

# ECON 5100 3.00: The Economic Environment of Business



## Course Outline

Monday XX:XX – XX:XX, Beginning September xx, 2021

### Instructor

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Professor Atipol Bhanich Supapol has been teaching at the Schulich School of Business since 1989. He was previously country chief and head of corporate finance for NatWest Securities Asia (Thailand), a subsidiary of NatWest Bank, UK., and director and VP of PricewaterhouseCoopers Securities (PwC Securities) in New York, responsible for corporate debt restructuring and cross-border M&A.

### Brief Description

This course provides managers with an overview of the economic environment within which business must operate, and an understanding of some of the analytical tools which economists use to solve business, economic, environmental and social problems. Key concepts and ideas from microeconomics, macroeconomics, environmental and international economics are introduced. Topics relevant to real-world issues and problems are discussed.

**Prerequisites/Co-requisites/Course Exclusions:** None.

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## Course Learning Outcomes

1. Understand fundamental microeconomics concepts, tools and theories required by a well-educated responsible manager, working for a domestic or international organization in a globalized economy including socially responsible decision making around key issues.
2. Understand basic macroeconomic factors affecting the operating environment of firms and organizations in a domestic and international context.
3. Understand underlying economic incentives and externalities of organizations and implications for managers and stakeholders.
4. Understand potential problems associated with different market structures, the role of government, and their implications for managers and organizations.
5. Be able to apply economic concepts and frameworks to analyze business models and develop strategies for the deployment of organizational resources.
6. Integrate economic environment analysis across disciplines.

## Deliverables at a Glance

Students are expected to do the assigned readings, participate actively in class and of course complete assignments. In table below, the impact of each task on your final grade for the course is indicated in the “ % weight “column.

Assignment/Task	Quantity	% Weight	Total %	Format
Class Participation	1	10%	10%	Individual
Assignment 1	1	15%	15%	Individual
Examination 1	1	30%	30%	Individual
Assignment 2	1	15%	15%	Individual
Examination 2	1	30%	30%	Individual
			<b>100%</b>	

## Course Material

*Required reading* for this course includes the following book[s] and articles. The required textbooks for this course consist of:

**Microeconomics:** Canadian Edition Third Edition | ©2018 Paul Krugman; Robin Wells; Iris Au; Jack Parkinson, and

**Macroeconomics:** Canadian Edition Third Edition | ©2018 Paul Krugman; Robin Wells; Iris Au; Jack Parkinson

Textbooks are available for purchase from the York University Bookstore (<http://bookstore.blog.yorku.ca>).

Supplementary Readings and Handouts: An important goal of the course is for students to relate economics concepts to current events. Daily reading of the business news is highly recommended. Additional required current-issue readings may also be assigned later. Most of these will be distributed as electronic handouts or will be available on designated web sites. Students are encouraged to read the business section of at least one of the following: The Globe & Mail, National Post, The Economist, The Financial Times (London), or other similar publications.

### Useful sites

International Monetary Fund: Finance and Development  
<http://www.imf.org/external/pubs/ft/fandd/2012/09/index.htm>

Bank of Canada  
<http://www.bankofcanada.ca>

The Economist  
<http://www.economist.com>

### Student Preparation for Class and Class Participation: Expectations

Students are expected to keep up with contemporary economic issues and global business events, which will constitute the basis of on-line discussions. The course will make use of resources available from the Internet and other digital sources.

***Preparation and Class Participation.*** You are expected to prepare for our on-line lectures by completing before-class readings, keeping up with topical domestic news and international economic developments, and watching assigned videos. It is worthwhile that you read the assigned textbook chapters and associated articles before attending the lecture, but the reading does not have to be in-depth since you can go back after class to see what has been emphasized in the class discussion. In terms of grasping the material, it is a good idea to reread your notes from the class discussion after each and every session to make sure you understand the concepts and their applications.

## Class-by-Class Syllabus

This course covers a broad range on Economic topics. Theoretical elements are provided and empirical work is discussed to illuminate the policy issues at hand. The emphasis is clearly on the **application** of the theory. This course falls neatly into two parts: Managerial Microeconomics and Managerial Macroeconomics. I will do Microeconomic subjects in the first half of the course until the Midterm exam, after which, I will switch to Macroeconomics.

