

SYLLABUS, ECO 5705

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Required Text

We are using a book that was written by a colleague, Roger Blair, and me entitled *The Economics of Managerial Decision Making*, 1e by Blair and Rush. I think it is a reasonable question to ask “Why did we write a book?” Plus, I think the answer truly reflects my goal for our class. So, here is the (hopefully) reasonable answer: When I first taught this course, years ago, I looked at a bunch of advanced managerial economics books. Some I liked a little; most I did not. But, frankly, I was unhappy with the books. Five (!) years ago I was voicing my unhappiness to Roger and he suggested we write a book that would be more in line with what I (and he) wanted. He told me it would be easy. (He lied. ☺) What *was* easy was signing with Pearson to publish the book. But the book itself...nah, not so easy! However, I still think it’s better than any of the other books on the market. For what it’s worth, I used drafts of the chapters for the last seven classes and the students said nice things about them. Of course, it would be a foolish student who criticizes his or her instructor’s work! Anyway, now our book is finished, which means that there is a glossary and the figures are in color—both things previous classes (futilely) asked me for. By the way, I will be *extremely* interested in your comments about the book, *both* positive and negative. To be brutally honest, the previous classes vastly improved the book with their comments, so I am hopeful that will get comments from you that I can add to the document I have created for second edition changes.

Class Goal

My over-riding objective for this class is to show you how you can use economic concepts to make better decisions as managers. Everything else in the class is secondary at best. You will see this objective in the note shells I have created. You will see this objective in the class lectures. You will see this objective in the reading. You will see this objective in the assignments. You will see this objective in the manuscript chapters I have written. And you will see this objective in the test.

I think economics is useful for decision making. Unfortunately it does not tell you the precisely correct line of action. Often it gives guidance; for instance, when determining whether to take an action to make it more difficult for a competitor to enter the market, economics will tell you factors that can be important but it will not give you a recipe that you should follow. You will need to combine what you learn in this class with your own judgment.

As I said above, my over-riding goal is to make this class useful by concentrating on decision making. I am highly interested in whether or not I succeeded in attaining this goal. After the class is over and the grades submitted, if you want to email me your thoughts and suggestions, I can tell you they will be gratefully received. By the way, note that I said “*After* the

class is over.” I do not want you to fear retribution for comments full of criticism comments and I do not want you to hope for a reward for comments full of praise.

Class Web Page

Plan on becoming acquainted with the class web page. In fact, plan on not only becoming acquainted, plan on it becoming almost your best friend! To get to the class web page, go to <http://lss.at.ufl.edu> and login to Canvas with your Gatorlink username and password.

Class Web Page Problems

Will everything work out correctly so that you get to the class web page with no problems? Perhaps. Perhaps also I shall exercise and lose 10 pounds (or even 5 pounds) this semester (which I am trying to do!!), as well as eat a plethora of leafy green vegetables (which I am not trying to do). Now, you can’t do anything about my exercising or dining habits. But if you encounter an error in trying to access either the class web page or the lectures, here is a valuable link for you: http://notes.cba.ufl.edu/cbahelp.nsf/request_grad?OpenForm

And here is another helpful link that talks about the TAC:

<http://warrington.ufl.edu/itsp/techservices/students.asp>

What is the TAC? Well, it’s aka “Technology Assistance Center.” I cannot help with any of the technical issues. But the computer technicians can help—and the feedback I get from the students is that they are a *lot* of help! So, if you have a problem, DO NOT email me. Every semester I have students email me about a problem. All they are doing is to 1) admit that they haven’t bothered to read this syllabus, which surely does not endear them to me, and 2) delay resolution of their problem because I can do nothing. So, rather than email me, use the link I’ve given you to ask the people who know what to do for help. Indeed, I’ve bookmarked the link—I suggest you do likewise! In other words: SAVE THIS LINK. IT IS USEFUL!!

Material Covered in Class

We will study 12 chapters in the book. Some chapters are longer than others; some chapters are more difficult than others; and, some chapters are more important than others. I don’t know if it’s a good sign or not, but the first chapter we study is a bit longer, a bit more difficult, and a bit more important than the average. I have divided the chapters into 5 modules based on the material covered in the chapters. Look at the last page for the schedule. You’ll notice that some of the modules are longer and some are shorter. That’s simply the way the material is related. The deadlines for completing each module are in the schedule. These are the same deadlines for the assignments from each chapter.

Three Types of Assignments

Your grade will be based on three factors: Very Short Module Assignments, Short Chapter Assignments, Group Projects, and a Final Exam. The very short modules assignments are...very short! Each of these assignments will be graded 0 or 1 or 2. The only way to receive a 0 is to not submit the assignment; the only way to get a 1 is to not take it seriously. The short

chapter assignments are exactly what the name says: Short assignments, that ought to take no more than an hour to complete and often much less. There are 9 assignments (yes, there are 10 chapters but I combined the last two chapters into one assignment). Each assignment will be graded 0 (no assignment submitted), 1, 2, or 3. I expect that many of you will receive only 3's. The assignments are due by the dates given in the schedule. Late assignments will not be accepted.

