

DePaul University
Kellstadt Graduate School of Business

ECO 555: Economics of Decision Making
Spring 2020

Instructor: Rafael Tenorio

Email: rtenorio@depaul.edu (best way to reach me, including weekends)

Loop Office Phone: (312) 362-8309

Important: Consider this syllabus as a live document. As the term progresses, we may need to adjust some parts of it to keep the course running smoothly and in a way that is manageable for all. This is uncharted territory for all of us, and there is uncertainty and stress, but we will have an excellent experience together. I am committed to giving you the best possible learning experience and to challenge you to think in new ways.

General Objective

Learn the economic way of thinking and be able to apply economic frameworks to decision-making in the business world.

Course Description

This class introduces fundamental economic tools and models for decision-making in managerial, entrepreneurial, corporate, and other business environments. The economic approach provides a solid foundation for business decisions because it relies on rigorous principles and careful evaluation of costs and benefits associated with alternative courses of action. We will use a two-pronged methodology. First, we introduce the economic way of thinking, along with the major frameworks necessary to understand the economic environment and make various types of business decisions. Second, we discuss a number of examples and short case studies to illustrate how the frameworks apply to real world scenarios. Ultimately, the integration of analytical tools and applications will help you develop the ability to utilize these tools on your own, and sharpen your intuition and decision-making skills in the business world.

Prerequisites

This is an intermediate level class which uses some math and lots of graphs. The material from GSB 420 is more (way more!) than enough for this purpose.

Course Format

We will conduct this online course in an asynchronous format. This means you do not have to be online at any specific time. You can work through each week's material at your own pace but keep in mind that there will be weekly deadlines for discussion posts and assignments. I will post new weekly content on Mondays.

Please make sure to have the necessary technical resources to be able to access course materials and complete assignments. If you do not have access to the following resources, please let me know immediately so I can make accommodations for you:

- A computer that connects to the internet (web cam helpful but not required)
- A working email account that you check regularly (updated in campus connect)
- Access to Microsoft Office or similar software
- Ability to playback video files

Office Hours

I will conduct office hours in two ways:

1. By appointment at a mutually convenient date and time. Please email me to make an appointment. I am responsive to email and will reply the same day.
2. Every Monday I will host a live Zoom session from 6 to 7 p.m. open to anyone who wants to join and ask questions, chat, and get to know each other in a synchronous way. Although I encourage you to join the session to enrich our class experience, there is no requirement to join.

Course Materials

1. Text: *Microeconomics, 1st. or 2nd. ed.*, B. Douglas Bernheim and Michael Whinston, McGraw Hill, 2007/2013. Find an older/used edition online so you do not spend much money on the text.
2. I will post lecture slides and video lectures on D2L. I will make the slides available to you as separate files in addition to the video lectures.
3. Required cases, assignments, and non-text readings -posted on D2L in advance. I may also post supplemental readings that will not be required, but that you may find interesting.

Grading

I will determine your grade using the following components and weights:

Case reports (joint grade)	30%
Discussions (individual grade)	20%
Midterm Exam (individual grade)	25%
Final Exam (individual grade)	25%

We will grade and return all of your assignments within one week or less of their due dates. If you require any clarification on any of your grades, please contact us at most ten days after receiving your graded assignment.

Case Reports

There are four required case reports and one optional one. You will work in groups of two to prepare a report on each case. Working in small groups is realistic to the state of work in the real world and will also allow you to learn more from the cases because each member may glean different insights and find different connections between the course content and the case.

Group formation: A class roster is available on D2L, so I will give you the chance to reach out to someone you may know to form a group. If you do not have a group by the beginning of week two (April 6), I will pair you up with another student who is in the same situation. The first group case is due on April 13.

Reports will be based on questions I post on D2L. Reports, in PDF (preferred) or MS Word format, are due in the D2L Submissions box by 11:59 pm on the date noted in the course outline below.

You can use the optional fifth case to replace a low report grade, and you may work on the report alone if your partner does not want to do it.

We are very fortunate to have an outstanding and experienced grader for the case reports. Samantha Thornton (Kreft) is completing her MS in Economics at DePaul this term, and will soon start position at Ankura Consulting in Chicago. I have worked with Sam in the past, and she provides thorough and thoughtful feedback on case reports. You can contact Sam via D2L as needed.

Case reports will be graded on a 10 point scale based on content, organization, and writing:

Content

- Analysis applies concepts and frameworks from class to the case
- Addresses questions thoughtfully and analytically

- Any points that are made are backed up by evidence
- Analysis is positive economic analysis (not normative, not emotional)
- Answers do not re-teach material from class
- Analysis uses economic concepts and terminology correctly

Organization and Writing

- Report is logically organized and easy to follow
- Report uses primarily active voice
- Report does not use flowery or convoluted language

Exams

The midterm and final exams are written 'take home' exams. You will have one week to work on the exams. Though not comprehensive, the final exam may include questions that build upon material from the first half of the course.

