

Fayetteville State University

School of Business and Economics

I. LOCATOR INFORMATION

SEMESTER: Fall 2009

COURSE: ECON 610-01 & 80;
Managerial Economics

CREDIT HOURS: 3 Semester Hours

MEETING TIME: W 6:00-8:50 p.m.

LOCATION: SBE 113

INSTRUCTOR: Petur O. Jonsson

OFFICE LOCATION: 233 SBE Building

OFFICE PHONE: 672-1984

E-MAIL: pjonsson@uncfsu.edu

OFFICE HOURS: MTWRF 9:00-11:30 a.m.*

FSU Policy on Electronic Mail: Fayetteville State University provides to each student, free of charge, an electronic mail account (username@uncfsu.edu) that is easily accessible via the Internet. The university has established FSU email as the primary mode of correspondence between university officials and enrolled students. Inquiries and requests from students pertaining to academic records, grades, bills, financial aid, and other matters of a confidential nature must be submitted via FSU email. Inquiries or requests from personal email accounts are not assured a response. The university maintains open-use computer laboratories throughout the campus that can be used to access electronic mail.

Rules and regulations governing the use of FSU email may be found at
<http://www.uncfsu.edu/PDFs/EmailPolicyFinal.pdf>

* To set up an appointment please leave a message with Ms. Mercer in 234B SBE (Phone: 910-672-1617) or send me an E-mail message, so that I can call you to set up an appointment.

II. COURSE DESCRIPTION

The application of economic theory and quantitative methods to an analysis of managerial decision-making in national and international settings. Topics include empirical estimation of demand functions, cost and production functions, product pricing, application of cost-benefit analysis to non-profit sector, risk analysis, technology change management and plant selection strategies in a global economy.

Prerequisites: ECON 591/592 *or equivalent*.

III. DISABLED STUDENT SERVICES

In accordance with Section 504 of the 1973 Rehabilitation Act and the Americans with Disabilities Act (ACA) of 1990, if you have a disability or think you have a disability to please contact the Center for Personal Development in the Spaulding Building, Room 155 (1st Floor); 910-672-1203.

IV. REQUIRED READINGS

J. A. Brickley, C. W. Smith, J. L. Zimmerman. *Managerial Economics and Organizational Architecture*. Boston: Irwin-McGraw-Hill (either 4th or 3rd edition).

Link to price quotes for the 4th edition:

<http://www.allbookstores.com/book/compare/0073523011>

Links to price quotes for two different printings the 3rd edition:

<http://www.allbookstores.com/book/compare/0072828099>

<http://www.allbookstores.com/book/compare/0071214410>

In what follows this textbook will be referred to as BSZ.

The class will also have some additional required readings which will be handed out in class and/or made available through blackboard links.

V. COURSE OBJECTIVES & LEARNING OUTCOMES

This course focuses on the economic theory of the firm and on the economic decisions that are made in firms. The coverage of the economics of the firm is designed to help you put the the firm's strategy and tactics, and the decision problems faced by managers, in perspective. Specifically, the course should improve your

understanding of why some firms succeed where others fail. Among other things, the course will specifically consider how the organizational architecture of the firm can affect its success.

After taking this course, you should be able to discuss and explain a variety of issues related to the structure of firms and the incentives the structure creates for its stakeholders. For example, you should be able to:

- Explain how and why a given corporate structure may yield very different results in different contexts.
- Explain under what circumstances markets are likely to be efficient and when they are likely to fail to yield efficient outcomes.
- Explain how the organizational architecture of Enron contributed to its corruption and eventual collapse.
- Explain under what circumstances will a firm charge different customers different prices for the same product or service?
- Explain how firms can avoid incentive conflicts that create problems within the firm.
- Explain and discuss why outsourcing affects General Motors and Microsoft in different ways.
- Explain how the advent of HDTV, DVR's, etc. has affected the organizational structure of the Hollywood movie studios?
- Etc.

Managerial Economics deals with the application of microeconomic theory and methodology to decision-making problems faced by private, public, and non-profit institutions. Managerial Economics assists managers in efficiently allocating scarce resources, planning corporate strategy and executing effective tactics. In summary, Managerial Economics involves identifying alternative means of achieving given objective(s).

VI. EXAMS AND GRADES

Exams: There are three exams scheduled for the semester. The first two of these exams will be closed-book exams to be given in class on October 7th and on November 25th. The third exam will be a take-home exam that you will receive on December 4th and which you must turn in before midnight on December 10th.

The Structure of the Exams: The first two exams will require you to choose and answer five of six essay and/or problem-type questions from the material covered during the relevant segment of the course. Each of these questions will be worth 20 points, yielding a maximum of 100 points per exam. The final exam will be a comprehensive open-book take-home exam to be turned in on line and it will be worth 100 points.

Term Paper: You must also write a term paper on some current economic topic of your choice (within the scope of the course). This paper will be worth 100 points. This paper

must be turned in on line following guidelines that will be explained in class in a separate handout.