The group projects are somewhat more elaborate than the short chapter assignments. For each project I want you to assume that a supervisor assigned this project to your group. (In some real sense, for the last project a supervisor *did* assign the project. Of course, that supervisor is just me...) After your group has completed the analysis, your group is to submit a 2 to 5 page report responding to the supervisor. I expect that most of the effort ought to be devoted to the report because I think the analysis for each project is generally straightforward. There are 5 group projects. The grading scale for the assignments will be 1 to 10. But I really plan on grading most projects 10, 9, or 8. (If anyone gets anything lower than a 5, I grieve for the trees and/or electrons that were used to create the lesson.) I will base this grade on the answers and on the writing of the report. Speaking with business people, I have come to the conclusion that clear and grammatically correct writing is highly valued by them. Hence it shall be equally highly valued by me. The group projects are due by the dates given in the schedule. I will accept late projects but the score will be lowered by 2 points per day, down to a minimum of 0. (That is, I am not so cruel as to give any group a -4 as a grade....)

In addition to the 10 points available for each assignment, there will also be points for participation. I am giving each of you 10 points that you must allocate amongst your *other* team members. (In other words, you cannot allocate all 10 points to yourself! ☺ Indeed, and now I am serious, the votes are to be given to everyone else—do NOT give yourself any points.) I want you to allocate them according to the value each other member has been. So, if you think that one of the other members has done virtually everything, you can give that member 10 points and 0 to the other members. Or if you think one member has done a lot less than everyone else, you can give that member 0 points and then divide the 10 points among the other members. This allocation is due at the end of the term. I will *not* share anyone's point allocation with anyone else, so I expect/hope you will be honest in your assessments. I will add each person's points, divide them by the total points that are available, and then multiply by 10. For example, in a 5-person team, the total number of points available to any one member is 40 points (10 points from each of the other four members.) If a member gets 2.5 from each of the other members, that means the student has a total of 10 points. So, I will divide $10/40 = 0.25$. Then I multiply by 10, so this student will get 0.25×10 points = 2.5 points. If the team sizes are different, I will need to make an adjustment to account for this difference but I am hopeful that will not be necessary.

The final exam will be given on the last meeting in Gainesville on Dec 15. It will consist of short to longish answer questions. I will provide you with several sample exams. Your final exam will be different than the sample exams but if you use the sample exams carefully, I do not think you will be surprised by anything on the actual exam. The final exam will be worth 63

points. (And yes, I *do* realize that 63 is an odd number of points. But I made the final exam worth 63 points so that there are now a grand total of 150 points in the entire class. And *that* number is not so odd!!)

So, in summary here are the possible points:

Very short module assignments:	10 points
Short chapter assignments	27 points
Group projects	40 points
Member points	10 points
Final exam	<u>63 points</u>
Total	150 points

Grades

I wish I was completely unconstrained in my grading scale but the MBA program applies a crucial and important limitation: The average grade in the class can be no higher than a 3.50, which means the average grade must be between an A- and a B+. So, keeping that in mind, I plan to assign the top 25% of the class A's, the second 25% A-'s, the third 25 B+'s, and the bottom 25% B's. Of course, if someone does significantly poorer than the remainder of the class, I *will* give lower grades, such as a C. Of course, in that case, I can boost other students' grades. So, let me ask: Does anyone want to volunteer to get a low grade so that some other well deserving students can have their grades boosted?

Assignments

You are probably wondering what precisely are the "short chapter assignments" and the "group projects." You might even be wondering what are the "very short module assignments!" I will give you some details about each below. With one exception, the discussion of the group project is a thumbnail sketch. I want you have this brief description of each group assignment so that when you first read the material and watch the lectures, you have an idea of what you *really* need to understand for the group projects. For each group assignment, except the last, I have a more detailed handout. The one exception is the last group project: The description below completely covers that assignment.

Very Short Module Assignments

For each module I want you to write briefly—look up the definition of the word "brief" to be certain you fully understand this assignment—what topic you thought was best explained and what topic you thought was the most difficult to grasp. In other words, what was clear and what was muddy. I want to see if there is a point or points that are confusing a lot of students. In that case, I will post comments on the class web page that—hopefully!—will explain the point and eliminate confusion. By the way, it would be very nice if you gave me a page reference for both the topic you think was well explained and especially the topic that was confusing. These assignments are due by the date given in the class schedule, though if you are done early, submit them early!

Short Chapter Assignments

Module 1

Lesson 1: Chapter 1 (pp 1 to 6), Chapter 2 (skim or, probably better, **skip Section 2.6**)

Demand & Supply: **Chapter 2, Problems 2.1, 5.1, 7.5** (For question 7.5, PLEASE note that casual dining chains, such as Brinkers, do *not* own and do *not* raise pigs. I fully realize that coming from out of the blue, this comment seems odd and perhaps even a little bizarre...but once you read the question, it makes sense!)

