

DePaul University
Kellstadt Graduate School of Business

ECO 555: Managerial Economics
Winter 2022

Instructor: Rafael Tenorio

Email: rtenorio@depaul.edu

Important: This is a 'live' document. As the term progresses, we may need to adjust some parts of the syllabus (e.g., due dates, descriptions, or instructions for assignments) to keep the course running smoothly and in a way that is manageable for all. The current circumstances have sent us into somewhat uncharted territory, but we will work to have an excellent experience together. I am committed to creating a quality learning environment and challenging 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 and policy decisions. Second, we discuss many 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

No formal pre-requisites. We will use some math and lots of graphs. The material from GSB 519 is more (way more!) than enough for this purpose.

Course Format

To begin the quarter, we will conduct this course in an *Online Synchronous* modality. This means that:

1. I will post my lectures in advance on D2L.
2. Every week we will have Zoom contact hours on Mondays (Group 1) and Wednesdays (Group 2) from 3:10 to 4:40 p.m. During our contact hours we will review parts of the lectures, have group discussions, and cover new applications of the material in an interactive way.

I will post my lectures every Monday (at the latest). You can work through each week's lecture at your own pace but keep in mind that we will reference lecture materials during the contact hours and that there will be weekly deadlines for discussion posts and assignments.

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 strongly recommended)
- A working email account that you check regularly (updated in Campusconnect). All class-related communication comes through DePaul email, so make sure to check this frequently
- Access to Microsoft Office or similar software
- Ability to playback video files

Camera Use

This a graduate class that will greatly benefit from interaction and exchange of insights. It will be much easier for us to feel connected as a class and build a sense of community if we can see and hear each other during our Zoom sessions. While I don't require students to always have their cameras on, I strongly encourage having your camera on during class meetings. There will be times during our sessions (e.g., when I am sharing my screen), where you will not need to have your camera on, but please try to keep them on during our discussions (including breakout rooms). If you have any other valid reasons to not be on camera (e.g., bandwidth limitations or equipment problems),

please let me know. Also, please add an image to your Zoom profile if you must have your camera off. That way we will have a visual representation of you instead of just a tile with your name (it's hard to talk to a tile!).

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 do my best to reply on the same day.
2. During our Zoom contact hours, we will open with a Q&A session.

Contact hours are also good to chat about current economic news and research and get to know each other in a synchronous way.

Course Materials

1. There is no required textbook for this class. I will base my lectures on various sources (books, articles, research papers). If you want to purchase a book I recommend [Managerial Economics and Business Strategy 7e](#), by Michael Baye, or [Managerial Economics and Business Strategy 8e](#), by Michael Baye and Jeff Prince.
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 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 (group) | 30% |
| Participation during Zoom sessions (individual) | 10% |
| Discussion Boards (individual) | 20% |
| Midterm Exam (individual) | 20% |
| Final Exam (individual grade) | 20% |

The grading scale is:

| | | | |
|----|---------------|----|---------------|
| A | 93% and above | C | 73-76% |
| A- | 90-92% | C- | 70-72% |
| B+ | 87-89% | D+ | 67-69% |
| B | 83-86% | D | 60-66% |
| B- | 80-82% | F | 59% and below |
| C+ | 77-79% | | |

We will grade and return 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 (30%)

Case reports will be due at 3 p.m. central time on the specified due dates (except for the first one, MLK day, where the due time will be 11:59 p.m.)

There are four required case reports and one optional one. You will work in groups of three 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: There is a class roster available on D2L under Classlist. If you know someone in the class or would like to work with someone in the class, please reach out to that person using the D2L Class List feature. I will set up a group sign-up on D2L. The first group case is due on January 17.

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 on the date noted in the course outline below.

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

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 solid theory or evidence
- Analysis does not rely on unsubstantiated claims
- Analysis uses positive economic analysis (not normative or emotional)
- Answers do not re-teach material from class
- Analysis uses economic concepts and terminology correctly
- Report does not quote extensively from the case or other sources

Organization and Writing

- Report is logically organized and easy to follow
- Report uses primarily active voice
- Report does not use flowery or convoluted language
- Report uses accurate spelling, punctuation, and grammar
- Report properly cites and attributes sources outside of the case itself

Zoom Sessions (10%)

Preparation and participation are vital in this class. We will ‘crowdsource’ a good deal of knowledge and insights during our synchronous Zoom sessions, where we will discuss cases, class material, and other economics and business topics. I expect you to actively participate and contribute to these discussions (you will have ample opportunity to do so). Frequent absences will likely result in a reduced participation grade, so make it a point to be there for our sessions.

