

University of Lethbridge – Department of Economics
ECON 3030(B) – Managerial Economics
Fall 2008

Instructor:	Lectures Michael G. LANYI	Laboratories Michael G. LANYI
Class Times:	Tu. & Th. 15:05 – 16:20	Tu. 10:50 – 11:40
Place:	B-660	PE 264
Office:	C-574	
Office Hours: (From Sept 15)	W & F 12:15 – 13:00 13:05 – 13:50 or by appointment	
Phone:	332-4590 (office)	
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Should I continue to produce or shut down? What is the optimal level of production? What are the optimal levels of inputs to employ? What price should I ask for my product?

These are some of the most important decisions a manager has to make to maximize the profitability of the firm. Structured decision making requires the application of knowledge in a given area to making informed decisions. Managerial economics applies microeconomic theory to business decision making. Although economic theory is not the only tool used by successful managers, it is a powerful and essential tool. In the first part of the class we will develop several microeconomic tools: optimization theory, supply and demand analysis, forecasting, production and cost analysis. In the second part of the class we will bring these tools together to build a framework for making some of the most important decisions affecting the profitability of the firm: how much to produce and what price to charge. In order to apply the decision-making rules developed in managerial economics we will use algebra and calculus. We may also use EXCEL. I will review all of these tools and give you additional handouts for practice.

LEARNING OBJECTIVES

By the end of the course, students will develop skills to:

- Explain the role of economic theory in managerial economics.
- Describe the characteristics of various market structures such as perfect competition and monopoly.
- Know the difference between economic and accounting profit.
- Understand and graphically illustrate the way market forces determine prices and production in competitive markets.
- Learn the fundamental principles of optimization theory for finding the optimal level of business activities.
- Predict how revenue will be affected by a change in the price of a product by using the concept of price elasticity.
- Determine the optimal level of inputs and the cost of production in two different decision-making time frames: short run and long run.
- Analyze how managers make pricing and output decisions in competitive markets and monopoly.
- Understand how techniques of price-discrimination and multi-product pricing can increase profit.

LECTURE/LAB ATTENDANCE etc.

While attendance in class is not mandatory and absences will not factor into the final course grade, randomly circulated class list might provide bonus marks for attendance. Since not all materials are covered in the text book, students are strongly encouraged to attend lectures. **LECTURES AND LAB TIME ARE HOMOGENOUS AND INTERCHANGEABLE.** Certain materials will be posted to the class web page on WebCT. These are made available to assist you during lecture/lab. They are NOT a substitute for attending lectures. You are responsible for printing these (if required) and bring them to class. Out of respect for all students in the class, unnecessary disruption will not be tolerated. Missing lectures is not a valid excuse for inability to answer any exam question.

REQUIRED MATERIAL:

Managerial Economics, by Christopher R. Thomas and S. Charles Maurice, McGraw–Hill Irwin, 9th edition

Students are strongly encouraged to read the course material before attending lectures. Unless otherwise stated in class, students should read the entire chapter corresponding to the various topics outlined below. The course material with chapter references is as follows:

ORDER OF TOPICS

What is managerial economics?

Chapter 1. Managers, Profits and Markets

How do market forces determine prices and production in competitive markets?

Chapter 2. Demand, Supply, and Market Equilibrium

How do we find the optimal level of business activities?

Chapter 3. Marginal Analysis for Optimal Decisions

Why consumers choose to purchase one type of product over another?

Chapter 5. Theory of Consumer Behavior

How does a change in the price of a product affect revenues?

Chapter 6. Elasticity and Demand

How can we determine the optimal level of inputs and the cost of production in two different decision-making time frames: short run and long run?

Chapter 8. Production and Cost in the Short Run

Chapter 9. Production and Cost in the Long Run

How do managers make pricing and output decisions?

Chapter 11. Managerial Decisions in Competitive Markets

Chapter 12. Managerial Decisions for Firms with Market Power

How can techniques of price-discrimination and multi-product pricing increase profit?

Chapter 14. Advanced Pricing Techniques (If time permits)

COURSE REQUIREMENTS

1 – Readings

Most of the required readings are from the course textbook. I expect you to **READ THE TEXTBOOK ACTIVELY. THIS IS A PROBLEM-SOLVING COURSE.** The best way to study is to use pencil and paper and work through each argument by drawing diagrams, writing out the logic of the argument, working out the problems at the end of each chapter, and underlining key ideas. I expect you to read the relevant chapters, BEFORE the material is covered in class.

In addition to the textbook chapters, I will hand out during the lecture (and make available on–line) newspaper articles that we discuss in class and supplemental material for practice. Any material given to you during the class is required reading and can show up on the exams.

As optional reading, I strongly encourage you to skim the Business Section of one of the major newspapers/magazines (i.e. *The Economist*, *Financial Times*, *The Wall Street Journal*). You will find articles relevant to your studies and career. Some of these and other magazines/newspapers/journals are accessible on–line through the library. Please let me know if you have difficulty finding them.

2 – Practice problem sets

I will provide practice problem sets that are intended to help you learn the material in this course and prepare for exams. These problem sets will not be graded but it is your responsibility to make sure that you understand the solutions that will be made available. If you have any questions or need further explanation I will be **very happy** to see you in my office (*See Office Hrs. on page 1*).

