

# **ECO 610: Managerial Economics**

Fall 2016

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## **Course Description:**

In this course we will apply economic theory to managerial decision making and analysis. We will employ many of the traditional tools of microeconomics and see how they can be used to evaluate practical business problems. We will pay particular attention to the strategy of firms in the marketplace. ECO 610 is a core course in the MBA program and is intended to help you understand basic economic concepts that underlie the business process modules and advanced learning bundles later in the program.

## **Reading Assignments:**

Assigned readings will come from two different managerial economics textbooks:

Brickley, Smith, and Zimmerman, *Managerial Economics and Organizational Architecture* (4<sup>th</sup> edition), McGraw-Hill Irwin, 2006, (available for under \$10 at [http://www.amazon.com/Managerial-Economics-amp-Organizational-Architecture/dp/0073523011/ref=sr\\_1\\_fkmr1\\_1?ie=UTF8&qid=1398349957&sr=8-1-fkmr1&keywords=brickley+smith+and+zimmerman+managerial+economics+and+organizational+architecture+5th+ed](http://www.amazon.com/Managerial-Economics-amp-Organizational-Architecture/dp/0073523011/ref=sr_1_fkmr1_1?ie=UTF8&qid=1398349957&sr=8-1-fkmr1&keywords=brickley+smith+and+zimmerman+managerial+economics+and+organizational+architecture+5th+ed) )

Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy* (4<sup>th</sup> edition), John Wiley & Sons, Inc., 2007, (available for under \$20 at [http://www.amazon.com/Economics-Strategy-Fourth-Edition-Besanko/dp/B003FAZFNE/ref=sr\\_1\\_4?ie=UTF8&qid=1398353715&sr=8-4&keywords=besanko+dranove+4th+edition](http://www.amazon.com/Economics-Strategy-Fourth-Edition-Besanko/dp/B003FAZFNE/ref=sr_1_4?ie=UTF8&qid=1398353715&sr=8-4&keywords=besanko+dranove+4th+edition) )

Instructions for purchasing electronic versions of these texts are at the end of this syllabus. There will also be assigned readings for each class taken from business periodicals such as the *Wall Street Journal*, which can be accessed through the UK library system.

## **Grading:**

Grades in the course will be determined on the basis of performance on several problem sets and two in-class exams. The midterm exam will count 30%, the final exam will count 40%, and the problem sets will count 30% toward your letter grade in the course.

## **Office Hours:**

Whenever. My office is 223-Q in the Gatton Building. I keep regular hours during the week and am generally available, so take your chances and drop by or let me know when you would like to meet. I am also easily reachable by telephone and email.

## Course Outline and Reading Assignments:

**Tuesday, August 30**

**Tuesday, September 6**

Introduction, basics of market systems, demand and supply analysis.

Text:

BSZ, ch. 3, "Markets, Organizations, and the Role of Knowledge."

Outside readings:

"Tempur-Pedic stock up after report, analysis," *Lexington Herald-Leader*, 7/26/12, p. B5:

<http://www.kentucky.com/2012/07/25/2270718/tempur-pedic-stock-up-after-2q.html>

"China's Winter of Discontent," *WSJ*, 3/14/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398959819?accountid=11836>

"Lawmakers struggle to define gasoline price 'gouging,'" *WSJ*, 11/9/05.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398991187?accountid=11836>

"With Venezuelan Food Shortages, Some Blame Price Controls," *New York Times*, 4/20/12: what would Juan Valdez say about coffee shortages in Venezuela?

[http://www.nytimes.com/2012/04/21/world/americas/venezuela-faces-shortages-in-grocery-staples.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/04/21/world/americas/venezuela-faces-shortages-in-grocery-staples.html?pagewanted=all&_r=0)

"Corn's Rally Sends Ripples," *WSJ*, 1/18/07.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398983538?accountid=11836>

**Tuesday, September 13**

Determinants of demand, estimating demand, elasticity.

Text:

BSZ, ch. 4: "Demand."

