Course Description

The main objective of the course is to help you understand the rationale of economic decision makings by the individual and the firm and to understand how the market operates. Complex economic relations will be synthesized into simple and manageable economic models. This course is designed to provide a solid foundation of economic understanding for use in managerial decision making. It offers a comprehensive treatment of economic theory and analysis. The students will become better equipped in analytical tools to appreciate and to assess the economic issues in the society. Then, real world examples and current issues are used to explain the theory. The organization of markets and its implications for firm behavior are also examined. Moreover, the process by which these markets reach equilibrium is explored. Finally, it will be established that government involvement and intervention in the market are legitimized only when the market fails to function efficiently on its own.

About This Course

Economics is an important subject. Those who master the theoretical knowledge of the discipline are able to wield a powerful set of tools capable of affecting, for better or for worse, the material welfare of vast millions of people. Economics helps you to understand the nature and organization of our society, the arguments underlying many of great public issues of the day, and the operation and behavior of business firms and other decision making units. Business Economics is the application of economic theory and analysis to the practice of business firms and other institutions, such as health care facilities and government agencies. This course should alert you to the implications of Microeconomics situations for managerial and personal decisions you will be making in the years ahead. Its main objective is to develop in a simple, thorough, and up-to-date manner those tools and principles that are necessary for understanding and analyzing contemporary microeconomics problems and issues.

Course Objectives

The objective of this course is to provide the student with knowledge of the microeconomic system, its problems, and the efficiency of available tools for the resolution of these problems. MBA 531 should alert you to the implications of microeconomic situations for managerial and personal decisions you will be making in the years ahead. Beyond developing a coherent view of the microeconomic theory, the course also provides the necessary foundation of the macroeconomics theory. The course provides the macroeconomics tools, concepts, theories and techniques that are playing increasingly important roles in both public policy formation and private decision making.
Texts and Course Materials


*Fundamentals of Managerial Economics*, Ninth Edition is a practical guide to the application of economic concepts in managerial decision making. The aim is to help students develop intuition about how economic concepts can be used to both understand and improve managerial decisions. It has been used successfully in both undergraduate and graduate courses.

Alternative References

There exist numerous other intermediate micro text books and references which may be useful for clarifying certain concepts if the Papas, Hirschey treatment is confusing. For example:


Recommended Readings:

A subscription to the *Wall Street Journal* is highly recommended. I will assign weekly readings from current business journals and periodicals. These readings will be assigned to you via e-mail and will be available for you to read over the Internet. These readings will serve as current case studies in the application of economic principles to the business environment. Other useful business journals are: Business Week, Barron's, Forbes and Fortune.

Grading and Evaluation:

Each student will be given a grade reflecting the professor's evaluation of the student's mastery of the course material. The combined points or the Total Score on the following exercises will determine the letter grade in the class:

<table>
<thead>
<tr>
<th>Percent</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Midterm exam</td>
<td>25% 250</td>
</tr>
<tr>
<td>(b) Projects</td>
<td>15% 150</td>
</tr>
<tr>
<td>(c) Quizes</td>
<td>15% 150</td>
</tr>
<tr>
<td>(c) Final Exam</td>
<td>40% 400</td>
</tr>
<tr>
<td>(d) Extra Credit/ Class Participation</td>
<td>5% 50</td>
</tr>
</tbody>
</table>

TOTAL 100% 1,000 Points

Please note that the letter grade in the class will not be calculated as an average of the letter grades for each test/project. In fact, I will not assign any letter grades for each test or project. For each exam or computer project, you will simply get a score and not a letter grade. The letter grade will be determined at the end of the semester based on the combined points of all exams and projects.
A relative frequency distribution of the total score (i.e. a curve) will be used to determine your letter grade in the class. The following scale will be used:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Letter grade</th>
<th>Point Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>95 – 100%</td>
<td>A</td>
<td>4.0</td>
</tr>
<tr>
<td>90 – 94.9</td>
<td>A-</td>
<td>3.7</td>
</tr>
<tr>
<td>87 – 89.9</td>
<td>B+</td>
<td>3.3</td>
</tr>
<tr>
<td>83 – 86.9</td>
<td>B</td>
<td>3.0</td>
</tr>
<tr>
<td>80 – 82.9</td>
<td>B-</td>
<td>2.7</td>
</tr>
<tr>
<td>77 – 79.9</td>
<td>C+</td>
<td>2.3</td>
</tr>
<tr>
<td>73 – 76.9</td>
<td>C</td>
<td>2.0</td>
</tr>
<tr>
<td>70 – 72.9</td>
<td>C-</td>
<td>1.7</td>
</tr>
<tr>
<td>67 – 69.9</td>
<td>D+</td>
<td>1.3</td>
</tr>
<tr>
<td>63 – 66.9</td>
<td>D</td>
<td>1.0</td>
</tr>
<tr>
<td>60 – 62.9</td>
<td>D-</td>
<td>.7</td>
</tr>
</tbody>
</table>

