**Managerial Economics**

**ECON 280**

**Credit hours: 3**

**Grading: A/B/C/D/F**

**Class meeting time(s): T/TH: 2:00-3:20**

**Prerequisite Course(s): ECON 163**

**LAC/Gen Ed designation: None**

**Instructor:**  David Youngberg

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**Office Location:** Morlan 105

**Office Hours:**  Monday - Thursday: 11:30AM-2:00PM

**Website:** http://www.dyoungberg.com

**I. Rationale:**

This course serves two purposes. This course is designed to show how firms determine their demand and minimize their costs. It also emphasizes real-world applications which show how the theories work in practice.

**II. Course Description:**

Managerial Economics is a study of profit-maximizing managerial decision making with an emphasis on external environment of the firm. The course introduces students to quantitative techniques of decision-making**.**

**III. Student Learning Outcomes**

By the end of this course, students will:

1. Understand how government action affects the market
2. Understand elasticity and be able to calculate it
3. Understand the various ways firms price discriminate
4. Understand the challenges and solutions to incentivizing employees
5. Understand the role of technology and trade in firm behavior
6. Understand Nash Equilibrium and other game theory concepts
7. Understand double marginalization and rent seeking

**IV. Format and Procedures:**

This course is made up mostly of lecture with class discussion and class activities to underline important concepts. Class discussion is paramount to the class, since I find interaction of this sort particularly valuable in understanding the economic ideas and how they fit into the world.

**V. My Assumptions:**

I assume you have a basic curiosity about the world around you. I assume you remember the material from this course’s prerequisite. I assume you will do the indicated readings.

**VI. Course Requirements:**

*Late Work Policy*

Assignments will not be accepted after the answers have been posted on the website. Since all exam dates are listed here, you will be expected to attend. Failure of attendance results in a zero for the exam. Exceptions will only be made in extreme circumstances (such as a death in the family) and in those cases written proof (such as a death certificate) must be presented.

*Course readings*

In addition there is a textbook. I have a love-hate relationship with textbooks. They are useful to some students, but rendered redundant by the actual class to others. I’m suggesting you use *Managerial Economics and Business Strategy* by Michael R. Baye. For convenience I indicate the pages which roughly correspond to the lecture. Bear in mind that what I cover is not always the same thing as what they cover; the two are not perfect substitutes.

There is also a reading outside of the textbook. ***Do not neglect it.***

*Calculators*

I will not permit use of graphing calculators or any other calculator which can store equations. The HP 10B and the TI BA II Plus are acceptable in all courses in the Department of Economics and Business. The former is the preferred calculator.

**VII. Grading, Evaluation and Assessment Procedures, including Grading Scale:**

*Weighting of Assignments*

|  |  |
| --- | --- |
| **Assignment** | **Points or Percentage** |
| Homework | 1.25% each (10% total) |
| Exams | 20% each, lowest is 15% (55% total) |
| Final | 25% |
| Participation | 10% |

*Homework.* There will be a total of eight homework assignments each covering the recent lectures. They must be ***typed*** and ***stapled*** to be accepted. Staples may be purchased on the day the assignment is due for twenty-five cents each.

*Exams*. The three exams will comprise of short answer and multiple choice and they will closely emulate the homework assignments. Since all exam dates are listed here, you will be expected to attend. Failure of attendance results in a zero for the exam. Exceptions will only be made in extreme circumstances (such as a death in the family) and in those cases written proof (such as a death certificate) must be presented.

*Final*. The final is comprehensive. I suggest you review past exams to help prepare.

*Participation*. I’m a strong believer that people learn best if they speak up. It’s a good rule not just for learning but for life in general. However because there’s a lot of material to cover, we cannot always have an in depth class discussion. Thus the expectations for participation reflect that—a substantive comment or question once a week will fulfill the requirement just fine.

*Grading Scale (points or percentage needed for specific grades)*

A+ (98+)

A (97.99-92) A- (91.99-90)

B+ (89.99-88) B (87.99-82) B- (81.99-80)

C+ (79.99-78) C (77.99-72) C- (71.99-70)

D+ (69.99-68) D (67.99-62) D- (61.99-60)

F (59.99-0)

**VIII. Academic Honesty**

Each student in this course is expected to abide by the Bethany College Policy on Academic Honesty (see College Catalogue section on Academic Honesty). Any work submitted by a student in this course for academic credit will be the student's own work.

**IX. Behavioral Expectations, Classroom Etiquette**

You will turn off cell phones during exams and during class. Keep disruptions (e.g. side conversations) at a minimum (aka zero).

**X. Electronic Communication and Course Management**

Students are expected to check their campus e-mail accounts daily. Course changes, suggestions for study, new bibliography, etc. will be posted by campus e-mail.

**XI. Accommodations for students with disabilities**

In compliance with the Bethany College policy and equal access laws, I am available to discuss appropriate academic accommodations that may be required for students with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made.

**XII. Tentative Course Schedule:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Topic** | **Readings** | **Due** |
| 08/28 | The theory of the firm  |  |  |
| 08/30 | On transaction costs and sunk costs | 181 & 206 |  |
| 09/04 | Elasticity I | 74 |  |
| 09/06 | Elasticity II |  | H1 |
| 09/11 | Price discrimination I | 402 |  |
| 09/13 | Price discrimination II |  |  |
| 09/18 | Risk, uncertainty, and probability | 433 | H2 |
| 09/20 | **Exam 1 (08/28-09/13)** |
| 09/25 | Risk and types of error |  |  |
| 09/27 | Bayes Rule |  |  |
| 10/02 | Asymmetric information | 448 | H3 |
| 10/04 | Incentive structures and prediction markets | 222 |  |
| 10/09 | Law and economics |  |  |
| 10/11 | Auctions I | 452 | H4 |
| 10/16 | **Exam 2 (09/18-10/09)** |
| 10/18 | Auctions II |  |  |
| **10/23** | **No Class—Midterm Break** |
| 10/26 | Intro to game theory; Prisoner’s Dilemma | 350 |  |
| 10/30 | Repeated games | 363 | H5 |
| 11/01 | Sequential-move games | 376 |  |
| 11/06 | Platform and network goods |  |  |
| 11/08 | Culture and overcoming the Dilemma |  | H6 |
| 11/13 | **Exam 3 (10/11-11/06)** |
| 11/15 | Outsourcing, offshoring, and the law of one price | <http://www.economist.com/node/21524822> |  |
| **11/20** | **No Class—Thanksgiving Break** |
| **11/22** |
| 11/27 | Exchange rates and international trade |  |  |
| 11/29 | Technology and the economics of ideas |  | H7 |
| 12/04 | Double marginalization and monopoly |  |  |
| 12/06 | Rent seeking and government | 507 |  |
| 12/11 | Review |  | H8 |
| 12/14 | **Final (3pm-5pm)** |

**Note: This syllabus is subject to change at the discretion of the Professor.**