
Managerial Economics (ECP 3703)

Jim Dewey
Fall 2009

Live Section:	Tuesday and Thursday, periods 4 and 5, 10:40 am to 11:45 am, Bryan 130.
Attendance:	Strongly encouraged at live lecture, whether enrolled in that section or not.
My Office Hours:	Tuesday & Thursday 1:15 pm to 2:00 pm and by appointment in MAT 336.
TA Office Hours:	Anything except open problem sets: Monday-Thursday 1:00-5:30 pm, Friday Noon-3:00 pm, MAT 218. Open problem sets: Sunday and Tuesday, details TBD.
Website:	http://lss.at.ufl.edu/ . Almost all questions should be posted to the discussion board. Posting here will get the fastest response to your question.
E-mail:	Questions related to your exam grade: ecp3703grades@gmail.com . Other questions that can't be posted to the discussion board: ecp3703help@gmail.com . Communications that can't be seen by undergraduate TAs: jimd@bebr.ufl.edu . (Use rarely, expect delays, more information below.)
Prerequisites:	Principles of Microeconomics (ECO 2023) and Calculus (MAC 2233 or MAC 2311).
Text:	A draft textbook will be available on the course website. More information below.
Exams:	Exam1 – Sept. 30 th , 8:20 p.m.; Exam 2 – Nov. 10 th , 8:20 p.m.; Final – Dec. 16 th , 8:00 p.m.

Please read the syllabus thoroughly. While I will do my best to help, you are responsible for knowing what is written here and your performance. The course website at <http://lss.at.ufl.edu> will play a crucial role - check it *very* frequently or announcements and to keep up with the discussion board.

Introduction

Welcome to my course! My objective is to show how microeconomic analysis can inform managerial decisions aimed at maximizing the present value of a firm's profits. Material is structured around these themes:

- Production and pricing;
- Interpreting and using imperfect information;
- Strategic decisions;
- Market structure.

There is a huge amount of interaction among these themes, so any compartmentalization is artificial. We will continually *synthesize* new information, developing an integrated framework for *analyzing* and *evaluating* economic decisions. *The course is inherently cumulative. Very little of it has to do with definitions or lists of facts. This is not a survey, basic, or introductory course! It is an intermediate level course!*

Course Outline

Part I – Approach and Tools

1. Introduction
2. Demand, Cost, and Profit Maximization
3. Econometrics I: Approximations
4. Using Imperfect Information
5. Individual Choice
6. Uncertainty with Risk Aversion
7. More on Cost

Exam 1 will fall about here.

8. Game Theory

Part II – Market Structure and Product Market Strategy

9. Homogenous Product Markets
10. Differentiated Product Markets
11. Pricing and Strategy for Special Situations
12. Perfect Competition
13. Applications of Supply and Demand
14. Market Structure Wrap Up

Part III – Further Topics

15. Econometrics II: Omitted Variables Bias

Exam 2 will fall about here.

16. Asymmetric Information
17. The Firm

A more detailed outline is on the course website.

The Contract

We each have responsibilities in this course. I am responsible for doing the best job I can in teaching the material and assessing student performance. We are all responsible for maintaining professional demeanor and treating one another with respect. You are responsible for keeping up with the material, seeking help in a timely fashion if needed, and understanding the ground rules of the course. You are also responsible for not engaging in any form of cheating, and I am responsible for taking appropriate action should cheating occur. I'll do my best to hold up my end of the contract, and I hope that you will do the same.

Prerequisites

The course builds on material from principles of microeconomics. **I will assume you know principles material, including basic definitions and concepts.** If you are rusty, you should review. (Some review material is on the course website.)

In 2007, 70% of incoming UF freshmen scored 600 or better on the math portion of the SAT, compared to 25% nationally. Therefore, the course is aimed at a mathematically adept audience. We will make extensive use of basic calculus and algebra. If you are apprehensive about math, I'm sorry, but mathematical thinking is integral to the course. **But, you are not alone, the TAs and I are here to help!** I will *briefly* review elements of basic calculus as we need them. If you are rusty you will need to spend additional time reviewing on your own. The (draft) textbook contains a summary of math used in the course. Additional review material is on the course website.

