Overview

In this class, students learn to apply tools from microeconomics to improve business decisions. In particular, microeconomics casts important light on a firm’s ability to make and sustain profits.

I will not assume any prior knowledge of microeconomics. I realize that some students have taken microeconomics as part of previous degree programs. The class will be more applied than many undergraduate microeconomics classes.

Parts of economic analysis are quantitative. However, I will not use more mathematics than necessary. In particular, I will not make use of calculus.

Class materials

The class textbook is:

It is available from (among other places) the University of Washington bookstore.

Make sure to complete any assigned reading before each class. I will post assigned reading on the calendar for the Canvas class. An alternative to the textbook readings is to watch the corresponding textbook videos. I will post links on Canvas (they are also easy to find using Google). For most people I think it will make more sense to read the textbook, but some people may find the videos a viable alternative.

In addition to the main textbook, I highly recommend “The Undercover Economist" by Tim Harford. I will draw from at least some material in this book, and post at least one chapter on Canvas page, but the whole book is interesting.

I will place additional readings and lecture notes on the Canvas page. I will generally not bring hard copies to class.

Topics

We will cover the topics below, in the order listed. The associated textbook chapters are in parentheses.
Basic tools of economic analysis: Economic profit, marginal analysis (chapters 3, 4)
Demand curves, and their use in pricing decisions (chapter 6)
Economies and diseconomies of scale (chapter 7)
Industry analysis and basic strategy (chapters 8, 9, 10, 11)
Back to pricing decisions (chapters 12, 13, 14)
Auctions (chapter 18)

Guest lectures

Class 6 (Oct 12): Shane Tackett, Alaska Airlines, Senior Vice President of Revenue Management and E-commerce.
Class 18 (Nov 30): Gabrielle Fuller, Amazon, Head of Sales and Go-to-market for Echo Devices; and Dave Zimmer, Amazon, Vice President of Sales, Marketing, Operations, and Planning.

Class expectations

Class Attendance: Required, as stated in handbook. Participation and attendance can affect your grade.

The main aim of the class is the application of economic principles. To accomplish this, class participation is very important. There will be extensive class discussion and small-group in-class exercises.

Please arrive in class on-time. Use electronic devices only for class-related activity.

Name tents: Please display your name tent in class. I will remind you to do this.

Honor code: The Foster MBA Program Honor Code applies. A full statement is here: http://www.foster.washington.edu/academic/mba/currentstudents/Pages/honorcode.aspx
In brief the Honor Code states: “Cheating, attempted cheating, plagiarism, lying, and stealing in relation to academic work is prohibited.”

Core grading: I will follow the agreed guideline for core classes, and assign grades with a median of 3.4.

Class assignments

If any of the dates below present a problem for you, please let me know immediately.

Weekly online quizzes:
There are relatively short online quizzes most weeks, administered via Canvas. Each quiz will be available midnight Thursday to midnight Sunday. I will set a time limit of approximately 1-2 hours for each quiz, but my expectation is that quizzes will require much less time. The quizzes will test basic understanding of recent class material. These quizzes must be done individually. However, you may use the textbook and class notes.

You have the option to take each quiz twice. Only the higher score will count towards your grade.

Specific quiz deadlines: Sunday October 1, 8, 15, 22, 29, November 12, 19, December 3

*Group homeworks:*

There are 6 group homeworks, with the following due dates:
- Thursday October 5
- Thursday October 12
- Tuesday October 24
- Tuesday November 14
- Tuesday November 21
- Wednesday December 6

Each homework is due at the beginning of class on the relevant day. I will post the homework on Canvas a minimum of one week ahead of time.

The homeworks are designed to be done in groups. You can hand in one write-up per group. However, if you cannot reach agreement within your group, you are welcome to hand-in multiple solutions.

Although this is a group assignment, it is really important that all group members actively participate in the entire homework. Also, each group’s submission should be independent from the submissions of all other groups. I am very happy for you to discuss microeconomics outside of class, and that potentially includes discussing homeworks in *general* terms. But the *specifics* of homeworks should be discussed only within your group, and breaches of this constitute a serious breach of academic honesty.

My main aim in the homeworks is to encourage you to apply microeconomics to situations different from those we have explicitly discussed in class.

The textbook contains many additional questions. I will post lists of recommended questions on Canvas.

*Exams:*
There is an in-class midterm on Tuesday October 31. The final is at 2.30pm, Monday December 11.

Both exams are in-class closed book exams. For each exam you can bring a one-page “cheat sheet,” written on both sides.

I will devote at least some of the classes on October 24 and December 6 to pre-exam review. In addition, the review sessions on October 26 and December 8 will focus on going over old exam questions.

The final is comprehensive, i.e., covers material from the entire quarter.

Class meeting times and location

All classes meet in Paccar 390, and last 1 hour 50 minutes.

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<th>Section A</th>
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<td>Tues, Sep 26</td>
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<td>Thur, Sep 28</td>
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<td>4 (HW)</td>
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<td>6 (HW)</td>
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<td>9 (HW)</td>
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<td>10** (Midterm)</td>
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<td>18</td>
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<td>19</td>
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<td>20 (HW)*</td>
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<td>Final exam*</td>
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* Irregular time
** Irregular classroom: Paccar 292

Review sessions

There is a weekly review session, Fridays, 10.15am – 11.45am. There is no review session on Friday October 27; that week, the review session will be on Thursday
October 26. There is no review session on November 10 or November 24. The review sessions are optional, and are led by the teaching assistant for the course, Rui Han (ruihan@uw.edu).

**Grading**
I will assign final grades using the maximum of

(i) Quizzes, 12%, Homeworks, 18%, Midterm, 35%, Final, 35%
(ii) Quizzes, 12%, Homeworks, 18%, Midterm, 25%, Final, 45%