

PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

PROFESSOR PAUL GIFT

MBAM 592.11

ECONOMIC CONCEPTS

FALL 2008

MONDAYS

8:00 AM – 12:00 PM

MALIBU CENTER

SYLLABUS

Economic Concepts
MBAM 592.11
FALL 2008

Mondays / 8:00 AM – 12:00 PM
Malibu Center

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Economics:

Everything we know in a language we don't understand

Reproduced below is an economist joke that illustrates the various solutions of different people to an externality problem:

Three people decide to play a round of golf: a priest, a psychologist, and an economist. They get behind a VERY slow two-some who, despite a caddy, are taking all day to line up their shots, are four-putting every green, and so on. By the 8th hole, the three men are complaining loudly about the slow play, yelling and screaming. The priest says, "Holy Mary, I pray that they should take some lessons before they play again." The psychologist says, "I guess there are people that like to play golf slowly." The economist says, "I really didn't expect to spend this much time playing a round of golf."

By the 9th hole, they have had it. So, the psychologist goes to the caddy and demands that they be allowed to play through. The caddy says okay, but also explains that the two golfers are blind and that both are retired firemen who lost their eyesight saving people in a fire. That explains their slow play. The caddy also requests that they not yell and scream so loud.

The priest is mortified. He says, "Here I am, a man of the cloth, and I've been screaming at the slow play of two blind men." The psychologist is also mortified. He says, "Here I am, a man trained to help others with their problems, and I've been complaining about the slow play of two blind men." The economist ponders the situation and then goes back to the caddy and says, "Listen, next time could they play at night."

COURSE DESCRIPTION

Economic Concepts introduces the principles and application of microeconomic analysis. The course fosters students' understanding of and ability to apply economic reasoning and decision making to both their personal and professional lives. Topics include supply and demand, elasticity, production and cost analysis, and competition and monopoly.

Economics is a social science and the study of economic concepts plays an important role in the development of leaders. The course has a strong emphasis on how market economies can affect the welfare of a society. It addresses the role of government in correcting potential failures in a market system including abuses of monopoly power and environmental externalities such as excessive pollution and under-funding of education. The course explores ethical dilemmas that people face in a capitalist society and offers guidelines to help values-centered leaders make the right choices in business.

COURSE OBJECTIVES AND EXPECTATIONS

General Objectives

1. Learn to think like an economist.
2. Develop critical thinking and problem solving skills necessary to make good decisions as a manager.
3. Develop the discipline necessary to self-motivate preparation for class, presentations, and exams.
4. Develop the ability to apply economic principles and intuition to real-world settings.
5. Better understand the world in which we live.

Student Expectations

The course rules are designed according to the analogy that you are a consultant and I am your client. You have been contracted to perform consulting services over a seven-week time period. Class sessions, practice problems, office hours, and studying at home are analogous to your preparatory work to impress the client in intermediate meetings (quizzes), a final-week meeting (writing assignment), and a final submission and presentation (final exam). As such, student expectations are the following:

1. Abide by each and every term of the syllabus (contract).
2. Read all scheduled pages of the text prior to class.
 - Textbook reading is meant to prepare you for class and facilitate the classroom learning experience. As a consultant, you are expected to always come prepared to talk/meet with the client.
 - As you read through the text, you can skim over sections with specified equations for demand, supply, revenue, cost, etc. as this will not be our focus. The only exception is the reading listed below for elasticity.
3. Develop the discipline necessary to self-motivate the tasks required to impress the client, as is necessary in real-life.

4. Ask questions and request office hours or telephone consultations whenever desired.
 - It is my job to clearly convey the information in the course in a way that is easy and useful for learning. If you don't understand something, let me know. I'm a big boy, you won't hurt my feelings. It is your fault if you don't understand something but refuse to ask a question.

Professor Expectations

1. Return e-mails and missed calls by the next business day.
2. Return graded assessments by the following class period.
3. Be available for office hours and phone consultations.
4. Do the best job possible to facilitate student learning within the rules of the course.

TEXTS AND COURSE MATERIALS

Required Text

Hirschey, Mark. "Fundamentals of Managerial Economics." South-Western College Pub. 9th Edition. 2009 (ISBN: 0324584830).

Purchases of low-priced (\$5-\$10) case studies may be required on a limited basis.

Optional Help and Materials

Study Guide

- The study guide is listed as a reference for extra material. I do not have an opinion on whether you should purchase it or not. This is for each individual student to decide.

Tutor

- The administration maintains a list of potential tutors. I do not have any tutor recommendations.

Other Readings

- The usual suspects (Wall Street Journal, L.A. Times, etc.).

Mathematical Abilities

Fundamentally, economics is mathematics and logic applied to the real-world. We will not concern ourselves with calculus and matrix algebra in this course. However, you will need to have a solid understanding of algebra and working with and interpreting graphs. Graphs are the economist's way of simplifying the math so it doesn't appear that you're doing calculus. I realize that probably none of you is going to go on to be a professional economist. Therefore, the focus of this class is on developing useful economic intuition and your economic mind so that you can make good decisions. No matter what you do in life, developing your ways of thinking about markets, strategic business interactions, and the economy will have value.