Time Commitment

When you were admitted to UF, you were told to expect to put in 2-3 hours outside of class for every hour of lecture, or, 8-12 hours plus lecture for a 4 hour course. For most students, completing and *understanding* assigned problems and studying **WILL ACTUALLY TAKE** that much time. This can not be put off for 2 days cramming before exams

because problem sets are due on a weekly basis and the material can not be mastered by cramming.

This is only an average. Some weeks require more, some less, as do some students. It is wise to spend as much time as needed to master everything before the first exam. If you get behind, it is *extremely* difficult to recover!

Text(s)

While everything tested on exams is covered in lecture, reading over course material before lecture helps get the most out of lecture. In addition, a book can serve as a useful reference to clear up things missed in lecture when you are reviewing your notes. A former TA and I are writing a text for the class. The first several chapters will be on the website before the first lecture. Additional chapters will be posted as they are completed. Later chapters may be posted in the form of very detailed notes, since we will probably be unable to finish every chapter before it is covered. The draft text will be a useful tool and will offer comprehensive coverage of nearly everything covered in the course. **But, it is provisional and incomplete.** Anything covered in lecture is fair game for exams, even if it is covered incompletely, incorrectly, or skipped in the draft text.

If you would like an additional text for reference, I recommend two. *Managerial Economics and Business Strategy* by Michael Baye does a good job with most concepts and is concise and easy to read. You should be able to find a used copy of a previous edition cheap online (any edition is fine). *Introduction to Economic Analysis* by Preston McAfee is free at <http://www.introecon.com/>. It is an introductory text for the *very* mathematically advanced students at Cal Tech. Some of the math is more than we need, but it is a good resource, plus, it is free.

Material Delivery and Notes

The primary method for delivering material is "Chalk and Talk". PowerPoint is great for delivering some types of material, but, is ill suited to explaining analytical and quantitative models in

economics. Taking detailed notes in your own words is a *very* important way to learn - I will not provide note shells. To help follow the flow of the course, a detailed outline is on the website. The more involved problems from lecture are also posted on the course website.

Course Grade - Overview

Of 100 base points, 88 depend on three exams. 12 depend on problem sets and graded discussion board (DB) posts, and can come entirely from the problems or from a mix of problems and DB posts. Three extra credit points are possible.

Problem Sets

Working and *understanding* the problems is **CRUCIAL** to success. Here are some statistics of interest based on the 3,973 students who completed my course from Fall 2006 through Spring 2009.

		Final Letter Grade			
		A	B	C	D or E
Problems Completed	95% or More	16.2%	10.8%	3.8%	0.2%
	80% to 94.9%	8.2%	12.6%	6.7%	1.3%
	70% to 80%	4.8%	7.8%	5.4%	1.4%
	Less than 70%	1.0%	4.1%	7.4%	8.2%

Diligently working practice problems will improve exam scores and long term retention. To get the most out of them, you must understand them, not just complete them. You should watch relevant lectures, work the lecture examples, and study relevant material *before* starting them.

Approximately 80 problems on course material will be assigned via the course website. Most are worth 1/10th of a point, though some are worth more. There are *approximately* 31 problems on review material worth 1/10th of a point each. *Approximately* 14 total points are possible. Five attempts are allowed for each problem. For each attempt, the specific numbers change randomly.

Problems are due Thursday 2:00 p.m. the week after they open, unless otherwise noted. **Do not wait until the last minute!** If you wait until the day a problem is due but find the website unavailable

or another problem occurs, you will be out of luck! No late work is accepted. **NO EXCEPTIONS. NO APPEALS.** (Work the problems for practice if you miss a due date.) This is *necessary* due to the size of the class. *Surplus points* are available if you miss a problem set, as discussed more below.

For some, the problems may seem a bit overwhelming at first. It may take a while for you to get comfortable with the math or just to figure out how to set a problem up. Using the information given to set up the problem correctly is where most of the economics takes place. It just takes puzzling over them until you get comfortable.

Since the computer will pick random numbers for each attempt, calculations will often be very messy. It is crucial that you avoid rounding at all intermediate steps. You should work each problem on paper but perform calculations in a spreadsheet or carry everything as variables to the end and perform all calculations in one step. **DO NOT ROUND** when performing calculations. This will save a great deal of frustration. When entering answers in WebCT, you may round the answer to the number of decimals called for in the problem. You can enter more, as long as they are right!

