Managerial Economics for MBA's Syllabus
(ECP 5702; Summer 2020)

Instructor Information:

Richard Romano, Professor of Economics
Office: My email is my virtual office.
Office Hours: Email your questions. Our synchronous sessions also include office
                       hours.
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Reading: Baye, Michael R. and Prince, Jeffrey, Managerial Economics and Business Strategy, McGraw-Hill Irwin, ninth edition 2017.

Course Notes. These are being mailed to you and available at the *Canvas* course website.

Canvas Website. This will serve as a key means of communication, including from where you can access recorded lectures. I will be sending you regular announcements using this function at the 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. There is more below on methodology/models in economics. If you can answer the practice questions (in your Course Notes), then you are getting it.

The Plan and Grading: The topics outline and associated reading is below. Each week I will provide four or so recorded lectures that you should watch, around an hour in length each. These will track the Course Notes I have provided. Of course, you can pause and re-watch parts, etc. I will regularly update you at the Canvas website regarding what you need to watch and by when. (To access recorded lectures: At Canvas website, click on Video Lectures > Click "Open in New Tab" button.) Then we will have two synchronous sessions each week beginning at 9AM on Mondays and Wednesdays. These will be an hour or so. You can ask questions during these sessions of course. We can discuss some of the practice problems. *It is important for you to have your questions ready for these.* Regarding grading, I will post problems for you to do and provide to me to be graded around the following dates (with immediate announcements). The *expected* dates are: May 19, May 27, June 9, and June 17. In each case, I will give you three days to provide

me your written answers *by email*. Each will be worth 25%. *These are open book, but you are pledged to work on it yourself. I will keep you informed of any changes, which would only be by a day or so depending on how things go.* (Note: In providing me answers, you will be drawing some graphs and providing some mathematical analysis. I am presuming that you all can scan stuff and put it together to provide to me. This is so that you can hand draw graphs and whatever else. We will discuss if there are any issues with this.)

The Contract: *What follows is very important.* Teaching in this environment is completely new to me. I know economics, but am not experienced in using the technologies we will be using. I have put together extensive Course Notes for you. I will do the best job that I can with our asynchronous and synchronous communications and will respond to questions that I get by email in a timely manner (though this does not mean immediately). Your end of the contract is to pledge to keep up and work on your own on assignments. Remember that I have provided practice questions for each section we cover (see your Course Notes). It is absolutely fine to work together on practice problems, but to learn you need to not free ride. Assuming you are holding up your end of the contract, I *promise* to be fair in grading!

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. 163; Course Notes.

Topic 2: Demand and Monopoly Pricing. Read: "Notes on Unit Demand Model" in Course Notes; pp. 64-81 in text; Chapter 8 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: Perfect Competition. Read: Chapters 2, 7, and 8 (up to p. 260). Course Notes.

Topic 4: The Exercise of Monopoly Power. Read: pp. 347-356 in text. Course Notes.

Topic 5: Collusion and Cartels. Read: pp. 435-444 in text. Course Notes.

Topic 6: Oligopoly. Read: pp. 283-290 in text and Chapter 10 to p. 325. Course Notes.

Approximate Schedule:

Week 1: Math Background and Production and Costs.

Week 2: Demand and Monopoly Pricing.

Week 3: Market Equilibrium with Low Entry Barriers: Perfect Competition.

Week 4: Exercise of Monopoly Power.

Week 5: Cartels and Start Oligopoly.

Week 6: Oligopoly.

Grading: See "The Plan and Grading Above."

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 assignments 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.

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