

ECO 610: Managerial Economics

Fall 2018

Professor: Frank Scott
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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; prior editions of the books are fine:

Brickley, Smith, and Zimmerman, *Managerial Economics and Organizational Architecture* (4th, 5th, or 6th editions), McGraw-Hill Irwin (available for under \$10 at amazon.com).

Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy* (4th, 5th, 6th, or 7th editions), John Wiley & Sons, Inc., (also available for under \$10 at amazon.com).

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 your performance on two in-class exams and a team research project. The midterm exam will count 35%, the final exam will count 40%, and the project will count 25% toward your letter grade in the course. Detailed instructions and team assignments for the team project will come later in the semester.

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.

Student Rights and Responsibilities

All the usual stuff applies.

Course Outline and Reading Assignments:

Tuesday, August 28 (B&E 299)

Tuesday, September 4 (B&E 299)

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>

"As Economy Grows, North Korea's Grip on Society is Tested," *New York Times*, 5/1/17.

<http://search.proquest.com.ezproxy.uky.edu/docview/1893439516/6B98A8736BF04FEA/PQ/2?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>

"Venezuela is Starving—Hobbled by Economic Policies, Latin America's Once-Richest Country Can No Longer Feed its People," *WSJ*, 5/6/17.

<http://search.proquest.com.ezproxy.uky.edu/docview/1895499247/5CF40B45C8B34BB/DPQ/1?accountid=11836>

"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 11 (class meets in Kincaid Auditorium with Darshak Patel's class)

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/1399253185/13FB/AC776B7259CDD87/82?accountid=11836>

Tuesday, September 18 (class meets in Kincaid Auditorium with Darshak Patel's class)

Tuesday, September 25 (B&E 299)

Production, economic costs, economic profit.

Text:

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

Outside readings:

“Amazon Robots Get Ready for Christmas,” *WSJ*, 11/20/14.

<http://search.proquest.com.ezproxy.uky.edu/docview/1626121572/92A2AB457DB74662PQ/67?accountid=11836>

“Subaru’s Got a Big Problem: It’s Selling Too Many Cars,” *WSJ*, 8/21/13.

<http://search.proquest.com.ezproxy.uky.edu/docview/1426497632/D37A78AD1E014597PQ/73?accountid=11836>

“Small Talk,” *WSJ*, 5/30/06.

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

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

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

Tuesday, October 2 (Kincaid Auditorium)

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>

“Meet the World’s Largest Cargo Ships,” *WSJ*, 1/8/13.

<http://search.proquest.com.ezproxy.uky.edu/docview/1266990140/A537F218D2EE4AFCPQ/71?accountid=11836>

“New Role for the Gator: Chicken Farmer’s Friend,” *New York Times*, 6/18/2000.

<http://www.nytimes.com/2000/06/18/us/camilla-journal-new-role-for-the-gator-chicken-farmer-s-friend.html?pagewanted=all&src=pm>

Tuesday, October 9 (Kincaid Auditorium)

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>

“Plane Makers Want a Bigger Part of Parts,” *WSJ*, 9/8/17:

<https://search-proquest-com.ezproxy.uky.edu/docview/1936420682/3B95B99B20C4FF6PQ/60?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 16 (B&E 299)

In-class midterm exam

Tuesday, October 23 (B&E 299)

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

"Boeing, Airbus Confront Crowded Skies," *WSJ*, 7/17/17.

<https://search-proquest-com.ezproxy.uky.edu/docview/1919400529/1A3F32BEECF54CB3PQ/57?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, October 30 (B&E 299)

Tuesday, November 6 (B&E 299)

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 13 (B&E 299)

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>

"Gillette, in Change, Shaves Prices," *WSJ*, 4/5/17.

<http://search.proquest.com.ezproxy.uky.edu/docview/1883999799/20A8A4C4F1674000PQ/57?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 20 (B&E 299)

Tuesday, November 27 (B&E 299)

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 4 (B&E 299): 6:00-8:30 p.m.

Team project oral presentations

Tuesday, December 11 (B&E 299): 6:00-8:30 p.m.

In-class final exam

Other Fun 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>

Dressing for Success (for young guys):

<http://search.proquest.com.ezproxy.uky.edu/docview/1888144611/5E064328C1384A7EPQ/95?accountid=11836>

(and for old guys):

<http://search.proquest.com.ezproxy.uky.edu/docview/1888144623/5E064328C1384A7EPQ/96?accountid=11836>