

Textbook Choice in MBA Economics Courses

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Overview

- This poster considers the place of managerial economics within MBA programs, and how the most popular books on the market fit the needs of different courses.
- Most MBA programs feature at least one economics course, and managerial economics is the most common.
- Economists are often called upon to teach managerial economics, but it is not a formalized field in Ph.D. programs.
- The leading textbooks offer some consensus on topic coverage, but vary significantly in quantitative rigor and in advanced topic coverage.
- Paper is forthcoming in the *Journal of Economic Insight*.

Data Summary

- 90% of MBA programs require at least one economics course.
- 60% offer a managerial or business economics course.
- In all but two programs with managerial economics, it is the sole economics course.

List of Textbooks

Number of courses using each book is in parentheses.

- Baye & Prince (17)
 - Mathematically rigorous, calculus in boxes
 - Wide topic coverage
 - Includes applied case
- Samuelson, Marks & Zagorsky (10)
 - Somewhat rigorous, calculus in main text
 - Wide topic coverage
 - Includes linear programming
- Farnham (6)
 - Some calculus, but less rigorous
 - Structured more like a principles text
 - Trades traditional topics for macroeconomics
- Froeb, McCann, Shor, & Ward (6)
 - Very little math
 - No regression content
 - Reads more like a business textbook
- Perloff & Brander (5)
 - Most similar to traditional economics books
 - Quite rigorous, calculus in boxes
- McGuigan, Moyer & Harris (4)
 - Offers a variety of approaches
 - Wide topic coverage
 - Numerous short business examples
- Thomas & Maurice (3)
 - Covers most topics, but in less depth
 - Not very mathematically rigorous

Paper

The prepublication version of the paper is available on my website. Download with the QR code:



Data and Methods

Overview of the data collection:

- Start with a list of on-campus (182) and online (48) MBA programs from the Princeton Review.
- Use MBA program websites to identify economics courses (225 total courses).
- Use university bookstore websites to identify textbooks used in these courses (133 found).
- Avoids potential selection bias that can arise from surveys.
- I read through the seven most frequently read books to identify common topics and to compare and contrast the approaches taken by the authors.
- The last study of this kind was done by Anderson & Muraoka (1990).

Summary of Textbook Topics

Coverage of common topics among the seven most popular books:

	Baye	Samuelson	Farnham	Froeb	Perloff	McGuigan	Thomas	Prevalence
Regression	x	x	x		x	x	x	86%
Omitted Variables		x			x	x		43%
Utility Maximization	x		x		x	x	x	71%
Utility Functions	x				x			29%
Production Functions	x	x	x		x	x	x	86%
Cost	x	x	x	x	x	x	x	100%
Perf. Comp./Monopoly	x	x	x	x	x	x	x	100%
Oligopoly	x	x	x		x	x	x	86%
Best-Response Functions	x	x			x			43%
Simultaneous Games	x	x	x	x	x	x	x	100%
Sequential Games	x	x		x	x	x	x	86%
Repeated Games	x	x		x	x	x	x	86%
Government	x	x			x	x	x	71%
Price Discrimination	x	x	x	x	x	x	x	100%
Versioning		x	x	x		x		57%
Bundling	x	x	x	x	x	x	x	100%
Probability	x	x		x	x	x	x	86%
Risk Aversion	x	x			x	x	x	71%
Principal- Agent Problem	x	x		x	x	x	x	86%
International Trade	x	x			x	x		57%
Percent Covered	90%	90%	50%	50%	95%	90%	75%	

Specific Commentary:

- The traditional structure of a managerial economics text combines topics otherwise found in intermediate microeconomics, industrial organization, game theory, and econometrics.
- Two of the books (Farnham, Froeb et al.) depart greatly from the traditional structure.
- Regression is covered by most books, but the omitted variable is only briefly mentioned in three books.
- Micro theory of features in all books, but only a few handle it in a rigorous way (utility functions, etc.).
- Oligopoly models feature in most books, but only a few derive the best-response function quantitatively.

Concluding Remarks

A few closing remarks:

- There is enough variation in the books to support courses in a variety of contexts, for example:
 - How quantitatively prepared are the students? Does the program include a calculus requirement?
 - Does the course need to integrate methods from operations management?
 - Does the course need to include macroeconomics?
- There are elements to like and dislike in all the books. In my own course, I eventually replaced textbooks with my own notes, which established stronger continuity between lectures, reading, and assignments.

My recommendation to instructors: *do more econometrics!*

- The literature on MBA teaching generally says students responds best to immediately applicable skills.
- Econometrics coverage is generally limited to basic regression. If we were to stop here, I tell students: “you know just enough to be dangerous.”
- In my own course, I expanded the econometrics content to three full weeks at the end of the semester. This included a week discussing the omitted variable problem, controls, and proxies.
 - This would require some supplemental texts or instructor-generated content.
- I replaced the final exam with a group case study, in which students chose from three datasets to analyze.
- *Student feedback:* “The case study is thought provoking as well and shows application of material. Overall this is one of the most methodical, thought provoking classes I’ve ever taken and I certainly wasn’t expecting it from an economics course which are notoriously boring and non-applicative.”