

# Economics for Business

## Syllabus 2024–2025

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### Contact

**Instructor:** Luc Hens ([luc.hens@vub.be](mailto:luc.hens@vub.be)). Office: Pleinlaan 5, fifth floor, room 515. If you mail me concerning this course, start the subject line with Economics for Business and then a brief description of what the mail is about.

**Learning platform:** We use the Canvas learning platform, accessible via the student portal of the university web site. Regularly check the learning platform and verify what happened during classes you missed.

**Office hours:** By appointment ([calendly.com/luc-hens](https://calendly.com/luc-hens)) on Fridays 14:00–16:45; in person in my office or via Microsoft Teams.

**Time and place of class:** Most classes are on Thursdays 6:00–09:00 pm in auditorium QB. This is the preliminary schedule as of mid-September; check your on-line schedule for possible changes:

week 2	Thursday 26 September 2024	6:00–09:00 pm	auditorium QB
week 3	Thursday 3 October 2024	6:00–09:00 pm	auditorium QB
week 4	Thursday 10 October 2024	6:00–09:00 pm	auditorium QB
week 5	Thursday 17 October 2024	6:00–09:00 pm	auditorium QB
week 6	Thursday 24 October 2024	6:00–09:00 pm	auditorium QB
week 7	Thursday 31 October 2024	6:00–09:00 pm	room D003
week 8	Thursday 7 November 2024	6:00–09:00 pm	auditorium QB
week 9	Thursday 14 November 2024	6:00–09:00 pm	auditorium QB
week 10	Thursday 21 November 2024	no class	
week 11	Thursday 28 November 2024	no class	
week 12	Thursday 5 December 2024	no class	
week 13	Thursday 12 December 2024	no class	
week 14	Thursday 19 December 2024	no class	

### Course description

Economics for Business (3 ECTS credits) introduces students pursuing a graduate degree in business to the principles of micro-economics. Focus is on understanding how markets work (the price system). Topics include: supply and demand, elasticity, applications of supply and demand, the costs of production, firms in competitive markets, monopoly.

## Course objectives

This course aims to teach students majoring in business how to think like an economist and provides them with the basic tools of economics that help understand the markets in which they operate, the economic decision problems they face, and the wider economic environment.

## Course prerequisites

This course requires that students can read and draw **graphs** and can work with **percentages**. Read “Appendix A — Reading Graphs and Making Graphs” from Cowen and Tabarrok (2021, pp. A1–A12) and the handout on percentages posted on the learning platform. I won’t cover this material in class; you have to review it on your own.

## Text

The **required textbook** is Cowen and Tabarrok (2021) (ISBN 978–1319383039), available in the Standaard Student Shop (on campus: B building) and on your favorite on-line bookstore (e.g., [amazon.de](https://amazon.de), [bol.com](https://bol.com)) (about 75 euro). If you use an older edition it is up to you to check the correspondence between the old and new editions. The book ties in with the *Principles of Economics: Microeconomics* course of Marginal Revolution University (<https://mru.org>); the on-line materials (such as videos and self-tests) are excellent.

I regularly post newspaper articles on the learning platform. Keep a file with newspaper clippings related to economics subjects; try to organize them according to the textbook chapter they relate to. Some further material may be distributed during the course.

I expect you to follow the economic news by reading the daily newspaper *The Financial Times* (limited access on [ft.com](https://ft.com)) or the weekly *The Economist* (limited access on [economist.com](https://economist.com)). The latest issues of both are available on paper in the reading corner of the library. You can subscribe to *The Financial Times* or *The Economist* with considerable student discounts at 4uCampus ([4ucampus.be](https://4ucampus.be)). If you read Dutch: The Belga.press database offers on-line access to Belgian newspapers in Dutch with a two-day delay. Access Belga.press from the VUB library site: go to <https://www.vub.be/en>, scroll down to Library > VUB Libraries > databases > B, and scroll to Belga.press. Register in Belga.press using your VUB mail address.

