

Indian School of Business
Managerial Economics
Digital Head Start Module, 2021-2022

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I. Course Overview

Specifics of the Digital Module:

This course is delivered 100% online which will include 80% synchronous sessions (i.e., 16 hours) and 20% asynchronous content (i.e., 4 hours). Synchronous sessions refer to online live/real-time sessions i.e., students will be required to login online as per their course schedule at specific dates and times. For any group work, there may be breakout sessions during the synchronous sessions – where members of a group are expected to interact with each other online and then report back on their analysis to the main classroom.

Two hours of asynchronous content will be shared in the first half, i.e., before the mid-term examination and two hours in the second half, i.e. post mid-term examinations but before end-term examination. All course materials such as course pack, readings, pre-readings, session recordings will be uploaded on LMS as per the schedule defined in the outline or announced in class or on LMS. All sessions will be recorded, and these video recordings will be provided to students until the final evaluation component is completed after which it would be removed from LMS. Please note: The videos will not be downloadable; however, since there are ways of recording videos that are playing on the screen, the School will act against students who violate copyrights and intellectual property rights.

Learning Goals:

The course is intended to teach you the process of critical and integrative thinking. Assessment will be through four homeworks, a mid-term exam, and a final exam.

Methodology:

Towards meeting the learning goals, the course introduces you to the economist’s way of thinking

about problems and making decisions. Some of you may take to the methodology like ducks to water; others will find it bitter medicine. In both cases, you will hopefully learn to appreciate the methodology and likely alter the way you look at the world and what you do. A central component of economics methodology involves running controlled thought experiments called models. These are toy versions of real situations in which the less critical aspects of the problem are stripped away to focus on understanding the primary issue under consideration. Beyond appreciating this technique, learning economics necessarily entails engagement and arguments with the logic. Most importantly, I do NOT offer a laundry list of facts to be learnt by rote – otherwise, there would be no need for a course.

This course in managerial economics will use the above-mentioned methodology to focus on decision-making in business situations. Managers regularly address issues ranging from pricing, cost determination, compensation, entry into and exit from markets, and output decisions. At the end of the course, you will have the basic tools that structure these problems for optimal decision-making and, more importantly, develop an intuition for analyzing economic problems.

This is a problem-oriented course. We recognize that as a manager, you will seldom be asked for your intuition and (almost certainly) never asked for a formal proof, but you will be asked to price services, determine how much material to produce, make decisions to invest, etc. While the problems differ from one context to another, intuition and the logic of the proof do not. So, rather than focusing on a specific scenario, you must instead understand the intuition in solving any problem. To facilitate this, we provide sample questions and solutions on the course webpage.

II. Course Conduct - Contract with Students

Students will be expected to be prepared for all classes. This includes having done the readings and being prepared to answer questions/participate in discussions. Students should log in on time, not leave the online class during the session, and not perform any other activity that is unrelated to the course during class-time.

Students to keep their video ON

The only way to learn is to be prepared for classes by reading the material before each class. It is useful to ask questions and actively participate in class. Students should make use of instructor office hours as well as those of academic assistants (AAs) assigned to the course. There is a discussion forum available on LMS for that purpose. Slot of one on one meeting of 15 mins each will be available on digital platform for clarifying your doubts during the mentioned office hours.

Attendance & Punctuality

ISB-recommended Attendance Policy

Learning is an interactive process. ISB students are admitted partly based on the experiences they bring to the learning community and what they can add to class discussions. Therefore, attendance is an important aspect of studying here. Absence is only appropriate in cases of extreme personal illness, injury, or close family bereavement. Voluntary activities such as job interviews, business school competitions, travel plans, joyous family occasions, etc. are not valid reasons for missing a class. Late arrival and early departure are disruptive to the learning environment; you should log-in the class before the scheduled start time and stay till the conclusion of class. However, if due to an extenuating situation a student is forced to miss a class session, the same should be notified to the respective Academic Associate with a copy to the Faculty and the ASA office along with supporting documentary proof.

The ISB expects students to attend all class sessions in every course and watch/participate in all asynchronous activities. Attendance cannot be linked to watching or participating in asynchronous activities. Attendance during synchronous sessions and/or in-class sessions will be recorded. However, if due to completely unavoidable reasons a student is forced to miss a synchronous and/or in-class sessions, the School policy is below:

- If a student misses up to 20% of sessions (synchronous + in-class) in a course, i.e. one session, there will be no grade penalty.
- If a student misses more than 20% and up to 30% of sessions (synchronous + in-class) in a course, i.e. two sessions, s/he will obtain a letter grade lower than that awarded by the faculty according to the curve for the course.
- If a student misses more than 30% and up to 40% of sessions (synchronous + in-class) in a course, i.e. three sessions, the student will receive a letter grade that is two levels lower than that awarded by the faculty according to the curve for the course.
- If a student misses more than 40% of sessions (synchronous + in-class) in a course, i.e. four or more sessions, the student will receive an 'F' grade in that course.

