

<b>Course</b>	<b>BUSN 6120-57 Managerial Economics</b>	
<b>Term</b>	Spring 1, 2008, Fort Sam Houston, Texas	
<b>Instructor</b>	Ron Scott, EdD, JD, LL.M, MSBA 210.867.8382 (cell) 210.659.2880 (home) <a href="mailto:ronaldscott98@webster.edu">ronaldscott98@webster.edu</a> <a href="mailto:rws212004@yahoo.com">rws212004@yahoo.com</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 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.
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>	Title: Fundamentals of Managerial Economics; 8th edition Author: Hirschey, Mark; Publisher: South-Western College Pub. ISBN: 0-324-28889-1	
<b>Grading</b>	Exam 1	30%
	Exam 2	30%
	Exam 3	30%
	Assigned Homework	10%
<b>Activities</b>	<ul style="list-style-type: none"> <li>- Homework assignments from back of each chapter.</li> <li>- Aplia assignments corresponding to each topic area.</li> </ul>	
<b>Policy Statements: University Policies</b>	<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><b>Academic Honesty</b> 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><b>Drops and Withdrawals</b> 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.</p> <p><b>Special Services</b> 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><b>Disturbances</b> 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.</p> <p><b>Student Assignments Retained</b> From time to time, student assignments or projects will be retained by The</p>	

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<p><b>Course Policies</b></p>	<p>This syllabus may be revised at the discretion of the instructor without the prior notification or consent of the student. 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. 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. <i>No</i></p>

	<p><i>late homework will be accepted and missed quizzes 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.</i></p>
<p><b>Weekly Schedule</b></p>	<p><b>Weeks 1-2</b></p> <ul style="list-style-type: none"> <li>• <b>Supply and Demand</b> <ul style="list-style-type: none"> <li>- review the basic demand and supply model</li> <li>- market equilibrium</li> <li>- non-price determinants of supply and demand and how changes in demand might affect market equilibrium</li> </ul> </li> <li>• <b>Elasticity</b> <ul style="list-style-type: none"> <li>- calculate own-price, cross-price, and income elasticity</li> <li>- elasticity and revenue</li> <li>- determinants of price elasticity</li> </ul> </li> <li>• <b>Demand Estimation</b> <ul style="list-style-type: none"> <li>- review multiple regression</li> <li>- use multiple regression to estimate a demand curve</li> </ul> </li> </ul> <p><i>Conduct 1<sup>st</sup> exam in Week 3 (2 hours)</i></p> <p><b>Weeks 3-5</b></p> <ul style="list-style-type: none"> <li>• <b>Business Forecasting</b> <ul style="list-style-type: none"> <li>- Review trend, seasonal, and cyclical components of a data series</li> <li>- Review smoothing techniques (e.g. moving averages and exponential smoothing)</li> <li>- Review various methods of modeling trends (e.g. linear, quadratic, exponential).</li> <li>- Apply various forecasting techniques to aid demand estimation.</li> </ul> </li> <li>• <b>Optimization</b> <ul style="list-style-type: none"> <li>- correlation between production and cost</li> <li>- increasing/decreasing returns to a factor</li> <li>- increasing/decreasing returns to scale</li> <li>- economies of scale and economies of scope</li> <li>- the relationship between returns to a factor and incremental (or marginal) cost.</li> <li>- fixed and variable cost</li> <li>- short-run pricing and production decisions</li> <li>- the MR=MC rule of profit maximization</li> <li>- deriving revenue and marginal revenue functions (or table)</li> <li>- determining profit maximizing quantity and price for a firm with pricing power.</li> </ul> </li> <li>• <b>Perfect Competition and Monopoly</b></li> </ul>

- the Structure-Conduct-Performance paradigm
- basic characteristics of each market structure
- short and long-run effects of changes in demand and cost in each market structure
- potential for long-term profitability in each market structure
- empirically solving for market equilibrium in each market structure
- discuss real-world examples of each market structure.

- **Price Discrimination**

- first, second, and third degree price discrimination
- conditions for price discrimination to take place
- peak-load pricing
- intertemporal pricing
- two-part tariffs

*Conduct 2<sup>nd</sup> exam in Week 6 (2 hours)*

**Weeks 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 cost in each market structure
- potential for long-term profitability in each market structure
- empirically solving for market equilibrium in each market structure
- discuss 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
- Nash equilibrium
- prisoner's dilemma
- mixed strategies
- one-time versus repeated games
- solve for the Nash equilibrium for a 3x3 decision matrix.
- asymmetric information
- the 'lemons' model
- adverse selection and moral hazard
- expected profits and expected wealth.

- **Pricing Strategies**

- $MR = MC$
- Baumol's Revenue Maximization Model

	<ul style="list-style-type: none"> <li>- Two-part pricing</li> <li>- Block pricing</li> <li>- Transfer pricing</li> <li>- Commodity Bundling</li> <li>- Lerner's mark-up rule</li> <li>- Randomized pricing</li> <li>- Price matching</li> </ul> <ul style="list-style-type: none"> <li>• <b>Porter's Five-Forces Analysis</b> <ul style="list-style-type: none"> <li>- basics of the model</li> <li>- implications and applications of the model</li> </ul> </li> <li>• <b>Risk and Return</b> <ul style="list-style-type: none"> <li>- calculating expected wealth</li> <li>- calculate variance, standard deviation, and coefficient of variation</li> <li>- calculate expected profits</li> <li>- asymmetric information, adverse selection, and moral hazard.</li> </ul> </li> </ul> <p><i>Conduct 3<sup>rd</sup> exam in Week 9 (2 hours) Course Summary will follow exam.</i></p>
<b>Additional Information</b>	Only a student with a terminal degree in Economics from an accredited institution should be considered for a waiver.

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