

Course	BUSN 6120 Managerial Economics	
Term	Spring I 2010	
Instructor	Name: Fanon Cross Phone: 816-510-1606 Email: crossf@webster.edu	
Catalog Description	The student examines the application of microeconomic theory as applied to the managers' responsibilities within the organization. This course should emphasize the quantitative and qualitative application of economic principles to business analysis.	
Prerequisites	BUSN 5620 and BUSN 5760	
Course Level Learning Outcomes	Outcome	Expectation
	1. Students understand how market forces affect price and quantity.	Students can utilize basic supply and demand analysis (graphical and quantitative) to predict the likely impact of events on the price and quantity sold of any product.
	2. Students understand elasticity and its relationship to pricing and revenue.	Students can both calculate elasticity and estimate elasticity empirically. Given the result the student can correct predict the effect of a given change in price on revenue.
	3. Students can utilize statistical analysis to assess product demand conditions	Students can take provided data and correctly estimate a demand function, determine the statistical significance, calculate the product elasticities (price, cross, and income) and infer the implications of that information to market demand conditions. Students can also learn how to measure risk and uncertainty, and then incorporate these measures into their business decision making.
	4. Students can utilize industry analysis to assess market position	Students can identify which of the four primary market structures most appropriately correlates to an industry. The student can draw inferences regarding firm behavior and performance. Students can identify the Oligopolistic model that best describes the behavior of an Oligopolistic industry. Students can use basic game theoretic analysis to describe the behavior of firms in an

		Oligopolistic industry. Students can also utilize Michael Porter's Five-forces model to assess market potential and gain draw inference regarding firm behavior and potential performance.														
Materials	<p><i>Managerial Economics, by Allen, Doherty, Weigelt and Mansfield, 7th edition.</i> W.W. Norton & Company, Inc.,.</p> <p>Text is available through MBS Direct Books at 1-800-325-3252 or www.mbsdirect.net. Checks and credit cards accepted.</p>															
Grading	<p>Grading Scale</p> <table> <tr><td>95 - 100</td><td>A</td></tr> <tr><td>90 - 94.99</td><td>A -</td></tr> <tr><td>87 - 89.99</td><td>B +</td></tr> <tr><td>84 - 86.99</td><td>B</td></tr> <tr><td>80 - 83.99</td><td>B -</td></tr> <tr><td>70 - 79.99</td><td>C</td></tr> <tr><td>0 - 69.99</td><td>F</td></tr> </table> <p>The GRADUATE catalog provides these guidelines and grading options:</p> <ul style="list-style-type: none"> • A/A- Superior graduate work • B+/B/B- Satisfactory graduate work • C Work that is barely adequate as graduate-level performance • CR Work that is performed as satisfactory graduate work (B- or better). A grade of "CR" is reserved for courses designated by a department, involving internships, a thesis, practicums, or specified courses. • F Work that is unsatisfactory • I Incomplete work • ZF An incomplete which was not completed within one year of the end of the course. ZF is treated the same as an F or NC for all cases involving G.P.A., academic warning, probation, and dismissal. • IP In progress • NR Not reported • W Withdrawn from the course 		95 - 100	A	90 - 94.99	A -	87 - 89.99	B +	84 - 86.99	B	80 - 83.99	B -	70 - 79.99	C	0 - 69.99	F
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Activities	<ul style="list-style-type: none"> • Microeconomics Aptitude Self-test is given in the first class to give each student a measurement of their readiness and assist in any additional preparation that may be needed. • Homework assignments from the back of each chapter or handed out in the week prior to the due date. • In-Class problems from each chapter. • Lectures are supplemented with Videos, Handouts and In-class Group and Individual Activities. • Occasional Pop Quizzes and In-Class Assignments are given over assigned readings and homework. 															
Policy Statements: University	<p>University policies are provided in the current course catalog and course schedules. They are also available on the university website. This class is governed by the university's published policies. The following policies are of particular interest:</p>															

Policies**Academic Honesty**

The university is committed to high standards of academic honesty. Students will be held responsible for violations of these standards. Please refer to the university's academic honesty policies for a definition of academic dishonesty and potential disciplinary actions associated with it.

Drops and Withdrawals

Please be aware that, should you choose to drop or withdraw from this course, the date on which you notify the university of your decision will determine the amount of tuition refund you receive. Please refer to the university policies on drops and withdrawals (published elsewhere) to find out what the deadlines are for dropping a course with a full refund and for withdrawing from a course with a partial refund.

Special Services

If you have registered as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor at the beginning of the course of the accommodations you will require in this class so that these can be provided.

Disturbances

Since every student is entitled to full participation in class without interruption, disruption of class by inconsiderate behavior is not acceptable. Students are expected to treat the instructor and other students with dignity and respect, especially in cases where a diversity of opinion arises. Students who engage in disruptive behavior are subject to disciplinary action, including removal from the course.

Student Assignments Retained

From time to time, student assignments or projects will be retained by The Department for the purpose of academic assessment. In every case, should the assignment or project be shared outside the academic Department, the student's name and all identifying information about that student will be redacted from the assignment or project.

Contact Hours for this Course

It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, it must be rescheduled.