Graded Discussion Board Posts

Graded DB posts count for up to 6 points total. The primary way to earn credit is to post an *analysis* relating to an article posted in the graded DB category by me, a TA, or a student. The purpose is to foster careful analytical thinking and writing related to course material. Opinion may be part of your post, **but for credit you must** make clear and correct use of relevant course material to analyze some part of the article. You must also make the links between your comment, the article, and the DB topic clear. The very best analyses will earn 2 points (equivalent to 20 problems). To earn near 2 points, a well written, carefully thought out, logically correct analysis reflecting over 5 hours of work is expected. Most “good” posts earn closer to 1 point. Posts that just throw something together in hope of getting a little credit earn 0 points.

You may receive *up to* 0.4 points (2/5^{ths}) for posting a *response* to someone else's analysis that extends their reasoning or points out a flaw in it. These responses must be polite, professional, correct, and related to the topic to earn credit. You may receive *up to* 0.4 points for posting an article of your own. Only the *very* best responses and articles will earn 0.4 points. Partial credit is awarded at the grader's discretion. If you are interested in a thread, but have already posted an *analysis* or a *response* and wish to make another brief *comment*, you may do so. These *may* earn 0.1 points.

Space is limited. You may post at most: 1 *analysis* per topic and 2 total, 1 *response* per topic and 3 total, 1 *article* total, and 4 *comments* total. Additional posts will not be graded and a 0.5 point penalty will apply for each post over the limit.

Additional instructions will be posted on the course website. Consult them carefully!

Topics become available after we cover the related material. "Topic" refers to a content area under which multiple articles will be available. There will be *about* 10 topics. The DBs must be locked or grading, so they will remain open only about two weeks each. To keep grading manageable, any topic will be closed *if and when* it reaches 200 total posts. Do not put off making your post, or the topic may close before you make it. Space is available on a first come first served basis.

A TA will be assigned to grade each DB. Grades will be available approximately 5-6 weeks after the topic is opened (2-3 weeks for students to post, 2 weeks for the TAs to grade the DB, and 1 week for processing and posting the grades.) Grades for the last 2 topics will not be available until final course grades are posted. Post questions about DB grades to the appropriate thread on the course DB.

Exams

Dates

Exam 1 (E1).....September 30th.....8:20 p.m.
 Exam 2 (E2).....November 10th.....8:20 p.m.
 Final (E3).....December 16th.....8:00 p.m.

Composition and Weighting

Exams 1 and 2 consist of 3 short answer (SA) questions accounting for 60% of the exam and a combination of true false (T/F) and multiple choice (MC) questions accounting for the other 40%. Exam 2 is inherently comprehensive due to the nature of the material. The final exam (E3) will consist entirely of T/F and M/C questions and is both inherently and explicitly comprehensive.

You may do well right from the start or you may take a while to get up to speed. You may have a bad day on an exam. You may do better on short answer questions than on multiple choice questions or vice versa. The exam weighting is designed to make allowances for all of these possibilities. Both the final exam and exam 2 can override one earlier exam, if higher. Also, your average score on the six short answer questions from the first two exams (expressed out of 100, denoted \overline{SA}) can replace exam scores. The mandatory final exam counts for at least (88/3)% of your grade and the highest 2 of E1, E2, \overline{SA} , \overline{SA} , and E3 each count as (88/3)%.

If you do well on E1 and E2, or just on E2, the final need count only once. If you do better on the final, it can count twice. Similarly, E2 can replace E1 if E2 is your highest score. (Since E2 and E3 are cumulative, if you do well on them, you did eventually learn the material covered on E1.) Doing well on E1 does not mean you know the material covered later, so it counts at most once.

If you do better on short answer questions, your short answer average will replace the first 2 exams. Thus, short answer questions would count for 58.7% of your total grade while multiple choice questions count for 29.3%. If you do best on T/F and multiple choice exams, the final, which is all T/F and multiple choice, will replace the lowest of the first 2 exams, so T/F and multiple choice questions will count for 70.4% of your grade and short answer questions will count for only 17.6%.