## Preparation for class, attendance

Carefully read the materials indicated in the course schedule before coming to class. Economics is a sequential subject: new topics build on concepts introduced before, so it is crucial to keep up with the material as we go along and to regularly review concepts. In the European Credit Transfer System (ECTS) the total workload for a three-credit course is 75–90 hours. I don’t use PowerPoint slides; I expect you to take notes. Bring the following things to class meetings: an A4-sized notepad or notebook with 5×5 mm squared paper (notebooks of

the *Atoma* brand use rings that allow you to easily add, remove, and reorganize pages); a ruler with a centimeter scale; a mechanical pencil; some colored pencils; an eraser; a calculator (the TI-30X Plus or TI-34 are good value for money; about 30 euro). You don't have to bring the textbook to class.

Work the problems that are listed on Canvas (as I am using a new textbook, I haven't had time to list the problems in the schedule below). Problems of this type will be part of the examination. Study the **key concepts** listed at the end of each chapter; the glossary is in the back of Cowen and Tabarrok (2021, pp. G-1–G-6) and I posted a text file with key concepts on the learning platform. It's a good idea to use flash cards to study the key concepts. Anki (<https://apps.ankiweb.net/>) is an open-source flashcards app; you can import the text file with key concepts into Anki.

Attending classes adds value: concepts are reviewed, theory is applied to current events, and you can ask questions.

Work as many end-of-chapter problems as possible. Problems of this kind may be part of the examination. I don't distribute the solutions because freshman students in another introductory economics class solve these problems in tutorial sessions; if I distribute the solutions, soon students will be sitting in the tutorials with the solutions in front of them and they won't learn to think for themselves. You can find hundreds of solved numerical problems—similar to the ones in Cowen and Tabarrok (2021)—in Salvatore (2011) and Salvatore and Diulio (2012) (available in the library with call number 330 G SALV 2012).

## Teaching and assessment methods

Economics for Business uses a mix of interactive classroom lectures and in-class problem sets. Students are assessed on basis of a **written exam**. The examination consists largely or completely of multiple-choice questions. The multiple-choice part of the exam is graded using a raised cut-off. That means that, in order to compensate for questions that had the right answer because the student gambled and was lucky, the boundary between pass and fail is not half of the number of questions but more than that. For instance, if there are 40 multiple-choice questions with four options each, just by guessing a student would on average get 10 questions out of 40 right. In order to pass, a student should then get at least half of the remaining 30 questions right. So overall, in order to pass a student should have at least 25 questions out of 40 right (62.5 percent).

The exam covers all the material listed in the schedule below, even if we didn't discuss it in the class meetings. Bring the following things to the exam: your student ID, a mechanical pencil with soft leads (#2 HB), an eraser, a blue pen, some colored pencils or pens (not red), a ruler with a centimeter scale, and a simple calculator (erase the memory before the start of the exam). Put everything in a 1 liter transparent resealable (Ziploc) plastic bag. No phones, smartwatches or other electronic devices; no pencil cases; no paper; no food. A bottle of water is allowed if you remove the label, but a reusable bottle is better. You can buy a 50 cl Doppler bottle with the logo of your *Alma Mater* in the university bookshop.

For multiple-choice questions, to find the right answer you often need to explicitly write out your work in long form. The exam booklet has sufficient

space to do so on the opposing page. Start by writing down the givens. Then write down what is asked. Then write down your work, step-by-step, with brief declarative sentences explaining key steps. You do this for yourself (not for us: we won't read it), but it's essential to find the right answer and review your work at the end of the exam.

Don't mail or call me to inquire about your grade. Grades are communicated by the administration, not by me.

## Course schedule

Consult the learning platform regularly (at least once a week) for announcements and possible schedule changes. Skip the chapter appendices unless specified in the schedule.

### Week 1 (starts on Monday 16 September 2024)

Week 1 is orientation week. No class. Attend the orientation session for MSc Management. Take notes.

### Week 2 (Thursday 26 September 2024)

**How the course is organized.** Read "Appendix A — Reading Graphs and Making Graphs" from Cowen and Tabarrok (2021, pp. A-1–A-12) and the hand-out on percentages posted on the learning platform. I won't cover this material in class; you have to review it on your own. Also read: "The Big Ideas" (Cowen and Tabarrok, 2021, pp. 1–12). This course focuses on Big Ideas 1 through 4.

