



ECO 610-001, Managerial Economics
Fall 2008
Professor William Hoyt

Syllabus and Course Outline

1. *Course Schedule*

Course Name: Managerial Economics

Section	Time	Location
610-401	6:00-8:30 PM, M	BE 209

Instructor	Office	Office Hours	e-mail	Webpage
William Hoyt	335AZ BE	M 5:00 – 6:00 PM or appointment	whoyt@pop.uky.edu	http://gatton.uky.edu/Faculty/hoytw/610/610.html

2. *Course Description and Objectives*

From the *University Bulletin, 2001-2002* (p. 216) "Analysis of applications of economic theory to management decision making. Such problems as demand and cost determination, pricing, and capital budgeting are treated."

While this description covers some of the material that will be covered in the course, it does not give an indication of what is the objective of the course. Narrowly, our objective is to examine, using the tools of economics, a number of business practices and strategies including pricing, cost determination, compensation, entry and exit, and output decisions. More broadly the objective of the course is to both acquaint the student with and help the student learn to use economic analysis in his or her professional, business pursuits. It is the hope of the instructor to convince you that economic analysis and economic tools can be of assistance to the manager and that this course will make you comfortable using these tools in practice.

Use of "Tools of Economics"

From previous economics courses, most of you have been exposed to the use of graphical analysis in economics. Some of you might also have taken courses in which calculus and algebraic equations have been used extensively. In this course, some graphical analysis is used as are algebra and calculus but much less than most intermediate economics courses. My view is that since it is very unlikely that most of you will ever use these tools (graphs and calculus) to solve any problems you face in business, there is not a good reason to train you extensively in their use. Instead, I shall use graphical analysis and algebra examples only when I think they add to your understanding of an economic concept or principal. Much more than in most economic courses, I shall use numerical examples and cases as an opportunity to see how an economic principal or tool can be applied to business decision-making. Exams and assignments will also be much more heavily weighted towards solving simple numerical examples or analyzing actual or hypothetical cases.

3. *Readings, Cases, and Text*

The required text for the course is:

Brickley, James; Smith, Clifford; and Zimmerman, Jerold, *Managerial Economics and Organizational Architecture*, McGraw Hill – Irwin, 2007, 4th Edition.

Additionally chapters from:

Hoyt, William H. *Lectures in Managerial Economics*, 2008.

Lectures in Managerial Economics is an unpublished manuscript that will be available (by lecture) at the website. This manuscript contains material used in a number of sections of the course and complements the material in your text. These *Lectures* are not a substitute for the lecture nor are they a verbatim summary of the lecture. **Do not use them as a substitute for class or taking notes in class.** Frequently different or extended examples not seen in the lecture are included in these notes.

4. *Grading and Assignment Schedule*

Exams

There are three exams for the course, two during the semester and one during final weeks at the scheduled time. The exams cover material from class and the text as well as any readings you may be assigned. The exams will generally consist of a few brief essay questions, a few problems to be solved, and possibly a few multiple choice questions, when appropriate. The schedule for the exams is given above. Exams are generally not cumulative. Each exam is worth twenty percent of your grade. The dates of the exams are given in the table below.

Extended Assignments

There will be three “extended” assignments during the semester; collectively these are twenty percent of the grade. These assignments will involve applying the economic concepts and principles discussed in the course to make a business decision. Frequently, the assignments are based on reading and analyzing a specific case. The due dates for these assignments are given in the table below.

Homework:

Several shorter homework assignments will be given throughout the term. These homework assignments will generally consist of a problem or problems to solve based on the material present in class or the text. Collectively, these count for 20% of your grade. Specific dates have not yet been determined.

Date	Task	Percent of Grade
October 6 th	Extended Assignment 1 due	6.67
October 13 th	Exam 1	20
November 17 th	Extended Assignment 2 due	6.67
November 24 th	Exam 2	20
December 8 th	Extended Assignment 3 due	6.67
December 15 th	Exam 3	20
No specific dates	Homework	20

Participation

Participation is expected to be an important component of the course and is encouraged. At the end of the term, I award bonuses for class participation. The maximum bonus is small, but can matter for your grade in borderline cases.

