

# Economics of Business Decisions Syllabus

(ECP 5705; Fall 2021)

## **Richard Romano, Professor of Economics**

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**Covid and Health:** Barring changes in advice from the CDC, **the expectation is that we will all wear masks in the building.** If you think there is any chance that you are ill, stay home and make sure to get evaluated and treated as needed. Please note that I am in a high-risk category. **I will work with anyone who is ill to make up any missed work.**

**Reading:** Baye, Michael R. and Prince, Jeffrey, Managerial Economics and Business Strategy, McGraw-Hill Irwin, ninth edition 2017.

**Course Notes:** These are available in the Canvas course site and can be accessed at Files > Lectures. You want to download these and have them in front of you as we go through them. Of course, you can add your own notes to these as you please.

**Note on Reading:** There is a newer edition of the textbook, but I don't want you to spend the money to get it. The reading is useful, but the main resource is the Course Notes.

**Practice Questions:** A separate folder at the Canvas website (Files > Practice Questions) contains practice questions, organized by the topics that we cover. Do these to make sure you learn the material! These are very representative of questions you will do that are graded (see below).

**Canvas Website:** The Canvas course site is used to post course notes, practice questions, other handouts, and later graded assignments. (See below regarding grading.) I will also use the announcement function to, well, make any announcements. Have a look at it.

**General 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 (at Canvas under Files > Practice Questions), then you are getting it.

**Grading:** You must complete two team assignments/exams (each worth 30% of the grade) and an in-class final exam (worth 40% of the grade). The team assignments are open-book and open-note, but you must work only within your team. You are not permitted to discuss or collaborate on these with anyone else. Impermissible cooperation constitutes a serious violation of the UF Student Honor Code. Obviously, you will work alone on the final exam, but you can have a one-page (8½”x11”), one-sided “cheat sheet.” The final exam will emphasize the material covered during the last weekend, but include about one-third material from earlier in the course.

The two team take-home assignments will be posted in the Canvas course site. You should submit a PDF file into Canvas by the deadline. Your scanned submission should be high-quality and professionally presented. If you choose not to type this assignment, your handwriting must be legible, and graphs must be clear. Responses that are not clearly correct and presented professionally will not earn credit. Late submissions will not be accepted.

The schedule for the three graded requirements is:

<u>Team Exam and Final</u>	Opens at...	Closes at...
Team Take-Home Exam 1	Tuesday, Nov. 15 at 7:00pm	Monday, Nov. 29 at 7:00pm
Team Take-Home Exam 2	Tuesday, Dec. 7 at 7:00pm	Monday, Dec. 20 at 7:00pm
Final Exam (in class)	Jan. 29, 12:30-2:30pm	

## **Schedule of Topics and Assigned Readings\***

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

Sunday, Oct. 24	Introduction and Math for Managerial Economics & Begin Production and Costs <u>Read:</u> Chapter 1 & Chapter 5 (up to p. 163). Course Notes.
Saturday, Nov. 13	Production and Costs <u>Read:</u> Chapter 5 (up to p. 163). Course Notes.
Sunday, Nov. 14	Demand and Monopoly Pricing <u>Read:</u> “Topic-3 Supplement 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.
Saturday, Dec. 4	Market Equilibrium with Low Entry Barriers: Perfect Competition. <u>Read:</u> Chapters 2, 7, & 8 (up to p. 260). Course Notes.
Sunday, Dec. 5	The Exercise of Monopoly Power. <u>Read:</u> pp. 347-356 in text. Course Notes.
Saturday, Jan. 8	Collusion and Cartels. <u>Read:</u> pp. 435-444 in text. Course Notes.
Sunday, Jan. 9	Oligopoly. <u>Read:</u> pp. 283-290 in text and Chapter 10 to p. 325. Course Notes.
Saturday, Jan. 29	Final Exam (12:30-2:30pm)

\*Schedule is tentative in the sense that we may get a little behind. I will keep you informed.

**Comments on Methodologies in Economics:** Economists are model builders as noted in the Course Description. 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.

**The Contract:** *What follows is very important.* My responsibility is to do the best job I can teaching and be transparent and fair in grading. I have put together extensive Course Notes for you. I will respond to questions received 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 according to the rules on the team take-homes. You have a team responsibility to participate fully. Remember that I have provided practice questions for each section we cover (see Canvas). It is absolutely fine to work together on practice problems, but to learn you need to not free ride. We all have a responsibility to interact respectfully and professionally.

**Academic Honesty:** You are expected to abide by the University's rules for academic honesty. These rules are available for your review at:  
<https://sccr.dso.ufl.edu/process/honor-code/>

I take these rules very seriously and are committed to upholding the policies and integrity of the University of Florida and the UF MBA program. Cheating, plagiarism, or any other behavior that violates these rules will be reported to the MBA program and the UF Dean of Students, and we will advocate for the strictest available sanction.

**Students with Disabilities:** I am committed to providing accommodations to students with disabilities following the guidelines and procedures of the University of Florida policies. If you feel that such accommodations are warranted, please feel free to contact me or the UF Disability Resource Center.

**Recording Lectures:** (The language that follows is from university guidelines.) Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled. The only allowable purposes are (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

A "class lecture" is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture does not include lab sessions, student presentations, clinical presentations such as patient history,

academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.

Publication without permission of the instructor is prohibited. To "publish" means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.