ATTENDANCE POLICY

Attendance at the first class session is mandatory! Those who miss the first class session will be dropped from the course by the following week. There are absolutely no exceptions to this rule. This rule is in place to make sure everyone is aware of and agrees with the course structure and rules on the first day. This is designed to help avoid conflicts and misunderstandings throughout duration of the course.

On the first day of class we will go over the syllabus and make sure the rules and expectations on both the student and professor are crystal clear. *Your attendance at subsequent class sessions is your implicit acceptance of these terms.* Should you disagree with any of the syllabus terms you must address them in class so that all other students can listen to my explanation. If I am not willing to adjust the terms and you still disagree, you should not continue in the course.

Other than the first day of class, attendance is not formally recorded. Remember, attendance is one of your preparatory tasks as a consultant. Consultants must self-motivate for these tasks or bear the consequences in the marketplace. A client does not force the consultant to prepare. Thus, attendance is not mandatory.

Do your very best to arrive on time. If you arrive late or leave early, please enter/leave the classroom quietly and discreetly. Those who are consistently tardy may be asked to leave at my discretion.

Waitlisted students will be admitted by their numeric order on the waitlist only if the class is not full or a registered student does not attend the first class session and is dropped.

GRADING

Grading formula for the course is as follows:

Writing Assignment	20%
Weekly Quizzes	30%
Final Exam	50%

There is NO extra credit. Consultants do not get extra credit opportunities if they perform below expectations on a job. *In addition, once final course grades have been submitted, they will only be changed in the event of a grading, calculation, or recording error on my part.*

The writing assignment is a 1-2 page paper that will be discussed on the first day of class. The due date can be seen in the Schedule of Classes section below.

Quizzes will be administered at the beginning of class according to the Schedule of Classes below. They will have a time limit of 6-10 minutes and will consist of a few multiple choice questions and possibly one or two questions from the back of the assigned chapters in the textbook. Quiz questions will directly focus on the week's assigned reading. They are not meant to be overly challenging, but rather to ensure effective and thorough class preparation. Your best four of five quiz scores will be averaged and applied towards your final course grade as shown in the grading formula. ***There are no make-up quizzes.***

A make-up final exam will only be allowed in the event of an excused absence due to a *verifiable* serious illness or accident or the death of an immediate family member. A serious illness or accident absence will require a written note from your doctor, a death in your family will require a death certificate, and a work requirement will require a note from your superior. If you think these requirements are overly onerous, please put yourself in my shoes and imagine some of the excuses I've heard over the years.

All make-up final exams must be taken *after* the scheduled exam date and will be proctored by someone other than the professor. When a consultant must postpone or reschedule, they don't put the burden on the client. They bear the burden to minimize the impact on the client. ***All unexcused absences for graded assessments will result in a grade of zero percent. An unexcused absence from the final exam will result in a grade of zero percent and you will receive a failing grade for the course.***

You will have two and a half hours to complete the final exam. *Students who are late for any graded assessment will not receive any additional time.* They will be expected to complete the graded assessment in the allotted amount of time. The consultant is responsible for his/her own decisions and actions with respect to showing up on time for meetings and presentations with the client.

The final exam is comprehensive and is intended for you to show that you have a solid understanding of managerial economics. *All exams are closed-book and closed-notes.* In addition, I keep all exams. **Note:** You may view and discuss your 592 final exam anytime throughout the following 602 course by requesting office hours.

Economics can be a tricky science for some to pick up. Sometimes it can take a while for the light to "turn on." Therefore, in order to maximize the amount of time for the light to "turn on," the final exam is weighted as 50% of your grade. In many cases in real life, the client's view of the entire job is riding on one ultimate meeting, presentation, or report. Developing the ability to perform under this type of pressure is critical!

If the grading process lands a student "on the bubble" between two letter grades, I have the discretion to "bump them up." I sometimes do this if the student showed significant improvement over the course, participated fully in class, came prepared, showed an interest in learning, and enhanced the overall classroom dynamic and experience. I never do this for students who do otherwise.

Letter grades for this graduate course will be given as follows:

Superior Work

A 100-93%
A- 93-90%

Average Work

B+ 90-87%
B 87-83%
B- 83-80%

Below Average Work

C+ 80-77%
C 77-73%
C- 73-70%

Failing Work

D+ 70-67%
D 67-63%
D- 63-60%
F 60% and below

OTHER CLASS RULES

I prefer a relaxed, social, and interactive classroom environment. However, every student is expected to abide by the following rules:

- 1. With certain limited exceptions, there will be no accessing laptops during class.**

Class notes will be posted after each class session. I want your focus on critical thinking and participation rather than on a set of notes in front of you. *All supplemental materials must be downloaded and printed prior class.*

- 2. Office hours are by request anytime between 12:00-1:00, after 5:00, and on the first Tuesday of every month (I have a committee meeting in Malibu from 11:00 – 2:00).**

E-mail me the day before class to request my attendance. Let me know what time you will get there (e.g. 12:00, 12:15, 12:30, 12:40). Office hours will be held in my office. Also, feel free to meet with me during breaks or after class.

