**ECP 6705 - 002**

**CRN: 13805**

**Advanced Managerial Economics**

**Fall 2019**

**Room: BU 101**

**M: 2:00 – 4:50 PM**

**October 14 – December 9**

**Professor Information**

**Dr. Christopher Boudreaux**

**Department of Economics**

**College of Business**

**Kaye Hall 145**

[cboudreaux@fau.edu](mailto:cboudreaux@fau.edu)

**Office Hours**

**M: 12:00 PM – 2:00 PM**

**TR: 4:00 PM – 6:00 PM**

**or by appointment.**

**Required Text and Materials**

**Managerial Economics**

**William F. Samuelson**

**Stephen G. Marks**

**8th edition**

**ISBN-13: 978-1-118-89894-8**

**Course Description**

In this course, we will teach you to increase your company’s profitability by applying economic analysis to a wide array of business problems. We will use an advanced analytical approach to inform our economic analysis. In addition, we will also use a problem-solving approach that emphasizes the application of economic tools.

Our analytical framework will rest upon two building blocks. The first is that human behavior is aptly

characterized by the Rational Actor Paradigm. This fundamental assumption of economic analysis states that people behave rationally, optimally and self-interestedly. Secondly, the art of business is moving assets from lower valued uses to higher valued uses. By applying these two ideas, we will work to achieve a series of course goals as outlined below.

**Course Prerequisites and Credit Hours and Class Time Commitments**

Prerequisites: Admission to an FAU Graduate Program

“According to Florida State Statute 6A-10.033, students must spend a minimum 2,250 minutes of in class time during a 3-credit course. Additionally, students enrolled in a 3-credit course are expected to spend a minimum of 4,500 minutes of out-of-class-time specifically working on course-related activities (i.e., reading assigned pieces, completing homework, preparing for exams and other assessments, reviewing class notes, etc.) and fulfilling any other class activities or duties as required.” The course schedule for this course reflects this expectation of students.

**Course** Learning Objectives

**Upon completion of the course students will be able to:**

• Use the rational-actor paradigm to predict firm and individual behavior.

• Compute the relevant costs of any decision*.*

• Use marginal analysis to make extent (how much) decisions.

• Select output that maximizes profit.

• Set optimal prices and price discriminate.

• Predict industry-level changes using demand/supply analysis.

• Develop long-run strategies to increase firm value.

• Use strategy to guide business decisions.

• Solve the problems caused by moral hazard and adverse selection.

• Align individual incentives with the goals of the company.

• Align division incentives with the goals of the company.

• Manage relationships between upstream suppliers or downstream retailers

**Grading Scale**

**94-100% A**

**90-93.9% A-**

**87-89.9% B+**

**84-86.9% B**

**80-83.9% B-**

**70-79.9% C**

**60-69.9% D**

**<50% F**

**Course** Evaluation Method

There are two examinations—a midterm and final exam. You will also have a class participation grade. The weights are assigned as:

* Exams (85%): The mid-term exam will count towards 40% of your grade, and the final exam will count towards 45% of your grade.
* Class participation (15%): Your grade is based on 6 assigned reading assignments and participation in class.

**Additional Course Policies**

**Missing** Exams

Make-up exams will only be offered if documentation is provided to the instructor that offers a valid medical excuse or other documented emergency situation.

**Late** Assignments

Late assignments will not be accepted.

**Attendance** Policy

Because you will be assigned a participation grade, attendance is vital to your success in this class. I will take role each class to assist with assigning class participation grades.

**Class** Participation

Please come to class prepared to discuss the following articles (available on Canvas). I will cold call you, and your class participation grade will be partly determined by your knowledge of these assignments. This counts towards 15% of your grade.

**Course** Outline

**October 14 – “With Gas Prices Less of a Worry, Buyers Pass Hybrid Cars By.” *New York Times***

**May 14, 2015.**

* Why has the demand for hybrid vehicles fallen?
* How do gas prices affect the demand for hybrid vehicles? What about larger vehicles like, SUVs, trucks, and crossovers?
* If you were strategist for, say Toyota, would you invest more in hybrid/electric vehicles or gas vehicles? How do your expectations of future gas prices affect this decision?

