

**UNIVERSITY OF FLORIDA
DEPARTMENT OF ECONOMICS
ECO 7177
Managerial Economics**

Fall 2020

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Course Description: This class will focus on the decision-making process of business executives. It provides an analytical treatment of economic principles used explicitly or implicitly in determining the behavior of consumers and firms. The course is theory based and practice oriented. Business decisions often require numerical solutions, and therefore algebraic, geometric and game theoretic techniques will be developed and used. The class will address several basic questions including the following: What are the determinants of firm size and behavior? Why some industries are profitable and some are not? How do strategic decisions affect market equilibrium and competitive advantage? How can firms create and exploit their competitive advantage?

Grades: There will be four graded quizzes, which will determine your final grade. The latter is based on the cumulative quiz score (the sum of all four quiz scores). Quizzes will be open book and open laptop. You will have about 40 minutes to complete each quiz. Practice questions similar to those appearing in each quiz are posted in the class web site (Canvas).

Extra-Credit Quiz: There will be an extra-credit quiz which will take place at the end of class on Friday. It consists of two multiple choice questions based on the material presented on Friday, which each multiple-choice question worth 2.5 points leading to a maximum of 5 points. The extra points earned will be added to the numerical cumulative quiz score which determines the class letter grade.

The following distribution will be used to translate numerical cumulative scores into letter grades.

Grade Distribution

| Numerical Score Range | Letter Grade |
|-----------------------|--------------|
| 93.00 – 100.00 | A |
| 90.00 – 92.99 | A- |
| 80.00 – 89.99 | B+ |

| | |
|---------------|----|
| 70.00 – 79.99 | B |
| 60.00 – 69.99 | B- |
| 50.00 – 59.99 | C+ |
| 40.00 – 49.99 | C |
| 30.00 – 39.99 | C- |

Example of Grade Calculation: A student receiving the same score of 22.5 points in each of the four quizzes has a numerical cumulative score of 90 points which corresponds to a class letter grade of A-. By answering both extra-credit questions correctly the student receives 5 extra points, her numerical score is now $90+5=95$, and the corresponding class letter grade is now A.

Reading Materials: The textbook for this class is David Besanko, David Dranove, Mark Shanley, Scott Schaefer, *Economics of Strategy*, Seventh Edition, 2016, John Wiley & Sons, designated below as *Besanko et al.*

Electronic Communication: There is a class web site in Canvas, which will serve as the electronic communication platform for this class in addition to Zoom-based meetings.

COURSE OUTLINE

1. Economic Foundations and Principles

Besanko et al., *Economics Primer: Basic Principles*.

Handout “Appendix A: Optimization Techniques”, posted in Canvas. Optional reading.

Besanko et al., Chapter 2 : The Horizontal Boundaries of the Firm.

2. The Market Environment of Business Decisions

Besanko et al., Chapter 5: Competitors and Competition.

3. Strategic Interactions

Besanko et al., Chapter 9: Strategic Positioning for Competitive Advantage

Besanko et al., Chapter 8: Industry Analysis.

“Strategic Subsidies” PowerPoint Lecture notes.