



## ECON 3324 – Managerial Economics

BA in Business Administration;  
BA in Economics  
Fall 2018

<b>Professor:</b>	Charles McFerren, MBA
<b>Office hours:</b>	tba
<b>Availability:</b>	Phone number: McDaniel contact for appointment Room: McDaniel Office Email address: cmcferren@mcdaniel.edu
<b>Course type:</b>	core
<b>Prerequisites:</b>	ECO 2201 Principles of Economics STA 2215 Introduction to Statistics
<b>Credits:</b>	4 hours
<b>Number of hours per semester</b>	14 weeks (weekly lecture and seminar) plus Exam Week, i.e., <ul style="list-style-type: none"><li>• 2 90-minute seminars per week</li><li>• 1 Final Exam</li></ul>
<b>Class Timings*:</b>	<ul style="list-style-type: none"><li>• Monday, 12:30 to 14:00</li><li>• Wednesday, 8:30 to 10:00</li></ul>
<b>Venue:</b>	See “MyMcDaniel” and Blackboard

**\*Note: Dates and Times are subject to change.**

### Course Description:

This is a course in the practical application of microeconomics to solve business problems. The tools of economics are used to evaluate fundamental questions facing every manager (e.g., what market type am I working in, what pricing strategy do I employ, how price sensitive are my customers, what factors most influence my sales and/or costs, how do I pay my employees in a manner that elicits the highest level of performance). An important objective of the course is to show how the mathematics covered in STA 2215 can be used in practice.

### Learning outcomes:

After completion of this course, students will be able to:

- Measure the responsiveness of consumers' demand to changes in the price of a good or service, the price of other goods and services, and income
- Design competition strategies, including costing, pricing, product differentiation, and market environment according to the natures of products and the structures of the markets

- Analyze real-world business problems with a systematic theoretical framework
- Apply the economic way of thinking to individual decisions and business decisions. Understand the four basic market models of perfect competition, monopoly, monopolistic competition, and oligopoly, and how price and quantity are determined in each model
- Understand how game theory can be used to explain a number of business decisions
- Explain four different pricing practices such as discrimination, two-part pricing, block pricing, commodity bundling, transfer pricing, and peak load pricing
- Understand why there is a role for the government to play in market economies

**Prerequisites:**

Satisfactory completion of ECO 2201 and STA 2215, or equivalent. In particular, it is assumed that the student is familiar with the tools of basic economic analysis (i.e., the use of demand and supply curves) as well as the mathematics of regression analysis covered in STA 2215.

**Methodology to be used:**

The course is interactive and involves the presentation and discussion of concepts, tools, techniques and algorithms commonly used to solve practical business problems. A strong focus is on solving problems using relevant software (primarily Excel). Due to the condensed nature of the course, the material is reinforced by reviewing learning points of previous sessions and by extensive problem solving using the methods studied. Continual student involvement is supported with the extensive use of the Blackboard technology and students are required to carry out both individual and group activities.

**Class attendance:**

- There exists a strong positive correlation between class attendance and success on the homework assignments and exams.
- Following the third unexcused absence, however, the class participation grade will be reduced by 1% for each absence.
- A tardy arrival will be counted as half an absence.

**Honor code**

You are expected without question to adhere completely to the McDaniel College academic honor code. Any violation will result in a zero for the given assignment and other possible sanctions.

**Compulsory reading:**

Student Course Handbook provided by the lecturer for the course.

**Recommended readings:**

Managerial Economics and Business Strategy, 7<sup>th</sup> Ed.  
by Michael R. Baye  
McGraw-Hill Publishing

ISBN 978-0-07-337596-0

**Detailed class schedule, 1<sup>st</sup> – 14<sup>th</sup> week:**

<b><u>Date of class*</u></b>	<b><u>Topics to be discussed, readings required for the class</u></b>
<u>Week 1</u> Sept. 3, 5	<ul style="list-style-type: none"> <li>• Introduction to Managerial Economics;</li> <li>• Syllabus and Course Requirements;</li> <li>• Assignment #1 Distributed, Due Friday, 21.9.18</li> <li>• Assignment #2 Distributed, Due Friday, 5.10.18</li> <li>• Assignment #3 Distributed, Due Friday, 9.11.18</li> <li>• Assignment #4 Distributed, Due Friday, 30.11.18</li> </ul>
<u>Week 2</u> Sept. 10, 12	<ul style="list-style-type: none"> <li>• Review of Demand and Supply</li> </ul>
<u>Week 3</u> Sept. 17, 19	<ul style="list-style-type: none"> <li>• Quantitative Demand Analysis</li> <li>• <b>Assignment #1 Due</b> Friday, 21.9.18</li> </ul>
<u>Week 4</u> Sept. 24, 26	<ul style="list-style-type: none"> <li>• The Theory of Individual Behavior</li> </ul>
<u>Week 5</u> Oct. 1, 3	<ul style="list-style-type: none"> <li>• The Production Process and Costs</li> <li>• <b>Assignment #2 Due</b> Friday, 5.10.18</li> </ul>
<u>Week 6</u> Oct. 8,10	<ul style="list-style-type: none"> <li>• The Organization of the Firm</li> </ul>
<u>Week 7</u> Oct. 15, 17	<ul style="list-style-type: none"> <li>• <b>MIDTERM</b> Monday, October 15</li> <li>• The Nature of Industry</li> </ul>
<u>Week 8</u> Oct. 22 (Holiday) Oct. 24	<ul style="list-style-type: none"> <li>• Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets</li> </ul>
<u>Week 9</u> Oct. 29, 31	<ul style="list-style-type: none"> <li>• Basic Oligopoly Models</li> </ul>
<u>Week 10</u> Nov. 5, 7	<ul style="list-style-type: none"> <li>• Game Theory</li> <li>• <b>Assignment #3 Due</b> Friday, 9.11.18</li> </ul>
<u>Week 11</u> Nov. 12, 14	<ul style="list-style-type: none"> <li>• Pricing Strategies for Firms with Market Power</li> </ul>
<u>Week 12</u> Nov. 19, 21	<ul style="list-style-type: none"> <li>• The Economics of Information</li> </ul>
<u>Week 13</u> Nov. 26, 28	<ul style="list-style-type: none"> <li>• Government in the Marketplace</li> <li>• <b>Assignment #4 Due</b> Friday, 30.11.18</li> </ul>
<u>Week 14</u> Dec. 3 and 5	<ul style="list-style-type: none"> <li>• Behavioral Finance</li> </ul>
<u>Finals Week</u> Dec. 10	<ul style="list-style-type: none"> <li>• <b>COMPREHENSIVE FINAL EXAM</b> Monday, December 10</li> </ul>

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**Assignments:**

- Assignment #1 Distributed, Due Friday, 28.9.18
- Assignment #2 Distributed, Due Friday, 12.10.18
- Assignment #3 Distributed, Due Friday, 16.11.18
- Assignment #4 Distributed, Due Friday, 30.11.18

### **Grading:**

The final grade will be composed of the following components:

- 10% class attendance and participation
- 40% group assignments
- 20% mid-term exam
- 30% comprehensive final exam

### **Assessment, grading:**

Grades are **earned** by the students based on their class attendance, class participation, their achievements in the assignments (group or otherwise) and any quizzes, homework and midterm and final exam (where applicable).

**Grades are not negotiable.** Any attempt at negotiation may potentially result in official disciplinary action