Grades are assigned depending on your point accumulation throughout the term. In determining your grade, I follow the University rules regarding the marking system (see UK publication *Student Rights and Responsibilities*). It is the following (with slight paraphrasing).

- A: Represents exceptionally high achievement.
- B: Represents high achievement.

- C: Represents average achievement.
- D: not used for graduate students
- E: Represents unsatisfactory performance and indicates failure in the course.

Absences and Attendance

There is no explicit attendance policy for the course, but good attendance is important for doing well in the course. If you miss a regular class meeting, it is your responsibility to obtain notes and other material from that class period (from some source other than me). Most of this material will be on the website. I am happy to help students with course material during my office hours or by appointment under the condition that they have attended the class in which the material was discussed. Office hours are not an opportunity for students who have missed a class for me to explain the material to them.

Make-up Exams

Students who have a University-excused absence for missing an exam may take a make-up. Arrangements for a make-up must be made with the instructor as soon as possible. Make-ups will be scheduled at a time mutually convenient for the student and the instructor.

Make-up Homework

Make-up for missed homework is allowed only in extraordinary circumstances. Because homework is assigned well in advance of its due date, a University-excused absence on the due date is not sufficient to merit make-up work for the homework. One must have a University-excused absence that prevented work on the homework from the period of its assignment to its due date. Additionally, I release answer keys for homework as soon as feasible after the due date, making it problematic to accept late assignments.

Information on Grades

After the first two exams I shall calculate a grade distribution based on the scores of graded material up to that point. A summary of class scores and the grade distribution will be provided at the course website. To ensure privacy, each of you shall be provided a unique identification number. The scores on the website will be identical to those I have recorded and on which I base my grades. If you believe any of your scores on the website are incorrect, please contact me (and provide support).

Grievance Procedure

If I have incorrectly added your points or have appeared not to see some material on the exam, simply bring it to my attention sometime outside of class. If, however, you believe that your answer is correct and I have incorrectly interpreted or misunderstood it or my answer is incorrect, then I will ask you to make a written appeal. Anyone who feels that a problem or problems on an exam have been incorrectly graded may submit a written grievance. This grievance should identify the item in dispute and **provide arguments supporting the your position.** Grievances must be **submitted within two class periods following the return of the exam or assignment.** **Attach your entire exam to the grievance.**

Homework assignments will not be regraded other than errors in totaling scores.

Cheating

Cheating is not tolerated at the University of Kentucky. Any suspected incidents of cheating or plagiarism will be brought to the attention of the proper authorities. For more information on the University policy and procedure see <http://www.uky.edu/StudentAffairs/Code/>.

Tardiness

Tardiness is discouraged, as it is very disruptive to the rest of the class and particularly to me. Of course, as many of you are traveling to campus only for this class, I know it is sometimes very difficult to predict when you arrive. I ask you to try as much as possible to arrive on or before the class starts.

Classroom Behavior

To ensure that we can concentrate during our limited class time, I ask your cooperation on a few things. First, no cellular telephones should be on. If it is necessary for you to have it on for emergency reasons, please place it on the vibrator mode. If you need to talk on the telephone, leave the room. In general, leaving the classroom is rude and very disruptive but I understand it is sometimes necessary. Finally, extended discussions between students during lecture are very disruptive to the rest of the class – if you have a question or need clarification on something ask me.

Classroom Computer Use

Laptop computers are not to be used in class at any time unless permission is given by the instructor beforehand.

Office Hours

I welcome and encourage you to come to my office during office hours. If office hours are not convenient and you would like to talk to me, please make an appointment (e-mail is probably best) to schedule a meeting at a more convenient time. If you are having difficulty in the course, please come to see me as early as possible rather than waiting until a few days before the exam or, worse, after the exam.

