

**Microeconomics for Managers  
MBAs, Fall Quarter 2008  
PMSB 204A**

**Richard McKenzie**

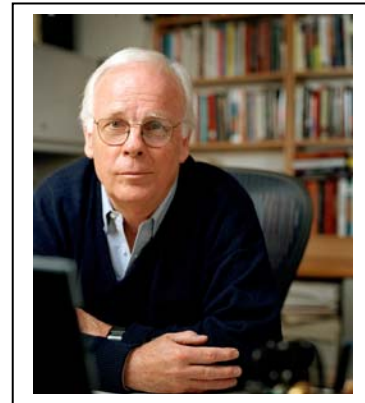
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**Teaching Assistants for the FEMBA-A and B classes:**

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**INTRODUCTION**

This course is designed to introduce MBA students to basic microeconomic theory at a relatively rapid pace. The focus will be on fundamental economic principles that can be used by managers to think about business problems, including those inside the firm (relating to the problem of administering the firm's resources in the most cost-effective way) and those outside the firm (relating to broader market and government forces that can affect the behavior of firms.) The course will not deal directly with standard "managerial economics," which tends to emphasize the mathematics and statistical techniques used in optimizing firm decisions. However, every effort will be made to apply basic principles to management problems, mainly those relating to getting incentives right for customers, suppliers, workers, managers, and owners. Accordingly, this course will focus on an emerging subdiscipline within economics, *organizational economics*. It will stress methods of thinking, and MBA students will be evaluated on their ability to recall, use, and extend the methods of thinking that are covered during the quarter.

## **COURSE RESOURCES AND ASSIGNED READINGS**

The reading assignments are made as a form of guidance through important topics in modern microeconomics. The student should focus on learning the underlying theory and on being able to apply the theory to managerial and social problems, not on who said what in given chapters and articles.

### **Textbooks**

**Richard McKenzie and Dwight Lee, *Microeconomics for MBAs: The Economic Way of Thinking for Managers* (Cambridge University Press, 2006).** This book was developed explicitly for MBA students, with the feedback from Merage students.

### **Additional Recommended (Not Required) Books**

**Richard McKenzie and Gordon Tullock, *The New World of Economics, 5<sup>th</sup> edition* (McGraw-Hill, 1994).** This book has been provided because I will occasionally draw lecture topics from it. When I do, I will alert students to the appropriate chapters. I have also included it in your course materials package because, in some regards, it is a predecessor to *Freakonomics*, given that it was first published in 1974 and has been used in over five hundred colleges and universities around the country and world and that it demonstrated early on how economic methods of thinking could be applied to topics far removed from theretofore strict boundaries of “business” and “markets.”

**Tim Harford, *The Logic of Life* (Random House, 2008).** This book will not be covered in this course. It is provided in the hope that student who take this course will want to extend their reading in economics after the course has ended.

### **DVD Video Course Modules**

Sixty-five (five-to-fifteen-minute) video modules are provided on a DVD inside the back cover of *Microeconomics for MBAs*. These modules deal with basic economic concepts and with difficult-to-grasp lines of argument, all covered in the textbook. The numbers on the modules indicate the chapters in the textbook with which they are associated. For example, Module 5.1 applies to Chapter 5. The video modules can be downloaded to iTunes and then iPods at <http://media.merage.uci.edu/Richard/MicroEcon/VideoModules>. They can also be view on YouTube (<http://www.youtube.com/user/richardmckenzie>).

The video modules are designed to be a supplement to assigned readings and class lectures, not a replacement for them. That is, the modules are not designed to make a complete course. The modules are not a part of the course requirements. However, if past student experience is any guide, you will likely view them frequently. See the attached instructions.

### Audio Versions of the Textbook

I have done audio versions of all chapters of *Microeconomics for MBAs*. I have done the readings on the presumption that time is a major constraint for fully employed and executive MBA students, given the demands of work, family, and school. The audio versions might offer students opportunities to multitask, that is, do some of their “reading” while commuting to and from work and/or while exercising.

The audio versions of the chapters can be downloaded to iTunes from <http://media.merage.uci.edu/Richard/MicroEcon/Audiobook>, which can then be downloaded to iPods (or heard via Media Player on laptops and desktops). Since the figures and tables in the various chapters are a part of the audio files and show up on iPod screens when they are discussed in the readings, iPods with video capabilities are recommended. **However, having an iPods is not a course requirement.** If past student reactions are indicative, the audio versions will be helpful to about a third of the students in the class. (Unfortunately, I did the audio recordings of the chapters. My apologies for my audio recording limitations.) See the attached instructions.