Lesson 2: Chapter 3

Regression and elasticity: **Problems 1.1, 5.1, 5.5**

Module 2

Lesson 3: Chapter 1 (pp 6 to 17 and the “Revisiting” material on pages 21 and 22), Chapter 4

Cost: **Chapter 1, Problem 3.3; Chapter 4, Problems 2.3, 3.7** (The problems are labelled 3.3 or 2.3 or whatever in the Questions and Problems part of the chapter.)

Lesson 4: Chapter 1 (pp 18 to 21), Chapter 5

Competitive firms (and markets): **Chapter 5, Problems 2.5, 3.5** (Be careful—think about the long run), and a question not in the book: “When the price of a firm’s product falls, the profit on each unit also falls. Accordingly, profit-maximizing managers increase their production in order to increase their total profit.” Is this assertion correct? Explain your answer.

Module 3

Lesson 5: Chapter 6

* Monopoly & monopolistic competition: **Problems: 2.5, 2.13, 5.1, 5.3**

Lesson 6: Chapter 10

* Pricing decisions: **1.11, 3.5** (No need for a mathematical analysis, just a graphical analysis), **4.1, 4.3**

Module 4

Lesson 7: Chapter 7 (Sections 7.1 and 7.2; **skip the rest!!!!**), Chapter 9

* Oligopoly: **Problems: Chapter 7, Problems 1.3, 2.3; Chapter 9, Problems 2.7, 5.1**

Lesson 8: Chapter 8

Game theory: **Problems 1.5, 1.9, 2.1, 3.3**

Module 5

Lesson 9: Chapter 12 (Sections 12.2, 12.3, and pp 526 to 527)

More on production decisions: **Problems 2.5 (a tough problem), 3.1, and 3.7**

Lesson 10: Chapter 15: IP and Auctions (pp 635 to 640, 650 to 658, 667, and 669)

IP and Auctions: **None**

* = Do 3 of the 4 assigned problems—your choice of which to do.

Group Projects

Unless otherwise instructed, for each of the projects your group will submit a 2 to 5 page report. These reports should be written as if you were submitting them to a supervisor. (This means you want to write in standard English and use spell check!)

Chapter 2

Your group will be given data about the market supply and demand for a good. Using these data your group will calculate the equilibrium price and quantity. Then your group will write a report telling how your firm, which is related to the market in which the price and quantity have changed, will respond to the changes in price and quantity.

Chapter 3

You will be given data about the demand for a good. Using these data your group will estimate a demand curve. Your group will report the estimated demand curve and discuss its fit. Your group will also use the estimated demand curve to calculate price elasticities of demand at different prices.

Chapter 6

You have been given data about the demand for a good in the project for chapter 3. For this project your group will use these data as well as some cost data that you will be given to determine the firm's profit-maximizing price, profit-maximizing quantity, and economic profit.

Chapter 10

Your group will get cost data and demand data for two different consumer groups. Assuming that your company cannot price discriminate, your group will determine the firm's profit-maximizing price, profit-maximizing quantity, and economic profit. Then assuming that your company can price discriminate, your group will determine the firm's profit-maximizing prices, profit-maximizing quantities, and economic profit. Your report needs to compare these two situations and explain why, with price discrimination, the prices differ. (Two hints: First, the prices you get from this assignment are *not* realistic. So don't reject your answer because you know that no one will pay the price you calculate! Second, creating the *MR* curve from the combined demand curves is probably the most difficult part of the assignment. Following closely behind, determining the single-price profit-maximizing quantity is also tough.)

Required Links from the University of Florida

UF has a bunch of links that are required on syllabi. For example, probably the link to UF's academic honesty code is required. (<https://catalog.ufl.edu/ugrad/1617/advising/info/student-honor-code.aspx>) But beyond that I don't know for sure what other required links might be. So let's pretend that they are below. And let's also pretend that you spent the time clicking on them.

Course Schedule

ECP5705

Modules	Readings/Chapters	Group Projects
Module 1 Demand Due: Sept 23	Chapter 2 Chapter 3	Group Project Chapter 2 Group Project Chapter 3
Module 2 Cost and Competitive Firms Due: Oct 7	Chapter 1 (parts) Chapter 4 Chapter 5	
Module 3 Monopoly firms Due: Nov 4	Chapter 6 Chapter 10	Group Project Chapter 6 Group Project Chapter 10

Module 4 Oligopoly and Game Theory Due: Nov 25	Chapter 7 (parts) Chapter 8 Chapter 9	
Module 5 Miscellaneous Due: Dec 9	Chapter 12 Chapter 15 (IP and Auctions)	Submit your team point allocation

Remember: There is a “Very Short Module Assignment” for each module and a “Short Chapter Assignment” for each chapter (except for the auctions material) due by the date in the schedule above.