

## **ECON 5313.020: Managerial Economics Fall 2016 Course Syllabus**

### **Professor Contact Information**

Sneha Bakshi

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### **Course Information**

ECON 5313.020

Managerial Economics

Fall 2016

Mon 6-10 pm & Sat 8:30 am – 12:30 pm.

Location : FTW Santa Fe Bldg. Room 111

Nov 7-Dec 12, 2016

### **Course Description**

This course applies tools from economic theory and its methods to business, administrative and managerial decision-making in order to achieve goals and objectives of organizations in the most efficient way. Thus, this course will provide an understanding of how to link economic theory with quantitative methods to formulate managerial decision-making regarding pricing, cost determination, market structure, organization, and strategic competition.

**Course Prerequisites:** ECON 5311, Basic algebra.

### **Student Learning Objectives:**

To acquire the ability to apply economic concepts to business and managerial decisions and problems:

- Understand and apply market theories to problems and cases
- Compute the relevant costs and benefits of different alternatives and reasonably argue and compare them
- Understand market dynamics and responses of demand, supply, and competition
- Optimize firm value, investments, profits or other goals, and consumer utility, etc.
- Understand pricing strategies and price discrimination and be able to apply them to problems and case studies; their motives, methods, and outcomes
- Understand uncertainty, risk, and the problems that arise from them
- Be able to analyze games and strategic situations and their equilibria, and conflicts of interest including those arising from asymmetric information
- Be able to independently analyze and solve problems as special cases of the theories studied

### **Strongly Recommended Textbooks:**

'Managerial Economics', 4th Edition - Froeb, McCann, Ward, & Shor; Cengage. ISBN-10: 1305259335 | ISBN-13: 9781305259331

### **Other Recommended/Referenced Textbooks:**

'Microeconomics for Managers' - David M. Kreps; W.W.Norton & Co. ISBN: 978-0-393-97678-6

'Games of Strategy', 4th Edition - Dixit, Skeath & Riley; W.W.Norton & Co. ISBN: 978-0-393-12444-67

'Industrial Organization: Theory & Applications' - Oz Shy; MIT Press. ISBN: 9780262691796

'Microeconomics', 5th Edition - David Besanko & Ronald Braeutigam; Wiley. ISBN: 978-1-118-57227-68

### **Other Reading Materials:**

Excerpts from other books or articles may be used in class and/or posted on Blackboard.

**Be advised that class lectures will often go beyond the materials in the textbooks. Students will be tested on the content of class lectures which is not limited to the textbooks' contents.**

### **Topics of Study and Assignment Chronology (Subject to change):**

- I. **Review and Introduction:** Goals of this course, defining problems and devising methods to recognize problems and to find solutions. Review of basic terms.  
Reference: Chapter 1 (Froeb et. al.), Chapter 1 (Kreps)
- II. **Wealth Creation:** Voluntary trade and wealth creation, Surplus from trade, Consumer and Producer Surplus. Understanding efficiency, tradeoffs and opportunities for wealth creation. The role of the Government in promoting and hindering efficiency and wealth creation.  
Reference: Chapter 2 (Froeb et. al.),
- III. **Costs, Investments and Decisions:** Measures of Costs, Accounting versus Economic costs, Sunk and Hidden Cost Fallacy, Cost Benefit analysis, Marginal Analysis, Performance Pay, Compounding and Discounting, Break-Even analysis, Shut-Down decision, Hold-Up.  
Reference: Chapters 3, 4 and 5 (Froeb et. al.), Chapter 3&8 (Kreps), Basic Principles (Besanko et. al.), Chapter 3 (Shy)
- IV. **Monopoly or Simple Pricing:** Consumer values and demand, Monopoly Profit Maximization, Price Elasticity of Demand and its relationship with Marginal Revenue.  
Reference: Chapter 6 (Froeb et. al.), Chapter 5 (Shy)
- V. **Economies of Scale and Scope:** Economies of Scale and trends in cost curves, Learning curves, Economies of Scope, Diseconomies.  
Reference: Chapter 7 (Froeb et. al.),
- VI. **Industry, Market, and Long-run equilibrium:** Market dynamics of demand and supply, market equilibrium, shifts in equilibrium, Perfect competition, Entry, Exit, and Long-run equilibria, the Indifference Principle.  
Reference: Chapters 8 and 9 (Froeb et. al.), Chapter 11 (Kreps), Chapter 4 (Shy)
- VII. **More Realistic Pricing:** Pricing Commonly Owned products, Revenue management, Advertising, Promotional and Psychological pricing. Behavioral pricing.