Learning Activities:
The course provides a multitude of learning activities. The underlying objective is to make learning of the course material interesting and pertinent to the professional interests of individual students. The course is designed to provide a balanced blend of theoretical discussions and empirical work, enabling students to prepare for their present and future professional challenges. The learning methods are:

- Instructor’s lectures in the beginning of each class time.
- Discussing application of theoretical issues.
- Solving end of the chapter questions.
- Preparing and presenting group projects.

Program Learning Goals: These are the skills we try to help you build in all MVS courses
1. Critical Thinking
2. Oral Communication
3. Written Communication
4. Collaboration
5. Conduct (Ethics)
6. Competency in Discipline

Student Learning Objectives:
✓ Explain the economic behavior of households and individual firms 1
✓ Understand and apply basic tools in business decision making 1
✓ Describe and apply the scientific method to economic behavior
✓ Identify business objectives; profit maximization and cost minimization (1,3)
✓ Apply the principles of supply and demand to determine prices and identify the factors
  that affect supply and demand (1,3, 6)
✓ Apply sensitivity analyses in business decisions by using concept of elasticity (1,3, 6)
✓ Identify positive and normative methods of analysis. (1,6)
✓ Derive and interpret the optimality conditions for the constrained optimization problems faced by consumers and producers. (1,6)
✓ Identify the key factors affecting demand and supply (1,3)
✓ Incorporate risk considerations as part of business optimal decision-making. 1
✓ Describe and distinguish between various forms of market structures (1, 6)
✓ Evaluate the costs and benefits of alternative forms of public policy (1,3, 6)
✓ Determine the efficiency implications of various forms of market structure. (1,5)
✓ Project the economic consequences of business decisions or policy changes from the short run to the long run. (1, 3, 5)
✓ Identify circumstances where markets may fail and forecast likely outcomes of such failures. (1,5)
✓ Analyze government solutions to market failures. 1

Class Sessions:
Course content and tests will come from both the text and the lecture. In addition to overviewing the concepts developed in the text, class sessions will be devoted to probing, extending, and applying the text material and case studies. It shall be assumed that students have read and are prepared to discuss the text assignments before coming to class, as well as any appropriate case or handout materials. Relatively heavy reliance will be placed on use of the Internet, as a learning tool, in this class. You will receive regular e-mail messages from me, for both reading assignments and class announcements.

Class Project:
Conducting research in a scientific field is a creative activity. You are required to do two short projects. Each project will have 125 points. You have the option of doing these projects on your own or teaming up with another classmate and do it as a team (a team will have at most 2 people). You will have a chance to apply the tools, techniques, concepts and theories that you will learn in this class to a real world managerial problem. The first project focuses on the use of quantitative techniques to estimate demand for a particular product. You will calculate the price elasticity of demand to determine the optimum price for this product. The main purpose of the project is application of quantitative technique (regression analysis) in estimating demand for a product.

The second case is a qualitative research project focusing on economic analysis of an industry. For this research, you will focus on the industry of your choice i.e. selecting your current or future work industry would be an excellent idea. This short paper (8-10pages) will address the following issues for the industry of your choice:

- What is the future of this industry
- How does globalization affect this industry
- Cost-benefit analysis of government regulation of the industry
- A study of the market structure of the industry
**Some hints on how to prepare your term paper:**

With some differences, most research papers in economics have the following segments:

