

Course	BUSN 6120 – 58 Managerial Economics
Instructor	Name: Bob Staggs Phone: 502-558-9618 Email: bob@bluesky.org
Term & Dates	Summer 2008, May 26, 2008 to July 26, 2008, Tuesdays 6-10 pm
Location	Louisville Metropolitan Campus
Course Description	The student examines the application of microeconomic theory as applied to the manager’s responsibilities within the organization. This course should emphasize the quantitative and qualitative application of economic principles to business analysis.
Prerequisites & Incoming Student Competencies	BUSN 5620 Current Economic Analysis BUSN 5760 Applied Business Statistics
Course Objectives	This class will discuss the market forces and market structures in which businesses operate with a particular emphasis on strategic decisions that impact cost minimization and profit maximization.
Course Level Learning Outcomes	<ol style="list-style-type: none"> 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 correctly 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.

	<p>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 theory analysis to describe the behavior of firms in an Oligopolistic industry. Students can utilize Michael Porter's Five-forces model to assess market potential and gain inferences regarding firm behavior and potential performance.</p>																												
Materials	<p><u>Managerial Economics and Business Strategy (Sixth Edition)</u>, by Michael R. Baye, McGraw Hill.</p> <p>Texts can be obtained by calling MBS Direct at 1-800-325-3252, or at Virtual Bookstore at www.mbsdirect.net. Credit cards and checks are accepted. Make sure you purchase the correct edition.</p>																												
Supplemental Resources	<ol style="list-style-type: none"> 1. Financial publications including The Wall Street Journal, Barron's Weekly, The Economist, Fortune and Inc. Magazine. 2. Economic forecasts and analysis by various organizations such as USBank, National City Bank, the American Marketing Association and the National Bureau of Economic Research. 3. Economic publications from government agencies including the Bureau of the Census, The Federal Reserve Banks, the Office of Management and Budget and the Congressional Budget Office. 																												
Grading	<table> <tr> <td>Exam 1</td> <td>25%</td> </tr> <tr> <td>Exam 2</td> <td>25%</td> </tr> <tr> <td>Exam 3</td> <td>25%</td> </tr> <tr> <td>Quantitative Project</td> <td>10%</td> </tr> <tr> <td>Homework Assignments</td> <td>10%</td> </tr> <tr> <td>Classroom Participation</td> <td>10%</td> </tr> </table> <p><u>Grades:</u></p> <table> <tr> <td>A</td> <td>95-100</td> </tr> <tr> <td>A-</td> <td>90-94</td> </tr> <tr> <td>B+</td> <td>88-89</td> </tr> <tr> <td>B</td> <td>84-87</td> </tr> <tr> <td>B-</td> <td>80-83</td> </tr> <tr> <td>C</td> <td>70-79</td> </tr> <tr> <td>F</td> <td>Less Than 70</td> </tr> <tr> <td>I</td> <td>Incomplete Work</td> </tr> </table>	Exam 1	25%	Exam 2	25%	Exam 3	25%	Quantitative Project	10%	Homework Assignments	10%	Classroom Participation	10%	A	95-100	A-	90-94	B+	88-89	B	84-87	B-	80-83	C	70-79	F	Less Than 70	I	Incomplete Work
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Activities	<p>Expect 50% of class time lecture with instructor facilitating and 50% group interaction with students participating in class by completing assignments and taking an active role in class discussions.</p>																												

**Policy Statements:
University Policies**

CONDUCT

Students enrolling in a graduate program at Webster University assume the obligation of conducting themselves in a manner compatible with the University's function as an educational institution. Misconduct for which students are subject to discipline include the following categories:

1. All forms of dishonesty, cheating, plagiarism, or knowingly furnishing false information to the University.
2. Obstruction or disruption of teaching, research, administration, disciplinary procedures, or other University authorized activities.
3. Theft or damage to property at the University.

Students who cheat or plagiarize may receive a failing grade for the course in which the cheating or plagiarism took place. Students who engage in any of the above misconducts may be subject to dismissal from the University. To the extent that penalties for misconduct (e.g. theft or destruction of property) are prescribed by law, the University will consider appropriate actions under such laws.

ATTENDANCE POLICY

Students are expected to attend all class sessions of every course. In the case of unavoidable absence, the student must contact the instructor. The student is subject to appropriate academic penalty for incomplete or unacceptable makeup work or for excessive or unexcused absences. Generally, a student who misses more than one four-hour course period (per course) without a documented military or medical excuse and advance permission of the instructor should withdraw from the class. The University reserves the right to involuntarily drop enrolled students from classes, which they do not attend. Students who do not attend the first class session, who have not made prior arrangement with the instructor for being absent, will be dropped from the course.