Reference: Chapter 12 (Froeb et. al.),

- VIII. **Price Discrimination:** Direct and Indirect price discrimination, quantity discounts, bundling, etc.  
Reference: Chapters 13 and 14 (Froeb et. al.), Chapter 7 (Kreps)
- IX. **Strategic Decision Making:** Simultaneous and sequential moves games, Strategic moves, Prisoners' Dilemma, Applications.  
Reference: Chapter 15 (Froeb et. al.), Chapter 2 (Shy), Chapter 21 (Kreps), Chapters 1,2,3,4 (Dixit, Skeath & Riley)
- X. **Strategic Profit sustenance:** Sources of economic profit, Strategies to sustain profits, Collusion.  
Reference: Chapter 10 (Froeb et. al.),
- XI. **Foreign Exchange, Trade and Bubbles:** Foreign exchange dynamics and markets, International Trade, Bubbles, Currency comparison and purchasing power parity.  
Reference: Chapter 11 (Froeb et. al.),
- XII. **Risk and Uncertainty:** Random variables, Probability and Expectations, Minimizing expected error costs, Risk versus Uncertainty.  
Reference: Chapter 17 (Froeb et. al.), Chapter 15 (Kreps)
- XIII. **Asymmetric Information:** Insurance and Risk, Adverse Selection, Market for Lemons, Screening, Signaling, Reputation, Moral Hazard and Shirking, comparison of Moral Hazard and Adverse Selection.  
Reference: Chapters 19 and 20 (Froeb et. al.), Chapter 18&19 (Kreps), Chapters 12&15 (Shy)

**There will be 3 Homework assignments throughout the course, and some Practice Questions.**

**Exam 1: November 21<sup>st</sup>, 2016; in class.**

**Exam 2: December 12<sup>th</sup>, 2016; in class.**

**Description of Major Assignments and Examinations:**

Each exam, as listed above, will cover the material covered in class, since the last exam till that date. The focus will be on testing students for their understanding of their material, their ability to apply their learning and to independently execute problem solving. Although, exams will not be cumulative/comprehensive in the strict sense of course content, but the understanding of the material in them will require clarity with and understanding of previous material.

*As the instructor for this course, I reserve the right to adjust this schedule in any way that serves the educational needs of the students enrolled in this course. – Sneha Bakshi*

**Evaluation & Grading Policy:**

Grade composition:

Homework Assignments	30%
Exam #1	35%
Exam #2	35%

**Grade Evaluation Scale:** A grade of less than 55% is an F. Everything above 55% will be evaluated on a curve according to class performance and will be awarded a letter grade of A, B, C, or D on the performance scale.

### **Classroom Behavior and Attendance Policy:**

**Attendance:** At The University of Texas at Arlington, taking attendance is not required but attendance is a critical indicator in student success. Each faculty member is free to develop his or her own methods of evaluating students' academic performance, which includes establishing course-specific policies on attendance. However, while UT Arlington does not require instructors to take attendance in their courses, the U.S. Department of Education requires that the University have a mechanism in place to mark when Federal Student Aid recipients "begin attendance in a course." UT Arlington instructors will report when students begin attendance in a course as part of the final grading process. Specifically, when assigning a student a grade of F, faculty report the last date a student attended their class based on evidence such as a test, participation in a class project or presentation, or an engagement online via Blackboard. This date is reported to the Department of Education for federal financial aid recipients.

**As the instructor of this section, I will take attendance randomly in class and if a student is not found in class when attendance is taken, he/she will be marked absent for that day. This attendance and attentive behavior and disciplined participation in class will count toward 4 bonus points at the end of the semester, if the student has near-perfect attendance (misses no more than two roll-calls). If a student's behavior is disruptive in class or the student is found to be un-attentive, points will be taken away from this bonus even if the student qualifies for near-perfect attendance.**

Homework Assignments will be handed out in class. **If a student is missing from class when a Homework assignment is handed out, it is the student's responsibility to ask for the Assignment and submit it by the deadline.**

Homework Assignments and Exams will be based on the material taught in class.

Disturbing behavior in class will **NOT** be tolerated as it is disrespectful of fellow students and the learning environment. Any student talking, busy with phone or their computers on social media or elsewhere, or disturbing the class in any other way, will be asked to leave the class.

### **Course & Instructor Policies**

**No make-up exams unless excused for medical or family emergencies and/or for sports, military or religious reasons. See below.**

**Any absence from an exam that is not excused will result in a grade of zero.** For an absence to be excused, the student must supply the appropriate documentation and give advance notification. By advanced notification what is meant is that the professor must be notified at least a full day (or more) prior to the exam date if possible. Note well, that notification by email or by phone the night before the exam or on exam day does not constitute sufficient advanced notification for most cases. For the *extreme* case where such advanced notification is not feasible, the student must not only supply the appropriate documentation for the absence itself, but must also supply the appropriate documentation

related to his or her failure to notify the professor in a timely manner. Excused absences are granted only for medical or family emergencies (severe personal illness or injury, death of a parent, etc.) and/or for sports, military and religious reasons.