Grading Short Answer Questions

I can not grade all the short answer questions myself. I will make up a scoring rubric and a TA will grade each short answer question. Another TA will re-grade the question. You will receive the higher of the two scores. I instruct graders to err on the side of more partial credit rather than less.

Your short answer responses will be available for you to view and pick up in the course grader's office within a week after grades are posted. I want to make sure you get all the points you deserve for your short answer responses. Therefore, if you think your score is too low, you may appeal it by sending me an e-mail within 1 week of the date the SA exam responses are made available for students to view (check announcements or times and locations to see your exams). The e-mail must state you are appealing your SA score in the subject.

If you appeal your SA score, I will review all three questions and you will receive the grade I think you deserve for *all three* questions, **NOT** the higher of my grade and the grade assigned by the TAs. I have rigged the grading process in your favor. The graders have been instructed to always err on the side of giving more credit, and you will receive the higher of 2 grades on each question. Even if your score on one of the questions is lower than I would assign, odds are very high your scores on the other two questions are higher. In the past, approximately 1 of 5 appeals resulted in a higher grade, 1 of 5 in no change, and, 3 of 5 in lower grades. So, consider very careful before appealing.

Appeals are distinct from correcting recording errors. If you notice your SA scores were recorded incorrectly, the course grader will correct the mistake if you bring it to their attention immediately upon viewing your SA responses. If you remove your SA responses from the grader's direct sight, you will no longer be able to appeal or have recording errors corrected.

Posting Scores

We will work hard to finish grading ASAP. Please do not email us to inform us that grades are

not posted – believe me, we know! I hope to post grades within 8 days of the exam administration, but it may take longer. Please be patient.

Make Up Policy

The final is mandatory. If you miss E2 only, E3 will replace it. If you miss E1, the higher of E2 or E3 will replace it. To maintain exam security, and because it takes about 20 hours to write an exam, there are no other make ups. If you miss one of these exams for a reason for which university policy calls for a make up, the option for later exams to replace the 0 qualifies as the make up. You need not notify anyone or provide documentation, re-weighting is automatic.

If you miss the mandatory final, or both E1 AND E2 *without* documentation of a reason considered valid by university policy, you will receive a 0 for the missed exam(s). If you miss the final or both E1 and E2 and can provide documentation of a valid excuse for all missed exams, you will receive an "I" in the course and take the corresponding exam(s) next semester.

Do I Curve?

No. Exams are designed to challenge all students, even those with an excellent understanding, to get students to extend the material from class and to think critically about new situations, and to clearly discriminate between those with an excellent mastery of the material, those with a good, but not excellent, grasp of the material, those with passable, but not particularly good knowledge of the material, and, those who do not know enough to pass. Due to the nature of the exams, I will not use the standard grading scale. (The grading scale is discussed in detail below). But, there is no predetermined exam average or distribution. (This is new this semester.)

Writing exams that challenge students to analyze new situations from different perspectives necessarily means writing many questions that differ from questions I have tried out on previous exams. As a result, some questions will not work out in practice as I intended, for any of a number of

possible reasons. Therefore, I will evaluate each question independently and make adjustments I deem warranted. For example, I might drop T/F or MC questions that are fatally flawed. I might accept multiple MC answers if justified. I might decide certain parts or sub parts of a short answer question did not work the way I planned and adjust the grades for that question by adding a point to everyone's grade or grading a question that was worth, say, 20 points out of, say, 19.

Exam Procedures and Conduct

- Room assignments are posted before each exam.
- Arrive early. If late by less than 20 minutes, the penalty is equal to 1/2 the number of minutes you were late. If more than 20 minutes late, you will not be allowed in the exam room.
- Bring your UFID or your exam will not be accepted.
- You may bring a basic non-scientific, non-financial calculator or one of the following simple non-programmable one line scientific or financial calculators: HP 10BII, TI BAII, HP 30S, TI 30 XA. No programmable or 2-line versions like the TI 30 XII! No other calculators.
- Follow the proctor's instructions exactly. Failure to do so will result in penalties.
- If you keep working when the proctors tell you to stop, you will be penalized at least 10 points.
- If you have anything visible other than an approved calculator, pens, pencils, and a straight edge, you will receive a substantial penalty.
- If a cell phone or PDA rings or vibrates loudly, you will receive a 10 point penalty.
- Those taking the class away from Campus must comply with additional test center guidelines.
- I take academic honesty very seriously. I do everything I can to make sure cheaters face very serious consequences. Please don't try it!

