

Managerial Economics in China

1. Course Description

This is level 2 microeconomics course. It is less theoretical than a microeconomic principles course and more attention is given to topics which are relevant to managerial decision making especially those in China. Managerial economics concerns the decisions made within a firm. In this course, we will teach you to increase a company's profitability by applying economic analysis to a wide array of business problems. A problem-solving approach will be used to achieve this objective. This will encourage us to focus on the application of economic tools rather than allowing ourselves to settle for a purely theoretical understanding. This course will especially focus on the situation of managerial decision making in China so that you can have better understanding of Chinese economy and culture.

2. Course Objectives and Requirements

1. Course Objectives :

The intention of this course is to introduce to you a wide variety of problems faced by managers. Faced with these problems, you will be given the opportunity to develop strategies and tools for solving the problems. At the end of the course and having completed the essential reading and activities students should:

- 1) develop greater knowledge of the types of problems faced by firm managers.
- 2) improve your economic intuition concerning these problems and their solutions.
- 3) get knowledge about characteristics of managerial decision making in China
- 4) be able to analyze and discuss consumer behavior and markets in general.
- 5) be able to analyze business practices with respect to pricing and competition
- 6) be able to define and apply key concepts in decision analysis and game theory.
- 7) improve your presentation skills, including developing the ability to convey information to others and to clearly explain and defend your decisions and results.

2. Requirements :

With Managerial Economics in China as prerequisites, students are expected to get prepared for lectures, finish and submit assignments as required.

3. Course Arrangement

Course name		Managerial Economics in China	Total Credit Hours	54
unit	Credit hours	Contents	Preparation of class and reading materials	Cases
1	4	Unit One : Introduction to Managerial Economics 1. What is managerial economics? 2. The theory of firm 3. Market structure and managerial decision making	1. Chapter 1 of Textbook (D. Salvatore)	
2	6	Unit Two : The basics of supply and demand 1. Supply and Demand 2. The market mechanism 3. Changes in market equilibrium 4. Seller surplus 5. Buyer surplus	Chapter 1 & 2 of Textbook (D. Salvatore) Case : Hamilton Real Estate	1. Hamilton Real Estate
3	6	Unit Three : The Elasticity of Supply and Demand and Its Application 1. Elasticities of supply and demand 2. Short-run versus long-run elasticity 3. Revenue and elasticity 4. Tax and elasticity	Chapter 3 of Textbook (D. Salvatore) Case : Resolving China's power shortage	1. Resolving China's power shortage

4	8	Unit Four : Production and Cost 1. Markets and organizations 2. The technology of production 3. Production with one variable input 4. Production with two variable inputs 5. Isoquants 6. Returns to scale 7. Measuring cost 8. Cost in the short run 9. Cost in the long run 10. Long-run versus short-run cost curves 11. Production with two outputs—economies of scope 12. Dynamic changes in costs—the learning curve	1. Chapter 6 & 7 of Textbook (D. Salvatore) 2. Sinopec Corporation: two billion Yuan question	1. Sinopec Corporation: two billion Yuan question
5	6	Unit Five : Market structure and perfect competition 1. Market structure 2. Characteristics of perfectly competitive markets 3. Output choice in the short run 4. Output choice in the long run	1. Chapter 8 of Textbook (D. Salvatore)	
6	4	Unit Six : Monopoly 1. Characteristics of monopoly markets 2. Demand curve and revenue curve of monopoly company 3. Output choice in the short run 4. Output choice in the long run	1. Chapter 8 of Textbook (D. Salvatore) 2. Airbus and Boeing	1. Airbus and Boeing
7	4	Unit Seven : Monopolistic Competition	1. Chapter 8 of Textbook (D.	1. The TV industry in

		1.Characteristics of monopolistic competition markets 2.Demand curve and revenue curve of monopolistic competition company 3.Output choice in the short run 4.Output choice in the long run	Salvatore) 2. Case: The TV industry in China	China
8	4	Unit Eight : Market failure and government intervention 1.Information Asymmetry 2.Externality 3.Ways of Correcting Market Failure	1. Chapter 12 of Textbook (D. Salvatore) 2. Case: China's quiet export: Children	1. China's quiet export: Children
9	4	Unit Nine : Corporate social responsibility 1. The importance of having CSR under the current trend of sustainable development 2. Current trends in CSR 3. Possible benefits in CSR 4. Major obstacles in applying CSR	1. Delivered material 2. Case: Nike Corporation: jumping the hurdle of social responsibility disclosure	1. The CSR in Nike
10	4	Unit Ten : Location choice of a company 1. Classic theories of location choice 2. Major factors influencing the location choice of different types of company 3. Localization economies and its applications 4. Urbanization economies and its applications	1. Delivered material	
11	4	Unit 11 The estimation of production function & econometrics 1. The estimation process of classic	1. Chapter 2 & 4 of Textbook (D. Salvatore)	

		types of production function 2. Introduction to some popular software of conducting econometric analysis		
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4. Teaching Methods

Lectures、Discussions、Case Analysis, etc.

