

Course Syllabus*

GSBA 509 Managerial Economics

Professor: Stephen J. Conroy, Ph.D.

Fall 2008

Lecture:

- Time: Wed 7:00 – 9:50 PM
- Location: OH 329

Office:

- Hours: Mon: 1:00 – 3:30; Tues: 10:30 – 12:00, Wed: 1:30 – 2:30
- Location: OH 111

Telephone: (619) 260-7883

Email: sconroy@sandiego.edu

Web Page: <http://www.sandiego.edu/~sconroy>

WebCT: <http://pope.sandiego.edu>

***Last Revised: October 22, 2008. Please be sure to check the WebCT site for the most current syllabus.**

Textbooks and Supplements:

- Samuelson & Marks, *Managerial Economics, 5th Edition*, Wiley & Sons, Inc. (2006)
- Conroy, Stephen: *Lecture Handouts Packet for GSBA 509* (Available in USD Bookstore) (2008)

Supplemental Readings (available from USD Library's e-reserves and from JSTOR free of charge to USD students):

- Selected readings from: Kahneman, D., P. Slovic and A. Tversky (Eds), *Judgment Under Uncertainty: Heuristics and Biases*, New York: Cambridge University Press, 1982.
- Simon, H. A., "Rational Decision Making in Business Organizations," *American Economic Review*, 69(4), 1979, 493-513. This article is available on JSTOR, through the library's electronic journal access go to: <http://marian.sandiego.edu/ejmls.html>.

This is an introductory, graduate level course in managerial economics and decision making. Since all managerial decision making takes place in a context of scarcity—whether in terms of time, financial resources, human and capital resources, etc.—the field of economics (which studies of the allocation of our scarce resources) is especially well-suited to address the managerial decision making process. Thus, this course analyzes the process of decision making in an economic context. Nevertheless, relevant concepts from related disciplines (e.g. psychology, decision science, marketing, etc.) will also be introduced insofar as they shed light on the process of managerial decision making.

Learning Outcomes

The principal aim of this course is to analyze the decision-making process of business managers. While there will be a heavy dose of theoretical analysis, building upon the foundation from previous courses (e.g., statistics), the ultimate objective will be to learn these tools not for their own sake, but so that they may be applied to real world situations. Economics is at once practical and theoretical and this course will demonstrate this unique attribute perhaps better than any other. Among the concepts that we will learn about in this course are (a) value of the firm, (b) supply and demand, (c) demand estimation, (d) long-term investment analysis, (e) forecasting basics, (f) economic optimization (g) production and cost analysis, (h) market structure analysis, (i) game theory, (j) pricing strategies, (k) decision analysis, and (l) rules of thumb, heuristics, and errors in judgment. At the completion of this course, students should have an excellent understanding of these concepts and be able to apply them in their personal and professional lives. At its best, this course will radically change the way that students view the process of economic decision making and contribute significantly to their analytical “tool box.”

Learning Methods and Measurement of Learning

The topics in the Course Calendar section will be addressed at length throughout the course using a myriad of teaching devices. Among these are the following:

1. **Reading the textbook and/or assigned readings:** While my lectures are quite comprehensive, time constraints do not allow us to go into all of the detail necessary for this course. Therefore, reading the textbook is an excellent preparation and learning tool. There will be times when my lecture material deviates somewhat from the textbook (e.g., definitions, the way in which subjects are covered, sequencing, etc.). If you are in doubt, follow my notes!
2. **Class Lecture:** You are expected to attend each class. Just as reading the textbook will help you to learn the material directly from the authors, attending class provides an opportunity for you to gain a different perspective--both from the instructor and your fellow classmates. It is particularly important to attend classes and impart positive externality (“peer effects”) on your classmates! In addition, valuable information about homework assignments, quizzes, exams, and updates to the syllabus will be announced in class. (See section below on Classroom Conduct Expectations.)
3. **Problem Sets:** Economic theory is a subject that develops logically; hence good learning requires continuous work and frequent practice at applying theory. My experience as a student in economics taught me that problem sets are the best way to solidify concepts.