5. *Class Website and e-mail*

As mentioned earlier, there will be a website for the course. The location of the website is:

<http://gattton.uky.edu/Faculty/hoytw/610/610.html>

This website will provide several purposes. It will be updated to provide information about the readings and assignments for the next class, so if you miss a class you should check the website. Access to most of the material on the website will require an access code that you shall be given in class.

In addition, the website will be where I shall place copies of assignments (in case you missed class and did not receive one), lecture notes, other miscellaneous handouts, PowerPoint presentations used in class, and solutions to assignments and exams.

In addition, as mentioned earlier, your scores on the assignments and exams will be posted on the website by your own unique (and private) identification code.

In addition to solutions for assignments and exams, the website will also have “practice” problems that you can download. These problems are intended to give the students an opportunity to see problems similar to those that might appear on the exam. Some of these problems will also be discussed in class. Solutions are also provided.

I shall make an e-mail list for the classes as well. I use e-mail to send out announcements to the class such as changes in readings or the class schedule or responses to questions about the assignments. Of course, you are encouraged to use e-mail to contact me at whojt@pop.uky.edu.

6. *Class Schedule*

Below is the schedule of the course that includes lecture topic, relevant readings and assignments. The schedule for lecture topics (and therefore readings) may change during the semester; the schedule for exams and extend assignments will not. Readings for the next lecture will be given in class and posted on the course website. Do not assume that the topics and readings found below are necessarily the ones that will be discussed in class that day.

Class	Date	Topic	Readings	Assignments
1	9/8	An Introduction to Managerial Economics; Supply and Demand and Market Equilibrium	Brickley et. al, Chapters 1-2,4:96-114; Hoyt, Lectures 1:1-10	
2	9/15	Demand and Supply; Market Equilibrium (continued); Pricing with Market Power	Brickley et. al, Chapters 4 & 7; Hoyt, Lectures 1:11-16-2:1-6	
3	9/22	Pricing with Market Power (continued); Costs & Decision Making: Level of Production & Mix of Resources	Brickley et. al, Chapters 5,7; Hoyt, Lectures 2-3:103-115	
4	9/29	Decision Making: Make or Buy and Transfer Pricing Double Marginalization and Vertical Integration Relevant Costs	Brickley et. al, Chapter 19:562-574; Hoyt, Lecture 3:115-126	
5	10/6	Market Structure: Price and Output with Perfect Competition Market Structure: Price and Output with Market Power	Brickley et. al, Chapter 6; Hoyt, Lectures 5	Assignment 1 due
6	10/13	Exam 1 Game Theory and Strategy: Simultaneous Moves	Brickley et. al, Chapter 9:251-263; Hoyt, Lecture 6:1-13	Exam 1
7	10/20	Game Theory and Strategy: Repeated Games, Credibility, and Collusion	Brickley et. al, Chapter 9:264-273; Hoyt, Lecture 6:13-19	Exam 1 & Assignment 1 returned
8	10/27	Wage and Employment Determination in the Firm	Brickley et. al, Chapter 14:381-407; Hoyt, Lecture 5	
9	11/03	Incentives and the Firm: An Introduction	Brickley et. al, Chapter 2:31-35; 10:280-285	
10	11/10	Incentives and the Firm: Incentive Compensation	Brickley et. al, Chapter 15	
11	11/17	Incentives and the Firm: Incentive Compensation (continued) Organizational Design: Centralized vs. Decentralized	Brickley et. al, Chapter 15 & 12	Assignment 2 due
12	11/24	Exam 2		Exam 2
13	12/01	Divisions and Hierarchies	Brickley et. al, Chapter 13	Exam 2 and Assignment 2 returned
14	12/08	Evaluation: Team vs Individual	Brickley et. al, Chapter 16	Assignment 3 due
15	12/15	Exam 3		Exam 3