Topics, readings, and other preparations for every class are listed below

Note: If any changes in this schedule become necessary, notifications will be posted on the course CMD, and when changes need to be announced between classes, an email will be sent to students' Lotus Notes email accounts, notifying them of the change.

Session	Topic	Readings
1	<p><u>Class 1: Introduction and Course Overview</u></p> <p>Markets and Institutions</p>	<p><b>Microeconomics</b>, Krugman: Chapters 1 and 3</p> <p>"Micro and Macro: The Economic Divide," Finance and Development, IMF. <a href="http://www.imf.org/external/pubs/ft/fandd/basics/bigsmall.htm">http://www.imf.org/external/pubs/ft/fandd/basics/bigsmall.htm</a></p> <p>"Supply and Demand," Finance and Development, IMF. <a href="https://www.imf.org/external/pubs/ft/fandd/2010/06/basics.htm">https://www.imf.org/external/pubs/ft/fandd/2010/06/basics.htm</a></p> <p>"In a fix: Why price controls are so uncontrollably persistent New data from the World Bank show how much governments meddle in price-setting," The Economist Jan 2020. <a href="https://www.economist.com/finance-and-economics/2020/01/09/why-price-controls-are-so-uncontrollably-persistent">https://www.economist.com/finance-and-economics/2020/01/09/why-price-controls-are-so-uncontrollably-persistent</a></p> <p>"The 'free' economy comes at a cost - But economists struggle to work out how much," The Economist. <a href="https://www.economist.com/news/finance-and-economics/21727073-economists-struggle-work-out-how-much-free-economy-comes-cost">https://www.economist.com/news/finance-and-economics/21727073-economists-struggle-work-out-how-much-free-economy-comes-cost</a></p> <p>Video - Markets and Institutions <a href="https://youtu.be/BgozQ_P29xY">https://youtu.be/BgozQ_P29xY</a></p>
2	<p><u>Class 2: Demand, Elasticity of Demand, and Value</u></p> <p>How do firms analyse and use elasticity of demand? What is Value?</p>	<p><b>Microeconomics</b>, Krugman: Chapters 4, 5 and 6</p> <p>Video: What is economic value, and who creates it? <a href="https://www.ted.com/talks/mariana_mazzucato_what_is_economic_value_and_who_creates_it#t-1104538">https://www.ted.com/talks/mariana_mazzucato_what_is_economic_value_and_who_creates_it#t-1104538</a></p> <p>"The price of fun: How much does it cost to have a good day out?," The Economist, Jan 2019, 2020. <a href="https://www.economist.com/1843/2019/01/21/the-price-of-fun">https://www.economist.com/1843/2019/01/21/the-price-of-fun</a></p>
3	<p><u>Class 3: Cost of Production</u></p> <p>What should managers know about technology, production and costs?</p>	<p><b>Microeconomics</b>, Krugman: Chapters 9 and 11</p> <p>"Why do firms exist?" The Economist, Sep. 17<sup>th</sup>, 2017. <a href="https://www.economist.com/the-economist-explains/2017/09/18/why-do-firms-exist">https://www.economist.com/the-economist-explains/2017/09/18/why-do-firms-exist</a>.</p>