Discussions

There will be two types of discussions:

1. Case Discussions: We will discuss all cases in the D2L discussion boards. The cases are important to help you develop your economic intuition and decision-making skills.
2. Content Discussions: Each week -also on the D2L boards- there will be questions for discussion, debate, reflection based on the lecture and reading content.

Each week you are required to (a) post a comment in response to the general content or case prompt, and (b) respond to someone else's comment.

Discussion Post Standards and Etiquette

Characteristics of good discussion posts:

1. Timely -adhere to the time window set aside for the discussion
2. If you want to comment on a post, reply to it -do not create a new thread
3. Respectful -even when there is strong disagreement.
4. Stimulate thinking
5. Grounded in evidence and/or course material
6. Encourage others to provide evidence and/or refer to course concepts
7. Move the class understanding forward
8. Do not ramble

Posts that simply state "I agree" or "I was going to say the same thing" are not actually discussion posts and will not be credited as such.

You may not write in all CAPS. If you want to emphasize a word or phrase you may write it in italics, underline it, or put an asterisk before and after the word or phrase.

I will monitor and actively participate in the discussion boards. I will keep track of your fulfillment of the posting requirement and the quality of your comments. I will also give you the opportunity to periodically submit a small portfolio of what you consider your best comments and posts.

Course Organization:

The learning unit in this course is the week. Each quarter has 10 instructional weeks. In order to avoid bottlenecks of due dates with respect to your other classes, we will follow a weekly schedule that begins on Monday (i.e., new lecture videos and discussion questions will be posted on Mondays).

Academic Integrity

All work completed for this course must adhere to the University Academic Integrity Policy which you can review at <http://academicintegrity.depaul.edu>.

I may use plagiarism detection technology for all written work submitted for this class to ensure the work is the student's own creation and is not in violation of DePaul University's Academic Integrity Policy. Submission of work for this course constitutes (i) a pledge that the work is the student's own original work and (ii) consent to have the work submitted to verify that fact.

You are welcome to use outside sources for exams, discussion posts, and case reports. If you use any materials beyond the text and lecture videos, you must cite them properly. Proper citation includes using quotation marks if you paraphrase.

Outline of Topics and Due Dates

We will follow the below schedule to the extent possible. I will announce any changes via email or on the announcements page of D2L well in advance.

Week 1 (3/30)

Introduction

Demand - Preliminaries

Bernheim and Whinston (B&W), Ch. 1 and parts of Ch. 2

**4/5 Introductory Video Due by 11:59 pm

Week 2 (4/6)

Demand and Supply - Market Equilibrium and Elasticities

[Case due 4/13]

B&W, Ch. 2

4/6 - Mini case (no report): "Demand Estimation of LG Air Conditioners" (Bashir et.al.)

**4/13 Case report due at 11:59 pm: "Tourist Price Sensitivity and the Elasticity of Demand: The Case of BC Ferries" (Pritchard)

**Week 3 (4/13)
[Case due 4/20]**

Production

B&W, Ch. 7

**4/20 Case report due at 11:59 pm: "Does the 'New Economy' Measure up to the Great Inventions of the Past?" (Gordon)

Week 4 (4/20)

Cost

B&W, Ch. 8

**Week 5 (4/27)
[Midterm Exam due 5/4]**

Balancing Costs and Benefits, and Profit Maximization by Competitive Firms

B&W, Ch. 3 and 9

**4/27 Midterm Exam Posted

**5/4 Midterm Exam due at 11:59 p.m.

**Week 6 (5/4)
[Case due 5/11]**

Surpluses and Market Interventions

B&W, Ch. 6.2, 9.5, 15

**5/11 Case report due at 11:59 (two articles in one report) "Employment Effects of Minimum Wages" (Neumark); and "The Economic Debate Over The Minimum-Explained" (Matthews)

**Week 7 (5/11)
[Case due 5/18]**

Externalities

B&W, Ch. 20.1-20.3

**5/18 Case report due at 11:59 pm (two articles in one report) "The Real Cost of Energy" (Gies), and "Externalities of Energy Generation" (WNA)

Week 8 (5/18)
[Optional case due 5/25]

Monopoly and Monopoly Power

B&W, Ch. 17

**5/25 Optional case report due at 11:59 pm "The Web's New Monopolists" (Fox)

Weeks 9-10 (5/25-6/1)

Pricing Strategies and Introduction to Game Theory

B&W, Ch. 17 and 12

6/1 Cases (no report) "New Push Ties Cost of Drugs to How Well they Work" (Loftus) and "Pay for Performance is no Miracle Cure" (Pauly)

**6/1 Final Exam Posted

Week 11 (6/8)
[Final Exam due]

**6/8 Final Exam due at 11:59 p.m.