

Victoria Management School

MMBA 503 ECONOMICS

Summer Trimester 2006

COURSE OUTLINE

Contact Details

Coordinator

Bronwyn Howell, Victoria Management School

Office: Rutherford House, Room 1003

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Telephone: (04) 463 5563

Mob (0275) 635 563

Class Times and Room Numbers

Time: Tuesdays 20:00 – 22:00 November 14 to Jan 30

Location: GBLT3

Plus: Thursday 12.30-14.30 February 8 venue t.b.a
Waitangi Day lecture make-up

The course has a final examination, to be held during the examination period 12 February to 17 February 2007.

Tutorials

Optional tutorials for those without a background in economics will be provided, beginning in week 2.

There is a choice of tutorial time: you may come to one, none or both

Thursday 12.40-14.30 RWW 127

Thursday 17.40-18.30 RWW 315

Workload

Workload expectations for this course are xx hours per week

Course Objectives

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.

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.

Course Content

The course will cover cost and “efficiency” concepts, supply and demand, strategic interaction, contracts, moral hazard and adverse selection, the theory of the firm, nonprofit firms, competition and regulation, pricing and welfare under regulation, financial structure, innovation and investment, competition law, governance, internal labour markets and executive compensation.

Readings

Recommended textbooks

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

Dennis Carlton and Jeffrey Perloff, *Modern Industrial Organisation*, 4th ed., (Addison Wesley), 2005.

Both are available on Closed Reserve at the library – it is recommended that you have access to both (e.g. sharing within study groups)

Specific Topics

Avinash Dixit and Barry Nalebuff, *Thinking Strategically: The Competitive Edge in Business Politics and Everyday Life*, Norton, NY, 1991

John McMillan, *Reinventing the Bazaar: a natural history of markets*, Norton, NY, 2002

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

Tutorials

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

Students will prepare two copies of each hand-in assignment and keep the second copy for their own reference. Students must also keep an electronic copy of their work.

Final Grade

The best five marks gained in seven assignments 30%

Mid-term test (closed book) 20%

Thursday 11 January 12.30-14.30 Venue: RHLT2

2-hour final examination 50%

Assignments

Each of the seven assignments is 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 for 5 days after which time it will not be accepted for assessment. 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.

Assignment Arrangements

1. Questions for each assignment will be distributed via Blackboard with the lecture notes related to those questions, and will be due at the next lecture.
2. 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
3. Assignments should be handed to the lecturer in class time. If you need to make alternative arrangements for delivery, contact Bronwyn Howell.
- NOTE:** Assignments must not be handed to the Programme Administrator or emailed to the lecturer.
4. Assignments will be either returned at the lectures or tutorials or placed for collection at Rutherford House Level 10 Reception. Assignments will normally be marked and returned within one week.

Penalties

In fairness to other students, work submitted after the deadline will be subject to a penalty of 2% of the total marks available per day of lateness. Assignments more than one week late will not be accepted. A “zero” mark will be applied. In the event of unusual, unforeseen circumstances (e.g., serious illness, family bereavement), students should discuss waiver of the penalty with the course controller prior to the deadline date.

Mandatory Course Requirements

To meet mandatory course requirements for the course, participants must complete the mid-term test, the final examination, and at least 5 assignments.

Passing the Course

In order to pass this course, students are required to obtain at least forty percent of the final examination marks available, and obtain at least fifty percent of the overall course marks available.

Victoria MBA Grading Standards are as follows:

Excellent Category

A- (75 – 79%) to A (80 – 85%) to A+ (above 85%): The learning is demonstrated to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master’s level.

Very Good Category

B+ (70 – 74%): The learning is demonstrated at a high standard. Students have reached a level that clearly exceeds “competency”.

Good Category

B (65 – 69%): The learning is clearly demonstrated without being exceptional in any way. Students can be thought of as fully competent.

Satisfactory Category

B- (60 – 64%): The learning is demonstrated without being exceptional in any way. Students can be thought of as competent.

Marginal Category

C (50 – 54%) to C+ (55 – 59%): The learning is demonstrated to a minimally acceptable

level. There may be flaws but these are not serious enough to “fail” the student.

