

Course		
Managerial Economics		
Lecturer	Duration	ECTS/Credit Points
James Johnston	International Week	3 CP
Course Character	Semester	Course Language
Elective Course	Fall	English
Prerequisites		
None		
Description of the Course		
<p>This course begins by setting the firm in its wider context and examining how internal and external forces can act to constrain the behavior of corporate leaders. Traditional economic theory suggests firms can usefully be thought of as profit maximisers. Some of the key non-profit maximizing models (e.g. Baumol's Sales-Revenue model) of the firm that emerged to challenge the conventional paradigm are introduced. The course then proceeds to the origins of agency relationship (Jensen and Meckling) and to explore theoretical developments in agency theory. How the solution to the Principal-Agent problem depends on assumptions regarding the distribution of information is explored. Transaction cost theory and the problems of using the market in the presence of asymmetric information (adverse selection and moral hazard) are discussed. The final section of the course links the theory to key debates in Business relation to executive compensation and corporate governance, both in the Anglo-Saxon and other contexts.</p>		
Course Components		
<p>Attendance and Participation: Attendance and participation are expected of all students for all classes. Several self-assessment surveys and skill building exercises will be done to improve leadership skills for work engagement and ethics.</p>		
Preparation For and Participation in Class		
<p>Students are required to pre-read course material (case studies and articles) that will be provided. Reflection on the reading material will form the basis of individual and group discussions in class. Students are expected to consult any additional information necessary to enhance their understanding of the course content. Assessment will take the form of a group presentation on the final day of the course.</p>		
Course Outline		
Day 1: Monday		
08.30 - 09:00 Welcome and Introduction		

09:00 - 10:00 The profit maximization assumption: is it useful?
10:00 - 11:00 Does the market discipline Corporate Leaders?
11:00 - 11:30 Group activity 1
11:30 - 12:30 Internal Controls as a substitute for weak external controls
12:30 - 13:00 Group Activity 2

Day 2: Tuesday

08.30 - 10:30 Profit or Sales-Revenue as a Maximand
10:30 - 11:00 Group Activity 1
11:30 - 13:00 Corporate Goals and corporate behaviour
13:00 - 13:30 Group activity 2
13.30 - 14.30 Behavioural perspectives on the firm

Day 3: Wednesday

08.30 - 10:30 When does it pay to sell a stake in your business?
10:30 - 11:00 Group Activity 1
11:30 - 12:30 Theoretical perspectives on solutions to the Agency problem. (Part I)
12:30 - 13:00 Group activity 2
13.00 - 14.30 Theoretical perspectives on solutions to the Agency problem (Part II)

Day 4: Thursday

08.30 - 10:30 Executive compensation: a thorny issue.
10:30 - 11:00 Group Activity 1
11:30 - 12:30 Attempts to reform the governance of the corporation in the UK.
12:30 - 13:00 Group activity 2
13.00 - 14.30 International aspects of executive pay and corporate governance.

Day 5: Friday

09:30am – 11:00 Group Presentations

References

Douma, S. and Schreuder, H. (2017) *Economic Approaches to Organizations* Pearson Publishing

Putterman, L. and Kroszner, R.S. (eds.) (1996) *The Economic Nature of the Firm*

Main, B.G.M. and Johnston, J (1993) *Remuneration committees and corporate governance*, Accounting and Business Research, Vol 23, 1993
<https://doi.org/10.1080/00014788.1993.9729903>

Selections from Koutsoyiannis, A. (1979) *Modern Microeconomics*

Selections from Hay, J. (1996) *Intermediate Microeconomics*

Important Note:

The above outline is tentative and can be modified. This outline is only designed to give students an idea of the topics and the rate at which they will be covered. Some of the above topics will be covered in greater detail than others. The relative importance of each topic will be indicated in class.