

Rose-Hulman Institute of Technology / Department of Humanities & Social Sciences
Fall Quarter 2011 – 2012 / EMGT531, Economics for Technical Managers
Section 1: 3rd hour (9:55 – 10:45), Olin O – 201

Instructor: Kevin Christ, Moench Hall A-203d, 872-6226 (phone), 877-8909 (fax)
kevin.christ@rose-hulman.edu

Course Web Site: <http://www.rose-hulman.edu/~christ/mgrecon.htm>

Course Description and Readings

This is the graduate section of SV351, Managerial Economics. As a field within economics, managerial economics synthesizes microeconomic theory and business decision making. It is chiefly concerned with the application of economic tools of analysis to business management. Some of the questions addressed in managerial economics include:

- How do we evaluate firm performance?
- What markets will/should a firm enter?
- How can a firm best analyze its economic opportunities in different markets?
- What mix of inputs and production technology should a firm use in its production?
- How should a firm price its products?
- Who are the firm's competitors, and how are they likely to respond to the firm's decisions?
- How should operations of a business firm be governed and controlled?

This course assumes a basic understanding of fundamental economic and statistical concepts, as well as some familiarity with business and financial terminology. In addition to the normal class meetings, problem sets, exams and paper, engineering management students are also required to attend three seminars where they will study a framework for understanding why business organizations have different structures and attributes.

Textbook: Mark Hirschey, Managerial Economics, 12th ed., Thomson/Cengage (2009).

Seminar Text: Martin Ricketts, The Economics of business Enterprise, 3rd ed., Edward Elgar (2002).
Available at <http://www.e-elgar.co.uk/default.lasso>.

Additional readings are available via the course web site.

Student Learning Outcomes

After completing this course, successful students should be able to:

- Evaluate the economic performance of a business, and analyze the factors that influence a firm's ability to generate and sustain economic profits.
- Explain and analyze the nature of production processes and their relationship to cost behavior.
- Use statistical methods to estimate and analyze demand for a product or service.
- Describe and incorporate business forecasts into discussions of corporate strategies.
- Explain how market conditions (market structure) impose constraints on business strategy and pricing.
- Apply game theory and other means of analysis to the evaluation of business strategies.
- Evaluate and analyze the sources and implications of risk and incorporate risk analysis into business decision-making.
- Explain the key elements of corporate governance, and incorporate corporate governance considerations into a business case study.

General Course Policies

- This syllabus provides a *basic* schedule and outline for the course. Students should consult the course web site for a comprehensive and up-to-date schedule, and for important links to course material.
- Grades for the course will be assigned according to the following criteria and scale:

Grade Component	Weight
Four exams	60%
Individual case study	20%
Seminar Participation	10%
Participation	10%

Score	Grade
90% or better	A
80% to 89%	B
70% to 79%	C
60% to 69%	D
Less than 60%	F

- Grades of B+, C+, or D+ may be assigned at the professor’s discretion.
- With a written explanation, approved in advance by the professor, or in the case of pre-approved Institute-sponsored events, a make-up exam may be scheduled. Alternatively, a missed exam may result in the other examinations being weighted more heavily. All unexcused absences from exams will result in a failing grade for the exam.
- Late assignments will not be accepted, or will only be accepted for partial credit. Completion of the team case study project is required in order to receive a passing grade for the course.
- The participation grade will be based on five subsidiary criteria: attendance, classroom participation, participation in problem set reviews, outside contact, and work on announced or unannounced classroom assignments. The following rubric provides a general outline of how these criteria will be used in the assignment of individual participation grades:

	A-level	B or C-level	D-level or lower
Attendance	Regularly attends class	Has 1 to 3 unexcused absences	Has 4 or more unexcused absences
Classroom Participation	Regularly contributes to classroom discussion	Rarely contributes to classroom discussion	Never contributes to classroom discussion
Problem Set Reviews	Regularly contributes to the discussion of assigned problems on designated days	Infrequently contributes to the discussions of assigned problems on designated days	Does not contribute to the discussions of assigned problems on designated days
Outside contact	Uses office visits to clarify questions and to discuss course topics	Rarely makes contact outside of classroom	Never visits during office hours or discusses course concepts outside of class
Assignments	Performance on announced or unannounced classroom assignments, such as special homework assignments or quizzes.		

- Excessive absences or tardiness may result in forfeiture of some participation credit, and may result in failure of the course. Specifically, students with 4 unexcused absences will forfeit half of the available participation credit. Students with 8 unexcused absences will receive a failing grade for the course. See the Institute’s Academic Rules and Procedures for the Faculty’s policy on class attendance.
- Any academic misconduct will result in a failing grade for the course.
- There will be no individual extra credit opportunities.
- The professor reserves the right to amend these general course policies.

