** James (Jim) Brander

Office Hours: T-Th 2:00 – 3:15 in HA 252. Feel free to call me during office hours at (604) 822-8483.

Students are welcome to contact me using e-mail at [brander@sauder.ubc.ca](mailto:brander@sauder.ubc.ca). I will also be available after class.

**Time and Place:**

Section 001: MW 1:30 – 3:30, ED McPhee 125

Section 002: MW 3:30 – 5:30, ED McPhee 125

**Overview:** This course deals with the economic foundations of managerial decision-making. Most material covered will build on topics introduced in the MBA pre-core and the MBA core. Specific topics to be covered include applications of supply and demand, market structure, pricing with market power, decision-making under uncertainty, the economics of information, applications of game theory to business strategy, and efficiency and market failure.

**Learning Objectives:** Students should learn to apply important economic concepts to decision-making in managerial and other contexts. They should also become increasingly comfortable in discussing economic analysis contained in the business press, including outlets such as the Economist, the Wall Street Journal, etc.

**Textbooks and Class Notes:** The main textbook is *Managerial Economics and Business Strategy*, 5<sup>th</sup> ed. by Michael Baye. This book was used for the managerial economics pre-core and for the MBA Core managerial economics component. You should already own it. In addition, a second required text is *Conspiracy of Fools* by Kurt Eichenwald. This should be in the bookstore. Class notes and other materials will be posted on WebCT as the class proceeds.

**Learning Methods:** Lectures by the instructor, supplemented by other in-class activities, including informal discussion and in-class exercises.

**Evaluation Methods:**

1. January 17, Assignment 1, due at the beginning of class:	10%
2. January 24, Midterm	20%
3. February 5, Assignment 2, due at the beginning of class:	10%
4. Class Participation:	10%
6. Final Exam	50%

**Outline:** All chapters listed below refer to the Baye textbook unless otherwise indicated. You are responsible for materials in the Baye text that correspond to the material covered in class, not for other material. The Baye text should be viewed as a learning aide, NOT as an independent source of examinable material.

The Eichenwald book, *Conspiracy of Fools*, is about the Enron case. We will cover the case in Classes 8 and 9. Assignment 2 will be based on it. We will also refer to it at various other times. You should read the entire book over the period. Start early.

1. Monday, January 8: (Review)

Using Supply and Demand – Ch. 2, Ch. 3

Market Structure – Ch 7, Ch. 8

The Efficiency of Competition – Ch. 8

Market Failure and Public Policy – Ch. 14

2. Wednesday, January 10

Pricing with Market Power – Ch. 11

3. Monday, January 15

Pricing with Market Power – Ch. 11

4. Wednesday, January 17 (**Assignment 1 due**)

Uncertainty and Information – Ch 12

6. Monday, January 22:

Information; Agency Theory – Ch 12, Ch 6

7. Wednesday, January 24: – **Midterm**

8. Monday, January 29:

Decision Making Under Uncertainty and Framing Effects

Introduction to Enron (Eichenwald book)

9. Wednesday, January 31:

The Enron Case (Eichenwald book)

10. Monday, February 5: (**Assignment 2 due**)

Limit Pricing, Predatory Pricing, Timing, Networks – Ch 13

11. Wednesday, February 7:

Review and Catch-up

12. Final Exam (Time and Date TBA)