**More specifically, if a student provides advance notification of absence and is excused for genuine reasons from the scheduled exam 1, the student will have the option to take a make-up before the rest of the class takes the exam, or the weight of the student's grade on the missed exam will be transferred to the future scheduled exam in the course. If a student misses exam 1 and provides notification *after* the missed exam, the student only has the option to transfer the weight of the grade missed to the future scheduled exams in the course.**

**If a student is excused for genuine reasons from the scheduled exam 2, the student must meet the instructor and have an alternative date and time scheduled for his/her missed exam, and this date should be no later than 3 days of the earlier scheduled date.**

**Any absence that is not genuine and is therefore not excused will earn the student a grade of 0 for that particular exam.**

**Any make-up exams in case of genuine excused absences can differ from the exam that the rest of the class takes.**

The same policy as specified above, also applies to the turning in of assignments when they are due. Homeworks are due in class on the assigned date. **Late and unexcused work will not be accepted and the student will earn a 0 on it. If the student is unable to make it to class on the due date, the student should email his/her work to the instructor.**

**No make-up assignments or credit or special consideration will be given for any student.**

**Attendance is not required but is highly recommended for success in the course.** Attendance and classroom participation points are explained above. Announcements will be made in class. All students are responsible for all announcements made in class and a student's absence from class does not excuse him/her from being aware of the announcements. Each student is responsible for keeping track of everything covered in class, of handouts given in class, and of all instructions/announcements made in class.

**Students are required to bring their student ID for every Exam.**

If these policies are unacceptable or if you feel that you are unable to meet these requirements, then you should not take this course.

***The above descriptions and Timelines are subject to change at the discretion of the Professor/Instructor.***

**University Policies:**

**Course Drop Policy:** Students may drop or swap (adding and dropping a class concurrently) classes through self-service in MyMav from the beginning of the registration period through the late registration period. After the late registration period, students must see their academic advisor to drop

a class or withdraw. Undeclared students must see an advisor in the University Advising Center. Drops can continue through a point two-thirds of the way through the term or session. It is the student's responsibility to officially withdraw if they do not plan to attend after registering. **Students will not be automatically dropped for non-attendance.** Repayment of certain types of financial aid administered through the University may be required as the result of dropping classes or withdrawing. For more information, contact the Office of Financial Aid and Scholarships (<http://www.uta.edu/aao/fao/>).

**Grade Grievances:** Any appeal of a grade in this course must follow the procedures and deadlines for grade-related grievances as published in the current University Catalog. For undergraduate courses, see <http://catalog.uta.edu/academicregulations/grades/#undergraduatetext>; for graduate courses, see <http://catalog.uta.edu/academicregulations/grades/#graduatetext>. For student complaints, see <http://www.uta.edu/deanofstudents/student-complaints/index.php>.

**Disability Accommodations:** UT Arlington is on record as being committed to both the spirit and letter of all federal equal opportunity legislation, including The Americans with Disabilities Act (ADA), The Americans with Disabilities Amendments Act (ADAAA), and Section 504 of the Rehabilitation Act. All instructors at UT Arlington are required by law to provide “reasonable accommodations” to students with disabilities, so as not to discriminate on the basis of disability. Students are responsible for providing the instructor with official notification in the form of a **letter certified** by the Office for Students with Disabilities (OSD). Only those students who have officially documented a need for an accommodation will have their request honored. Students experiencing a range of conditions (Physical, Learning, Chronic Health, Mental Health, and Sensory) that may cause diminished academic performance or other barriers to learning may seek services and/or accommodations by contacting:

**The Office for Students with Disabilities, (OSD)** [www.uta.edu/disability](http://www.uta.edu/disability) or calling 817-272-3364. Information regarding diagnostic criteria and policies for obtaining disability-based academic accommodations can be found at [www.uta.edu/disability](http://www.uta.edu/disability).

**Counseling and Psychological Services, (CAPS)** [www.uta.edu/caps/](http://www.uta.edu/caps/) or calling 817-272-3671 is also available to all students to help increase their understanding of personal issues, address mental and behavioral health problems and make positive changes in their lives.

**Non-Discrimination Policy:** The University of Texas at Arlington does not discriminate on the basis of race, color, national origin, religion, age, gender, sexual orientation, disabilities, genetic information, and/or veteran status in its educational programs or activities it operates. For more information, visit [uta.edu/eos](http://uta.edu/eos).