**Module 1: Supply and Demand** Cowen and Tabarrok (2021, chapter 3). Work the following problems from chapter 3: 6, 11, 13, 14, 17, 18, 23, 26, 27, 33.

### Week 3 (Thursday 3 October 2024)

**Module 2: Equilibrium: How Supply and Demand Determine Prices** Cowen and Tabarrok (2021, chapter 4). Work the following problems from chapter 4: 5, 8, 13, 14, 16, 25, 30.

**Module 3: Elasticity and Its Applications.** Cowen and Tabarrok (2021, chapter 5). Skip "Using Elasticities for Quick Predictions" (Cowen and Tabarrok, 2021, p. 90). Work the following problems from chapter 5: 1, 2, 5, 11, 12, 23.

### Week 4 (Thursday 10 October 2024)

**Module 4: Taxes and Subsidies** Cowen and Tabarrok (2021, Chapter 6). Work the following problems from chapter 6: 1, 2, 8, 9.

**Module 5: Price Ceilings and Price Floors** Cowen and Tabarrok (2021, Chapter 8). Skip “Advanced Material: The Loss from Random Allocation” (Cowen and Tabarrok, 2021, pp. 146–147). Work the following problems from chapter 8: 3, 11, 12, 14.

### **Week 5 (Thursday 17 October 2024)**

**Module 6: Externalities: When the Price Is Not Right** Cowen and Tabarrok (2021, Chapter 10). Also read: “Externalities: The Lives of Others.” *The Economist*, 19 August 2017, pp. 52–53; Global warming: Green light,” *The Economist*, 7 October 2023, pp. 63–64 (both are posted on the learning platform). Work the following problems from chapter 10: 1, 5, 7, 9, 11.

### **Week 6 (Thursday 24 October 2024)**

**Module 7: Cost and Profit Maximization Under Competition** Cowen and Tabarrok (2021, Chapter 11). Read: Tom Fahey. (2016, January 14). Is £2 a fair price for a cup of hot water and lemon? *The Guardian* (<https://www.theguardian.com/lifeandstyle/wordofmouth/2016/jan/14/is-2-a-fair-price-for-a-cup-of-hot-water-and-lemon>). To the explicit costs listed in the article you should add the opportunity cost of the owner’s time and savings invested (the implicit costs) to get the economic cost. Work the following problems from chapter 11: 1, 7, 11, 14, 20, 23.

### **Week 7 (Thursday 31 October 2024)**

**Module 8: Competition and the Invisible Hand** Cowen and Tabarrok (2021, Chapter 12). Work the following problems from chapter 12: 2, 3, 4, 7.

### **Week 8 (Thursday 7 November 2024)**

**Module 9: Monopoly** Cowen and Tabarrok (2021, Chapter 13). Work problems (to be announced). Read: Stefania Palma, Stephen Morris and Michael Acton (2024, August 5). Google loses landmark US antitrust case over search dominance, *Financial Times* (on Canvas). Work the following problems from chapter 13: 1, 3, 7, 8, 10, 12.

### **Week 9 (Thursday 14 November 2024)**

**Module 9: Monopoly** (continued). Cowen and Tabarrok (2021, Chapter 13).

### **Week 10 (Thursday 21 November 2024)**

No class for Economics for Business.

### **Week 11 (Thursday 28 November 2024)**

No class for Economics for Business.

### **Week 12 (Thursday 5 December 2024)**

No class for Economics for Business.

### **Week 13 (Thursday 12 December 2024)**

No class for Economics for Business.

### **Week 13 (Thursday 19 December 2024)**

No class for Economics for Business.

### **Exam period (6 January–1 February 2025)**

**Written exam.** Time and place to be announced. Read the section on *Teaching and assessment methods* for more details.

## **References**

- Cowen, T. and Tabarrok, A. (2021). *Modern Principles of Economics*. Worth, 5th edition.
- Salvatore, D. (2011). *Schaum's Outline of Microeconomics*. Schaum's Outline Series. McGraw-Hill, New York, 4<sup>th</sup> edition.
- Salvatore, D. and Diulio, E. (2012). *Schaum's Outline of Principles of Economics*. Schaum's Outline Series. McGraw-Hill, New York, 2<sup>nd</sup> edition.