	<p>What are Economies Scale and Scope? What do we know about Value Creation and Value Extraction?</p>	<p>“Coase’s theory of the firm,” The Economist, July 27<sup>th</sup>, 2017. <a href="https://www.economist.com/economics-brief/2017/07/27/coases-theory-of-the-firm">https://www.economist.com/economics-brief/2017/07/27/coases-theory-of-the-firm</a></p> <p>Video - Wine Production Cost: <a href="https://youtu.be/Dl4fMODg0VU">https://youtu.be/Dl4fMODg0VU</a> Video - Lavender Value Chain <a href="https://youtu.be/AR9fHBC67pg">https://youtu.be/AR9fHBC67pg</a></p>
4	<p><u>Class 4: Operating Environments: Industry Structures, Firms’ Behaviours, and Enterprise Performance</u></p> <p>How do firms maximize profits? How important are barriers to entry? Why do economists worry about dominant firms?</p>	<p><b>Microeconomics</b>, Krugman: Chapters 12 to 15</p> <p>“A GE whodunnit: The downfall of America’s industrial giant is a cautionary tale for all big firms,” The Economist, August 2020. <a href="https://www.economist.com/business/2020/08/01/a-ge-whodunnit">https://www.economist.com/business/2020/08/01/a-ge-whodunnit</a></p> <p>“Briefing: Google’s problems are bigger than just the antitrust case - As the computing conglomerate has grown, so too have the risks that it becomes more like a conventional company,” The Economist, July 23<sup>rd</sup>, 2020. <a href="https://www.economist.com/briefing/2020/07/30/googles-problems-are-bigger-than-just-the-antitrust-case">https://www.economist.com/briefing/2020/07/30/googles-problems-are-bigger-than-just-the-antitrust-case</a></p> <p>“Business and Climate Change Adaptation: Toward Resilient Companies and Communities”, UNEP <a href="https://caringforclimate.org/wp-content/uploads/Business_and_Climate_Change_Adaptation.pdf">https://caringforclimate.org/wp-content/uploads/Business_and_Climate_Change_Adaptation.pdf</a></p>
6	<p><u>Class 6: International Trade, Global Value Chains (GVCs), and Externalities</u></p>	<p><b>Microeconomics</b>, Krugman: Chapters 8 and 16</p> <p>“How Knowledge Spreads,” Finance and Development, IMF. <a href="https://www.imf.org/external/pubs/ft/fandd/2018/09/pdf/globalization-and-how-knowledge-spreads-eugster.pdf">https://www.imf.org/external/pubs/ft/fandd/2018/09/pdf/globalization-and-how-knowledge-spreads-eugster.pdf</a></p> <p>“Medicines, Patents, and TRIPs,” Finance and Development, IMF. <a href="https://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/subraman.pdf">https://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/subraman.pdf</a></p> <p>“Trade and the Environment: Implications of COVID-19”, UNEP <a href="https://wedocs.unep.org/bitstream/handle/20.500.11822/32286/TradeEnv.pdf?sequence=1&amp;isAllowed=y">https://wedocs.unep.org/bitstream/handle/20.500.11822/32286/TradeEnv.pdf?sequence=1&amp;isAllowed=y</a></p>
7	<p>Midterm</p>	
8	<p><u>Class 8: Macroeconomic Indicators</u></p> <p>What macroeconomic indicators do executives monitor?</p>	<p><b>Macroeconomics</b>, Krugman: Chapters 7, 8 and 9 (only the ‘East Asian Miracle’)</p> <p>Video: “How the Economic Machine Works,” Ray Dalio, YouTube video (30 minutes), <a href="https://www.youtube.com/watch?v=PHe0bXAluk0">https://www.youtube.com/watch?v=PHe0bXAluk0</a></p> <p>“What is Gross Domestic Product,” Finance and Development, IMF. <a href="http://www.imf.org/external/pubs/ft/fandd/2008/12/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2008/12/basics.htm</a></p> <p>“What is a recession?” <a href="https://www.imf.org/external/pubs/ft/fandd/2009/03/basics.htm">https://www.imf.org/external/pubs/ft/fandd/2009/03/basics.htm</a></p> <p>“What Constitutes Unemployment?” <a href="http://www.imf.org/external/pubs/ft/fandd/2010/09/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2010/09/basics.htm</a></p> <p>“What is Inflation?”</p>

