



CHEUNG KONG GRADUATE SCHOOL OF BUSINESS
MBA 2020**MANAGERIAL ECONOMICS****PROFESSOR V. BRIAN VIARD**

BIOGRAPHY

Prof. V. Brian Viard

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Office Hours: In addition to official office hours, I am happy to meet to talk about the course. To set a time, please speak with me after class or contact me by email.

http://english.ckgsb.edu.cn/faculty_content/brian-viard

Professor Viard moved to Beijing in 2007 to join the faculty of Cheung Kong Graduate School of Business (CKGSB). Prior to that, he was a professor at Stanford Graduate School of Business. Professor Viard's research focuses on industrial organization economics, economics of strategy, and environmental economics. He received his M.B.A. from Stanford Graduate School of Business and his Ph.D. in Business Economics from the University of Chicago.

SYLLABUS**COURSE DESCRIPTION**

Management Economics applies the principles of microeconomics that are most relevant to managerial decision-making. It focuses on the ideas and methodologies of economics that facilitate analysis of the business environment in which firms operate and managers make decisions. These principles are critical for making decisions on production quantities, price-setting, entry or exit from an industry, capacity expansion, motivating employees, and interacting strategically with competing firms. The goal is to teach you to think analytically about the basic economic factors that shape an industry and influence the choice of strategy in that industry. The principles will be relevant for many of the subsequent courses in your M.B.A.

LEARNING OBJECTIVES

After successfully completing the course, students will be able to:

- Identify the key microeconomic concepts to apply in solving business problems.
- Apply these microeconomic concepts to reach a tangible decision or answer to a business problem.
- Understand how a firm's cost structure relates to decisions involving pricing and capacity choice.
- Use supply and demand analysis to predict prices and quantities in a market and how various government interventions will affect these.
- Recognize when monetary incentives are useful or not in motivating employees.
- Apply concepts of game theory to predict behavior of firms or individuals in strategic settings.

COURSE POLICIES/RULES

Honor Code: The Honor Code establishes CKGSB MBA's fundamental standards that govern student conduct. It mandates that you implement honesty and integrity in your academic related activities. You must maintain the highest ethical standards, as demanded of good citizens, both within and outside the school. Please refer to the Student Handbook for detail on processes and procedures associated with academic integrity.

Attendance: Students missing more than one third (1/3) of the classes in a course (2 of 6 sessions or 3 of 8 sessions or 4 of 12 sessions) will receive an "Incomplete" grade in the course. Late arrival is disruptive to the learning environment, so you should arrive to class prior to the start of class. Two late arrivals will be counted as one session's absence. Lateness will be recorded after 9:00 am and 2:00 pm for courses you are enrolled in.

Use of Blackboard: All written work for the course should be submitted through the Blackboard system.

Policy on Group Work: Since some of the assignments in this course are accomplished in groups, here is my policy on group work:

1. I encourage you to discuss the material in preparing for class discussion with any student. However, I expect you to present in class analyses that you personally participated in preparing.
2. For the written exercises, it is important that you demonstrate how well you and your group members understand the course concepts. For this reason, do not consult with anyone outside of your group for these.

3. No student's name should appear on a written exercise if the student has not substantively contributed to the production of the project. The contribution of all students need not be exactly equal for each assignment, but all students should have participated in a significant way to the production of the written exercise.
4. In preparing the written exercises, if you obtain analysis or information from any outside sources you should properly attribute this through references. Note that obtaining outside information should not be necessary for any of the exercises.

COURSE REQUIREMENTS AND GRADING CRITERIA

Grades will be based on the following components:

Class Participation	40%
Written Assignments	20%
Final Exam	40%

Class Participation (individual): Developing your ability to speak in class is an important component of your business education. It is good preparation for expressing your ideas in business meetings you attend in your future careers. You are responsible for coming to class prepared to discuss the assigned material for that class. Many students find it helpful – and I encourage you – to discuss the material with your classmates prior to the class.

I will often ask for volunteers to speak in class but I will also “cold call” students to get their input. The purpose of cold-calling is not only to provide an incentive for you to prepare for class but also to ensure that the discussion is spread across the students in the class.

Quality of class participation is more important than quantity. Trying to maximize “air-time” is not the best strategy. Consider the following questions when assessing the quality of your participation:

1. Are the points relevant to the discussion? Are they linked to the comments of others and to the themes of the class? Do they significantly advance the discussion?
2. Do the comments add to our understanding of the situation rather than simply repeating facts?
3. Is there a willingness to challenge, in a constructive way, the ideas that are being expressed? Such contributions are particularly valued.