Last but not the least, it is IMPERATIVE, that we treat all stakeholders in the classroom (and possibly those outside the classroom too, though we have little control over that) with respect. Learning is not about putting others down as much as being attentive to others' perspectives.

In return for your adherence to the contract, the instructor promises to be on time, well-prepared and appear well-kept.

III. Course Material

The readings for each class will be available only on the course webpage (on LMS). You are expected to access that material and be familiar with it prior to the class.

Handouts, if any, for each lecture will be handed out on LMS. They will also be available on the course webpage after the lecture.

Recommended (but not required) for the course are the following books:

- "Managerial Economics" 8th edition by Bruce Allen, Neil Doherty, Keith Weigelt and Edwin Mansfield
- "Microeconomics" 9th edition by Robert Pindyck and Daniel Rubinfeld

You will be provided access to the e-copy of the books from the library. These books have several problems that you can solve for practice, preferably before you come for class. Even though you may face some difficulty in solving them prior to the class, it would be extremely useful for you to take a shot early on. And if all goes well, these problems will be a breeze after the class.

IV. Course Schedule

Here is an approximate outline of what is intended for each class. Additional readings may be announced in class or by email. You would be expected to familiarize yourself with the readings before each lecture. (Note that content and dates may change to accommodate the pace of the class. Such changes will be announced.) A total of two lectures (roughly four hours) will be delivered in asynchronous mode. These async lectures will be equally distributed over pre- and post-midterm sessions. The course schedule below marks the mode of delivery for each session.

Date **Topics/Objects**

PART 1

- **June 21/June 22: Session topic: Key economic concepts and applications**

Pre session readings:

“Excellence v Equity”, The Economist, Mar. 28, 2015

“The Regulators’ Best Friend”, The Economist, Mar. 31, 2005

Pre session asynchronous videos:

Course Preliminaries

In session:

Why economics?

Opportunity cost

Post session asynchronous video:

Comparative advantage

- **June 23/June 24: Session topic: Demand**

Pre session readings:

“Croissantonomics”, The Economist, Aug. 29, 2015

“Snow Leopard Takes a Page from the App Store Playbook”, The New York Times,
Jun. 11, 2009

“Net Benefits”, The Economist, Mar. 9, 2013

Pre session asynchronous videos:

Introduction to Demand

In session:

Willingness to Pay

Shifts in Demand

Elasticity

Consumer Surplus

Post session asynchronous video:

Aggregate/Market Demand

June 24: Group Homework 1 posted on LMS at 7 am

June 26: Group Homework 1 due by 1 pm

- **June 28/June 29: Session topic: Supply and costs**

Pre session readings:

“Coconuts Go Upscale, Boosting Price of Conventional Coconut Oil”, WSJ, Apr. 7,
2016

“Apparel Industry Model Holds the Key for India’s Job Creation Requirements”, The
Economic Times, Jan. 15, 2018

“Profit and Sauce: How Much do D.C. Restaurants Really Make Off of Meals?”,
Washington City Paper, Jan. 17, 2018

Pre session asynchronous videos:

The technology of production
Costs of a firm

In session:

Willingness to sell
Shifts in Supply
Market Equilibrium
Producer Surplus
Profit Maximization

Post session asynchronous video:

Beyond demand and supply: market failures and government intervention

Post session readings:

“Rent Control Needs Retirement, Not a Comeback”, Bloomberg, Feb. 7, 2018
“Rent Control is Crippling India’s Richest City”, Livemint, Feb. 15, 2018

- **June 30/July 1: Session topic: Market structure**

Pre session readings:

“Is Natural Gas too Cheap to Drill?”, Bloomberg, Apr. 17, 2012
“The EpiPen, a Case Study in Health System Dysfunction”, The New York Times, Aug. 23, 2016
“Why a Media Merger that should go through might not”, The New York Times, Oct. 25, 2016
“The Evolving Economics of the App”, WSJ, Mar. 3, 2013
“How Uber could become a Nightmarish Monopoly”, The Week, Feb. 9, 2017

Pre session asynchronous video:

A firm’s revenue

In session:

Price taking (Perfect competition)
Price setting (Monopoly)
Sources and extent of market power
Optimal pricing rule
Price discrimination

July 1: Group Homework 2 posted on LMS at 7 am

July 2: Group Homework 2 due by 9 pm

PART 2

July 1: Externality and Market Inefficiency (async)

Required Readings:

- “A price tag on carbon as a climate rescue plan”, The New York Times, 30 May 2014.
- “Supreme Court nod to green cess on trucks passing through Delhi”, The Economic Times, 10 October 2015.
- “How taxes can align the interests of individuals and society,” The Economist, 21 September 2017.

July 5-6: Asymmetric Information and Market Inefficiency (sync)

Required Readings:

- “Secrets and Agents”, The Economist, 23 July 2016
- “The Case for Neck Tattoos, According to Economists”, The Atlantic, 13 June 2016.
- “Second-degree moral hazard”, The Economist, 2 March 2017.
- “How Hyundai sells more when everyone else is selling less”, Business Day, 14 June 2009.