Course Organization and Schedule

Date	Lecture Notes	Topic or Activity	Textbook Readings
9/1	1.1	Economic, normal, and abnormal profits	1 (3 - 5, 9 - 13, 16 - end) and 2
9/2	1.2	Value maximization	2 (including appendices)
9/5	1.3	Basic industry analysis	See course web site
9/6	1.4	Interpreting accounting information	See course web site
9/8		In-class lab #1	
9/9	1.5	Standard production theory	7
9/12	1.6	Cost analysis and production topics	8
9/13		Review problems set #1	
9/15		Exam 1	
9/16	2.1	Review of demand and supply concepts	3
9/19	2.2	Elasticity	4 (134 – end)
9/20	2.3	Demand estimation using OLS regression	5
9/22	2.4	Interpretation of OLS results	5
9/23	2.5	Business forecasting	6 (199 - 202, 210 - 216, 225 - end)
9/26	2.6	Time series econometrics	6 (203 - 209, 217 - 225)
9/27		In-class lab #2	
9/29		Review problem set #2	
9/30		Exam 2	
Week of October 3 – 7: Seminar on Ricketts, chapters 1 through 4, Time and Location TBD			
10/3	3.1	Market structure	10, 11, and 13 (525 - 535)
10/4	3.2	Imperfectly competitive markets	12 (457 - 479) and 13 (501 - 524)
10/6	3.3	Market structure and public policy	12 (479 - 485)
10/7	3.4	Introduction to game theory	14 (549 - 561)
10/10	3.5	Game theory applications and strategy	14 (563 - end)
10/11		Review problem set #3	
10/17	3.6	Pricing with market power	15
10/18		In-class lab #3: Pricing strategies	
10/20		Exam 3	
10/21	4.1	Economic treatment of risk	16 (631 - 644)
Week of October 24 – 28: Seminar on Ricketts, chapters 5 through 8, Time and Location TBD			
10/24	4.2	Dealing with risk	16 (644 - end)
10/25	4.3	Capital budgeting	17 (671 - 687, 693 - end)
10/27	4.4	Cost of capital	16 (644 - 650) and 17 (687 - 693)
10/28		In-class lab #4: Capital budgeting	
10/31	4.5	Corporate governance	17
11/1	4.6	The regulatory environment	18
11/3		Review problem set #4	
11/4		Exam 4	
11/7		Undergraduate Team Presentations	Optional
11/8		Undergraduate Team Presentations	Optional
11/10		Undergraduate Team Presentations	Optional
11/11		Undergraduate Team Presentations	Optional
Week of November 14 – 17: Seminar on Ricketts, chapters 9 through 12, Time and Location TBD			

- Students should consult the course web site for a more complete schedule, updates, links to lecture slides, and links to other helpful sources.

Problem Sets

Problem sets will be reviewed in class on designated days. Completed problem sets should be turned in for credit with exams. For example, Problem Set 1 will be reviewed in class on 9/13, and should be turned in with the completed exam on 9/15. Solutions, showing work, should be presented on engineering paper, one problem per page.

	Problem Set 1 Review on 9/13	Problem Set 2 Review on 9/29	Problem Set 3 Review on 10/11	Problem Set 4 Review on 11/3
1	2.5	3.5	10.6	16.1
2	2.7	3.6	10.7	16.2
3	2.9	3.7	10.8	16.4
4	2.10	3.8	10.9	16.5
5	2B.1	3.9	10.10	16.6
6	7.1	3.10	11.5	16.7
7	7.2	4.6	11.6	16.8
8	7.3	4.7	11.10	17.2
9	7.4	4.8	12.5	17.3
10	7.5	4.9	12.6	17.5
11	7.6	4.10	12.8	17.6
12	7.7	5.3	12.9	17.7
13	7.8	5.4	12.10	17.8
14	7.9	5.5	13.4	17.9
15	8.6	5.8	13.6	17.10
16	8.7	5.9	13.7	
17	8.8	5.10	13.8	
18	8.9	6.1	14.2	
19	8.10	6.2	14.3	
20		6.3	14.4	
21		6.4	14.5	
22		6.5	14.6	
23		6.6	15.3	
24		6.7	15.4	
25		6.8	15.5	
26		6.9	15.7	
27		6.10	15.8	
28			15.10	

Case Study Project

Students will write a business case study focusing on the economic aspects of an individual firm's business strategy over a specific period of time. The purpose of this project is to allow students to integrate and apply course material to an in-depth analysis of one business firm, and provide an opportunity for students to engage in independent business research.

Organization: Final papers should include ...