**October 21 – “The Era of Cloud Computing.” *New York Times*. June 11, 2014.**

* Why has cloud computing become so common, and what does the cost have to do with this?
* The costs of using cloud services, such as AWS, has decreased precipitously. How is this related to economies of scale?

**October 28 – “The Problem with Price Gouging Laws.” *Harvard Business Review.* July 23, 2013.**

* Provide arguments in favor of price gouging laws.
* Provide arguments against price gouging laws.
* How does the market allocate resources with these laws and without these laws?

**November 4 – “OPEC Keeps Output Unchanged.” *Wall Street Journal*. June 5, 2015**

**- “How Pharma Companies Game the System to Keep Drug Prices Expensive.” *Harvard Business Review.* April 6, 2017.**

On Oligopoly pricing:

* How does a collective decision by OPEC members affect oil and gas prices?
* If OPEC members decide to restrict output, how will this affect prices?
* Why has OPEC not restricted output?

On Monopoly pricing:

* Why do pharmaceutical companies have monopoly positions?
* Provide arguments for monopoly positions.
* Provide arguments against monopoly positions.

**November 18 – “The Strategy That Could Turn Around McDonald’s, KFC, and Subway.” *Forbes*. July 8, 2015.**

* What is QSR plus, and how is it difference from fast food and “fast casual”?
* In the fast food industry, there has been a big emphasis on price wars. Provide some examples for a class discussion. How does this help or hurt the business?
* Suppose you are the strategist at McDonald’s. What specific recommendations would you make to improve the brand?

**November 25 – “People Are Ditching Subway, and Franchisees Expect a Wave of Store Closures – Here’s what went wrong. *Business Insider.* December 22, 2017.**

* Describe the franchisor / franchisee relationship. Who is the principal and who is the agent?
* Why are the franchisees unhappy with the franchisor?
* Agents are supposed to act according to the principal’s best interest. How have the principals and agents acted against each other’s wishes?

**THE INSTRUCTOR RESERVES THE RIGHT TO MAKE CHANGES TO THIS SYLLABUS AS NEEDED AND WITH NOTIFICATION TO STUDENTS.**

**Course Outline**

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| --- | --- | --- |
| **Class Topic** | **Reading** | **Date** |
| **Optimal Decisions Using Marginal Analysis** | **Ch 2** | **October 14** |
| **Demand Analysis and Optimal Pricing** | **Ch 3** | **October 21** |
| **Cost Analysis** | **Ch 6** | **October 28** |
| **Midterm for first half – Perfect Competition in second** | **Ch 7** | **November 4** |
| **Veteran’s Day – No Class** |  | **November 11** |
| **Monopoly and Oligopoly** | **Ch 8, & 9** | **November 18** |
| **Game Theory, Competitive Strategy, and Asymmetric Info** | **Ch 10 & 14** | **November 25** |
| **Final Exam** | **During Finals Week** | **M: December 9, 1:15 PM – 3:45 PM** |
|  |  |  |
| **\*\*\*If Time Allows\*\*\*** |  |  |
| **Bargaining and Negotiation** | **Ch 15** |  |
| **The Value of Information** | **Ch 13** |  |
| **Decision Making Under Uncertainty** | **Ch 12** |  |

**University** Holidays (No class)

November 11 – Veteran’s Day

**Textbook**

The textbook for this class is Managerial Economics by William F. Samuelson and Stephen G. Marks, 8th Edition. ISBN 13: 978-1-118-80894-8

**Code of Academic Integrity Policy Statement**

Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the university mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the university community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see [University Regulation 4.001](http://www.fau.edu/regulations/chapter4/index.php).