4. **Quizzes:** Good quizzes make excellent study guides for exams and an opportunity to demonstrate your command of the material. These will be listed in the syllabus and/or announced in class ahead of time. In order to promote learning from your fellow students, quizzes will be “group” quizzes. As with problem sets, there are no make-up quizzes. Since many of you will have good reasons for having to miss at least one of these classes, at the end of the semester, I will drop your two lowest scores in the quiz/problem set category.
5. **Projects/Community Service Learning in Microfinance:** Since the objective of this course is to learn and apply analytical skills used by business managers in an economic setting, you will have three group projects which provide an opportunity for application of these skills in a “real world” setting. These are listed in the Course Calendar section of the syllabus. More information about the projects is available in WebCT.
6. **Exams:** Good exams are excellent measures and sources (!) of learning. While not the sole determinant of your grade, they are weighted heavily to reflect their importance.
7. **The Internet:** The E-Learning (WebCT) site and my “public” web site are very important entrees into the cyber world of economics in general and this class in particular. They will guide you to a host of very informative web locations including those provided as supplements to your textbook. In addition, the syllabus/class calendar--including exam dates--will be updated periodically online so be sure to check the course’s E-Learning site (especially the "announcements" section) and syllabus on at least a weekly basis. (Save these as bookmarks!) For assistance on how to use WebCT, go to <http://www.sandiego.edu/its/idt/CE6/support/> .

Prerequisites

GSBA 502, 503 and 510 are prerequisites for this course. In addition, basic reading, analytical and mathematical skills are essential! My previous experience from teaching this course is that basic mathematical skills are very important, so if you are in doubt about your abilities, please contact me to discuss this as soon as possible. I have also set up some good links to math tutorial sites on my home page under “Economics Links” “Web Tutorials.”

USD’s School of Business Administration Mission Statement

To develop socially responsible business leaders with a global outlook through academically rigorous, relevant, and values-based education and research.

Special Assistance

Students with special needs who require specific examination-related or other course-related accommodations should contact Director of Disability Services at 619-260-4655 (see <http://www.sandiego.edu/disability/>). This office will provide the student with a letter for the instructor that will specify any recommended accommodations. The university also offers student counseling services, available at the Counseling Center at 619-260-4655.

Grading

Grades are calculated at the end of the semester based on the following weighting:

1. Two Midterm Exams and one Final Exam (21% each): 63% Total
2. Projects: 20 %
3. Quizzes (each quiz is normalized to 100 points): 10%
4. Class Participation: 7%

Once the course grade is aggregated and weighted as above, the course letter grade is based on the total rounded aggregate score as follows:

A: 94% and above	C+: 77 – 79.99%
A–: 90 – 93.99%	C: 73 – 76.99%
B+: 87 – 89.99%	C–: 70 – 72.99%
B: 83 – 86.99%	
B–: 80 – 82.99%	

Project Descriptions

A major portion of this course involves three hands-on projects that provide an opportunity to apply the theoretical knowledge gained in this course. More detailed descriptions are available in WebCT, but a brief summary of each project follows below:

1. **Demand Estimation:** This project is designed to provide an opportunity to perform an (inverse) demand estimation using basic regression estimation techniques. Using actual multiple listing service (MLS) housing data from San Diego County, students will perform a hedonic pricing estimation. The basic technique is to estimate the listing price of a house as a function of its corresponding attributes (e.g., number of bedrooms, bathrooms, square footage, lot size, etc.)
2. **Forecasting:** Students will have an opportunity to use basic forecasting methodologies to estimate the value of a publicly-traded firm. Using actual net income (“profit”) data for the past 20 years, for a firm of your choosing, students will use time series regression techniques to estimate net income as a function of (i) lagged net income, (ii) period, (iii) period and period squared and (iv) log net income as a function of period. Students will choose the best-fit model and project out net income 90 periods into the future. Using an appropriate discount rate, you will then discount these expected future profits back to the present value and then sum them up. You will compare your estimated “value” of the firm to the market capitalization (number of shares multiplied by the average price per share) to see how your estimate compares to those of financial investors, collectively. Finally, discuss differences between your estimate and the market capitalization by exploring basic assumptions of the model.
3. **Microfinance Community Service Learning Project:** Students will have the opportunity to volunteer with a local microfinance institution, ACCION San Diego (or other similar institution upon approval by instructor). ACCION San Diego provides microloans to entrepreneurs and small business owners in the San Diego area—many of whom do not qualify for lending from more traditional lending institutions (i.e., commercial banks). As such, ACCION clients often need assistance with business skills such as basic accounting/cash flow, marketing, Web site design, capital expenditure analysis and

