Managerial Economics, Fall 2012

Economics 329

Dr. Niklas Hunter

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Office hours: M 4:30 -5:45pm, T 11:30am - 1:15pm

Class time: Class location:

T/R 1:30-2:45pm Bell Tower 2414

In-class exam 1: Tuesday, 2 Oct. (in class)

In-class exam 2: Thursday, 15 Nov. (in class)

Final exam: Tuesday, 11 Dec, 1:00 – 3:00 pm

Course website: <http://blackboard.csuci.edu>

Required text: Managerial Economics and Business Strategy by Michael R. Baye (7th edition, McGraw Hill, 2009)

Grading system

Your grade for the course is based on homework and exams in the following way:

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| --- | --- |
| Task | Percent of grade |
| Homework assignments | 15 |
| Exam 1 | 20 |
| Exam 2 | 20 |
| Group Project | 5 |
| Final exam | 40 |

Grades for total points from the homework and exams will be assigned according to the following distribution:

90%-100%: A+, A, A-

80%-89%: B+, B, B-

70%-79%: C+, C, C-

60%-69%: D+, D, D-

0%-59%: F

I may also adjust the scores to account for the difficulty of the exams. For example, if few people get a final score above 90% because of difficult exams, then I will give out more As to account for difficultly of the exams. In this case, I typically assign a median (midpoint) grade of a B-/C+.

Exams

There will be no make-up exams, so if you can not attend class on the day of the in-class exams or you can not attend the final exam, please do not enroll in this course for a grade. You are welcome to take the course for a pass-fail grade.

Exams will include multiple choice and “short-answer” questions focused on the lecture notes, textbook and homework. The final exam questions will be concentrated heavily on material covered after the second in-class exam, but will also include some earlier material.

Homework assignments

There are six homework assignments each equally weighted. Homework assignments will vary between i) multiple choice, ii) quantitative/short answer and iii) essay questions. These are designed to keep you from falling behind, and prepare you for the exams (as opposed to being “busy work”). Late homework will not be accepted. Some of the homework assignments will be turned in electronically via blackboard. However, several homework assignments must be handed in during the beginning of class on the date it is due. You may submit a homework assignment early, but never late. I will drop your lowest HW score. In other words, I will only count your best five homework scores.

Group Presentations

Students will prepare and present review session material for one of the three exams (Exam 1, Exam 2 or the Final exam (each student/group presents only once during the semester). The presentations will occur in lecture on Thursday Sept. 27 (the lecture before Exam 1), in lecture on Tuesday Nov. 13 (the lecture before Exam 2) and again on Thursday Dec 6 (the last lecture of the semester). Each student can work in a group of up to 4 students. The presentation is mandatory, and both a group and a chapter must be selected by the end of the third week. Please note that these presentations are to help you, your group members, and the rest of the class prepare for an exam. The presentations should be approximately 10-15 minutes long, include a visual instrument (i.e. powerpoints, prepared questions and solutions, jeopardy style game, etc.), and emphasize the material we have covered in lecture. You are given the freedom to choose how to present the material, and I highly suggest preparing questions that are similar (but not identical) to homework questions.

Class participation

Regular class participation can help your grade if you are on the borderline between two grades. For example, if you are at the cutoff between a B+/A-, regular class participation would boost your grade to an A-.

Course overview

Managerial Economics is a blend of intermediate microeconomics, game theory, and industrial organization. This course builds on your introductory courses to further develop your economic intuition and apply more advanced tools of economics to increasingly complex situations. In particular, the course focuses on the application of economic rationale to a broad array of managerial situations. Ideally, you will leave this course understanding how and why economics is important, useful and relevant to everyday decisions in a wide variety of situations. Please note that we make extensive use of algebra and limited use of calculus (partial derivatives). If you are rusty in your math, now is the time to catch up.

Student Learning objectives:

* Identify positive and normative methods of analysis.
* Derive and interpret the optimality conditions for the constrained optimization problems faced by consumers and producers.
* Identify the key factors affecting demand and supply, and conduct comparative static analyses of changes in demand and supply conditions.
* Incorporate risk considerations as part of optimal decision-making.
* Apply economic reasoning to generate logically consistent arguments regarding economic efficiency.
* Determine the efficiency implications of various forms of market structure.
* Project the economic consequences of business decisions or policy changes from the short run to the long run.
* Identify circumstances where markets may fail and forecast likely outcomes of such failures.
* Analyze government solutions to market failures.