July 6: **Group Homework 3 uploaded on LMS by 12 pm**

July 7-8: Imperfect Competition and Market Inefficiency (sync)

Required Readings:

- “Price-bots can collude against consumers”, The Economist, 6 May 2017.
- “In Manhattan pizza war, price of slice keeps dropping”, The New York Times, 30 March 2012.

July 12: **Group Homework 3 due by 8 am on LMS**

July 12-13: Game Theory I (sync)

Required Readings:

- “Prison Breakthrough”, The Economist, 20 August 2016.
- “How game theory improves dating apps,” 1843 Magazine, 2016.

July 13: **Group Homework 4 uploaded on LMS by 12 pm**

July 14-15: Game Theory II (sync)

Required Readings:

- “Why America refuses to pay ransoms” The Economist, 25 August 2014

July 18: **Group Homework 4 due by 8 am on LMS**

Date for the Final Exam of the second part of the course will be announced in the class.

V. Grading

Each part of the course will carry 50% of the total grade for the course and will be distributed across the various components as follows:

	Part I	Part II
Homework	20%	20%
Exam	30%	30%

For homework, there will be two group assignments in each part. Therefore, each homework assignment is worth 10% of your grade. No late submissions will be accepted. Please remember to put the names and PGIDs of all your group members. Please note that code 2N-b is applicable for submission of all homework assignments. This means that you can discuss general concepts and ideas relevant to the assignment with others and refer to external material but not discuss specific issues associated with the assignment with others or refer to the case- study solutions or problem set solutions.

The details of the grading components are as below:

Name of the Component	Date of Submission/ Deadline	Take-home or in-class	Group Assignment (Y/N)	Softcopy / Hard copy submission	Word limit/format of submission etc	Marks release Date	Coding Scheme
Homework 1	June 26, 1 pm	Take-home	Yes	On LMS	No	July 2 (or earlier)	2N-b
Homework 2	July 2, 9 pm	Take-home	Yes	On LMS	No	July 8 (or earlier)	2N-b
Homework 3	July 12, 8 am	Take-home	Yes	On LMS	No	July 18	2N-b
Homework 4	July 18, 8 am	Take-home	Yes	On LMS	No	July 24	2N-b
Mid-term exam	As per ASA schedule	Online	No	-	-		4N
End-term exam	As per ASA schedule	Online	No	-	-		4N

Coding scheme for ALL course work

References/Coding Scheme	What kinds of collaborative activities are allowed?		What material can be referred to? ^[1]	
	Can I discuss general concepts and ideas relevant to the assignment with others?	Can I discuss specific issues associated with the assignment with others?	Can I refer to external material? ^[2]	Can I refer to the case-study solutions or problem set solutions?
4N	N	N	N	N
3N- a	Y	N	N	N
3N-b	N	N	Y	N
2N-a	Y	Y	N	N
2N-b	Y	N	Y	N
2N-c	N	N	Y	Y
1N	Y	Y	Y	N
0N	Y	Y	Y	Y

As a general rule:

- Students are responsible for submitting original work that reflects their own effort and interpretation. Remember that any submission should be your own work and should not be copied in part or verbatim from any other source whether external or internal.
- An honour code violation is an honour code violation. A violation under coding scheme 0N is not less severe than others. A 0N coding scheme submission is judged against a 0N coding scheme, and a 4N coding scheme submission is judged against a 4N coding scheme;

^[1] Any referencing needs to be accompanied with appropriate citations.

^[2] A non-exhaustive list includes journal articles, news items, databases, industry reports, open courseware.

therefore, any honour code violation is equally severe irrespective of the coding scheme of the submission.

- Students can discuss cases and assignments with the course instructor and the Academic Associate for the course.
- Required and recommended textbooks for the course and the course pack can be used to answer any individual or group assignment.
- Although not all submissions may be subject to academic plagiarism checker (e.g. turn-it-in), in retrospect, if the Honour Code Committee feels the need, any of the previous submissions of an individual or a group can be subjected to turn-it-in or any other academic plagiarism checker technology.
- When in doubt, the student should contact the instructor for clarifications.

VI. Course Webpage (on LMS)

Given the online delivery of the lectures we expect to use the course webpage extensively for multiple purposes.

Homework assignments will be posted on the course webpage. You are expected to obtain these from the webpage directly.

Material to be read before the class as well as any additional material that we think could be of interest will also be put on the course webpage.

The webpage will also be used for announcements (e.g., error in Problem Set). It is your responsibility (as adults) to check for announcements.

Please use the Discussion Board on the course webpage. This could be a valuable resource for exchanging ideas and sharing knowledge.

VII. Honor Code

ISB takes the honor code seriously, and so should you. The student handbook contains details on the honor code and ethics standards at ISB. Please ensure that you read the relevant section(s) in the Handbook. Feel free to ask us in case you have any questions.