planning, etc. The USD School of Business has partnered with ACCION San Diego to provide volunteer assistance for their clients. Beginning in the fall 2008 semester, we are also providing training support services in (a) Quickbooks and (b) Web site design and marketing. In sum, students will have an opportunity to provide business consulting expertise to ACCION San Diego's clients who have received a microloan. In the process, the School of Business will provide additional support training for you and other ACCION volunteers. To receive credit for this project, you will need to provide a write-up of your experience. I request the following information: (a) a description of the total number of hours spent on this CSL experience (including orientation, work on a project, presentation, etc.—excluding this write-up for the project). A minimum of 8 hours are required to receive full credit, (b) a brief description of the agency/company with whom you worked, (c) a brief description of the work performed for the agency/client (you may wish to include references to microfinance articles—see my Web page <http://home.sandiego.edu/~sconroy/MICROFINANCE/Microfinance.html> for assistance), (d) if you provided a “deliverable” (e.g., marketing plan, business plan, etc.) for the agency/client, please include a copy of it in the **appendix** of your paper. You will be graded on (i) the number of hours spent on the CSL experience and (ii) the assistance/deliverable you provided the agency.

3. **Alternative Project (Optimal Markup Project):** If you are unable to perform the Microfinance Community Service project, then the following option is available. You are to visit a retail establishment (anywhere that sells pre-made goods from a wholesaler) and try to determine the firm's markup on price and cost. You will use a hypothetical example to ensure that you are receiving the proper information (since even store managers often confuse the difference between markup on price and cost). After determining the markup on two different goods sold by the retailer (a) Write a paragraph describing your experience in the retail establishment (e.g., which specific store, who you spoke with, the name of the manager, the items you discussed, etc.), (b) Provide your assessment of the: (i) markup on price, (ii) markup on cost, (c) Assuming that this is an optimal markup on price or cost, determine what the implied price elasticity is for each good. You will then discuss the implications of this elasticity in terms of what you already know about what affects price elasticity of demand.

Instructor Evaluation

You will be provided at least one opportunity during the course of the semester (after the midterm exam) to provide me with input about my performance and an assessment of the course. This allows me to see how the course may be improved before the semester is over. I value your comments and take them seriously both during and after the course is completed.

*Course Calendar

Prospective Course Outline, Reading and Assignment List

(Current as of September 10, 2008)

Class Date:	Problem Sets (Not for Credit), Quizzes, Exams	Lecture Topics and Readings
9/3/2008	No Assignments Due	Overview of Course; Ch. 1 Introduction to Economic Decision Making; Mathematics Review
9/10/2008	PS1 (Ch. 1 Introduction and Economic Decision Making)	Ch. 2: Optimal Decisions Using Marginal Analysis
9/17/2008	PS2 (Fundamental Econ Concepts)	Ch. 3 (first half) Demand Analysis; Ch. 4 Estimation of Demand
9/24/2008	PS3 (Demand Analysis); Quiz: Chs. 1 - 3	Ch. 4 Estimation of Demand; Ch. 19 Capital Budgeting
10/1/2008	**Group Project #1: Hedonic Pricing Project; PS4 (Demand Estimation)	Ch. 19: Capital Budgeting
10/8/2008	PS5 (Capital Budgeting); Midterm 1 (Chs. 1-4, 19)	Midterm 1
10/15/2008	No Assignments Due	Ch. 5 Business and Economic Forecasting
10/22/2008	**Group Project #2: Forecasting Project	Ch. 6 Production Economics
10/29/2008	PS6 (Production);	Ch. 6 Production Economics
11/5/2008	Quiz on Forecasting and Production	Heuristics and Errors in Judgment and Decision-Making (outside readings); Ch. 7 S-R and L-R Cost Analysis
11/12/2008	Midterm 2 (Chs. 5, 6, 7; Heuristics)	Midterm 2
11/19/2008	<u>No Assignments Due</u>	Market Structure Overview; P-C, M-C, Monopoly (Chs. 10 and 11)
11/26/2008	Thanksgiving Break	Thanksgiving Break

12/3/2008	<u>PS7 (Market Structure); Quiz on Market Structure</u>	Optimal Mark-Up; Price Discrimination; Bundling (Chs. 3 --second half; Ch. 12 Appendix); Oligopoly and Game Theory (Chs. 12 & 13)
12/10/2008	**Group Project #3: Pricing Strategy or Accion Write-Up; PS8 (Not for Credit) (Game Theory, Pricing Techniques, and HHI)	Oligopoly and Game Theory (Chs. 12 & 13); HHI (Ch. 12)
12/17/2008	Final Exam	Final Exam: Wednesday, Dec. 17, 7:00 PM

*All dates are tentative and subject to change during the semester.

**See WebCT handouts for specific instructions on each group project.