- 3. There is no official homework.**

Practice exam-type problems will issued at regular intervals with answers to follow within a week. It is part of an outstanding consultant's preparatory work

to take these seriously and make a significant effort to complete them, just as one would in a real-life situation. It is not the client's job to force his consultants to prepare.

4. No calculators with letter memory capability are allowed during exams (mostly TIs).

I've had an unpleasant experience with one of these in the past. In addition, we will not be doing any intricate calculations. *If in doubt, buy a cheap one at the bookstore or any drugstore. Do not wait until the day of an exam to find out that you can't use your calculator.*

CONDUCT

This course may require electronic submission of essays, papers, or other written projects through the plagiarism detection service Turnitin (<http://www.turnitin.com>). Turnitin is an online plagiarism detection service that conducts textual similarity reviews of submitted papers. When papers are submitted to Turnitin, the service will retain a copy of the submitted work in the Turnitin database for the sole purpose of detecting plagiarism in future submitted works. Students retain copyright on their original course work. The use of Turnitin is subject to the Terms of Use agreement posted on the Turnitin.com website. You may request, in writing, to not have your papers submitted through Turnitin. If you choose to opt-out of the Turnitin submission process, you will need to provide additional research documentation and attach additional materials (to be clarified by the instructor) to help the instructor assess the originality of your work.

The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- *Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.*
- *Forgery, alteration, or misuse of University documents, records, or identification.*

- *Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.*
- *Interference with the academic or administrative process of the University or any of the approved activities.*
- *Otherwise unprotected behavior that disrupts the classroom environment.*
- *Theft or damage to property.*
- *Violation of civil or criminal codes of local, state, or federal governments.*
- *Unauthorized use of or entry into University facilities.*
- *Violation of any stated policies or regulations governing student relationships to the University.*

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

- ***Dismissal:*** *Separation of the student from the University on a permanent basis.*
- ***Suspension:*** *Separation of the student from the University for a specified length of time.*
- ***Probation:*** *Status of the student indicating that the relationship with the University is tenuous and that the student's records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student's privileges may accompany probation."*

POLICY ON DISABILITIES

Assistance for Students with Disabilities

The Disability Services Office (DSO) offers a variety of services and accommodations to students with disabilities based on appropriate documentation, nature of disability, and academic need. In order to initiate services, students should meet with the Director of the DSO at the beginning of the semester to discuss reasonable accommodation. If a student does not request accommodation or provide documentation, the faculty member is under no obligation to provide accommodations. You may contact the Director of Disability Services at (310) 506-6500. For further information, visit the DSO Web site at: <http://www.pepperdine.edu/disabilityservices/>.

SCHEDULE OF CLASSES

Class progressions vary from course to course and from class to class. Therefore, this schedule is tentative. It may change as of the first day of class and it may change as we go along. However, *the final exam date will not change.*

Some topics in a chapter may not be covered in class. I have tried to list the major sections in the text we will be skipping. Short one- or two-page sections that we will be skipping have not been listed. Also, you will only be tested and graded on the material in the class notes and the practice problems. Recorded narrations of the class notes will be posted after each class session. If we do not completely cover all topics in a class session, you are responsible to go to Blackboard, download and listen to the narrations, and ask me any questions you may have. **Note:** You are responsible for everything we cover, whether present or absent.

Week	Date	Readings	Topics / Exams
1*	Sept. 5	Ch. 1 & 2 (p. 23-25 & 39-41) & p. 60-62 & 287-289	Economic Thinking, Scarcity and Cost (<i>Attendance Required!</i>)
2	Sept. 8	Ch. 4 & 11 (p. 411-430)	Supply and Demand, Welfare Analysis, <i>Quiz 1</i>
3	Sept. 15	Ch. 5 (p. 170-184), 7 (exclude p. 256-267), & 8	Elasticity, Production and Costs, <i>Quiz 2</i>
4	Sept. 22	Ch. 10, 11 (p. 430-436), 12, & 14 (p. 565)	Competition, Monopoly, <i>Quiz 3</i>
5	Sept. 29	Ch. 13 (p. 499-501, 508-518, & 522)	Oligopoly, <i>Quiz 4</i>
6	Oct. 6	Ch. 18 (p. 703-708)	Externalities, Final Exam Q&A, <i>Quiz 5, Writing Assignment due at start of class</i>
7	Oct. 13	None	Final Exam

* The first class meeting will be held on Friday, September 5 from 8 AM - 12 PM in room L2. You must attend this class session in order to remain enrolled in the course.