MAKE-UP WORK REQUIREMENTS

For each class missed, makeup work will be assigned and must be submitted at the next class. The instructor will assign the topic and amount of work. This makeup work will be incorporated into the class participation grade. If make-up work is not submitted on time, the student's final grade will be subject to a reduction of one (1) letter grade.

Students are responsible for any class material presented during their absence and any assignments due should be submitted prior to the absence, if possible.

	<p>Drops and Withdrawals 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. 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 need accommodations for a disability, please let the instructor know at the beginning of the course so that assistance can be provided.</p> <p><u>DISCLAIMER</u> This syllabus is intended to provide a basic structure to this course. It MAY be modified for class size, student competencies, etc. This syllabus is subject to change at the sole discretion of the instructor.</p>
<p>Course Policies</p>	<p>This syllabus and the course schedule may be revised at the discretion of the instructor without the prior notification or consent of the student. The schedule below represents an approximate expectation of course progress. The instructor reserves the right to add, delete, or modify any weeks of this schedule. The instructor also reserves the right to change the overall course grade weighting. Any changes will be announced in class.</p> <p>If you miss class you are responsible for getting notes and assignments. No late homework will be accepted and missed exams will receive scores of zero unless prior approval to miss class is obtained from the instructor. Makeup exams will be scheduled only if arranged in advance of the scheduled exam date.</p>
<p>Weekly Schedule</p>	<p>Weeks 1 and 2</p> <ul style="list-style-type: none"> • Supply and Demand <ul style="list-style-type: none"> ○ Review the basic supply and demand model ○ Market equilibrium ○ Non-price determinants of supply and demand and how changes in demand might affect market equilibrium • Elasticity <ul style="list-style-type: none"> ○ Calculate own-price, cross-price and income elasticity ○ Elasticity and revenue ○ Determinants of price elasticity • Demand Estimation <ul style="list-style-type: none"> ○ Review multiple regressions ○ Using multiple regressions to estimate demand curves <p>Exam 1 in Week 3 (2 hour maximum)</p> <p>Week 3 – 5</p> <ul style="list-style-type: none"> • Business Forecasting

- Review trends and seasonal and cyclical patterns
- Review smoothing techniques
- Review various methods of modeling trends
- Apply various forecasting techniques to aid demand estimation
- Optimization
 - Production and costs correlations
 - Increasing/decreasing returns to a factor of production
 - Increasing/decreasing returns to scale
 - Economies of scale and economies of scope
 - Relationships between returns to factors and marginal costs
 - Fixed and variable costs
 - Short run pricing and production decisions
 - Profit maximization where $MR = MC$
 - Deriving revenue and marginal revenue functions
 - Determining profit maximization quantity and price
- Perfect Competition and Monopoly
 - The Structure-Conduct-Performance paradigm
 - Basic characteristics of each market structure
 - Short and long run effects of changes in demand and costs in each market structure
 - Potential long term profitability
 - Empirically solving for market equilibrium
 - Real world examples of each market structure

Exam 2 in Week 6 (2 hour maximum)

Week 6 – 8

- Monopolistic Competition and Oligopoly
 - The Structure-Conduct-Performance paradigm
 - Basic characteristics of each market structure
 - Short and long run effects of changes in demand and costs in each market structure
 - Potential long term profitability
 - Empirically solving for market equilibrium
 - Real world examples of each market structure
 - The Sweezy principle
 - The Cournot, Stackelberg, Bertrand, price leadership and collusion models of oligopoly
 - Cartels
- Game Theory and the Economics of Information
 - Dominant strategies
 - The Nash equilibrium
 - The Prisoner's dilemma
 - Mixed strategies
 - One-time versus repeated games
 - Asymmetric information

	<ul style="list-style-type: none"> ○ The “lemons” model ○ Adverse selection and moral hazard ○ Expected profits and expected wealth ● Pricing Strategies <ul style="list-style-type: none"> ○ MR = MC ○ Price discrimination ○ Two-part pricing ○ Block pricing ○ Transfer pricing ○ Commodity bundling ○ Lerner’s mark-up rule ○ Randomized pricing ○ Price matching ● Porter’s Five Forces Analysis <ul style="list-style-type: none"> ○ Basics of the model ○ Implications and applications ● Risk and Return <ul style="list-style-type: none"> ○ Calculating expected wealth ○ Calculating variance, standard deviation and coefficient of variation ○ Calculate expected profits ○ Asymmetric information, adverse selection and moral hazard <p>Exam 3 in Week 9 (2 hour maximum)</p>
Additional Information	Any written assignments should follow an appropriate writing style such as APA or MLA. Written assignments and homework need to be neat and legible and will be graded on grammar, punctuation, syntax, spelling and content.