

ECO 3320: Managerial Economics

Fall 2009

Instructor

Timothy P. Hubbard
office: HH 253 phone: 806-742-2466 x236 email: timothy.hubbard@ttu.edu
website: <http://www.webpages.ttu.edu/timhubba/>
office hours: Monday 1:30 p.m. – 2:30 p.m., Tuesday 11:00 a.m. – 12:30 p.m., and
Thursday 2:00 p.m. – 3:30 p.m. (or by appointment)

Teaching Assistant

Meichuang Wu
office: HH 249 email: meichuang.wu@ttu.edu
office hours: Monday, Wednesday, and Friday 10:00 a.m. – 11:00 a.m.

Course Information

Prerequisites: ECO 2301 or AAEC 2305
Lectures: Section 002: 9:30 a.m. – 10:50 a.m. on Tuesday and Thursday in HH 00004
Section 004: 12:30 p.m. – 1:50 p.m. on Tuesday and Thursday in HH 00004
Textbook: Michael R. Baye's *Managerial Economics & Business Strategy (6th Ed.)*
McGraw-Hill/Irwin ISBN 978-0073375687 or 0073375683

Course Description

The intent of this course is to understand and use economic theory in addressing problems of business enterprise. The business world is becoming increasingly global, complex, and competitive. Economic theory will allow you to gain insight into complicated problems by using sophisticated decision-making models. You will learn how to model real-world problems by abstracting away from irrelevant issues in order to evaluate the essential trade-offs. While microeconomics is used to describe the environment in which managers behave, the focus of this course is to provide managers with a logical way of analyzing business decisions. Much of the course is structured around making profitable business decisions, but the techniques used are applicable to managers of nonprofit organizations and government agencies, self-employed workers, as well as decision-makers at large.

Learning Outcomes

At the end of this course, students should be able to:

- transfer economic principles to the business world;
- use supply and demand as a qualitative forecasting tool;
- model consumer preferences and determine how consumer decisions are affected by changes in prices and income;
- construct firm production and cost functions as well as explain their relationship;
- provide measures of industry structure, conduct, and performance;
- understand how managers behave under various market structures;
- make decisions in strategic environments;
- determine optimal pricing decisions for firms with market power;
- explain how differing auction rules and information structures impact incentives.

A Warning

Economics is one of the most quantitative of the social sciences and is thus often challenging for students. Many students describe economics courses as both their “favorite” course and, at the same time, their “hardest” course. Memorizing definitions and examples will not be sufficient—students who do well in this course will understand concepts and know how to apply them in new environments. By the end of the semester you will be able to think about issues and decisions in a new way, but to gain this intuition you must have an open mind and be prepared to work hard. Managers are often evaluated using objective performance measures. Mathematics is objective and allows us to model simply the complex world we live in. You will need to be comfortable enough with the mathematics tools we use so that you can avoid being caught up in technicalities and understand the basic concepts.

Course Websites

I will use Blackboard to manage the course. All course materials and grades will be posted to Blackboard. To view content for the course, sign in using your eRaider username and password. This course should be listed as “Fall 2009 – ECO 3320 – ECO 3320 002 | 004 Managerial Economics (Hubbard)” when you login.

There is also a Companion Online Learning Center website associated with the course textbook. Access to the website is free, simply go to: http://highered.mcgraw-hill.com/sites/0073375683/student_view0/. The website provides interesting case studies and examples, data for chapters in the textbook, and, for each chapter, a chapter overview, PowerPoint presentation (in PDF format), flashcards for studying, as well as a multiple choice quiz.

Homework, Exams, & Grading

Assessment will be based on your performance on four problem sets, two midterm examinations, and a cumulative final examination. The contribution of each of these components to the course grade are indicated below.

<i>Problem Sets:</i>	20% (each assignment will be worth 5% of your total grade)
<i>Midterm Exam 1:</i>	25%
<i>Midterm Exam 2:</i>	25%
<i>Final Exam:</i>	30% (this will be a cumulative exam)

Problem sets will be available at least two weeks before they are due. They will consist of questions that require critical thinking at a deeper level. Exams may consist of a combination of multiple choice, fill-in-the-blank, and problem solving/short answer questions. Please bring to the exams a #2 pencil (for Scantron bubble sheets) and your university ID. You will be allowed to use a calculator on exams, but it must be a simple calculator that cannot store text or graph. You cannot use the calculator on your phone.

There will be no opportunities for extra credit. If you do not understand the reason you received a specific grade on any assignment or test and would like for me to reconsider your grade, I will review your grade if you provide me with a written response explaining your perspective and rationale concerning your grade. You are encouraged to take sufficient time, a minimum of 24 hours before responding, to consider your grade, review your assignment or test, and respond to me in writing. Your written argument should be well-reasoned and must be submitted within seven (7) days of the time the work was returned to you or the grade was posted. If you submit a request for me to review your grade, I will review the complete work and your grade may go up or down.

Final Exam Schedule

Examinations will be given in the rooms in which the individual classes have been meeting unless otherwise announced. For us, that means the final exam will take place in the room we meet in for lectures—HH 00004. Students should check the Final Examination Schedule prior to registration to avoid an inconvenient overload during final exams.

