

Managerial Economics for MBA's Syllabus

(ECP 5702; Summer 2016)

Instructor Information:

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Reading: Baye, Michael R. and Prince, Jeffrey, Managerial Economics and Business Strategy, McGraw-Hill Irwin, eighth edition 2014

Course Notes. (Available at Target Copy Center and at the *Canvas* course website.)

Course Description: We study fundamental principles of microeconomics most relevant to managers. Topics include costs, demand, pricing, market structure, market equilibrium, and strategic interaction. The course focuses on: (i) profit maximization by firms; and (ii) market equilibrium in different competitive settings. The course should enhance your understanding of how markets operate and develop your capability in making economic predictions about market outcomes. It should also serve as a foundation for your further MBA studies in management, accounting, finance, and marketing. While the material is not too advanced, we move fairly quickly as is appropriate for MBA studies. Economists are model builders, as these facilitate careful analysis, and it is important to develop facility in working in this context. This capability comes through practice. You should regularly review what we have studied in class and make sure you can explain it yourself. Of course, readings should be done carefully prior to class.

Topics and Reading: (Note on reading: The chapters and pages listed below are from the Baye and Prince textbook unless noted otherwise.)

Topic 0: Math for Managerial Economics. Read: Course Notes.

Topic 1: Production and Costs. Read: Chapter 1 and Chapter 5 up to p. 195; Course Notes.

Topic 2: Demand and Monopoly Pricing. Read: “Notes on Unit Demand Model” in Course Notes; pp. 78-96 in text; Chapter 8 in with focus on “monopoly pricing.” (Note: The rest of Chapter 8 is reading for the next section.) Course Notes.

Topic 3: Market Equilibrium with Low Entry Barriers. Read: Chapters 2, 7, and 8. Course Notes.

Topic 4: The Exercise of Monopoly Power. Read: pp. 416-428 in text. Course Notes.

Topic 5: Collusion and Cartels. Read: Course Notes; pp. 524-529.

Topic 6: Oligopoly. Read: pp. 346-351 in text and Chapter 10 to p. 390.

Approximate Schedule:

Week 1: Math Background and Production and Costs

Week 2: Demand and Monopoly Pricing

Week 3: Market Equilibrium with Low Entry Barriers. **Midterm on Thursday, May 26 from 4:00 – 5:30pm in room TBA.**

Week 4: Exercise of Monopoly Power; hand out team take-home on W, June 1 (due in class on June 8). **No class on May 30. Bonus class on either Thursday, June 3, 3:30 – 5:30pm or Friday, June 4, 2:45-4:45pm in room TBA.***

Week 5: Cartels and Start Oligopoly.

Week 6: Oligopoly; final exam on June 15 (regular class time and place).

*Having this class *may* allow us to not have class during the week of final exams. We will vote on which day/time.

Grading: Your course grade is normally determined by your performance on a one and one-half hour midterm (20%), a team take-home problem set (40%), and a two-hour and fifteen-minute final exam (40%). The timing of exams and the take-home are indicated above. The final exam will put more weight on the material covered beginning during Week 4. Most of the exams will essentially ask you to reproduce elements of the analysis we do in class, so it is crucial for you to understand well what we do in class. We will discuss further the nature of the first exam as it approaches. Borderline course grades will be adjusted if appropriate for class participation (up or down).

Methodology in Economics: Economists are model builders as noted above. Economic models specify precisely the environment that is studied. Models simplify reality by abstracting from elements that are irrelevant (or believed to be irrelevant) to the issues under study. They facilitate making predictions and clarify what underlies these predictions. A different economic environment requires a different model, although many models share key elements. Models are specified mathematically and/or graphically. Employing models to perform analysis is usually what underlies difficulties that some students encounter in learning economics. The key to learning to work with models is practice. While it may be rough going initially, with practice the use of such techniques becomes second nature. Such careful analysis of issues characterizes all science.

A cornerstone of economics and especially managerial economics is marginal analysis. Marginal analysis (discussed in Chapter 1 of your text) is used to analyze optimization problems, like profit maximization. Its mathematical counterpart is differential calculus. As such we will employ some differential calculus in this course (recognizing lack of familiarity with this of many students), but with more emphasis on interpretation rather than technique. The exams will require that you come to understand how calculus is used in marginal analysis (and a series of related economic results) and basic differentiation, but mastering complicated mathematical manipulation is unnecessary.

Classroom Expectations:

- Students are expected to be punctual in class attendance and remain in the classroom for the entire class session, as they would in any business appointment, unless an urgent need arises or prior arrangements have been made with the instructor. Attendance is required.
- Students are expected to arrive for class prepared to meet classroom obligations and to devote full attention and commitment to the work of that class, as well as to actively participate in the class.
- **Laptops and other electronic devices should not be turned on.** In the rare but urgent situation, the student should advise the instructor in advance of a pending phone call or message.
- Students who continually fail to meet these expectations should expect academic penalties and possible dismissal from the program.
- We will hold ourselves to the same standards of behavior that we expect of students.

Honor Code: It goes without saying that I adhere to and expect adherence to the Honor Code of the University of Florida.

Students with Disabilities: I am, of course, committed to providing accommodations to students with disabilities following the guidelines and procedures of the University of Florida policies.