Overall Scores and Grades: In assessing your overall performance, I will reduce the weight of your lowest score (let us call that *score3*) on the three exams and calculate your overall exam score as follows:

$$\text{Exam Score} = 1.2(\text{score1} + \text{score2}) + 0.6(\text{score3})$$

Note that since each exam is graded on a scale of 0-100, this yields an exam score ranging from 0-300.

Adding the total exam and term paper scores then yields a total overall score on a scale from 0-400. This score will then be transformed into letter grades as follows:

A =	360-400	Points
B =	320-359	Points
C =	280-319	Points
F =	< 280	Points

VII. COURSE OUTLINE AND ASSIGNMENT SCHEDULE

Date	Topic	Readings
Wednesday, August 26 th	<ul style="list-style-type: none"> • Introduction to the Issues and Methods of the Course. • Economic Behavior: An Overview • Markets, Organizations and the Role of Prices • Coase and the Theory of the Firm 	BSZ, Chapters 1-3 Class Handout
Wednesday, September 2 nd	<ul style="list-style-type: none"> • Economics as Applied Ethics • The Social and Political Context of Economics: Karl Marx, Ayn Rand and the Austrians, etc. 	
Wednesday, September 9 th	<ul style="list-style-type: none"> • Review of Demand • Review of Production Cost and the Firm's Supply Decision 	BSZ, Ch. 4-5
Wednesday, September 16 th	<ul style="list-style-type: none"> • Review of Market Structure • Some Simple Game Theory Concepts • Firm Behavior and Market Power 	BSZ, Ch. 6-7
Wednesday, September 23 rd	<ul style="list-style-type: none"> • Strategy: Creating and Capturing Value • Strategy: Simple Game Theory 	BSZ, Ch. 8-9

Wednesday,
September 30th

Review for Exam No. 1

Wednesday,
October 7th

Exam No. 1

Wednesday,
October 14th

- Incentives, Conflicts, Agency Problems and Contracts.
- Organizational Architecture

BSZ, Ch. 10-11

Wednesday,
October 21st

- Allocation of Decision Rights (Centralization vs. Decentralization, etc.)
- Bundling of Tasks Into Jobs and Subunits

BSZ, Ch. 12- 13
Class Handout

Wednesday,
October 28th

- Attracting and Retaining Qualified Employees

BSZ, Ch. 14

Wednesday,
November 4th

- Incentive Compensation
- Performance Evaluations

BSZ, Ch. 15 - 17

Wednesday,
November 11th

Veterans' Day: No classes

Wednesday,
November 18th

Review for Exam No. 2

Wednesday,
November 25th

Exam No. 2

Wednesday,
December 2nd

Cases , Examples and Class Discussion

Friday,
December 4th

Termpaper is due in the Blackboard Digital Drop Box before midnight.

Distribution of Take-Home Final Exam

Wednesday,
December 9th

Student In-Class Presentations of Term Papers

Thursday,
December 10th

Take-Home Final Exam is due in the Blackboard Digital Drop Box before midnight.

VIII. TEACHING STRATEGIES

Most of the course will consist of lectures and class discussions. The course will rely heavily on student input. In this course, even though there is a given list of topics to be covered, the students will have some say in how each of these topics is handled.

IX. BIBLIOGRAPHY & SUGGESTED READINGS

BACKGROUND & REVIEW:

D. Besanko, et al., *Economics of Strategy* (5th Edition). Hoboken: John Wiley & Sons, 2009.

W.J. Baumol and A.S. Blinder. *Economics: Principles and Policy* (10th edition). Dryden Press, 2004.

W. D. Bygrave, and A. Zacharakis, eds.: *The Portable MBA in Entrepreneurship*. New York: J. Wiley & Sons, Inc., 2004.

D. W. Carlton and J. M. Perloff. *Modern Industrial Organization* (4th Edition) Addison-Wesley, 2005.

R.H. Frank. *Microeconomics and Behavior* (5th edition). Boston: Irwin-McGraw-Hill, 2006.

M. Hirschey. *Fundamentals of Managerial Economics*. (8th edition). Mason OH: Thomson South-Western, 2006.

GENERAL INTEREST APPLICATIONS:

C. Fishman. *The Wal-Mart Effect*. New York: The Penguin Press, 2006.

Thomas L. Friedman. *The World Is Flat*. Farrar, Straus and Giroux, 2006.

SUGGESTED READINGS ON THE SOCIAL & POLITICAL CONTEXT OF ECONOMICS FOR CLASS DISCUSSION ON 9/2/09:

Friedrich von Hayek. *The Road to Serfdom*, 50th anniversary edition, University of Chicago Press, 1994 (Wikipedia summary at http://en.wikipedia.org/wiki/The_Road_to_Serfdom)

Karl Marx and Frederick Engels. *Manifesto of the Communist Party*. 1848. <http://www.anu.edu.au/polsci/marx/classics/manifesto.html>

Ayn Rand. *Atlas Shrugged*. Plume-Penguin 1999 (originally published in 1957).