

Course	BUSN 6120 - Managerial Economics	
Term	Spring 2, 2010, Mar 15 - May 15	
Instructor	Name: Jim Breakfield Phone: Office (501) 301-3537 Home (501) 450-9067 Cell (501) 213-5506 Email: jbreak@webster.edu and jbreakf@gmail.com	
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 - Current Economic Analysis BUSN 5760 – Applied Business Statistics	
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.

		<p>Students can use basic game theoretic analysis to describe the behavior of firms in an Oligopolistic industry.</p> <p>Students can also utilize Michael Porter’s Five-forces model to assess market potential and gain draw inference regarding firm behavior and potential performance.</p>														
<p>Materials</p>	<p><i>Managerial Economics and Business Strategy (7th Edition)</i>. Michael R. Baye (2010). McGraw-Hill Irwin; ISBN 13: 9780073375960</p> <p>Access the Virtual Bookstore at http://bookstore.mbsdirect.net/WEBSTER.HTM or you can call MBS Direct at 800-325-3252.</p>															
<p>Grading</p>	<table border="1" data-bbox="349 903 1055 1165"> <thead> <tr> <th>Assignments and Tests</th> <th>Maximum Point Value</th> </tr> </thead> <tbody> <tr> <td>Homework/Case Studies</td> <td>15</td> </tr> <tr> <td>Midterm Exam</td> <td>30</td> </tr> <tr> <td>Final Take Home Exam</td> <td>30</td> </tr> <tr> <td>Team Term Project</td> <td>20</td> </tr> <tr> <td>Class Participation</td> <td>5</td> </tr> <tr> <td>Total Points</td> <td>100</td> </tr> </tbody> </table> <p>Grading Scale 93-100 A 90-92 A- 87-89 B+ 83-86 B 80-82 B- 70-79 C 0-69 F</p> <p>Course Requirements The GRADUATE catalog provides these guidelines and grading options:</p> <p>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</p>		Assignments and Tests	Maximum Point Value	Homework/Case Studies	15	Midterm Exam	30	Final Take Home Exam	30	Team Term Project	20	Class Participation	5	Total Points	100
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<p>Activities</p>	<p>Team Term Project (details to be provided during week two) Individual and Team Homework Projects</p>
<p>Policy Statements: University Policies</p>	<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> <p>A student may submit their term paper to the On-Line Writing Center in St. Louis by email and have a coach make suggestions/corrections. It is up to the student to allow sufficient time for this process to be utilized and still turn in the term paper on the assigned date. Go to http://www.webster.edu/acadaffairs/asp/wc/online.html</p> <p>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.</p> <p>Drops and Withdrawals Please beware 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.</p> <p>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.</p> <p>Disturbances Since every student is entitled to full participation in class without interruption, all students are expected to be in class and prepared to begin on time. All pagers, wireless phones, or other electronic devices must be turned off, or switched to vibrate, when you enter the classroom.</p> <p>Disruption of class, whether by latecomers, noisy devices, or 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.</p>

	<p>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.</p> <p>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>
<p>Course Policies</p>	<p>Students must read all assigned chapters in preparation for class discussion. Prior to the first class session, students are required to read the first two chapters in the text. If a student misses a class s/he is responsible for acquiring notes and assignments. 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 and/or change the overall course grade weighting. All changes will be announced in class. Late homework assignments will receive a reduction of one letter grade.</p>
<p>Week 1:</p>	<p>Introductions and Course Overview Webster Connections and Eden Online Database Library Overview of Managerial Economics and Markets</p> <ul style="list-style-type: none"> • Time value of money • Marginal analysis • Maximizing net benefits • Market demand and supply and non-price determinants • Market equilibrium • Comparative static analysis <p>Note: Review Chapters 1 and 2 prior to class Read Chapter 3 for week 2</p>
<p>Week 2:</p>	<p>Elasticity of demand</p> <ul style="list-style-type: none"> • Calculate own-price, cross-price and income elasticity • Analyze elasticity relationship and impact on revenue • Review determinants of price elasticity • Review multiple regression analysis, confidence intervals and statistical significance • Use regression analysis to estimate a demand curve <p>In class case study – team exercise Read chapters 4 and 5 for week 3</p>

<p>Week 3:</p>	<p>Consumer Behavior and Business Forecasting</p> <ul style="list-style-type: none"> • Deriving an individual demand curve • Review trend, seasonal and cyclical components of a data series and smoothing techniques <p>Production and Costs</p> <ul style="list-style-type: none"> • Production functions and measures of productivity • Increasing and decreasing marginal returns to labor or capital <p>Prepare for mid-term exam</p>
<p>Week 4:</p>	<p>Mid-term Exam</p> <p>Production and Costs</p> <ul style="list-style-type: none"> • Increasing and decreasing returns to scale • Economies of scale and economies of scope • Cost minimizing input rule and optimal input substitution • Sunk, fixed and variable costs • Average total, average variable and marginal cost relationships • Short-run pricing and production decisions <p>Read chapters 6 and 7 for week 5</p>
<p>Week 5:</p>	<p>Review mid-term exam</p> <p>Organizing the Firm</p> <ul style="list-style-type: none"> • Understand transaction costs and economic trade-offs and optimization in procuring production inputs (spot exchange, contract and vertical integration) • Review the principal-agent problem relative to mitigating incentive problems and focus management actions <p>Understanding Industry Drivers and Concentration Measures</p> <ul style="list-style-type: none"> • Industry structure, concentration and performance measures • Structure-Conduct-Performance paradigm and relationship to Five Forces • Porter's Five Forces Analysis • Industry concentration measures • Industry classification (pure competition to monopoly) <p>Read chapters 8 and 9 for week 6</p>

Week 6:	<p>Understand distinctions/driver for perfect completion, monopolistic completion, oligopoly and monopoly market structures</p> <ul style="list-style-type: none"> • Characteristics/operating conditions of each market structure • Means for obtaining monopoly power in each structure • Utilization of the marginal principle to determine profit-maximizing price • Short- and long-run effects of changes in demand and firm costs • Long term profitability rule for each market structure <p>Dissecting Oligopolistic models and understanding their behavior and management's optimal pricing decisions</p> <ul style="list-style-type: none"> • Sweezy, Cournot, Stackelbery and Bertrand oligopoly models • Optimal decisions for profit maximization and likely competitor responses <p>Read chapters 10, 11 and 12 for week 7</p>
Week 7:	<p>Understand the constructs of game theory, strategy and oligopolistic market behavior</p> <ul style="list-style-type: none"> • Review dominant, secure, Nash, mixed, etc. equilibrium strategies under different conditions including with and without collusion <p>Review pricing strategies for firms with market power</p> <ul style="list-style-type: none"> • Examine behavior of firms in various market forms • Review tactics for extracting excess profits through specific pricing mechanisms • Determine various pricing mechanisms for specific situations (MR-MR, two-part pricing, transfer pricing, Baumols Revenue Maximization model, etc.) <p>Examine the economics of information including moral hazard, adverse selection and determining the profit maximizing output and price of firms faced with uncertainty</p> <p>Complete Team Project Prepare Team Project Presentation</p>
Week 8:	<p>Team Project Presentations Lecture: Market failures and government interventions Take Home Exam distributed</p>
Week 9:	<p>Turn in Take Home Exams Review Take Home Exam Course Critique</p>
Additional Information	<p>Teams will be established during week 2. The term project will be assigned at that time.</p>
Approved by	<p>Michael Hostetler, Faculty Coordinator, 2 Dec 2009</p>