Managerial Economics

Dr. Tiago C. Requeijo

MBA 603, Online

Classes and Contact

Location Distance Education/Blackboard
Office Founders Hall 432
Telephone Number (703) 993-5496
e-mail trequeij@gmu.edu (preferred to phone)
Office Hours By appointment, but typically before or after class

Course Description

The objective of this course is to enable students to develop a clear understanding of economic theory and be able to apply the techniques used in business organizations in solving problems related to decision-making in strategic environments.

Course Objectives

After completing the course, learners will be able to:

- Explain how goals, constraints, incentives, and market rivalry affect economic decisions
- Use supply and demand analysis as a qualitative forecasting tool to determine equilibrium market outcomes
- Evaluate the factors that underlie both the demand and supply functions in order to be able to analyze consumer and producer behavior
- Calculate and interpret elasticities and their applications to business decisions
- Use frameworks to explain the nature of the firm as an integrated whole, as opposed to a loosely connected set of functional departments
- Evaluate appropriate measures of the firm’s optimal use of resources
- Apply the structure-conduct-performance paradigm and explain how the nature of industry is affected by market structure
- Analyze the market structure and explain how it affects business decisions under perfect competition, monopolistic competition, oligopoly and monopoly
- Analyze data using statistics in order to make sound business decisions

MBA Program Goals

Goals addressed in this course are in bold:

- **Teaming & Leading** - Demonstrate the team leadership and interpersonal skills needed to form, lead, and work effectively on diverse organizational teams.
- **Analytical Decision Making** - Demonstrate the ability to analyze uncertain complex management situations using appropriate tools, techniques, and information systems for decision-making.
- **Knowledge of Functional Business Disciplines** - Demonstrate the ability to integrate knowledge from all functional areas of business into a meaningful firm-level perspective.
- **Global Understanding** - Demonstrate a perspective on how businesses operate in the global environment.
- **Communication Skills** - Demonstrate written, oral and presentations skills necessary to explain problems and solutions effectively and persuasively.
- **Ethics and Social Responsibility** - Have a sense of professional and social responsibility in the conduct of managerial affairs.

Textbook, Class Notes, and Cases

The textbook for the course is the book by by Michael Baye and Jeff Prince:


Although the following books are not required, they touch upon some of the topics we will discuss in the course in an amusing and easy to read manner:


Additionally, I will use other resources such as podcasts (Planet Money, Freakonomics Radio, MarketPlace, etc), newspapers and magazines (The Economist, New York Times, Bloomberg, The Wall Street Journal, Business Week, etc) for some of the class discussions.

The slides will be posted on Blackboard before each class, but may change afterwards depending on the actual content that was covered and discussed during class.
Tentative Schedule

Week 1 (Week 1 Class):
Course introduction.

- Opportunity cost, marginal analysis, and incentives.
  - Baye, Chapter 1

- Organization of the firm; The Principal-Agent Problem.
  - Baye, Chapter 6 (pp. 227–234)

Supply, demand, and markets.
- Baye, Chapter 2

Week 2 (Week 2 Class):
Supply, demand, and markets.
- Baye, Chapter 2

- Quantitative demand analysis.
  - Baye, Chapter 3
  - Regression Analysis

Week 3 (Week 3 Class):
Uncertainty and asymmetric information.
- Baye, Chapter 12

- Consumer Behavior.
  - Baye, Chapter 4

Week 4 (Week 4 Class):
Production and Costs.
- Baye, Chapter 5

Week 5 (Week 5 Class):
Understanding the Industry.
- Baye, Chapter 7

- The Five Forces Framework.
  - Michael Porter, *The Five Competitive Forces that Shape Strategy*
    - http://bcove.me/fm4ouivf

Week 6 (Week 6 Class):
Competitive and Monopolistic Markets.
- Baye, Chapter 8

Week 7 (Week 7 Class):
Oligopoly Markets.
- Baye, Chapter 9

Week 8 (Week 8 Class):
Pricing Strategies.
- Baye, Chapter 11
Evaluation and Grades

Course grades will be based on exams, class participation, homework assignments, and case write-ups.

The final exam will test your understanding of the central ideas of the course. The core concepts will be emphasized in lecture and will often be explored in the cases and class discussion. It will require you to demonstrate your understanding of the key theories and concepts and your ability to apply them to problems. The final exam will be comprehensive.

You may consult with other students only on homework assignments, but please let me know who you worked with in each of the assignments. The same applies to citing other sources such as resources on the internet and books on the subject. Nevertheless, your written assignment should reflect only your own work. Homework assignments will generally be due the class after they are distributed.

Case reports will be graded on a relative basis, with the “best” case report receiving the highest mark and the poorest report the lowest mark.

The final grade will be an average of the following items, weighted as noted:

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>5%</td>
</tr>
<tr>
<td>Projects &amp; Homework Assignments</td>
<td>55%</td>
</tr>
<tr>
<td>Final exam</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Grade cut-offs will be determined according to the following table:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Score (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>94-100</td>
</tr>
<tr>
<td>A-</td>
<td>90-93</td>
</tr>
<tr>
<td>B+</td>
<td>87-89</td>
</tr>
<tr>
<td>B</td>
<td>84-86</td>
</tr>
<tr>
<td>B-</td>
<td>80-83</td>
</tr>
<tr>
<td>C+</td>
<td>70-79</td>
</tr>
<tr>
<td>F</td>
<td>69 and below</td>
</tr>
</tbody>
</table>

The grade cut-offs may be lowered based on the overall score distribution of the class.