Tuesday classes beginning at:	Final examination period will be:		
9:30 a.m. (Section 002)	7:30 a.m. – 10:00 a.m.	Friday	December 11
12:30 p.m. (Section 004)	1:30 p.m. – 4:00 p.m.	Saturday	December 12

Attendance, Excused Absences, & Classroom Decorum

Attendance at lectures is at your own discretion. There will be no random quizzes or attendance checks. However, some of the material I teach in lectures will expand upon what is covered in the course text. This may be important material that could appear on exams. Ultimately it is your responsibility to learn material that you miss. Likewise, you are responsible for knowing about oral announcements or requirements not listed in this syllabus.

Whether an absence is excused or unexcused is determined solely by the instructor with two exceptions: absences due to religious observance and officially approved trips. A student who is absent from classes for the observance of a religious holy day will be allowed to take an examination or complete an assignment scheduled for that day within a reasonable time after the absence. Notification must be made by email or in writing and delivered in person no later than the 15th class day of the semester. If a student is to miss class due to an official university trip, the person responsible for the trip should notify the instructor of the departure and return schedule in advance. The student may not be penalized and is responsible for the material missed. Note, too, that the Center for Campus Life will notify faculty, at the student's request, when a student is absent for four consecutive days with appropriate verification of a health-related emergency. This notification does not excuse the student from class, it is provided as a courtesy.

To create and preserve a classroom atmosphere that is optimal for learning, all participants share a responsibility in maintaining a civil and non-disruptive forum. As stated above, attendance is optional. I ask that if you choose to attend lectures please put all electronic devices on silent and refrain from texting, Facebooking, IMing, using the internet, etc.

Deadlines & Make-ups

Problem sets must be submitted at the beginning of lecture on the respective due date. There will be no late assignments accepted, you can always submit an assignment early if you anticipate a potential conflict. To request a make-up for an exam you must send me an email, at least one week before the exam, explaining the legitimate commitment that prevents you from taking the exam. Any last minute/emergency make-up requests will be handled on a case-by-case basis.

Academic Integrity & Dishonesty

It is the aim of the faculty of Texas Tech University to foster a spirit of complete honesty and a high standard of integrity. The attempt of students to present as their own any work that they have not honestly performed is regarded by the faculty and administration as a serious offense and renders the offenders liable to serious consequences, possibly suspension. Details about what constitutes academic dishonesty can be found in the current Code of Student Conduct. Details on the procedures that should be taken if a student is suspected of violating academic integrity policies can be found in the current Student Handbook.

Special Needs

I would like to hear from anyone who has a disability that may require some modification of the seating, testing, or other class requirements so that appropriate arrangements may be made. Any student who, because of a disability, may require special arrangements in order to meet the course requirements should contact the instructor as soon as possible to make any necessary arrangements. Students should present appropriate verification from Student Disability Services during the instructor's office hours. Please note instructors are not allowed to provide classroom accommodations to a student until appropriate verification from Student Disability Services has been provided. For additional information, you may contact the Student Disability Services office at 335 West Hall or by calling 806-742-2405.

Ombuds for Students

I am committed to providing students with a respectful environment that is conducive to learning. If you feel such conditions are not being met please do not hesitate to contact me. If you feel uncomfortable approaching me with issues, staff members of the Ombuds Office at Texas Tech University provide informal, neutral, and confidential dispute resolution services. They assist people with interpersonal misunderstandings or disputes as well as those with concerns about academic or administrative issues. I encourage you to visit the Ombuds Office at 024 Student Union Building or contact them by calling 806-742-7233 should you have any such conflicts, complaints, or disputes that you feel we cannot resolve.

Schedule

Here is a schedule which details when we will discuss specific topics in class, when various homework assignments are due, as well as dates for the exams.

<u>Topic</u>	<u>Chapter(s) in Text</u>	<u>Date</u>
Introduction, Course Policies, Expectations, and Preview		8/27/09
Market Demand and Supply	2	9/1/09
Market Equilibrium and Comparative Statics	2	9/3/09
Elasticities	3	9/8/09
Estimating Demand	3	9/10/09
Consumer Behavior and Budget Constraints	4	9/15/09
Income and Substitution Effects	4	9/17/09
Indifference Curves	4	9/22/09
Problem Set 1 Due	2, 3, & 4	9/24/09
Firm Production Functions	5	9/24/09
Firm Cost Functions	5	9/29/09
Economies of Scale and Scope	5	10/1/09
Exam 1: Individuals, Firms, and Markets	2, 3, 4, & 5	10/6/09
Market Structure	7	10/8/09
Student Holiday		10/13/09
Firm Conduct and Performance	7	10/15/09
Problem Set 2 Due	5 & 7	10/20/09
Managing in Competitive Markets	8	10/20/09
Managing in Monopolistic Markets	8	10/22/09
Managing in Monopolistically Competitive Markets	8	10/27/09
Cournot Oligopoly	9	10/29/09
Stackelberg Oligopoly	9	11/3/09
Bertrand Oligopoly	9	11/5/09
Problem Set 3 Due	8 & 9	11/10/09
Simultaneous-Move, One-Shot Games	10	11/10/09
Repeated Games	10	11/12/09
Sequential Games	10	11/17/09
Exam 2: Managing in Different Types of Markets	7, 8, 9, & 10	11/19/09
Basic Pricing Strategies	11	11/24/09
Thanksgiving Recess		11/26/09
Extracting Surplus from Consumers	11	12/1/09
Problem Set 4 Due	9, 10, & 11	12/3/09
Case-Specific Pricing Strategies	11	12/3/09
Auctions	12	12/8/09
Final Exam: Cumulative	All Chapters	See Schedule