### iClickers.

For the first time this year, all students will receive iClickers in the package of course “materials.” You will be asked to register your iClicker, which has its own code. iClickers enable students to offer feedback to questions in class. I plan to use the clickers in two ways: First, I will ask students to respond to questions just to see how students responds to various problems I want to raise in class. (“Should we feel sorry for people who are flooded out of their homes or those who are not flooded out?” The answer might not be as obvious as you think.) Second, I plan to ask up to three questions in class that relate to the previous lecture or to the reading for the class. Individual student responses will be recorded and graded at the end of the course (student numerical score will be the percent of in-class questions answered correctly). Details on the grading process will be given during the first class meeting.

### Office Hours

I have no regularly scheduled office hours, mainly because all of my students work and cannot make set hours on campus. However, I will be available virtually every day, all day, during the term. I will be happy to schedule meetings with students at any time.

Also, I generally go to Starbucks (the one in the University Research Park, at the corner of Bison and California, tucked inside a parking lot) every morning very early and can meet with students there before work. I am generally there by 6:30 AM and stay until I finish reading my morning papers, which means I am there until about 8:00 AM. You can just drop by any morning unannounced. However, to make sure I am there when you come by, you can give me a

call or send me an email about your plans. My office phone number is my cell number, which means I can be reached most times of the day. You can also call me after 6:30 in the morning to see if I am at Starbucks.

I try to respond as quickly as I can to student emails and phone calls. If you have not received a reply from me within, say, four hours at the outside of your contacting me, something could have gone wrong (and I do get a lot of emails, some of which may get lost in the volume). Try again.

## **COURSE REQUIREMENTS AND METHOD OF EVALUATION**

The final grade will be determined by the student's performance on five course requirements:

- Two tests during the quarter and
- One final examination (optional, given all the other course evaluations).
- Three team papers on assigned "puzzles."
- Score on responses to questions asked in class (with the score being the percentage of questions gotten correct).

The grade on each of the seven components will be given equal weight in assigning the final grade. I will assign separate numerical scales for letter grades on each component. To determine your grade, I will simply total your points on the seven components. I will then total the break-off points for each letter grade on all components. Your letter grade for the course will be determined by fitting your total points into course scale determined by summing the break-off points for each letter grade on all three tests. (Confused? I will explain in detail during the first class.)

As indicated, I will be assigning three "puzzles," each of which will require team discussion for developing an "answer." Your team will be required to provide a written solution of no more than 500 words for each puzzle (you can use as many graphs as you like). The writing assignment must be spread evenly among team members. The written assignments will be individually graded. At the start of the class when the puzzles are due, I will randomly call on students to provide an answer to the assigned puzzle.

## COURSE SCHEDULE

- For the first class, you should review the following materials: McKenzie and Lee, chapters 1 and 2 and the associated video modules.
- The first test will be given the second half of the fourth class and will cover the first five chapters of the textbook and related lectures. The second test will be given the second half of the eighth class.
- All class assignments will be made week by week, at the end of each class. I have tried in the past to schedule the reading assignments class by class for all classes before the course starts. However, given that my lectures often move with the flow of current economic events and policy controversies, my preset schedules have almost always had to be adjusted week by week. The outline for the course is set by the table of contents for the McKenzie/Lee textbook. The chapters will be followed in order, and I expect to go through at least 13 of the 15 chapters in that book.
- The final examination will be held during the scheduled last class (or exam). Because of the severe time constraint for grading the final exam and for submitting grades, the final exam will have to be largely objective. The tests given during the quarter will be largely essays.

# Directions for Downloading Video Modules and Audio Files for *MICROECONOMICS FOR MBAs*

By Richard McKenzie and Dwight Lee

## To iPods

1. To download the video modules and audio chapters and for *Microeconomics for MBAs* so that they can be played either on an iPod (preferably a video iPod) or on iTunes, you will need iTunes. To obtain iTunes 7,

- Go to <http://www.apple.com/itunes/download/>
- Click "Download iTunes -- Free" (it is not necessary to enter an email address)

2. After downloading iTunes,

- Open iTunes
- Click the "Advanced" menu
- Click "Subscribe to podcast"
- Paste or type in one of the following links (the non-italicized text only):

*Audiobook with figures/tables – intro + chapters 1 - 16 (for video iPods)*

<http://media.merage.uci.edu/Richard/Microecon/Audiobook/Subscribe>

*Audiobook without figures/ tables – intro + chapters 1 - 16 (for non-video iPods)*

<http://media.merage.uci.edu/Richard/Microecon/Audiobook/SubscribeAudioOnly>

*Video modules (for video iPods)*

<http://media.merage.uci.edu/Richard/Microecon/VideoModules/Subscribe>

*Video modules, audio-only (for non-video iPods)*

<http://media.merage.uci.edu/Richard/Microecon/VideoModules/SubscribeAudioOnly>

3. The first item on the podcast you have chosen will download automatically. To receive the other entries:

- Click the small arrow immediately to the left of the title of the podcast (*ie "Microeconomics for MBAs-Video Modules"*)
- Click the "Get all" button to the right of the title. If you have an older version of iTunes, this button will not be present and you will have to click each individual "Get" button to the right of each entry. The files should then download.