Late Assignments

All assignments are due at the beginning of the following class, unless otherwise stated – this includes homework assignments as well as case write-ups. If the assignment is to be discussed in an online class meeting (case discussion, working through a homework question, etc), no late assignments will be accepted after the beginning of the class. Otherwise, a late assignment will be considered but 25% will be immediately deducted from the assignment grade. Additionally, 25% of the total assignment grade will be deducted for every extra
day after the assignment was due. If you will not be in attendance on the day a writing assignment is due, you may email me your assignment, but I must receive your emailed assignment before the beginning of class. I will make exceptions if necessary due to illness or other GMU-approved emergencies.

Make-up Exam

Make-up examinations will not be given unless a student has a university-validated excuse and the instructor is notified of in advance of the examination. Without exception, students who request a make-up exam will be asked to provide appropriate documentation before a make-up exam is scheduled. Make-up exams must be completed within three weekdays of the original exam date. Approval of absence from the final exam must be obtained from the Assistant Dean of Academic and Career Services before a make-up exam will be arranged.

Accommodations for Disabilities

If you have a documented learning disability or other condition that may affect academic performance you should:

1. Make sure this documentation is on file with Office for Disability Services (SUB I, Rm. 2500; 703-993-2474; http://ods.gmu.edu) to determine the accommodations you need;

2. Talk with me to discuss your accommodation needs.

Please keep in mind that all academic accommodations must be arranged through the ODS.

Honor code

The honor code applies to all work required for this class. As mentioned above, you are free to confer with other people when working on your assignments (except for the midterm and final exam), but the final decisions about the work turned in should be your own. Furthermore, you may not show or discuss the examination with past or future MBA students. I urge you to discuss your weekly observations with others. More information about the GMU honor code is given on the GMU web site at various locations, including [http://academicintegrity.gmu.edu/](http://academicintegrity.gmu.edu/) The School of Business adopted the following recommendations for Honor Code Violations:
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plagiarism, Lying, Cheating on an assignment, homework, or including representing other's work as your own</td>
<td>An F in the class</td>
<td>An F in the class and Dismissal from program</td>
</tr>
<tr>
<td>Egregious Violation [e.g., stealing an exam; passing on confidential course material; cheating on an exam, project, or otherwise violating specified rules for an exam or project; etc.]</td>
<td>An F in the class and Dismissal from program</td>
<td>An F in the class and Dismissal from program</td>
</tr>
</tbody>
</table>

School of Business Standards of Behavior

The mission of the School of Business at George Mason University is to create and deliver high quality educational programs and research. Students, faculty, staff, and alumni who participate in these educational programs contribute to the well-being of society. High quality educational programs require an environment of trust and mutual respect, free expression and inquiry, and a commitment to truth, excellence, and lifelong learning. Students, program participants, faculty, staff, and alumni accept these principles when they join the community. In doing so, they agree to abide by the following standards of behavior:

- **Respect** for the rights, differences, and dignity of others
- **Honesty** and integrity in dealing with all members of the community
- **Accountability** for personal behavior

Integrity is an essential ingredient of a successful learning community. Ethical standards of behavior help promote a safe and productive community environment, and ensure every member the opportunity to pursue excellence. The Mason School of Business can and should be a living model of these behavioral standards. To this end, community members have a personal responsibility to integrate these standards into every aspect of their experience at the School of Business. Through our personal commitment to these Community Standards of Behavior, we can create an environment in which all can achieve their full potential.

Other Items

e-mail

I will regularly send electronic messages to the entire class via Blackboard. Thus, be sure you check the Blackboard site frequently or arrange for mail sent to your GMU e-mail account
to be forwarded to whatever e-mail account you normally use. You are fully responsible for
taking the steps listed above, for checking your e-mail regularly, and for any information
communicated to the class via e-mail.

Disability
If you have a documented learning disability or other condition that may affect academic
performance you should:
Make sure this documentation is on file with Office for Disability Services (SUB I, Rm.
2500; 703-993-2474; [http://www.gmu.edu/student/drc](http://www.gmu.edu/student/drc)) to determine the accommodations
you need. Talk with me to discuss your accommodation needs. Please keep in mind that all
academic accommodations must be arranged through the ODS.

Counseling Center
George Mason University has a counseling center that can provide assistance if you find
yourself overwhelmed by life, want training in academic or life skills, or the like. More
information is available at [http://www.gmu.edu/departments/csdc/](http://www.gmu.edu/departments/csdc/).

Notice of Mandatory Reporting of Sexual Assault, Interpersonal Violence and
Stalking
As a faculty member, I am designated as a “Responsible Employee,” and must report all
disclosures of sexual assault, interpersonal violence, and stalking to Mason’s Title IX Co-
ordinator per University Policy 1412. You may seek assistance from Mason’s Title IX Co-
ordinator, Jennifer Hammat, by calling 703-993-8730 or email [cde@gmu.edu](mailto:cde@gmu.edu). If you wish
to speak with someone confidentially, please contact one of Mason’s confidential resources,
such as Student Support and Advocacy Center (SSAC) at 703-993-3686 or Counseling and
Psychology Services (CAPS) at 703-993-2380. The 24-hour Sexual and Intimate Partner
Violence Crisis Line for Mason is 703-380-1434.

Writing
George Mason University has a writing center that can help you improve your English writing
skills. More information is available at [http://writingcenter.gmu.edu/](http://writingcenter.gmu.edu/)

Inclement Weather & Campus Emergencies
Information regarding weather related changes in the University’s schedule (e.g., closing or
late opening) will be provided on the GMU website and via MasonAlert.

Useful Books and Other References