<p>Course Policies</p>	<ul style="list-style-type: none"> • The expectation is that everyone will attend and participate. • All exams will be "open note" and will be given in weeks 3, 6 & 9. • Makeup exams will be scheduled only if arranged in advance of the scheduled exam date. • Any exams missed without notice must be made-up by appointment, will be closed note, and considerably more difficult than the original test. • Pop Quizzes and credit for In-Class Problems will not be made up. • If you miss class you are responsible for getting notes and assignments. • The instructor reserves the right to change the overall course grade weighting. • The schedule below presents an approximate expectation of course progress. The instructor reserves the right to add, delete, or modify any weeks of this schedule. • Due to the pace of the course, class attendance is vital. The nature of the in-class discussions precludes making up discussion points for a missed evening. • Giving or receiving unauthorized assistance on any homework or written assignment will result in a zero on the assignment for the parties involved. If in doubt about when cooperation is permissible, ask! • A substantial commitment of your time out of the classroom is essential.
<p>Weekly Schedule</p>	<p>Weeks 1-3 Microeconomics Basics and Consumer Behavior</p> <ul style="list-style-type: none"> • Microeconomics Aptitude Self-test • Chapter 1 : Introduction <ul style="list-style-type: none"> - The Role of Profits, Present Value Discounted and Value of the Firm. - Demand Schedule, Changes and Basic Equations. - Supply Schedule, Changes and Basic Equations. - Market Equilibrium. • Chapter 2 : Demand Theory <ul style="list-style-type: none"> - Linear Demand Functions. - Price Elasticity of Demand, Point and Arc Formulas. - The Determinants of Price Elasticity. - Calculate Cross-price, and Income Elasticity and Revenue. - Calculate Total and Marginal Revenue. • Chapter 3 : Consumer Behavior and Rational Choice <ul style="list-style-type: none"> - Indifference Curve Modeling - Budget Constraints. - Changes in Income and Price. - Estimating the Substitution and Income Effects. - Application of Indifference Curve Analysis. - Consumer Surplus. • First Exam in Week 3 – Open Note

Weeks 4 - 6 Production and Costs

- **Chapter 4 : Production Theory**
 - Review of Production Functions and Costs.
 - Diminishing Returns and Marginal Product.
 - Isoquants and MRTS.
 - Isocosts and Returns to Scale.

- **Chapter 5 : Analysis of Costs**
 - Deriving Short Run Cost Schedules.
 - The Correlation between Production and Costs.
 - Increasing & Decreasing Returns to a Factor.
 - Long-run Cost and Production Decisions.
 - Economies of Scale and Economies of Scope .

- **Chapter 5 Appendix : Measurement of Short Run Cost Functions**
 - Optimal Input Procurement.
 - Relationship between short run and long run costs.

- **Chapter 6 : Perfect Competition**
 - The Characteristics of Market Structures.
 - Perfect Competition and Short Run Cost Decisions.
 - Profit Maximization in the Short Run and Long Run.
 - The $MR=MC$ Rule of Profit Maximization.
 - Producer Surplus.

- **Second Exam in Week 6 – Open Note**

Weeks 7 - 9 Market Structures and Dominant Firm Strategies

- **Chapter 7 : Monopoly and Monopolistic Competition**
 - Short Run Production functions for Firms with Market Power.
 - Profit Maximization Input Usage.
 - Cost Plus Pricing.
 - Short Run and Long Run Equilibrium for Monopolistic Competition.
 - Measurements and Determinants of Market Power.

- **Chapter 8 : Managerial Use of Price Discrimination**
 - First and Second Degree Pricing.
 - Coupons, Rebates and Peak Load Pricing.
 - Empirically Solving for Market Equilibrium in Each Market.

- **Chapter 9 : Bundling and Intrafirm Pricing**
 - Single and Mixed Bundling.
 - Tying.

	<ul style="list-style-type: none"> • Chapter 10 : Oligopoly <ul style="list-style-type: none"> - Cournot Model. - Reaction Curves and Strategies. - Other Collusion Models of Oligopoly and Cartels. • Chapter 11 : Game Theory <ul style="list-style-type: none"> - Dominant strategies, Nash Equilibrium and the Prisoner’s dilemma. - Simultaneous, One-shot and Sequential Decisions. • Chapter 14 : Principal-Agent Issues <ul style="list-style-type: none"> - Moral Hazard (page 487). • Chapter 15 : Adverse Selection <ul style="list-style-type: none"> - Simultaneous, One-shot and Sequential Decisions. - Asymmetric Information and Adverse Selection. • Chapter 16 : Government and Business <ul style="list-style-type: none"> - Industry Concentration - Herfindahl-Hirshman, Rothschild and Lerner Indexes. - Sherman Act, Clayton Act and FTC Act. • Third and Final Exam in Week 9 – Open Note 																					
<p>Additional Information</p>	<p>Summary of Deliverables</p> <table border="1" data-bbox="367 1119 1349 1390"> <thead> <tr> <th>Measurement</th> <th>%</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>Exam 1 (week 3)</td> <td>20%</td> <td>80</td> </tr> <tr> <td>Exam 2 (week 6)</td> <td>20%</td> <td>80</td> </tr> <tr> <td>Exam 3 (week 9)</td> <td>20%</td> <td>80</td> </tr> <tr> <td>Assigned Homework, Pop Quizzes and In-class Problems</td> <td>30%</td> <td>120</td> </tr> <tr> <td>Class Participation (4.5 points per class)</td> <td>10%</td> <td>40</td> </tr> <tr> <td>Total</td> <td>100%</td> <td>400</td> </tr> </tbody> </table> <p>A calculator should be brought to each class.</p> <p>Graph paper is helpful but not necessary.</p> <p>A substantial commitment of your time out of the classroom is essential.</p> <p>Bring a sense of humor and a calm attitude.</p>	Measurement	%	Points	Exam 1 (week 3)	20%	80	Exam 2 (week 6)	20%	80	Exam 3 (week 9)	20%	80	Assigned Homework, Pop Quizzes and In-class Problems	30%	120	Class Participation (4.5 points per class)	10%	40	Total	100%	400
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