



Victoria Management School

**MMBA 503
ECONOMICS**

Trimester 2 2005

COURSE OUTLINE

Contact Details

Neil Quigley, Pro Vice Chancellor (International and Professor of Economics)

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Lewis Evans, Professor of Economics

Office: Rutherford House 316
EMail: Lew.Evans@vuw.ac.nz
Telephone: 463-5560 Fax: 463 5014

Class Times and Room Numbers

Mondays 17:40 – 19:30
RH LT 3

Tutorials

Optional tutorials for those without a background in economics will be conducted by:

Bronwyn Howell

Office: Rutherford House 1010
Email: Bronwyn.Howell@vuw.ac.nz
Telephone: 463-5563

Thursday's: time tbc

Final Examination Period 10 October – 4 November 2005

Course Objectives

By the end of this course, you should have developed a knowledge of the principles of microeconomics sufficient to apply economic analysis to common management problems.

Textbook

Recommended

Paul Milgrom and John Roberts, *Economics, Organization and Management*, (Prentice Hall).

Carlton and Perloff *Modern Industrial Organization* (Prentice Hall)

This textbook will be supplemented with applications to contemporary regulatory, competition and business decision problems in the New Zealand context.

The course is taught at a level that assumes no prior knowledge of economics, but participants whose first degree is in economics will naturally have some advantage in dealing with the course material. Participants who do not have any economics in their first university degree will benefit from careful study of the reading assigned during the first four weeks of term, since this will provide a range of fundamental microeconomic concepts that will be used later in the course.

Throughout the course there will be optional tutorial sessions that will provide review of the lecture material and related economic concepts. Tutorial discussion questions will be issued at each lecture. Tutorials also provide an opportunity for course participants to discuss assignment questions.

Assessment Requirements

The best five marks gained in six assignments	30%
Mid-term test (closed book) (tbc) Venue: RHLT3	20%
2-hour final examination	50%

Questions for each assignment will be distributed during the lecture that relates to those questions, and will be due at the next lecture. Assignments will normally be marked and returned within one week.

The assignments are to be presented to a standard appropriate to a management document (typed, with excellent English expression and structure of argument, with tables and graphs prepared to a high standard). Use of bullet points is acceptable where this provides the clearest presentation of the relevant ideas.

All work submitted for assessment is to be substantially your own, although you are encouraged to discuss your ideas as they develop with other students. Submitting another's work as your own would be unethical, whether you are detected or not, and not consistent with the behaviour expected of future management leaders. There are substantial penalties (detailed in the University Calendar) for academic misconduct.

In fairness to other students, work submitted after the deadline will incur a 2% penalty for each day late. You are expected to plan your work to make sufficient allowance for unexpected business demands; however, the tutor will discuss an extension of the deadline for students affected by illness or bereavement.

If you have any disabilities or special needs we will attempt to provide reasonable accommodation for those in respect of texts and examinations.

The terms requirement for the course is that participants must complete the mid-term test, the final exam and at least 5 assignments.

Victoria MBA Grading Standards

- Victoria MBA - **Excellent** Category
A (80 – 85%) to A+ (above 85%): The quality is performed to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master's level.
- Victoria MBA - **Very Good** Category
B+ (70 – 74%) to A- (75 – 79%): The quality is performed at a high standard. Students have reached a level which clearly exceeds “competency”.
- Victoria MBA - **Good** Category
B- (60 – 64%) to B (65 – 69%): The quality is clearly demonstrated without being exceptional in any way. Students can be thought of as competent in respect of this quality.
- Victoria MBA - **Satisfactory** Category
C (50 – 54%) to C+ (55 – 59%): The quality is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to “fail” the student on this quality.
- Victoria MBA - **Unsatisfactory** Category
E (0 – 39%) to D (40 – 49%): The quality is absent or performed to a very low level, or the performance is seriously flawed in this respect.
- Please note that the MBA Board of Studies (End of Course Marks Meeting) reserves the right to adjust final grade distributions in order to achieve meaningful grading standards and equity in the application of evaluation standards across various MBA courses.

Individual Work

While the Victoria MBA programme has a tradition of study group collaboration, there are important elements in the assessment process that are strictly individual. Collaboration on individual assignments is not allowed beyond general discussion as to how one might interpret the nature of the assignment question. Please do not work together to formulate a response and do not loan out your completed assignments.

Communication of Additional Information

Additional information and information on any changes will be conveyed to students via class announcements and in written form on the university blackboard server for MMBA 505.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at:

www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the MBA Programme Director, then the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning

- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at:

www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz

Schedule of Lectures and Tutorials

Date	Lectures		Tutorials
4 July	Theory of the firm <ul style="list-style-type: none"> • Limited liability • Coase and transaction costs • Property rights 	NQ	Supply and Demand Profit and not-for-profit firms
11 July	Cost concepts for the firm <ul style="list-style-type: none"> • Economies of scale and scope • Opportunity cost • Fixed, sunk and variable costs • Cost of capital 	LTE	Review of cost concepts
18 July	Competition and monopoly <ul style="list-style-type: none"> • The competitive firm • Monopoly pricing and output • Natural monopoly 	LTE	Assignment
25 July	Pricing and Welfare under Regulation <ul style="list-style-type: none"> • Common costs and incremental costs • Problems with marginal cost and TSLRIC • Real options provided by the regulated firm • Price discrimination 		Assignment
1 August	Bounded rationality, private information <ul style="list-style-type: none"> • Limits to human rationality • Private information in contracts • Private information in insurance • Market responses to private information 	NQ	Assignment
8 August	Moral hazard and adverse selection <ul style="list-style-type: none"> • Enforcement of agreements • Long-term contracts 	LTE	Preparation for mid-term test
tbc (12:30pm – 2.30pm)	Mid-term test		

29 August	Strategic interaction <ul style="list-style-type: none"> • Economics of strategy • Anticipating your rival's response • Prisoner's dilemma • Sequential game 	NQ	Mid Term test returned Assignment
5 September	Competition, Regulation and the Commerce Act <ul style="list-style-type: none"> • Commerce Act – outline • Substantial lessening of competition • Market definition • Barriers to entry • Mergers and conduct • Regulation of markets 	LTE	
12 September	Competition, entry and regulation in practice <ul style="list-style-type: none"> • Competition strategy in practice • Innovation and entry in established markets • Regulated vs unregulated markets • Public policy issues in regulation 	LTE	
19 September	Financial Structures and Investment <ul style="list-style-type: none"> • Cost of Capital • Debt/equity structures • Business cases and investment decisions • Real Options 	LTE	Assignment
25 September	Governance <ul style="list-style-type: none"> • Owners vs Managers • Alignment of interests • Executive / non-executive boards • Function separation / conflict resolution • Performance monitoring 	NQ	Assignment
3 October	Internal labour markets and executive remuneration <ul style="list-style-type: none"> • Hierarchies and tournament • Incentives for high performance • Tenure systems • CEO remuneration 	NQ	

ASSIGNMENTS

1. All assignments must have the following information on the front page of the assignment:
 - (a) Course number
 - (b) Course Name
 - (c) Assignment Title
 - (d) Name of Lecturer
 - (e) Name of student

2. Assignments should be handed to the lecturer in class time, OR placed in the assignment box in the Graduate Lounge on or before the due date. The box will be cleared daily and assignments ticked off against a class list.

NOTE: Assignments must not be handed to the Programme Administrator or emailed to the lecturer.

3. Assignments will be either returned at the tutorials or placed in student pigeonholes in sealed envelopes by the Programme Administrator. Please recycle the envelopes.