I do not require attendance; however if you are not in class you obviously cannot gain any participation credit for that class. I do not allow or require “make-up” work for a missed class. If you must miss class, most handouts will be available at the class website. Also, please arrive on time and stay from

beginning to end. It is extremely disruptive to your classmates (and me) if you arrive late or leave while the class is in session.

Written Exercises (group): There will be a few written exercises to be submitted during the course which you will complete in groups. These will apply material we have already covered in class.

Final Exam (individual): The exam will cover all the material in the course. I will provide more details on the exam later in the course.

TEACHING METHODOLOGY

I will use a variety of teaching methods for the different topics. Although I will occasionally lecture, my primary goal is to engage you in a discussion of the material. Most of the topics will be illustrated through examples and cases although we will also simulate some of the material through games that we will play in class.

COURSE MATERIALS

Materials and assignments for most courses are posted on the Blackboard system: <http://bbadmin.ckgsb.com/>. Students are required to check the system regularly for updates.

Required Materials:

Mankiw, G. M. *Principles of Economics*. South-Western Cengage Learning, Mason, Ohio.

I have chosen an introductory economics textbook in the hope that it will be accessible to those with and without an economics background. For students who have a background in economics I will be covering some more advanced material in class. The author, Greg Mankiw, is a Harvard University professor who served as Chairman of the Council of Economic Advisors from 2003 to 2005. He is widely considered one of the best authors of economics textbooks.

COURSE SCHEDULE

There are four major components to the course. The first component, market analysis, concerns how firms and customers interact in an industry to determine prices and to what extent firms can earn profits. We will also examine how government policies, such as taxes, affect these outcomes and the efficiency of markets. Firm behavior, the second component, examines how the cost structure of a firm and its industry are determined and how it

optimally sets price and quantity of output. In the third component we examine the range of market structures a firm can face, what determines these structures, and how a firm can compete optimally within each. In this component, we also examine various ways in which a firm can price discriminate. Finally, using game theory, we examine strategic interaction among firms and individuals including performance incentives.

The schedule for the course follows. Note that I have not assigned dates to the topics so that we can maintain flexibility on the speed with which we cover them. Some topics may take longer than one class period and others may take less time. I will inform you at least a class in advance of the material that we will be covering so that you can prepare. We may not cover all of these topics or we may cover more depending on the speed of the class.

Ia. MARKET ANALYSIS

Topic 1. Introduction to Managerial Economics

Reading: Mankiw, "The Market Forces of Supply and Demand" (Chapter 4).

Cases: The Perfect Competition Game.
Copper Pricing.

Topic 2. Supply and Demand

Reading: Mankiw, "Elasticity and its Application" (Chapter 5): do not need to read section "Three Applications of Supply, Demand, and Elasticity."

Case: Taxi Apps.

II. FIRM BEHAVIOR

Topic 3. Costs and Decisions

Reading: Mankiw, "The Costs of Production" (Chapter 13): only read "What are Costs" and "The Various Measures of Cost" sections.

Mankiw, "Firms in Competitive Markets" (Chapter 14): only read through section "The Firm's Long-Run Decision to Exit or Enter a Market."

Case: Specialized Products Prepares a Bid, CKGSB Case 2011-02-8-217-1e.

Topic 4. Application (Firm Behavior)

Case: Alusaf Hillside Project, HBS Case 9-704-458.

Ib. MARKET ANALYSIS**Topic 5. Government Policies**

Reading: Mankiw, "Supply, Demand, and Government Policies" (Chapter 6) and "Consumers, Producers, and the Efficiency of Markets" (Chapter 7).

Case: Auto Restrictions.

Topic 6. Application (Externalities)

Reading: Mankiw, "Externalities" (Chapter 10).

Case: Acid Rain: The Southern Company (A), HBS Case 9-792-060.

III. MARKET STRUCTURE**Topic 7. Monopoly**

Reading: Mankiw, "Monopoly" (Chapter 15).

Topic 8. Pricing

Case: Pricing problems.

IV. GAME THEORY**Topic 9. Game Theory**

Reading: Pindyck, R. S. and D. L. Rubinfeld, *Microeconomics*, 6th edition, Pearson Prentice Hall, Upper Saddle River, New Jersey. 2005. (Chapter 13, pages 473 – 502).

Topic 10. Incentives

Reading: “Paying for Performance,” *Mastering Strategy*, pages 301 – 305.

Case: Majestic Tea Plantation.

Topic 11. Strategic Interaction

Reading: Pindyck, R. S. and D. L. Rubinfeld, *Microeconomics*, 6th edition, Pearson Prentice Hall, Upper Saddle River, New Jersey. 2005. (Chapter 12, pages 441 – 448).

Case: Shrimp Game.

Topic 12. Application (Game Theory)

Case: General Electric vs. Westinghouse in Large Turbine Generators (A), HBS Case 9-380-128.