3 – Assignments

I will give you two assignments that permit you to apply concepts and tools you'll learn in this class. The assignments will be based on the material covered in class/lab. You will be allowed to work in a group of no more than 3 people.

4 – Quizzes

There will be 5 quizzes. The quizzes will include multiple-choice questions, true or false questions, and short answer/graph questions. I will drop the one with the lowest grade. A missed quiz is a zero. **No make-up Quizzes!**

5 – Exams

The content of the exams/quizzes will be drawn from the lecture notes, readings, and the practice problem sets. Remember that any material given to you during the class is required reading and could show up on the exams. There will be 2 exams: a midterm exam and a final exam. The Final Exam will be **partially cumulative**, but more weight will be given to new material. The exams will include multiple-choice questions, true or false questions, and short answer/graph questions.

	Day	Date	Time	Location	Weight	
Assignment #1	Thursday	October 16 th	due 15:05	B 660	5%	
Assignment #2	Thursday	November 20 th	due 15:05	B 660	5%	
Quiz #1	Thursday	September 25 th	15:05 – 15:20	B 660		} best 4 x 5%
Quiz #2	Thursday	October 9 th	15:05 – 15:20	B 660		
Quiz #3	Thursday	October 23 rd	15:05 – 15:20	B 660		
Quiz #4	Thursday	November 13 th	15:05 – 15:20	B 660		
Quiz #5	Thursday	November 27 th	15:05 – 15:20	B 660		
Midterm Exam:	Thursday	October 30 th	15:05 – 16:20	TBA	30%	
Final Exam:	Tuesday	December 9 th	14:00 – 17:00	TBA	40%	

Note carefully the dates of the exams since **I DO NOT GIVE MAKE-UP EXAMS.**

Absence from Exam Policy:

Except under extremely unusual circumstances, if an exam is to be missed for any valid reason (and this does happen), you must give notification before the scheduled time of the exam by calling my office. This is then followed up with appropriate documentation (e.g., a medical certificate) within 48 hours of the missed exam. Failure to do one or both of these will result in a failing grade on the examination.

There will be NO make-up Quizzes and NO make-up Midterm! The weight of any missed Quiz or Midterm will be added to the final exam.

Except under extremely unusual circumstances, no requests will be entertained for early or delayed exams.

Bonus Incentive on Performance:

You will have an opportunity to receive 1.5% bonus added to your final grade if the following condition is met. If your *Final Exam* grade is *higher* than your *Midterm Exam* grade, you will receive 1.5% bonus. This bonus is designed to give you an incentive to perform better toward the end of the course.

Letter grades will be based on numerical final grades as follows:

A+	90 < A+ ≤ 90	C+	66 < C+ ≤ 70
A	85 < A ≤ 90	C	63 < C ≤ 66
A–	80 < A– ≤ 85	C–	60 < C– ≤ 63
B+	77 < B+ ≤ 80	D+	56 < D+ ≤ 60
B	73 < B ≤ 77	D	50 ≤ D ≤ 56
B–	70 < B– ≤ 73	F	0 ≤ F < 50

Students should keep all graded exams. In the case of disagreement between your recorded mark and the mark on your exam, the latter will be taken to be correct.

Tentative Timetable – ECON 3030(B) – Fall 2008

September – ECON3030(B)

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1 <i>Statutory Holiday</i>	2	3	4 Introduction	5	6	7
8	9 Math & Calculus Review	10	11 Chapter 1	12	13	14
15	16 Chapter 1 <i>LAB for Chapter 1</i>	17	18 Chapter 2	19	20	21
22	23 Chapter 2 <i>LAB for Chapter 2</i>	24	25 Quiz #1 & Chapter 3	26	27	28
29	30 Chapter 3					

November – ECON3030(B)

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
3	4 Chapter 9	5	6 <i>Lab for Chapter 9</i>	7	8	9
10	11 <i>Statutory Holiday</i>	12	13 Quiz 4 & Chapter 11	14	15	16
17	18 Chapter 11 <i>LAB for Chapter 11</i>	19	20 <i>Assignment #2 due</i> Chapter 12	21	22	23
24	25 Chapter 12 <i>LAB for Chapter 12</i>	26	27 Quiz 5 & Chapter 14	28	29	30

October – ECON3030(B)

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
6	7 Chapter 5	8	9 Quiz #2 & Chapter 5	10	11	12
13 <i>Statutory Holiday</i>	14 <i>LAB for Chapter 5</i> Chapter 6	15	16 <i>Assignment #1 due</i> Chapter 6	17	18	19
20	21 Chapter 6 <i>LAB for Chapter 6</i>	22	23 Quiz 3 & Chapter 8	24	25	26
27	28 Chapter 8 <i>LAB for Chapter 8</i>	29	30 Midterm Exam <i>CH 1-2-3-5-6</i>	31		

December – ECON3030(B)

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2 Chapter 14 <i>LAB for Chapter 14</i>	3	4 Review	5	6	7
8	9 Final Exam <i>Partially Cumulative</i>	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				