Outside readings:

"PepsiCo Pushes Breakfast in Bid to Heat Up Oatmeal," *WSJ*, 7/28/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/732571063?accountid=11836>

"Thrill parks try to boost attendance: Some lower their fees to attract crowds," *Lexington Herald-Leader*, 5/27/06. <http://bit.ly/odthLq>

"For Dollar Stores, a Mixed Bag," *WSJ*, 7/11/13.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1399253185/13FBAC776B7259CDD87/82?accountid=11836>

**Tuesday, September 20**

**Tuesday, September 27**

Production, economic costs, economic profit.

Text:

BSZ, ch. 5: "Production and cost."

Outside readings:

"Holiday Hiring Call: People vs. Robots," *WSJ*, 12/20/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/818622450?accountid=11836>

“Honda’s Flexible Plants Provide Edge,” *WSJ*, 9/23/08.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399105360?accountid=11836>

“Small Talk,” *WSJ*, 5/30/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399047133?accountid=11836>

“Accounting’s 21<sup>st</sup> Century Problem,” *WSJ*, 3/22/16.

<http://search.proquest.com.ezproxy.uky.edu/docview/1774739976/CC673B578D9941CEPQ/69?accountid=11836>

## **Tuesday, October 4**

Horizontal boundaries of the firm.

Text:

BDSS, ch. 2: “The Horizontal Boundaries of the Firm: Economies of Scale and Scope.”

Outside readings:

“Power Pork: Corporations Begin to Turn Hog Business into an Assembly Line,” *WSJ*, 3/28/94.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398373847?accountid=11836>. If you want to see a pork processing plant in action, try

<http://www.youtube.com/watch?v=LsEbvWmipJI>

“Meet the World’s Largest Cargo Ships,” *WSJ*, 1/8/13. [http:](http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1266990140/13FBAE3E923680778EB/71?accountid=11836)

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1266990140/13FBAE3E923680778EB/71?accountid=11836>

“Going to the Well: A Powerful Idea,” *Lexington Herald-Leader*, 7/4/11.

<http://bit.ly/nHKQQA>

## **Tuesday, October 11**

Vertical boundaries of the firm.

Text:

BDSS, ch. 3: “The Vertical Boundaries of the Firm.”

Outside readings:

“Made to Measure: Invisible Supplier Has Penney’s Shirts All Buttoned Up,” *WSJ*, 9/11/03.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398953831?accountid=11836>

“Bike Maker Faces a Tactical Shift,” *WSJ*, 10/28/98.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398673631?accountid=11836>

“Companies More Prone to Go ‘Vertical,’” *WSJ*, 11/30/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399140920?accountid=11836>

## **Tuesday, October 18**

In-class midterm exam

## Tuesday, October 25

Markets and market structure.

Text:

BDSS, ch. 6, "Competitors and Competition."

Outside readings:

"Greece is the Word," *WSJ*, 7/30/04.

[http://www.sailingissues.com/online.wsj.com/article\\_email/0,,SB109112801159177914-INje4Nplad3oZunaoKGBauBm4,00.html](http://www.sailingissues.com/online.wsj.com/article_email/0,,SB109112801159177914-INje4Nplad3oZunaoKGBauBm4,00.html)

"Winds of Change for Boeing, Airbus," *WSJ*, 3/16/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399095358?accountid=11836>

"The tri-county pizza war," *Lexington Herald-Leader*, 11/10/05.

<http://bit.ly/poGliZ>

"Show Stopper: How Plastic Popped the Cork Monopoly," *WSJ*, 5/1/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/220157523?accountid=11836>

## Tuesday, November 1

**Tuesday, November 15**, 6:00-7:15 p.m.

Competitive markets.

Text:

BDSS, ch. 6, "Competitors and Competition."

BSZ, ch. 6, "Market Structure."