- **Formulating the research question:** (extensive advice will be given by the professor in the first meeting of the class).
- **An introduction to the topic:** Begin the paper by giving reasons for the selection of the topic. It is also useful to indicate the possible uses of the study in its introduction.
- **Survey of the existing literature:** Research in every field is only a link between what exists and what can be further explored; therefore, it is necessary to give a brief account of what others discovered in that particular field of study.
- **Conduct individual analysis:** Here the student should use her/his own methodology and analysis and present the study's achievements. The major part of the researcher's contribution appears in this section.
- **Conclusion and Policy Implications:** A study in economics should help in the making of better decisions. Because of this, a researcher is often faced with and should address the question of policy implications in her/his study.
- **All additional analyses or data can be put in the appendices.**
- **If statistics or views are presented that are not of the researcher, the source should be mentioned in the appropriate fashion.**
- **A bibliography is needed for the paper.** One of the prevailing methods of expressing the references (in a consistent manner throughout the paper) should be used.
- **Do not use emotional or sarcastic phrases.**
- **Mention, if possible, the need for more elaborated work or questions that the study may raise.**
- **Mention the shortcomings of the study rather than hiding them.**

All the research papers should be presented to the class according to a predetermined schedule of presentations. Use of a PowerPoint presentation format is strongly recommended. 15% of your grade will be determined by group project.

**Class Discussion:**

Each student is expected to contribute to class discussion. To a substantial extent, the benefit students derive from the assignments is related to their willingness to expose their viewpoint to the critical judgment of the class. Do not be reluctant to voice your opinion.

**Class Participation:**

Attendance and participation in class is expected and is a component of the final grade. The assigned problems and cases are intended to facilitate learning the concepts and techniques of microeconomic analysis. Homework will be assigned to assist student in learning the material and preparing for the examinations. It is important to remember the more problems a student works, the better he/she should do on the examinations. You are also urged to solve study guide problems or other unassigned problems at the end of each chapter. Students are expected to attend every class. Missing a class will put you at a significant disadvantage for both learning and performance in the class. (If you must miss a class for some reason, recognize that it is your responsibility to get class notes and assignments from a classmate.) Attendance is mandatory, that is, for each time you miss class your grade will go down by 15 points.
**Instructor/Student Interaction:**

If at any point during the course you have questions regarding the preparation of cases, exams, or other course-related issues, please do not hesitate to contact the instructor. If scheduled office hours are inconvenient for you, contact me after class to arrange an alternative appointment.

I care about your progress in the class, and if you are having difficulty, I would like to meet with you. It is my desire that this class will be a positive experience for you, and I want to help make it one. Please do not hesitate to contact me, either by phone or e-mail, for any reason whatsoever.

**Evaluation Policy:**

All aspects of the class are "fair game" for the examinations. Class discussions are included as a source. In particular, if the class has difficulty with particular concepts or techniques on an exam, these are likely to be tested again on a later exam. The student is expected to make every reasonable effort to take all the examinations at the scheduled time. Make up examinations will not be allowed under any circumstances. If an examination is missed for an approved reason, the next exam weight will be increased to compensate for the missed grade. Approval for missed examinations will be rare indeed, and only with appropriate written documentation from authoritative source indicating why the student was unable to appear for an examination. Normally, only a doctor's certification of a severe medical problem will suffice. All examinations will be closed book. The exams will be given on paper (rather than on a computer) but may include pages of Excel output that require your interpretation.

There are no make-up examinations. The only exceptions will be if:

- you get prior approval from me at least 48 hours before the scheduled exam, or
- there is documented evidence of an emergency.

**Awarding of Incompleteness:**

A grade of "INC" will be awarded only if a valid reason for missing the final exam is documented in writing within 48 hours after the final examination is given. The Policy of the university is to be very strict in allowing Incompleteness. Doing poorly in the course is definitely not a sufficient reason for an incomplete.

**Academic Honesty:**

The educational programs of California Lutheran University are designed and dedicated to achieve academic excellence, honesty and integrity at every level of student life. Part of CLU’s dedication to academic excellence is our commitment to academic honesty. Students, faculty, staff and administration share the responsibility for maintaining high levels of scholarship on campus. Any behavior or act which might be defined as “deceitful” or “dishonest” will meet with appropriate disciplinary sanctions, including dismissal from the University, suspension, grade F in a course or various forms of academic probation. Policies and procedures regarding academic honesty are contained in the faculty and student handbooks.

Plagiarism, cheating, unethical computer use and facilitation of academic dishonesty are examples of behavior that will result in disciplinary sanctions. Plagiarism includes, but is not limited to:

- Word for word copying without using quotation marks or presenting the work as yours
- Using the ideas or work of others without acknowledgement
- Not citing quoted material. Students must cite sources for any information that is not either the result of original research or common knowledge.

