

Economics of Business Decisions Syllabus

(ECP 5705; South Florida MBA Program; 2019-2020)

Instructor Contact Information:

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

Course Notes.

Course Description: We study fundamental principles of microeconomics most relevant to managers. Topics include costs, demand, pricing, market structure, market equilibrium, policy effects, and strategic interaction. The course should enhance your understanding of how firms maximize profits and markets operate as well as develop your capability in making economic predictions. 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 quickly as is appropriate for MBA studies. Economists are model builders, which facilitate careful analysis, and it is important to develop facility in working in this context. This 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 Outline and Reading (this may be slightly adjusted)

Session 1, Oct. 27: Read: Chapters* 1 and 5 up to p. 195. Topics: Math for Managerial Economics; Production and Costs.

Session 2, Nov. 16: Read: Chapter 8 (with focus on monopoly analysis); pp. 78-96 in Baye text; “Notes on Unit-Demand Curve Model (in Course Notes Packet).” Topics: Production and Cost Cont.; Demand and Monopoly Pricing.

Session 3, Nov. 17: Read: Chapters 2, 7, and 8. Topics: Market Equilibrium with Low Entry Barriers.

Session 4, Dec. 7: Read: Chapters 2, 7, and 8. One-hour + midterm. Topics: Market Equilibrium with Low Entry Barriers Cont.

Session 5, Dec. 8: Read: pp. 416-428 in Baye text. Topics: Exercise of Monopoly Power.

Session 6, Jan. 4: Read: Course Notes. Topics: Collusion and Cartels.

Session 7, Jan. 5: Read: Pages 346-351 in Baye text and Chapters 10 up to p. 390. Topics: Oligopoly and game theory.

Session 8, January 25: Final Exam.

Grading: Your course grade is normally** determined by your performance on a one-hour and 15 minute midterm (20%), a team take-home problem set (40%), and a two-hour final exam (40%). The first exam will be given at the beginning of Session 4, the team take-home problem set will be given out at the end of Session 5 and must be turned in at the beginning of Session 6, and the final exam is given during the last session. The final exam will put more weight on the material covered beginning during Session 4. We will discuss the nature of the first exam as it approaches. For each exam, you can bring a one-page (8½ x 11), one-sided formula sheet.

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. Models 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

* Chapters refer to those in the Baye and Prince textbook.

**Things like poor attendance could result in a lower grade (as excellent participation would lead me to increase a borderline grade).

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 an emphasis on interpretation rather than technique. The final exam will require that you come to understand how calculus is used in marginal analysis (and a series of related economic results), but not that you have much facility at mathematical manipulation.

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.
- 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 we adhere to and expect adherence to the Honor Code of the University of Florida.

Students with Disabilities: We are committed to providing accommodations to students with disabilities following the guidelines and procedures of the University of Florida policies.