



Module name	Economics for Managers
Module code	EM02-A7
Programme	Master in Management (MIM)
Term	2
ECTS credits	5
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PROFESSOR

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OUTLINE

Summary description

This course builds upon student's previous economic studies to look at some advanced topics that cover both micro and macroeconomics. We will look at how the economic decisions of agents (including managers, regulators, and policymakers) are carried out in environments that stray from ideal: such as strategic interaction; imperfect market structures; and asymmetric information. The course draws on examples from the business world to illustrate the practical relevance of the models used.

Module objectives

The aim is to develop student's capacity for economic analysis and awareness of the insights for management. Time will also be devoted to understanding the foundations of important economic theory (i.e. seminal models) and relate these to the world around us.

Content to be covered within the module:

Part 1: Foundations of strategic microeconomics (utility functions, constrained maximisation, indifference curves, diminishing returns, cost functions, game theory, Nash equilibrium, Prisoner Dilemma strategies, Cournot competition, Bertrand competition, Stackelberg competition, economies of scale)

Part 2: Imperfect markets (cartels, mergers, anti-trust, asymmetric information, auctions)

Part 3: Monetary policy (economic growth, optimal currency areas, history of money and banking, bank runs, central bank independence, credibility)

Part 4: Fiscal policy (public finance, structural deficits, policy mix during the Eurozone crisis)

Part 5: Competitiveness

Pre-requisite: Economics.

Students will emerge from the module with a strong understanding of some of the main theoretical models in economics, and the main contributions that economics makes to understanding strategy.

Students will be expected to understand and to have familiarized themselves with the economic forces relevant to managerial and financial decision-making.

WHAT WILL I BE EXPECTED TO ACHIEVE?

Knowledge and understanding

- The microeconomic concepts and tools students will learn have many applications beyond those treated explicitly in the module; we see such applications, for example, in marketing, strategy, and finance modules.
- Understand the decision-making process of the consumer
- Understand the pricing decision of the firm in different market structures

Skills

Subject specific

- Students will learn how to analyse business decisions in game theoretic terms, and develop their ability to locate, read, and interpret economic articles
- Students will also develop their ability to apply the Dynamic AD-AS model to contemporary public policy debates.

Cognitive and intellectual

- Comprehend, analyse and understand complex pricing strategies
- Be able to recognise and categorise the type of market a firm belongs to
- Advance the previously fundamental knowledge and skills in economics. Students should have developed and significantly advanced their understanding and abilities to apply their knowledge to industry relevant cases
- Enhanced critical thinking and analytical skills

Transferable

- Understand the economic environment of a firm
- In-depth microeconomic concepts and tools, inclusive of how these will be applied both within the module and in industry
- Apply strategic tools, techniques, and concepts used by management in various business contexts and appreciate the interdependence of different business and management functions;

Values and attitudes

- This module will help students to understand the main elements of advanced economic theories in terms of their application to strategy
- To have obtained a scientific approach towards economic issues.
- To recognise and be familiarized with frameworks/models of lasting value

HOW WILL I LEARN?

- Lectures (8 sessions)
- Case discussion (7 sessions)
- Group activities (4 sessions, 2 of which involve instructor feedback)

I think that taking notes is an important part of learning and wish to encourage it in class. Therefore “raw” teaching materials (e.g. powerpoint slides and board plans) will not be made available. Some students are able to remember concepts without taking notes and that’s fine. But I do not want to provide shortcuts that incentivise a lack of engagement. Class attendance is compulsory.

I permit the use of laptops, tablets and phones in the classroom because these are legitimate means to take notes, record your thoughts and engage in impromptu research. However, I realise that they are also a means of distraction. Whilst I believe that it is the instructor’s responsibility to keep students engaged, and that you are mature enough to pay attention, I have the following rule:

- If your use of a laptop/tablet/phone is causing a distraction to other students or to myself I will ask you to turn it off

I want to create a relaxed atmosphere where students feel comfortable exchanging their views. I am also mindful of introverted personalities that do not appreciate the threat of public speaking. I therefore try to employ “warm calling”. This means that on some occasions I will let students know in advance that I intend to call on them, and give them an opportunity to prepare.

The reason I do not grade your class participation is because I can't think of a way to do it that seems fair and not arbitrary. However, student engagement is a crucial component of this course. I will be monitoring the following:

- Attendance
- Punctuality
- Completion of Problem Sets
- Preparation of cases and pre-readings
- Classroom contributions

HOW WILL I BE ASSESSED?

Assessments

There will be three opportunities for assessment in the course:

Assessment	Type	Weight	Pass mark	Pass/fail
Micro problem set	Problem set	0%	N/A	N/A
Macro problem set	Problem set	0%	N/A	N/A
Final examination	Written exam (unseen)	100%	50%	Yes

Assessment criteria and deadlines

A **problem set** will be distributed during the course. It will help you apply some of the concepts we discuss in class and establish whether you have understood them. It will not be graded but they should be turned in at the beginning of sessions 5 (for Micro questions) and 10 (for Macro questions).

