

Executive MBA Program

Fall 2023

***Managerial Economics***

B5200

Professor Frank Lichtenberg
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**Course Description**

Success in business depends on the positioning of the firm and the management of its resources. Through the lens of economics, students will learn to think systematically and strategically about critical management issues concerning consumer demand, costs, pricing, strategic interactions, and organizational incentives. This course differs from undergraduate microeconomics in its emphasis on how economic principles apply to real-world managerial decisions, with a reliance on quantitative data analyses rather than the use of calculus.

**Teaching Assistants**:

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**Review Sessions**

Zoom review sessions will be held on dates to be announced.

**Office Hour:** By appointment. E-mail to the professor to set up a zoom meeting.

**Course Structure**

Outlined below are topics for each class session, assignments, cases, and (**optional**) readings from Managerial Economics by Froeb, McCann, Shor, and Ward (5th Edition). In addition, class notes will be posted on Canvas. The emphasis in the course is on understanding and being able to apply effectively in business a relatively small number of general principles.

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| **Individual Class Sessions** |
|  |  | Time | Time |  |  |  |  |
| **Date** | **Day** | **Cluster 2025 A (Section 002)** | **Cluster 2025 B (Section 001)** | **Class** | **Topic**  | **Cases** | **Optional Readings, Froeb et al, 5th edition** |
| Oct. 20 | Fri. | 12:30-3:30 | 3:45-6:45 | 1 | Consumer Demand |   | Chapter 6, pp. 67-77 |
| 2 | Costs & Profitability I |   | Chapters 3, 4, 6, pp. 26, 39-43, 77-78 |
| Nov. 3 | Fri. | 3:45-6:45 | 8:30-11:30 | 3 | Costs & Profitability II | GM Case | Chapters 3, 4, pp. 29-33, 38 |
| 4 | Segmented Pricing I | Airline Pricing Case | Chapter 13, pp. 163-169 |
| Nov. 4 | Sat. | 12:30-3:30 | 3:45-6:45 | 5 | Segmented Pricing II |   | Chapter 14, pp. 171-175 |
| 6 | Supply and Demand | AMAX case | Chapter 8, pp. 95-108 |
| Nov. 17 | Fri. | 8:30-11:30 | 3:45-6:45 | 7 | Limits of Markets |   | none |
| 8 | Adverse Selection |   | Chapter 19, pp. 243-250 |
| Nov. 18 | Sat. | 3:45-6:45 | 8:30-11:30 | 9 | Game Theory |   | Chapter 15, pp. 188-195 |
| 10 | Auctions |   | Chapter 18, pp. 233-239 |
| Dec. 1 | Sat. | 8:30-11:30 | 12:30-3:30 | 11 | Agency & Incentives |   | Chapter 21, pp. 269-275 |
| 12 | Course Summary | Health exchange |   |
| Dec. 15 | Fri. | 8:30-1:00 | 8:30-1:00 |   |  FINAL EXAM |   |   |
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| \*Managerial Economics 5th Edition by Froeb, Luke M., McCann, Brian T., Ward, Michael R., Shor, Mi published by Cengage Learning (2013). |

**Requirements:**

**Class Participation (20%):** In-class discussions are an integral part of the course, and students are expected to contribute to the learning experience of the class by asking relevant questions, offering insights into the topic at hand, and generally behaving in a professional manner. Quality of contribution matters more than quantity. Class participation scores will also take into account attendance, lateness, and completion of pre-class (Canvas) and in-class (clickers) surveys. Students are expected to attend each class session.

**Homework Assignments (30%):**

Students will be asked to solve several of problems constructed to help them learn the course material. These problems will be available on-line (on Canvas).

These assignments are Type B2 (see table below). They must be written up and turned in individually. Students can discuss concepts related to the problems, but not their own individual submissions or solutions, with members of their learning team and/or other classmates.



Problem sets are to be submitted as a **single PDF file** via Canvas. Please name PDF files using the following convention: “Economics\_PS#\_FIRSTNAME\_LASTNAME.pdf” where # is the problem set number (1 to 4) and FIRSTNAME/LASTNAME are filled in with your name.

To be eligible to receive full credit, students must turn in their problem set by 11:59PM on the due date via Canvas. In order to reduce workload during your stay on campus, the due dates will be in the periods between your block weeks:

Problem set 1 (Consumer Demand): Thursday, November 3.

Problem set 2 (Costs & Profitability): Thursday, November 10.

Problem set 3 (Segmented Pricing): Thursday, November 17.

Problem set 4 (Game Theory): Monday, November 28.

Problem set 5 (Auctions & Incentives): TBA.

**Final Exam (50%)**.

The Final Exam will be held on December 16th. It will be an in-class “open books” exam. The exam will include a combination of quantitative and qualitative components, very similar to the Problem Sets. The final exam will be submitted via Canvas and students will be able to work on laptops and have access to their class materials but use of the internet is only allowed for downloading exam materials and uploading exam submissions.

**Handouts:** Students are expected to download the class handout to their school provided tablet before class. The handout accompanies slide presentations. Handouts do not contain all presented material, and students will find it useful to take notes. Copies of presentations, and any other relevant materials from class will be posted on Canvas after class.

**Practice problems**: A set of problems (and their solutions) are posted on Canvas to help students prepare for the problem sets and final exam. Students seeking help with these problems are encouraged to discuss them during review sessions.

**Case Studies**

The course will feature discussions of two cases, also found on Canvas. Cases must be read prior to class discussion. Students are encouraged to work in groups but must be prepared to (individually) present their solutions to problems and questions accompanying the case.

**Online Technology**

1. If you cannot attend classes in person and have permission to attend remotely, you will have to join classes via zoom.
2. If you join class via zoom, you are expected to follow the etiquette guidelines below.

**Zoom Etiquette**

Our objective is to mimic, as much as possible, the same atmosphere that we would have if everyone was attending the class in person. Therefore, we ask students to adopt the following etiquette over Zoom:

1. Try to find a physical setting that allows you to minimize any distractions.
2. Keep your video **on** at all times.
3. Audio default should be at “mute”.
4. If you want to speak, please hold the “space bar” down. You can also use the “raise hand” function on zoom to indicate that that you would like to talk.
5. Limit sending either public or private messages to minimum.