Course Prerequisites: ECON 110, ECON 111 and MATH 140 (or 150). Economics is a social science. However, we use many quantitative methods in order to understand the choices people make. For ECON 329, a previous course in multivariate calculus is crucial. Understanding derivatives as rates of change in the physical sense, and as slopes in the graphical sense, is necessary in order to use many of the economic tools we develop. Although you do not need to review the most advanced chapters of your previous calculus textbook (i.e. integrals, differential equations, etc), at the very minimum, you must be able to understand and manipulate mathematical functions and take derivatives of functions. Specifically, you must be able to take the partial derivative of a bivariate function. I will spend part of the first lecture to help you review some of the more common functions and formulas we use throughout the course.

Cheating

Do not cheat. If I catch you looking at someone else's exam or at notes during an exam, you will receive an F for the exam. Any case of cheating will be referred to Judicial Affairs. Working with fellow students on homework assignments, however, is not cheating and is encouraged.

# Disability Accommodations

# *Cal State Channel Islands is committed to equal educational opportunities for qualified students with disabilities in compliance with Section 504 of the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) of 1990. The mission of Disability Accommodation Services is to assist students with disabilities to realize their academic and personal potential. Students with physical, learning, or other disabilities are encouraged to contact the Disability Accommodation Services office at (805) 437-8510 for personal assistance and accommodations.*

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| --- | --- | --- | --- |
| **Date** | **Lecture topic** | **Textbook reading** | **HW Due** |
| 28 Aug. | Introduction, Calculus | Chapter 1 |  |
| 30 Aug. | The Fundamentals of Managerial Economics | Chapter 1 |  |
| 4 Sept. | Market Forces: Demand and Supply | Chapter 2 |  |
| 6 Sept. | Market Forces: Demand and Supply | Chapter 2 |  |
| 11 Sept. | The Production Process and Costs | Chapter 5 | HW1 |
| 13 Sept. | The Production Process and Costs | Chapter 5 |  |
| 18 Sept. | The Production Process and Costs | Chapter 5 |  |
| 20 Sept. | The Production Process and Costs | Chapter 5 |  |
| 25 Sept. | Production and Costs Chapter 5 HW2 | | |
| 27 Sept. | Review Session Chapters | Chapters 1,2 and 5 | Group Presentations |
| **2 Oct.** | **Exam 1: Chapters 1,2,5** |  |  |
| 4 Oct. | Competitive, Monopolistic, and Monopolistically Competitive Markets | Chapter 8 |  |
| 9 Oct. | Competitive, Monopolistic, and Monopolistically Competitive Markets | Chapter 8 |  |
| 11 Oct. | Competitive, Monopolistic, and Monopolistically Competitive Markets | Chapter 8 |  |
| 16 Oct. | The Nature of Industry | Chapter 7 | HW3 |
| 18 Oct. | The Nature of Industry | Chapter 7 |  |
| 23 Oct. | Basic Oligopoly Models | Chapter 9 |  |
| 25 Oct. | Basic Oligopoly Models Chapter 9 | | |
| 30 Oct. | Basic Oligopoly Models | Chapter 9 |  |
| 1 Nov. | Game Theory: Inside Oligopoly | Chapter 10 | HW4 |
| 6 Nov. | Game Theory: Inside Oligopoly | Chapter 10 |  |
| 8 Nov. | Game Theory: Inside Oligopoly | Chapter 10 | HW5 |
| 13 Nov. | Review Session | Chapters 7, 8, 9 and 10 | Group Presentations |
| **15 Nov.** | **Exam 2** | **Chapters 7, 8, 9 and 10** |  |
| 20 Nov. | Pricing Strategies for Firms with Market Power | Chapter 11 |  |
| 22 Nov. | No Class: Thanksgiving |  |  |
| 27 Nov. | Pricing Strategies for Firms with Market Power | Chapter 11 |  |
| 29 Nov. | Government in the Market Place | Chapter 14 | HW6 |
| 4 Dec. | Government in the Market Place & Present Value | Chapter 14 & last pages of Chapter 1 |  |
| 6 Dec. | Review Session | Chapters 11 and 14 |  |
| **11 Dec** | Final Exam 1:00- 3:00pm |  |  |

Course Schedule: Subject to changes as necessary through the semester. For example, I may push a HW due date back, but never forward.