D2L Discussion Boards (20%)

There will be weekly online discussion topics in the D2L boards. I will post two main types of questions for discussion each week: (i) Assigned reading questions or (ii) Questions based on the lectures and video content. At a minimum, you are required to make two posts each week; one must be a thread that you start, and one must be a response to a thread someone else started. You may exceed this minimum requirement as you wish. Discussion boards will close on Wednesdays at 11:59 p.m.

Discussion Post Standards and Etiquette

- a. Posts demonstrate knowledge of the class concepts and are linked to evidence and/or course material.
- b. Timely -adhere to the time window set aside for each discussion, not posted at the last minute. Timely posting leads to productive discussions, in that it allows class members to respond to each other’s comments. Posts will be marked down if they are consistently entered during the last hours the board is open.
- c. If your post is related to an existing thread, you must reply to the existing thread, not create a new thread.

- d. Respectful -even when there is strong disagreement.
- e. Stimulate thinking. Do not be afraid to challenge existing comments.
- f. Encourage others to provide evidence and/or refer to course concepts to support their arguments.
- g. Move the class understanding forward.
- h. Do not ramble.

Posts that simply state “I agree” or “I was going to say the same thing” or repackage a previous comment are not actually discussion posts and will not be credited as such.

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

I will actively monitor the discussion boards and participate when I see fit. I will keep track of the posting requirements and the quality of your comments.

Midterm and Final Exams (20% each)

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.

Course Organization:

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

| Week | Start Date /cases, exams |
|-------------|-------------------------------------|
| 1 | January 3 |
| 2 | January 10 |
| 3 | January 17 Case 1 due at 11:59 p.m. |
| 4 | January 24 Case 2 due at 3 p.m. |
| 5 | January 31 |
| 6 | February 7 Midterm due at 3 p.m. |
| 7 | February 14 Case 3 due at 3 p.m. |
| 8 | February 21 Case 4 due at 3 p.m. |
| 9 | February 28 |
| 10 | March 7 Optional Case due at 3 p.m. |
| 11 | March 14 Final due at 11:59 pm |

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 clear reference to the source, and 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 during our Zoom sessions and via email or on the announcements page of D2L.

As I stated before, there is no required textbook, but out of courtesy I am listing the chapters from Baye, 7th edition that roughly correspond to the topics I will cover (if you are using a different edition the correspondence should be similar). Note that not all content in the cited chapters is relevant to our lectures.

Topics

Weeks 1-2 (1/3-1/10)

Introduction, Demand, Supply, Equilibrium, Elasticities

Baye Ch. 1, 2, and 3.

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

**1/10 Post in Introductions Topic due

Week 3 (1/17)

**1/17 Case report due at 11:59 p.m.: "Tourist Price Sensitivity and the Elasticity of Demand: The Case of BC Ferries" (Pritchard)

Production and Cost

Baye Ch. 5.

Week 4 (1/24)

**1/24 Case report due at 3 p.m.: "AI: The Ambiguous Labor Market Impact of Automating Prediction (Agrawal et. al.)

Firm Organization and Market Structure

Baye Ch. 6 and 7

Week 5 (1/31)

**1/31 Midterm Exam Posted

Balancing Costs and Benefits, and Profit Maximization by Competitive Firms

Baye Ch. 8 (perfect competition)

Week 6 (2/7)

**2/7 Midterm Exam due at 3 p.m.

Surpluses and Direct Market Interventions

Baye Ch. 1 (parts)

Week 7 (2/14)

**2/14 Case report due at 3 p.m. (two articles in one report): "Employment Effects of Minimum Wages" (Neumark); and "The Economic Debate Over the Minimum Wage-Explained" (Matthews)

Externalities and Incomplete Information

Baye Ch. 14 (parts).

Week 8 (2/21)

**2/21 Case report due at 3 p.m. (two articles in one report): "The Real Cost of Energy" (Gies), and "Externalities of Energy Generation" (WNA)

Topic: Monopoly and Monopoly Power

Baye Ch. 8 (from monopoly)

Week 9 (2/28)

Case (no report): "The Web's New Monopolists" (Fox)

Pricing Strategies

Baye Ch. 11.

Week 10 (3/7)

**3/7 Optional Case report due at 3 p.m. (two articles in one report): "New Push Ties Cost of Drugs to How Well they Work" (Loftus) and "Pay for Performance is no Miracle Cure" (Pauly)

Basics of Game Theory and Oligopoly

Baye Ch. 9-10 (parts).

**3/7 Final Exam Posted

Week 11 (3/14)

**3/14 Final Exam due at 11:59 p.m.