Unsatisfactory / Failure Category

E (0 – 39%) to D (40 – 49%): The learning is absent or performed to a very low level, or the performance is seriously flawed.

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.

Referencing

There are many different styles of referencing and the Faculty of Commerce & Administration at VUW has decided to make APA (American Psychological Association) referencing style the common standard across the Faculty. The Commerce and Central Libraries hold the APA Style Guide. You can also access the information from the online VUW library site (<http://www.vuw.ac.nz/library/resources/virtualref.shtml#style>).

Communication of Additional Information

Additional information or information on changes will be made in writing on Blackboard.

Lecture Schedule – MMBA503

Schedule of Lectures and Tutorials

Date	Lectures	Assignments
14 November	Organisation of firms and markets, efficiency; ownership; the theory of the firm <ul style="list-style-type: none">• Opportunity cost• Welfare is efficiency• The theory of the firm• Coase and transaction costs• Property rights• Limited liability	
21 November	Cost concepts, the competitive process <ul style="list-style-type: none">• Average, Marginal costs• Optimal quantities• Competitive processes	
	Markets: Competition and Monopoly	

28 November

- The competitive firm
- Monopoly pricing and output
- Natural monopoly

Assignment 1 due

5 December

Pricing and Welfare under Regulation

- Common costs and incremental costs
- Problems with marginal cost and TSLRIC
- Real options provided by the regulated firm
- Price discrimination

Assignment 2 due

12 December

Strategic interaction

- Economics of strategy
- Anticipating your rivals response
- Looking forwards and reasoning back
- Competition and cooperation

Assignment 3 due

19 December

Contracts; Moral Hazard and Adverse Selection

- Role of contracts
- Transactions costs,
- Private information in contracts & insurance
- Bounded rationality
- Principal and agent
- Enforcement of agreements
- Long term contracts
- Insurance contracts
- Role of tort

Assignment 4 due

9 January

Issues to do with innovation and investment

- Innovation and entry in established markets
- Regulated vs unregulated markets
- Public policy issues in regulation
- Competition strategy in practice

11 January Mid-term test RHLT2 (12.40pm-2.30pm)

16 January

- **Financial Structure**
- Cost of Capital
- Debt/equity structures
- Business cases and investment

- decisions
- Real Options

23 January	<p>Competition Law</p> <ul style="list-style-type: none"> • Commerce Act – outline • Substantial lessening of competition • Market definition • Barriers to entry • Mergers and conduct • Regulation of markets 	Assignment 5 due
30 January	<p>Governance</p> <ul style="list-style-type: none"> • Owners vs Managers • Alignment of interests • Executive / non-executive boards • Function separation / conflict resolution • Performance monitoring 	Assignment 6 due
8 February 12.30-14.30 Make-up for Waitangi Day Venue t.b.a.	<p>Internal labour markets and executive remuneration</p> <ul style="list-style-type: none"> • Hierarchies and tournament • Incentives for high performance • Tenure systems • CEO remuneration 	Assignment 7 due

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).

- Examinations-related information during the examination period.
To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at www.vuw.ac.nz.

Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy 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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at 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. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

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 Impairments

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email disability@vuw.ac.nz. The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

Student Support

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email student-services@vuw.ac.nz) is available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/.

VUWSA employs 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 (tel. 04 463 6983 or 04 463 6984, email education@vuwsa.org.nz) is located on the ground floor, Student Union Building.

Manaaki Pihipihinga - Maori and Pacific Mentoring Programme (Faculty of Commerce and Administration)

This is a mentoring service for Maori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta
Manaaki Pihipihinga Coordinator
Room 210, Level 2
Railway West Wing
Tel. (04) 463 8997
Email: Puawai.Wereta@vuw.ac.nz

Fa'afai Seuli
Pacific Support Coordinator
Room 109 B
14 Kelburn Parade
Tel. (04) 463 5842
Email: Faafoi.Seuli@vuw.ac.nz

The Pacific Support Coordinator is also available on the Pipitea Campus, Room 212, Level 2, Railway West Wing, every Thursday, 1-4pm. No appointment is necessary. You can either come in, email or phone with any issue that you need help with. Fa'afai links Pacific students to the services and support they need while studying at Victoria.