

<b>Course</b>	<b>BUSN 6120 Managerial Economics</b>	
<b>Term</b>	Summer 2009	
<b>Instructor</b>	Name: Timothy Hamilton Phone: 785-760-3221 Email: <a href="mailto:thamilton71@webster.edu">thamilton71@webster.edu</a>	
<b>Catalog Description</b>	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.	
<b>Prerequisites</b>	BUSN 5620 and BUSN 5760	
<b>Course Level Learning Outcomes</b>	<b>Outcome</b>	<b>Expectation</b>
	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.															
<b>Materials</b>	<i>Managerial Economics, by Thomas and Maurice, 9<sup>th</sup> edition, ISBN: 978-0-07-340281-9.</i> McGraw-Hill/Irwin. Text is available through MBS Direct Books at 1-800-325-3252 or <a href="http://www.mbsdirect.net">www.mbsdirect.net</a> . Checks and credit cards accepted.																
<b>Grading</b>	<b>Measurement</b>		<b>%</b>	<b>Points</b>													
	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													
<p><b>Grading Scale</b></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><b>The GRADUATE catalog provides these guidelines and grading options:</b></p> <ul style="list-style-type: none"> <li>• <b>A/A-</b> Superior graduate work</li> <li>• <b>B+/B/B-</b> Satisfactory graduate work</li> <li>• <b>C</b> Work that is barely adequate as graduate-level performance</li> <li>• <b>CR</b> 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.</li> <li>• <b>F</b> Work that is unsatisfactory</li> <li>• <b>I</b> Incomplete work</li> <li>• <b>ZF</b> 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.</li> <li>• <b>IP</b> In progress</li> <li>• <b>NR</b> Not reported</li> <li>• <b>W</b> Withdrawn from the course</li> </ul>				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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<b>Activities</b>	<ul style="list-style-type: none"> <li>• Homework assignments from the back of each chapter or handed out in the week prior to the due date.</li> <li>• In-Class problems from each chapter.</li> <li>• Lectures are supplemented with Videos, Handouts and In-class Group and Individual Activities.</li> <li>• Occasional Pop Quizzes are given over assigned readings and homework.</li> </ul>																

**Policy  
Statements:  
University  
Policies**

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:

**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><b>Course Policies</b></p>	<ul style="list-style-type: none"> <li>• The expectation is that everyone will attend and participate.</li> <li>• All exams will be "open note" and will be given <b>in weeks 4 &amp; 9</b>.</li> <li>• Makeup exams will be scheduled only if arranged in advance of the scheduled exam date.</li> <li>• Any exams missed without notice must be made-up by appointment, will be closed note, and will be considerably more difficult than the original test.</li> <li>• Pop Quizzes and credit for In-Class Problems will not be made up.</li> <li>• If you miss class you are responsible for getting notes and assignments.</li> <li>• The instructor also reserves the right to change the overall course grade weighting.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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 your instructor.</li> <li>• A substantial commitment of your time out of the classroom is essential.</li> </ul>
<p><b>Weekly Schedule</b></p>	<p><b>Weeks 1-3</b></p> <ul style="list-style-type: none"> <li>• <b>Chapter 1 : Managers, Profits and Markets</b> <ul style="list-style-type: none"> <li>- The Role of Profits</li> <li>- Time Value of Money</li> <li>- Marginal Analysis</li> </ul> </li> <li>• <b>Chapter 2 : Demand, Supply and Market Equilibrium</b> <ul style="list-style-type: none"> <li>- Demand Basics: Shifters, the Demand Function and Consumer Surplus</li> <li>- Supply Basics: Shifters, the Production Function and Producer Surplus</li> <li>- Market equilibrium</li> <li>- Linear Demand Functions</li> <li>- Linear Supply Functions</li> </ul> </li> <li>• <b>Chapter 6 : Elasticity and Demand</b> <ul style="list-style-type: none"> <li>- Review Price Elasticity of Demand and the determinants of price elasticity</li> <li>- Calculate cross-price, and income elasticity and revenue</li> <li>- Review linear and multiple regression</li> <li>- Calculate Marginal Revenue</li> </ul> </li> </ul>

- **Chapter 5 : Theory of Consumer Behavior**

- Indifference Curve Modeling
- Budget Constraints lines
- Changes in Income and Price.
- Estimating the Substitution and Income Effects.
- Application of Indifference Curve Analysis.

- **First Exam in Week 3 – Open Note**

**Weeks 4 - 6**

- **Chapter 4 : Basic Estimation Techniques**

- Linear Regression Techniques and Models
- Statistical Significance
- Regression Analysis in Managerial Decisions

- **Chapter 7 : Demand Estimation and Forecasting**

- Empirical Demand Functions
- Estimating Empirical Demand
- Econometric Models for Price Setting vs. Price Taking Firms.

- **Chapter 8 : Production and Cost in the Short Run**

- Review of Production Functions and Costs
- The Value of Marginal Product.
- The correlation between production and costs, increasing & decreasing returns to a factor, economies of scale and economies of scope
- Short-run pricing and production decisions
- The  $MR=MC$  rule of profit maximization

- **Chapter 9 : Production and Cost in the Long Run**

- Isoquants and Budget Constraints
- Isocosts and Budget Lines.
- Deriving Cost Schedules from Production Functions
- Optimal Input Procurement
- Relationship between short run and long run costs.

- **Chapter 10 : Production and Cost Estimation**

- The Specifics of Short Run Production functions
- Estimation Techniques for Short Run Production functions
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- **Second Exam in Week 6 – Open Note**

	<p><b>Weeks 7 - 9</b></p> <ul style="list-style-type: none"> <li>• <b>Chapter 11 : Managerial Decisions in Competitive Markets</b> <ul style="list-style-type: none"> <li>- Perfect Competition and short run cost decisions.</li> <li>- Profit Maximization in the Short Run and Long Run.</li> <li>- Profit Maximization Input Usage</li> </ul> </li>   <li>• <b>Chapter 12 : Managerial Decisions for Firms with Market Power</b> <ul style="list-style-type: none"> <li>- Measurements and Determinants of Market Power</li> <li>- Profit Maximization for Monopolies</li> <li>- Profit Maximization Input Usage.</li> <li>- Short Run and Long Run Equilibrium for Monopolistic Competition.</li> <li>- Empirically solving for market equilibrium in each market</li> </ul> </li>   <li>• <b>Chapter 13 : Strategic Decision Making in Oligopoly Markets</b> <ul style="list-style-type: none"> <li>- Dominant strategies, Nash Equilibrium and the Prisoner's dilemma</li> <li>- Mixed strategies</li> <li>- Simultaneous and One-shot decisions</li> <li>- Indefinitely Repeated Strategic Decisions.</li> <li>- Asymmetric information, adverse selection, and moral hazard.</li> <li>- Other Collusion models of oligopoly and Cartels</li> <li>- Industry Concentration</li> <li>- Herfindahl-Hirshman, Rothschild and Lerner Indexes</li> </ul> </li>   <li>• <b>Third and Final Exam in Week 9 – Open Note</b></li> </ul>
<p><b>Additional Information</b></p>	<p>A calculator should be brought to each class.</p> <p>Graph paper is helpful but not necessary.</p> <p>Bring a sense of humor and a calm attitude.</p>