- A description of the chosen firm, with some historical background
- An analysis of the firm's economic returns during the chosen period. This analysis should draw on both accounting and market data to provide a picture of absolute and relative (comparative) performance. This will be the focus of in-class lab #1.
- An analysis of the firm's prospects during the chosen period. This analysis may incorporate demand estimation and/or forecasting techniques. This will be the focus of in-class lab #2.
- An analysis of the firm's pricing strategies. This topic will be the focus of in-class lab #3.
- An analysis of the competitive environment in which the firm operated during the chosen period. This analysis should include considerations of market structure, as well as basic industry or market analysis using a framework such as Porter's five forces.
- Details about challenges that the firm faced, such as technological constraints, strategic interaction, pricing strategies, forecasting problems, issues of corporate governance, or regulatory restrictions.
- An appraisal of the firm's strategy and execution during the chosen period.

Resources: Students may draw upon these and other sources ...

- Annual reports and 10-Ks. These are often available on a firm's website under an "Investor Relations" or similar link.
- Public reports about the firm in the business press. Search archives for publications such as The Economist, The Wall Street Journal, Financial Times, etc. Well-known on-line sources such as CNN, CNBC, CBS Marketwatch, or Bloomberg also may be useful. Highly focused commentary or industry sites (such as blogs) may also be useful, but be careful in judging the objectivity and validity of information available on such sites. In all cases, provide authorship information and stable urls in the bibliography.
- Firm-specific and industry data and analysts' reports. Such data and reports are available via sites such as Yahoo finance (<http://finance.yahoo.com/>), or Google finance (<http://www.google.com/finance#>).

Formatting Guidelines for Paper:

- The written case should be 2,000 to 2,500 words in length, exclusive of tables, charts or other addendums. It should be submitted both in paper form and electronically via a .docx or .pdf email attachment to the professor.
- The paper should have (in this order) a title page, an optional contents page, text pages, bibliography page(s) and pages containing numbered figures and tables. Within the text pages, section headings are optional, but are encouraged for longer papers.
- Do not insert figures or tables into the text pages. Following the text and bibliography, include all numbered figures first (Figure 1, Figure 2, etc.), and then numbered tables (Table 1, Table 2, etc.). Each figure and table should be on a separate page, with possible exceptions for very small figures or brief tables, in which case two figures or two tables may be combined on one page. Include attribution details and any necessary explanatory comments with each figure or table.
- All pages after the title page and optional contents page should be numbered continuously, beginning with page 1 for the first page of text and ending with the last page of tables. These page numbers should be centered at the bottom of each page.
- The paper should be typed in 11 point font, double spaced, with 1.25 inch left and right margins and 1 inch top and bottom margins. Do not include extra lines between paragraphs.
- For in-text citations use a parenthetical citation format. Refer to any article in the *Journal of Economic Perspectives* for illustrations of this citation format.
- If in-text reference notes are used (not to be confused with citations), they should be in the form of bottom-of-page footnotes rather than end-notes.

Deadlines:

- Choice of subject firm to be approved by professor by Monday, September 16.
- Consultations with the professor will be scheduled for the week of October 3 – 7.
- Final cases are due (1 paper copy and electronic files of the paper) to the professor by noon on Monday, November 14.

Grading Rubric:

Grading Criteria	Grading Weight	Grading Level		
		A	B	C or lower
Report Format	20%	Report conformed perfectly with formatting guidelines	Report deviated from guidelines in some respects.	Report was marred by numerous formatting errors
Quality of Writing Sentences and paragraphs should exhibit command of language, and be void of grammatical errors. Overall organization should make it easy to follow the arguments and information being presented.	20%	Report was exceptionally well written, such that a reader could easily follow the logical progression of the team's thoughts. There were few, if any, grammatical errors.	Report was competently written and exhibited a reasonable, but not strong, command of grammar. There were some stylistic problems that may have made it difficult for a reader to follow the team's thought process.	Report contained numerous grammatical mistakes, included frequent sentence fragments and other poorly constructed sentences, often employed awkward syntax, and contained unfocused and confusing paragraphs.
Use and Display of Data This criteria mainly concerns the use of tables and figures to support the text discussion, and the incorporation of statistical support into the text.	20%	Tables and figures were well organized, consistently formatted according to guidelines, and conveyed information in a logical and engaging manner.	Tables and figures were complete, and presented in an acceptable format.	Tables and figures were poorly organized, formatted incorrectly, and often conveyed information in a confusing manner.
Incorporation of Course Concepts This criteria concerns the conscious incorporation of course concepts into the case discussion.	40%	An obvious and strong incorporation of course concepts.	An obvious but weak effort at incorporation of course concepts.	Limited or weak incorporation of course concepts.