**Course Content:**
The following topics will be discussed:
- An introduction on the concepts, techniques, and problems in studying managerial economics.
- Understanding basic economic relations.
- Analyses of demand and supply.
- Use of statistical analyses in managerial economics (emphasis on regression analysis).
- Some aspects of forecasting.
- Analyses of production and cost functions and their application in managerial economics.

**Topics By Chapter**

**PART ONE: OVERVIEW OF MANAGERIAL ECONOMICS**

Chapter 1: Introduction to Managerial Economics 1
Chapter 2: Basic Economic Relations 12
Chapter 3: Statistical Analysis of Economic Relations 45

**PART TWO: DEMAND ANALYSIS AND ESTIMATION**

Chapter 4: Demand and Supply 75
Chapter 5: Demand Analysis and Estimation 103
Chapter 6: Forecasting 131

**PART THREE: PRODUCTION AND COMPETITIVE MARKETS**

Chapter 7: Production Analysis and Compensation Policy 160
Chapter 8: Cost Analysis and Estimation 189
Chapter 10: Competitive Markets 275
Chapter 11: Performance and Strategy in Competitive Markets 319

**PART FOUR: IMPERFECT COMPETITION**

Chapter 12: Monopoly and Monopsony 370
Chapter 13: Monopolistic Competition and Oligopoly 408
Chapter 15: Pricing Practices 464
# Tentative Schedule

Below is the tentative schedule for this course.

<table>
<thead>
<tr>
<th>Week</th>
<th>Monday</th>
<th>Wednesday</th>
<th>Chapters to be covered - Deadlines and Exams</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Wednesday, January 22, 2014</td>
<td>Introduction - Chapter 1</td>
</tr>
<tr>
<td>2</td>
<td>Monday, January 27, 2014</td>
<td>Wednesday, January 29, 2014</td>
<td>Chapter 2 - Appendix</td>
</tr>
<tr>
<td>3</td>
<td>Monday, February 03, 2014</td>
<td>Wednesday, February 05, 2014</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>4</td>
<td>Monday, February 10, 2014</td>
<td>Wednesday, February 12, 2014</td>
<td>Chapter 4, Quiz I,</td>
</tr>
<tr>
<td>5</td>
<td>Monday, February 17, 2014</td>
<td>Wednesday, February 19, 2014</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>6</td>
<td>Monday, February 24, 2014</td>
<td>Wednesday, February 26, 2014</td>
<td>Chapter 6, 7</td>
</tr>
<tr>
<td>7</td>
<td>Monday, March 03, 2014 Quiz II</td>
<td>Wednesday, March 05, 2014</td>
<td>Quiz II, Chapter 8</td>
</tr>
<tr>
<td>8</td>
<td>Monday, March 10, 2014</td>
<td>Wednesday, March 12, 2014</td>
<td>Chapter 9</td>
</tr>
<tr>
<td>9</td>
<td>Monday, March 17, 2014</td>
<td>Wednesday, March 19, 2014</td>
<td>Chapter 10, Midterm Exam</td>
</tr>
<tr>
<td>10</td>
<td>Monday, March 24, 2014</td>
<td>Wednesday, March 26, 2014</td>
<td>Spring Recess; no instruction</td>
</tr>
<tr>
<td>11</td>
<td>Monday, March 31, 2014 César Chávez Day Observed; campus closed</td>
<td>Wednesday, April 02, 2014</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>12</td>
<td>Monday, April 07, 2014</td>
<td>Wednesday, April 09, 2014</td>
<td>Chapter 12</td>
</tr>
<tr>
<td>13</td>
<td>Monday, April 14, 2014</td>
<td>Wednesday, April 16, 2014</td>
<td>Chapter 13, Quiz III,</td>
</tr>
<tr>
<td>14</td>
<td>Monday, April 21, 2014</td>
<td>Wednesday, April 23, 2014</td>
<td>Chapter 14</td>
</tr>
<tr>
<td>15</td>
<td>Monday, April 28, 2014</td>
<td>Wednesday, April 30, 2014</td>
<td>Chapter 15 Project is due.</td>
</tr>
<tr>
<td>16</td>
<td>Monday, May 05, 2014</td>
<td>Wednesday, May 07, 2014</td>
<td>Chapter 16 Review</td>
</tr>
<tr>
<td>17</td>
<td>Monday, May 12, 2014</td>
<td>Wednesday, May 14, 2014 Final Exam 1:00-3:00 PM</td>
<td>Final Exam</td>
</tr>
</tbody>
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*Note: The schedule is subject to change.*