5. Learning Outcomes Expected

Category	Learning Outcomes
Master of Knowledge	<ol style="list-style-type: none"> 1. Master the basic hypothesis, principles of economics 2. Master the basic concepts and principles of market and firm 3. Familiar with demand, supply and market mechanism 4. Familiar with different types of elasticity and their application 5. Familiar with different market structures and their characteristics 6. Master major types of market failure and possible solutions to these failure 7. Understanding the necessity of having the concept of CSR and theories concerning CSR 8. Understanding characteristics of government and company relationship and how could it be applied in doing business in China 9. Understand the major factors affecting firm's location choice and how companies can gain external economies from its location choices.
Intellectual abilities learned	<ol style="list-style-type: none"> 1. Have the ability to analysis how market equilibrium changes according to changes in demand and/or supply 2. Have the ability to analysis how a firm reaches equilibrium in its production 3. Have the ability to set different market strategies based on the analysis of elasticity of different products in different markets 4. Have the ability of using different pricing strategies based on the analysis of different market types

	<ol style="list-style-type: none"> Have the comprehensive economic abilities of how the macroeconomic factors can affect company strategy Have the ability of understanding characteristics of managerial practices in Chinese companies
Practical skills learned	<ol style="list-style-type: none"> The skills of calculating different types of elasticity and the related revenue change caused by price change The skills of calculating different types of cost and getting the equilibrium level of production The skill of distinguishing increasing returns to scale from decreasing returns to scale The skill of using basic econometric software The skill collecting business data from various sources to assist decision making
Personal competences and characters Cultivated	<ol style="list-style-type: none"> The competence of thinking questions by using globalization view and the idea of sustainable development The management competence of being good at planning, organization and communication The competence of critical acceptance of knowledge and innovation The competence of flexibly contingency management according to different external environment Character of "respect others" and humanism Have the charm of leadership and responsibility The team spirit of cooperation

6. Performance Evaluation: Means & Ratio

Evaluation Means	Ratio (%)	Relation to the Intended Learning Outcomes
Attendance and engagement	10	Class attendance and engagement will count toward the final grade. The focus will be on both quantity and quality. For the quality part, students are expected to be active in class discussion and raise personal opinion on related topics.
Group project	15	Evaluate the abilities of understanding and application of

		microeconomic knowledge related and the abilities of team participation and effective communication
Individual homework	15	Helping the students to understand and directly apply the concepts, theories and calculations discussed in class.
Mid-term exam	30	Emphasis on evaluating the degree of mastering the basic concepts and important theories in demand and supply, elasticity, production and cost as well as purely competitive market. Through the exam, the level in mastering and applying these kinds of knowledge of students can be gained.
Final exam	30	Emphasis on evaluating the degree of mastering the basic concepts and important theories we covered in the whole semester. Through the exam, the level in mastering and applying the knowledge in managerial economics of students can be gained.

7. Textbook, References and Reading Materials

1) Textbook

- [1] D. Salvatore Managerial Economics . Tsinghua Press, 2009.
- [2] Robert S Pindyck Daniel L Rubinfeld. Microeconomics . 5th edition , 2001 , Prentice-Hall
- [3] Gregory N Mankiw. Principles of Economics. The Dryden Press, 1998

2) Periodicals and Magazines

- [1] American Economic Review
- [2] Economic Research
- [3] Social Science in China
- [4] Management World
- [5] Quarterly Journal of Economics
- [6] Nankai Economic Review
- [7] China Industrial Economics
- [8] World Economies

8. Cases

- [1] Hamilton real estate
- [2] Resolving China's power shortage
- [3] Sinopec Corporation: two billion Yuan question
- [4] Airbus and Boeing
- [5] The TV industry in China
- [6] China's quiet export: Children
- [7] The CSR in Nike

9. Assignment Requirements

Group Assignment:

Group assignments are meant to reinforce concepts covered in class as well as to expose the students to the practical issues faced in various business situations. Students may use the concepts and principles discussed in the lectures of the part pertaining to each assignment. But the assignments may also require the students to go beyond these concepts and look at other practical issues that may be relevant.

Students will be divided into groups with 3 or 4 members in each group and that the students keep their group consistent throughout the semester. Since preparation and the ultimate write up as well as the presentation will be a group effort, only one write-up should be submitted for each group. To discourage free-riding at the time each group assignment is submitted, each group member would be asked to clarify the contribution of each of the other group members in that assignment.

The criteria of assignment evaluation (100 points)

- 1) Whether the analysis is comprehensive and full of information which reflects the amount of work the students have devoted to this project 25 points
- 2) Whether the presentation brings us insightful and innovative answers to the problem discussed 20 points
- 3) Whether group members convey their ideas clearly and give answers to questions raised by other students in the class 20 points
- 4) Whether the students bring a new perspective to the analysis of the problem 15 points
- 5) Whether the insights is linked with the contents discussed in class 10 points

- 6) Whether the PPT and document is made seriously and beautiful and handed in on time
10 points

Individual Homework Assignments:

Students should refer to the school website to see the designated homework. These assignments are designed to help the students understand and directly apply the material discussed in class. Students will be required to hand in their own solutions although they may discuss the homework with peers. The expectation is that there will be a high correlation between the students' ability to solve the homework questions and their performance on the exam.

Late homework will not be accepted. If you are unable to hand in homework due to medical reasons, I will count that homework if you provide me with a note from a doctor or a clinic.

Appendices:

1. The course PPT
2. Case material
3. Other teaching material (such as reading materials, the articles)