**Title IX Policy:** The University of Texas at Arlington (“University”) is committed to maintaining a learning and working environment that is free from discrimination based on sex in accordance with Title IX of the Higher Education Amendments of 1972 (Title IX), which prohibits discrimination on the basis of sex in educational programs or activities; Title VII of the Civil Rights Act of 1964 (Title VII), which prohibits sex discrimination in employment; and the Campus Sexual Violence Elimination Act (SaVE Act). Sexual misconduct is a form of sex discrimination and will not be tolerated. For information regarding Title IX, visit [www.uta.edu/titleIX](http://www.uta.edu/titleIX) or contact Ms. Jean Hood, Vice President and Title IX Coordinator at (817) 272-7091 or [jmhood@uta.edu](mailto:jmhood@uta.edu).

**Academic Integrity:** Students enrolled all UT Arlington courses are expected to adhere to the **UT Arlington Honor Code:**

*I pledge, on my honor, to uphold UT Arlington's tradition of academic integrity, a tradition that values hard work and honest effort in the pursuit of academic excellence.*

*I promise that I will submit only work that I personally create or contribute to group collaborations, and I will appropriately reference any work from other sources. I will follow the highest standards of integrity and uphold the spirit of the Honor Code.*

UT Arlington faculty members may employ the Honor Code in their courses by having students acknowledge the honor code as part of an examination or requiring students to incorporate the honor code into any work submitted. Per UT System Regents' Rule 50101, §2.2, suspected violations of university's standards for academic integrity (including the Honor Code) will be referred to the Office of Student Conduct. Violators will be disciplined in accordance with University policy, which may result in the student's suspension or expulsion from the University. Additional information is available at <https://www.uta.edu/conduct/>.

**Student Support Services:** UT Arlington provides a variety of resources and programs designed to help students develop academic skills, deal with personal situations, and better understand concepts and information related to their courses. Resources include [tutoring](#), [major-based learning centers](#), developmental education, [advising and mentoring](#), personal counseling, and [federally funded programs](#). For individualized referrals, students may visit the reception desk at University College (Ransom Hall), call the Maverick Resource Hotline at 817-272-6107, send a message to [resources@uta.edu](mailto:resources@uta.edu), or view the information at <http://www.uta.edu/universitycollege/resources/index.php>.

**Electronic Communication:** UT Arlington has adopted MavMail as its official means to communicate with students about important deadlines and events, as well as to transact university-related business regarding financial aid, tuition, grades, graduation, etc. All students are assigned a MavMail account and are responsible for checking the inbox regularly. There is no additional charge to students for using this account, which remains active even after graduation. Information about activating and using MavMail is available at <http://www.uta.edu/oit/cs/email/mavmail.php>.

**Campus Carry:** Effective August 1, 2016, the Campus Carry law (Senate Bill 11) allows those licensed individuals to carry a concealed handgun in buildings on public university campuses, except in locations the University establishes as prohibited. Under the new law, openly carrying handguns is not allowed on college campuses. For more information, visit <http://www.uta.edu/news/info/campus-carry/>

**Student Feedback Survey:** At the end of each term, students enrolled in face-to-face and online classes categorized as "lecture," "seminar," or "laboratory" are directed to complete an online Student Feedback Survey (SFS). Instructions on how to access the SFS for this course will be sent directly to each student through MavMail approximately 10 days before the end of the term. Each student's feedback via the SFS database is aggregated with that of other students enrolled in the course. Students' anonymity will be protected to the extent that the law allows. UT Arlington's effort to solicit, gather, tabulate, and publish student feedback is required by state law and aggregate results are posted online. Data from SFS is also used for faculty and program evaluations. For more information, visit <http://www.uta.edu/sfs>.

**Final Review Week:** for semester-long courses, a period of five class days prior to the first day of final examinations in the long sessions shall be designated as Final Review Week. The purpose of this week is

to allow students sufficient time to prepare for final examinations. During this week, there shall be no scheduled activities such as required field trips or performances; and no instructor shall assign any themes, research problems or exercises of similar scope that have a completion date during or following this week *unless specified in the class syllabus*. During Final Review Week, an instructor shall not give any examinations constituting 10% or more of the final grade, except makeup tests and laboratory examinations. In addition, no instructor shall give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, instructors are not required to limit content to topics that have been previously covered; they may introduce new concepts as appropriate.

**Emergency Exit Procedures:** Should we experience an emergency event that requires us to vacate the building, students should exit the room and move toward the nearest exits: the exits nearest to our classroom are in the hall right outside, both to the left and right of the classroom. When exiting the building during an emergency, one should never take an elevator but should use the stairwells. Faculty members and instructional staff will assist students in selecting the safest route for evacuation and will make arrangements to assist individuals with disabilities.

Students should also subscribe to the MavAlert system: <https://mavalert.uta.edu/> or at <https://mavalert.uta.edu/register.php>

**Emergency Phone Numbers:** In case of an on-campus emergency, call the UT Arlington Police Department at **817-272-3003** (non-campus phone), **2-3003** (campus phone). You may also dial 911. Non-emergency number 817-272-3381