Outside readings:

"Alligator Farming Shows There's a Lot to be Said for Cows," *WSJ*, 8/2/89.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398158016?accountid=11836>

"Economic Woes Take a Bite out of Alligator Ranching," *WSJ*, 11/12/97.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398605851?accountid=11836>

"A Run on Alligators Sends Designers Scrambling," *WSJ*, 3/18/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399057549?accountid=11836>

**Tuesday, November 15:** 7:30-8:30 p.m.

**Tuesday, November 22**

Monopoly, pricing with market power.

Text:

BSZ, ch. 6, "Market Structure."

BSZ, ch. 7, "Pricing with Market Power."

Outside readings:

"The Complex Anatomy of a Drug Price," *WSJ*, 12/9/15.

<http://search.proquest.com.ezproxy.uky.edu/docview/1746810875/BA22CB528BCC4A24PQ/1?accountid=11836>

"Seeking Fame in Apple's Sea of Apps," *WSJ*, 7/15/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399087647?accountid=11836>

"Seeking Perfect Prices, CEO Tears Up the Rules," *WSJ*, 3/27/07.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399036795?accountid=11836>

**Tuesday, November 29**

**Tuesday, December 6**

Oligopoly, rivalry, strategic behavior.

Text:

BSZ, ch. 6, "Market Structure."

BSZ, ch. 9, "Economics of Strategy: Game Theory."

Outside readings:

"Haven't Shareholders Had Enough Chicken?" *WSJ*, 4/4/01.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398780117?accountid=11836>

"Cruise Lines Slash Their Prices as War Fears Rattle Travelers," *WSJ*, 1/29/03.

<http://search.proquest.com.ezproxy.uky.edu/docview/398887154/F659999B628A40BBPQ/115?accountid=11836>

"Upstart's Tactics Allow it to Fly in Friendly Skies of a Big Rival," *WSJ*, 6/23/99.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398729938?accountid=11836>

"Bigger Proves Far from Better for Canadian Jet Maker," *WSJ*, 1/9/15.

<http://search.proquest.com.ezproxy.uky.edu/docview/1643323053/8A341AD473946EAPQ/6?accountid=11836>

**Tuesday, December 13:** 6:00-8:30 p.m.

In-class final exam

### **Instructions for Purchasing Electronic Textbooks:**

While the electronic textbooks are from the 4<sup>th</sup> edition of each book, you may be able to find a different edition online for a cheaper price. That should work equally well.

Brickley, Smith, and Zimmerman, *Managerial Economics and Organizational Architecture* (4<sup>th</sup> edition), McGraw-Hill Irwin, 2007:

Click on <https://create.mheducation.com/shop/#/catalog/details/?isbn=9781121597365>

Buy the book.

Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy* (4<sup>th</sup> edition), John Wiley & Sons, Inc., 2007:

Go to: <http://coursepacks.xanedu.com/?PackId=472818>

If you have previously registered for another CoursePack, log in. If not, click the Student Registration link. Complete the registration page and click Submit.

Confirm your CoursePack selection and click Continue.

Complete your billing information, confirm and click Submit.

After completing the purchase pages, you will be taken to your CoursePack.

If you have problems, contact XanEdu Customer Service at 1-800-218-5971 (option 4) or email [cust.serv@xanedu.com](mailto:cust.serv@xanedu.com).

### **Other Stuff:**

**Why does your professor not make life easy for you and provide you with a full set of notes?**

<http://search.proquest.com.ezproxy.uky.edu/docview/1778340277/AAA293BC2BD141E5PQ/100?accountid=11836>

**Not so hot at public speaking?**

<http://search.proquest.com.ezproxy.uky.edu/docview/398467912/5C312F30658E4470PQ/65?accountid=11836>

**How to get promoted:**

<http://search.proquest.com.ezproxy.uky.edu/docview/1543603571/6D14D25148D43E7PQ/121?accountid=11836>

**Corporate social responsibility:**

<http://search.proquest.com.ezproxy.uky.edu/docview/1563438369/EE4669351F744765PQ/113?accountid=11836>