Surplus Points and Extra Credit

Fourteen points are possible from the problems (including review problems) and six more from graded DB posts. It is not necessary to get every point to get "full" credit. It is possible to earn extra

credit points by accruing more than 12 of these 20 points. The first 4 *surplus* points earn 0.5 extra credit points each. Additional surplus points earn 1/4th extra credit points each.

Numeric Course Grade - Calculation

Total points from exams:

$$Exams = 0.88 \cdot [E3 + \text{Highest}_2\text{ of } (E1, E2, E2, E3, SA, SA)] / 3$$

Points from problems and discussion boards:

$$Pr \& DB = \text{Min}(\text{Problem_Points} + DB_Points, 12)$$

Surplus points:

$$Surplus = \text{Max}(\text{Problem_Points} + DB_Points - 12, 0) \\ + (\text{any other bonus points if applicable}).$$

Extra credit points:

$$XC = \text{Min}[Surplus / 2, 1 + Surplus / 4]$$

Total points:

$$Total = Exams + Pr \& DB + XC$$

Letter Grades – Course Grading Scale

I will not use the standard grading scale. Approximately 1/5th of each exam will involve questions intended to extend course material in new directions or questions that require looking at a familiar topic in a new way or from a different perspective. These questions are intended to encourage you to hone your analytical ability and will challenge even the very top students.

The remaining 4/5^{ths} of the exam will come more directly from course material. About 1/5th of will be intended to be challenging to students with excellent material mastery ("A" students), 1/5th will be intended to challenge students with a good, but not excellent, level of mastery ("B" students), and 1/5th will be intended challenge those with a level of understanding that is passable, but not particularly strong ("C" students). The last 1/5th will be relatively easy material that everyone that has been exposed to the material should get.

"A" students will get some, but not all, of the questions intended to challenge them and some, but not all, of the questions intended to extend material in new directions. Everyone guesses right on some things they don't know and makes dumb mistakes on some things they do know. For

students that know most of the material, dumb mistakes will outweigh lucky guesses. Altogether, "A" students should get roughly 3/4^{ths} or more of the material correct.

Everyone *should* get full credit on the 12% of the course grade that depends on problems and the DB (but not everyone *will*). A 75% on exams plus full credit on the problem and DB component comes out to a 78 ($0.88 \cdot 75 + 0.12 \cdot 100 = 78$). So, the "A" range is 78 and up. The "B" range is the next 10 points down, and so on. Plus and minus grades are assigned for the top and bottom 3 points of each grade range. The course grading scale is as follows:

A	81 and up	C	61 to 64.99
A-	78 to 80.99	C-	58 to 60.99
B+	75 to 77.99	D+	55 to 57.99
B	71 to 74.99	D	51 to 54.99
B-	68 to 70.99	D-	48 to 50.99
C+	65 to 67.99	E	Below 48

I will not round grades up – please do not ask me to. Is it unfair that someone who gets 78 points gets an "A-" and someone that gets 77.9 gets a "B+"? **YES!** I sympathize if you end up on the short end of such a comparison. But, **this happens no matter where the cut point is**. The use of the letter grade system is beyond my control - I can't do anything about it. A spreadsheet grade calculator will be available on the website.

Help

My Office Hours

Feel free to visit during my drop-in office hours each Tuesday and Thursday. If you have a conflict with my office hours, I'll do my best to schedule an appointment in person or by phone.

Teaching Assistant Office Hours

The TAs can provide additional explanation of course content during TA office hours. They will not go over specific open problems in general office hours. Unless you have made an appointment ahead of time with someone that has access to stored exams – which are locked up – they will not

be able to go over your specific short answer responses. They will never debate your short answer scores with you – all contested grades come to me and my grade is final.