The **final exam** will be closed book and comprehensive. The problem set will be the best way to revise since I will use very similar types of question. There will be 10 questions worth 10 points each, and partial credit will be available.

Feedback on assessment

Problem Set: This will not be graded but will provide a way for students to evaluate their own understanding of the material being covered. It will also provide helpful guidance in terms of the types of question that will appear on the final exam.

Final Exam: Grades will be released via the Programme Office. For students that fail detailed comments will be provided on the examination script. For students that pass brief feedback will be provided on the examination script.

Feedback on the final exam is available in the following ways:

- Feedback can normally be expected within 6 weeks of the assessment
- Feedback sessions are additionally offered where students see their marked papers and the examiner's comments following an assessment. Students will have to register to attend sessions. They will be able to look at their paper/s to read the examiner's comments, which should help to clarify marks received.
- Students may request an appointment with the lecturer if they have additional questions

Students who have passed their examination are permitted to view their scripts at specific times on specific dates. These sessions will be announced by the Programme Office in advance. A document prepared by professors indicating the elements which make a good examination answer will be posted on the e-learning platform after the release of marks.

Assessment Regulations

The Pass mark for the module is **50%**. Any minimum qualifying marks for specific assessments are listed in the table above. The weighting of the different components can also be found above. The Programme Specification contains information on what happens if you fail an assessment component or the module.

Language of Assessment:

All work will be read and assessed in English. It is therefore important to ensure that your English is at least at the appropriate level of competence that it will enable you to be able to argue clearly and intelligibly, showing that you have understood the relevant issues.

Regarding taking the assessment, please avoid using jargon in your writing unless it is necessary and relevant. Keep sentences and paragraphs short and give each point its own paragraph. Minor grammatical errors should not affect your mark.

Examination:

All questions in any examination paper will be made feasible for all students to complete within the given time allowance. Furthermore, in order to ensure that non-native speakers are not disadvantaged by the examination, the examination questions will have been checked for clarity to ensure they will not lead to any misunderstanding, especially for non-native students.

A selection of language dictionaries will be provided, but students should let the Programme Office know in advance if they require any specific language.

Marking Schema for comparison across countries where the programme takes place:

Spanish	English	French	German	Definition
8 - 10	70 - 100	16 - 20	1.0 – 1.5	EXCELLENT. Only minor errors.
7 - 7.9	65 - 69	14 - 15.9	1.6 – 2.0	VERY GOOD. Above average, some errors.
6 - 6.9	60 - 64	12 - 13.9	2.1 – 2.5	GOOD. Sound work but notable errors.
5.5 - 5.9	55 - 59	11 - 11.9	2.6 – 3.5	SATISFACTORY. Fair, but significant shortcomings.
5 - 5.4	50 - 54	10 - 10.9	3.6 - 4.0	SUFFICIENT. Meets the minimum criteria.
< 5	< 50	< 10	4.1 - 5.0	FAIL. Some or considerable work needed to pass.

READING LIST

Textbook

The textbook for the course is as follows: [E]

Title: *Markets for Managers: A Managerial Economics Primer*

Author: Anthony J. Evans

Version: 2014

Publisher: Wiley Finance

Cost: Approx. £30 on Amazon.co.uk

In addition, the website provides a number of interactive features including videos. More details are here:

<http://www.marketsformanagers.com>

If you haven't studied economics before you are strongly advised to read relevant chapters and complete the accompanying questions from the problem set prior to each class. For those who require more than a primer, I recommend the following:

- [S] Schotter, A., "Microeconomics: A Modern Approach" South Western (2008, International edition, approx. £60)
- [C&T] Cowen, T., and Tabarrok, A., "Modern Principles: Macroeconomics" Worth (2014, 3rd Edition, approx. £50)

I also recommend these for a business school audience:

- Froeb, L.M, McCann, B.T., Ward, M.R., and Shor, M., (2014) *Managerial Economics: A Problem Solving Approach*, Thomson South-Western (3rd ed. approx. £120)
- Moss, D. (2014) *Concise Guide to Macroeconomics: What Managers, Executives, and Students Need to Know* Harvard Business School Press (2nd ed. approx. £20)

In class readings

The following will be distributed in class and therefore should *not* be read in advance:

- “Note on differentiation” January 2013
- “Mr Morita” November 2010
- “Cournot and Bertrand games”, December 2018
- “CC Verdict”, February 2014
- “Lemons Buyer”, February 2012
- “Lemons Seller”, February 2012
- “The Biggest Auction Ever”, March 2014
- “Credibility”
- “Optimal Currency Areas”
- “UK Public Finances”, December 2012
- “Fiscal Multiplier Worksheet” March 2018
- “Fiscal Multiplier Worksheet: Solution” March 2018
- “Country Competitiveness Dashboard”

Pre-class readings

If a pre-class reading is assigned students should read it thoroughly and be prepared to discuss it in class. They are drawn from a variety of sources and they are the student’s responsibility to locate and read in advance.