**DISABILITY/ACCESSIBILITY POLICY STATEMENT**

In compliance with the Americans with Disabilities Act Amendments Act (ADAAA), students who require reasonable accommodations due to a disability to properly execute coursework must register with Student Accessibility Services (SAS)—in Boca Raton, SU 133 (561-297-3880); in Davie, LA 131 (954-236-1222); or in Jupiter, SR 110 (561-799-8585) —and follow all SAS procedures.  Their web site is:  <https://fau.edu/sas>

**Counseling and Psychological Services (CAPS) Center**

Life as a university student can be challenging physically, mentally and emotionally. Students who find stress negatively affecting their ability to achieve academic or personal goals may wish to consider utilizing FAU’s Counseling and Psychological Services (CAPS) Center. CAPS provides FAU students a range of services – individual counseling, support meetings, and psychiatric services, to name a few – offered to help improve and maintain emotional well-being. For more information, go to [http://www.fau.edu/counseling/](http://www.fau.edu/counseling/%20)

**RELIGIOUS OBSERVANCE ACCOMMODATION**

In accordance with rules of the Florida Board of Education and Florida law, students have the right to reasonable accommodations from the University in order to observe religious practices, observances, and beliefs with regard to admissions, registration, class attendance and the scheduling of examinations and work assignments.  For further information, please see FAU Regulation 2.007 at: <http://www.fau.edu/regulations/chapter2/Reg%202.007%208-12.pdf>

**University Approved Absence Policy Statement**

In accordance with rules of the Florida Atlantic University, students have the right to reasonable accommodations to participate in University approved activities, including athletic or scholastics teams, musical and theatrical performances and debate activities. It is the student’s responsibility to notify the course instructor at least one week prior to missing any course assignment.

**College of Business Minimum Grade Policy Statement**

The minimum grade for College of Business requirements is a “C”. This includes all courses that are a part of the pre-business foundation, business core, and major program. In addition, courses that are used to satisfy the university’s “Writing Across the Curriculum” and Gordon Rule math requirements also have a minimum grade requirement of a “C”. Course syllabi give individualized information about grading as it pertains to the individual classes.

**Incomplete Grade Policy Statement**

A student who is passing a course, but has not completed all work due to exceptional circumstances, may, with consent of the instructor, temporarily receive a grade of incomplete (“I”). The assignment of the “I” grade is at the discretion of the instructor, but is allowed only if the student is passing the course.

The specific time required to make up an incomplete grade is at the discretion of the instructor. However, the College of Business policy on the resolution of incomplete grades requires that all work required to satisfy an incomplete (“I”) grade must be completed within a period of time not exceeding one calendar year from the assignment of the incomplete grade. After one calendar year, the incomplete grade automatically becomes a failing (“F”) grade.

**Withdrawals**

Any student who decides to drop is responsible for completing the proper paper work required to withdraw from the course.

**Grade** Appeal Process

A student may request a review of the final course grade when s/he believes that one of the following conditions apply:

* There was a computational or recording error in the grading.
* Non-academic criteria were applied in the grading process.
* There was a gross violation of the instructor’s own grading system.

The procedures for a grade appeal may be found in [Chapter 4 of the University Regulations](http://www.fau.edu/regulations/chapter4/index.php).

**Disruptive** Behavior Policy Statement

Disruptive behavior is defined in the FAU Student Code of Conduct as *“... activities which interfere with the educational mission within classroom.”* Students who behave in the classroom such that the educational experiences of other students and/or the instructor’s course objectives are disrupted are subject to disciplinary action. Such behavior impedes students’ ability to learn or an instructor’s ability to teach. Disruptive behavior may include, but is not limited to: non-approved use of electronic devices (including cellular telephones); cursing or shouting at others in such a way as to be disruptive; or, other violations of an instructor’s expectations for classroom conduct.

**Faculty Rights and Responsibilities**

Florida Atlantic University respects the right of instructors to teach and students to learn. Maintenance of these rights requires classroom conditions which do not impede their exercise. To ensure these rights, faculty members have the prerogative:

* To establish and implement academic standards
* To establish and enforce reasonable behavior standards in each class
* To refer disciplinary action to those students whose behavior may be judged to be disruptive under the Student Code of Conduct.