Open Problem Set Help Sessions

TAs will hold sessions to help with open problem sets, details TBA. Sessions will proceed by explaining the general approach to the problems, possibly working through the related problems from lecture, and answering specific questions. Do not expect to see a step by step solution to the assigned problems at the help sessions. The TAs are there to help you figure out how to do the problem on your own. While they are there to help any way they can, they are not instructors, and may not be able to clear up every question you may have. Learning is ultimately your responsibility.

Discussion Board and Course E-mail

If you take the time to ask a clear question, and **post it to the appropriate discussion board topic on the course website, the TAs or I will post a response as soon as possible**. Please make sure your question is not already answered on the board before posting. Please feel free to respond to questions and comments posted by other students or to elaborate on their questions! If you ask a question from old exam, please include the original exam question text in your post. Thanks!

If there is a clear reason not to place a communication on the discussion board and it is not grade-related, send an e-mail to ecp3703help@gmail.com (or stop by during office hours). **If you have a question pertaining to your individual grade**, send an e-mail to ecp3703grades@gmail.com.

The discussion board is the fastest and most reliable way to get answers. Other methods will lead to greater delays!

Other Information

This page contains information that the State of Florida, University of Florida or College of Business Administration require in the syllabus.

Disabilities

UF strives to provide effective, reasonable accommodations for those with disabilities. Students requesting classroom accommodation must first register with the Dean of Students Office, who will provide documentation to the student to provide to the Instructor when requesting accommodation.

Student Learning Outcomes

ECP 3703 contributes to the Student Learning Outcomes in the College's Academic Learning Compact.

Accounting

1. Understand individual business disciplines and their relationship to the global business environment.
5. Understand the basic concepts of cost and managerial accounting and its role in business.
6. Apply mathematical concepts and technology to interpret, understand and communicate quantitative data.
8. Analyze and interpret economic and financial events for internal decision-making purposes

Business Administration, General Studies

1. Knowledge of the basic business functions of accounting, decision sciences, economics, finance, management and marketing.
3. Interpret, understand and communicate quantitative concepts.
5. Effectively communicate concepts and ideas in spoken and written form.

Business Administration, Online Program

1. Analyze a firm's decisions regarding prices, outputs, inputs, and other micro and macro variables.
8. The influence of the international environment on business decision making.
10. Interpret, understand and communicate quantitative concepts.

Decision and Information Sciences

2. Understand each individual business discipline.
8. Apply statistical and mathematical tools to analyze quantitative data.

Economics

1. Understand the basic business functions of accounting, statistics, operations management, economics, finance, management and marketing.
2. Understand the implications of utility maximization for the behavior and choices of households and how households respond to incentives.
3. Understand the implications of profit maximization for the behavior and choices of firms in the short run, the long run and a variety of market structures.

4. Understand the meaning and implications of market efficiency.

8. Interpret, understand and communicate quantitative concepts.

Finance

3. Understand individual business disciplines and their relationship to the domestic and global business environment.
5. Understand basic operating decisions that require financial analysis such as working capital management and capital budgeting.
7. Understand the tradeoffs involved in deciding how to finance a business and how to pay out profits to investors.
9. Apply mathematical concepts to interpret, understand and communicate quantitative data.
10. Analyze and interpret economic and financial events for internal decision-making purposes.

Management

2. Understand each individual business discipline.
- 3L. Understand legal and ethical considerations in corporate governance.
4. Apply mathematical concepts to analyze, understand and communicate quantitative data.

Marketing

1. Consumer Behavior: Understand consumer motivations and decision processes.
7. Marketing Strategy: Understand corporate objectives, competitor analysis and competitive strategies.

Assurance of Learning Goals and Objectives

ECP 3703 contributes to goals and objectives spelled out for the College's AACSB Assurance of Learning process.

Goal 1: Demonstrate competency in and across business disciplines

Objective I: Demonstrate knowledge and understanding of elements of economics, finance, accounting, marketing, operations management, organizational behavior, and business statistics.

Objective II: Apply knowledge of business concepts in decision-making.

Goal 2: Apply appropriate problem solving and decision making skills

Objective I: Specify and implement a framework for identifying a business problem.

Objective II: Develop alternative solutions and a set of criteria by which to evaluate them.

Objective III: Assess the outcomes of a course of action and make appropriate adjustments.