COURSE SCHEDULE

For an up to date outline and links to electronic resources please see:

<http://econ.anthonyjevans.com/courses/mim/>

Session	Topic	Subjects and pre-class activities	Reference readings	Problem set questions
1	Consumer behaviour and basic review	Ia. Max U Evans, A.J., “ Maximilian Untergrundbahn ”, ESCP Europe Working Case, January 2018 <i>Instructions: Complete the assignment questions</i>	[E] Ch. 1 [S] Ch. 2, 3, 4	1.4, 1.5, 1.6, 1.7
		Ib. Cost curves* Evans, A.J., “ La Marmotte ”, ESCP Europe Working Case, January 2012 <i>Instructions: Complete Exhibit 1 and provide suggestions for the two key decisions</i>	[E] Ch. 2 [S] Ch. 8, 9, 10	2.3, 2.4, 2.5, 2.6, 2.7
2	Microeconomics and strategy	2a. Introduction to Game Theory*	[S] Ch. 11	5.5, 5.6, 5.7
		2b. Oligopolistic competition	[E] Ch. 3,4,5	4.6

			[S] Ch. 19	
3	Firm strategy, competition and anti-trust	3a. Economies of scale Rivkin, J.W., “Dogfight over Europe: Ryanair (A)” Harvard Business School case no. 9-700-115, November 21st 2007 (£) <i>Discussion question: What are some sources of economies of scale? How do they apply to British Airways in 1986?</i>	[S] Ch. 18	5.3, 5.4
		3b. Competition Commission simulation Evans, A.J., “ CC Simulation ”, ESCP Europe Working Case, February 2014 <i>Discussion question: Is the market for airport services in the UK competitive?</i>	[S] Ch. 14, 15	3.2, 5.1, 5.2
4	Asymmetric information	4a. Adverse selection Akerlof, G.A., (1970). “ The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism ”. <i>Quarterly Journal of Economics</i> 84(3):488–500 (£)	[S] Ch. 23	3.8, 3.9, 3.10
		4b. Signalling* Spence, M., (1973). “ Job Market Signaling ”. <i>Quarterly Journal of Economics</i> 87(3):355–374 (£) Video: “ Econ Duel: Is Education Signaling or Skill Building? ” Marginal Revolution, March 2016		3.11
5	Market design	5a. Auctions* Hild, M., Dwidevy, A., and Raj, A., (2004) “The Biggest Auction Ever: 3G Licensing in Western Europe”, Darden Business Publishing (£) <i>Discussion question: What are the alternatives to auctions?</i>	[S] Ch. 16	3.6
		5b. REVIEW SESSION ON MICRO PROBLEM SET		
6	National Income Accounting	6a. Economic growth* Solow, R., (1956) “ A Contribution to the Theory of Economic Growth ” <i>The Quarterly Journal of Economics</i> , 70(1):65-94 (£) Video: “ Growth is like an iPhone ”, June 2016	[E] Ch. 12 [C&T] Ch. 7, 8	2.9, 12.1, 12.3
		6b. Banking crises* Diamond, D.W., and Dybvig, P.H., (1983) “ Bank Runs, Deposit Insurance, and Liquidity ”, <i>Journal of Political Economy</i> , 91(3):401-419 (£)	[E] Ch. 7	7.7
7	Monetary policy	7. Monetary policy* Video: “ An Introduction to the Dynamic AD-AS Model ”, September 2014	[E] Ch. 8 [C&T] Ch. 12, 13, 14, 15, 16	8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9
8	Eurozone policy	8a. European Central Bank Trumbull, G., Roscini, D., and Choi, D., “The Euro		

		<p>in Crisis: Decision Time at the European Central Bank” Harvard Business School case no. 9-711-049, March 23rd 2011 (£)</p> <p>Evans, A.J., "The ECB During the Crisis", May 2016</p>		
		<p>8b. Public finance</p> <p>“Rovna Dan: The Flat Tax in Slovakia”, Harvard Business School case no. 9-707-043, March 2010 (£)</p> <p>Evans, A.J., "Flat Tax in Slovakia", May 2016</p>		7.3
9	Fiscal Policy	<p>9. Fiscal policy*</p>	<p>[E] Ch. 9</p> <p>[C&T] Ch. 18</p>	9.1, 9.2, 9.5
10	European and global competitiveness	<p>10a. Foreign investment and competitiveness</p> <p>Porter, M., and Ketels, C., “Indonesia: Attracting foreign investment” Harvard Business School case no. 9-708-420, January 11th 2013 (£)</p> <p>Evans, A.J., "Foreign Investment in Indonesia", May 2016</p> <p>10b. REVIEW SESSION ON MACRO PROBLEM SET</p>	<p>[E] Ch. 12</p>	

Note:

Sessions marked with an asterix (*) have a lecture handout available in advance.

Cases marked with a pound sign (£) are either available via Blackboard or through the library.