		<a href="https://www.imf.org/external/pubs/ft/fandd/2010/03/basics.htm">https://www.imf.org/external/pubs/ft/fandd/2010/03/basics.htm</a>
9	<p><u>Class 9: Fiscal Policy, Government Deficit and Public Debt</u></p> <p>Understanding Aggregate Demand and Aggregate Supply, government policies and debt.</p>	<p><b>Microeconomics</b>, Krugman: Chapters 12 and 13</p> <p>Video: "Fiscal Policy and Stimulus" Crash Course Economics, YouTube Video <a href="https://www.youtube.com/watch?v=otmgFQHbaDo">https://www.youtube.com/watch?v=otmgFQHbaDo</a></p> <p>Video: "Deficits and Debts" Crash Course Economics, YouTube Video <a href="https://www.youtube.com/watch?v=3sUCSGVYzI0">https://www.youtube.com/watch?v=3sUCSGVYzI0</a></p> <p>"What is Fiscal Policy," Finance and Development, IMF. <a href="http://www.imf.org/external/pubs/ft/fandd/2010/09/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2010/09/basics.htm</a></p> <p>"Free Money: Governments can now spend as they please," Economist, July 25<sup>th</sup>, 2020. <a href="https://www.economist.com/leaders/2020/07/23/governments-must-beware-the-lure-of-free-money">https://www.economist.com/leaders/2020/07/23/governments-must-beware-the-lure-of-free-money</a></p> <p>"Briefing: Starting over again - The covid-19 pandemic is forcing a rethink in macroeconomics," Economist, July 25<sup>th</sup>, 2020. <a href="https://www.economist.com/briefing/2020/07/25/the-covid-19-pandemic-is-forcing-a-rethink-in-macroeconomics">https://www.economist.com/briefing/2020/07/25/the-covid-19-pandemic-is-forcing-a-rethink-in-macroeconomics</a></p> <p>Video - Government and Business: <a href="https://www.youtube.com/watch?v=Gc5BSbeFDWI">https://www.youtube.com/watch?v=Gc5BSbeFDWI</a></p>
	<p><u>Class 10: Monetary Policy</u></p> <p><b>Understanding modern monetary</b></p>	<p><b>Macroeconomics</b>, Krugman: Chapters 14 and 15</p> <p>"What is monetary policy?" Finance and Development, IMF. <a href="http://www.imf.org/external/pubs/ft/fandd/2009/09/pdf/basics.pdf">http://www.imf.org/external/pubs/ft/fandd/2009/09/pdf/basics.pdf</a></p> <p>"How Monetary Policy Works," Finance and Development, IMF. <a href="http://www.bank-banque-canada.ca/en/monetary_mod/index.html">http://www.bank-banque-canada.ca/en/monetary_mod/index.html</a></p> <p>"What is LIBOR?" Finance and Development, IMF. <a href="http://www.imf.org/external/pubs/ft/fandd/2012/12/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2012/12/basics.htm</a></p> <p>Video - ECB module : <a href="https://app.animaker.com/video/S8R6XRHOMJ8HCRXF">https://app.animaker.com/video/S8R6XRHOMJ8HCRXF</a></p>
	<p><u>Class 11: Exchange Rate Determination and Financial Crises</u></p>	<p><b>Macroeconomics</b>, Krugman: Chapter 18</p> <p>"Exchange Rate Regimes: Fixed or Float?" Finance and Development, IMF. <a href="https://www.imf.org/external/pubs/ft/fandd/2008/03/basics.htm">https://www.imf.org/external/pubs/ft/fandd/2008/03/basics.htm</a></p> <p>"Why Real Exchange Rate?" Finance and Development, IMF. <a href="https://www.imf.org/external/pubs/ft/fandd/2007/09/basics.htm">https://www.imf.org/external/pubs/ft/fandd/2007/09/basics.htm</a></p> <p>"What Caused East Asia's Financial Crisis?" Federal Reserve Bank of San Francisco, Economic Letter, August 1998. <a href="https://www.frbsf.org/economic-research/publications/economic-letter/1998/august/what-caused-east-asia-financial-crisis/">https://www.frbsf.org/economic-research/publications/economic-letter/1998/august/what-caused-east-asia-financial-crisis/</a></p> <p>"What are structural policies?" <a href="http://www.imf.org/external/pubs/ft/fandd/2013/03/pdf/basics.pdf">http://www.imf.org/external/pubs/ft/fandd/2013/03/pdf/basics.pdf</a></p> <p>"Starting over again: The covid-19 pandemic is forcing a rethink in macroeconomics - It is not yet clear where it will lead." The Economist, July 2020.</p>

		<a href="https://www.economist.com/briefing/2020/07/25/the-covid-19-pandemic-is-forcing-a-rethink-in-macroeconomics">https://www.economist.com/briefing/2020/07/25/the-covid-19-pandemic-is-forcing-a-rethink-in-macroeconomics</a>
	<u>Class 12: International Business and Covid-19</u>	TBD.



1. Markets and Institutions [https://youtu.be/BgozQ\\_P29xY](https://youtu.be/BgozQ_P29xY)
2. Lavender Value Chain <https://youtu.be/AR9fHBC67pg>
3. Wine Production Value Chain <https://youtu.be/cmPfl4hwM1Y>
4. Wine Production Cost: <https://youtu.be/Dl4fMODg0VU>
5. ECB module : <https://app.animaker.com/video/S8R6XRHOMJ8HCRXF>
6. Government and Business: <https://www.youtube.com/watch?v=Gc5BSbeFDWI>