

Applied Economic Analysis

MBA 710

Section 1

TTh 7:00-8:15 PM

BEH 123

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Text: *Managerial Economics and Organizational Architecture*, fourth edition by Brickley, Smith, and Zimmerman, McGraw-Hill Irwin, 2007.

Office Hours: TTh 3:30 to 5:00 PM and by appointment

Objective: Students who successfully complete this course will begin to think the way an economist thinks, explaining how markets work and how firms price goods and services under various market structures, analyzing the nature of incomplete information problems – adverse selection and moral hazard – and how to protect against these problems when dealing with others, and applying the basic tools of microeconomics to provide insight to the organization and operation of firms. Learning objectives include (1) Critically analyze an industry and a specific firm within an industry; (2) Synthesize important relationships across business disciplines; (3) Apply economic and behavioral concepts to strategy formulation, (4) Be able to assess and manage business risk; (5) Explain and apply analytical constructs to business problem solving; (6) Design organizations to make and implement specific business decisions under given performance requirements; and (7) Recognize the special opportunities and challenges presented by the global business environment.

Evaluation: The course evaluation for each student involves two separate components. First, 10 homework assignments are due in the Tuesday class. I drop the three lowest scores. Students will work in study groups of four (4) and each study group submits a homework assignment. Second, each student will take the three in-class exams. The first two exams are given in the Thursday class. The final exam is not comprehensive, but only covers the material not covered in exams 1 and 2. The final exam is given during the final exam week. While I prefer to maintain some flexibility, I propose weighting the component parts as follows: 35% for the graded homework assignments, 15% for the somewhat shorter first exam, and 25% each for the last two exams.

WebCampus: This course is a WebCampus course. I will post the course outline, homework assignments, other handouts, and so on at the WebCampus site. You can access this site 24/7, except for scheduled maintenance on the system and unexpected downtimes due to technical glitches.

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Academic

Dishonesty: Academic dishonesty (e.g., cheating and plagiarism) will not be tolerated. At the instructor's discretion, a student suspected of academic dishonesty may receive an F for the course and be expelled from the class. Additional penalties, up to expulsion from the University, are possible.

Disabilities: The UNLV Disability Resource Center (DRC) houses the resources for students with disabilities. If you have a documented disability that may require accommodations, you will need to contact the Disability Resource Center (DRC) for coordination in your academic accommodations. The DRC is located in the Student Services Complex (SSC), Room 137. Their numbers are: (702) 895-0866 (voice), (702) 895-0652 (TTD) and (702) 895-0651 (fax). For additional information, please visit the following web address: <http://www.unlv.edu/studentlife/drc>

Course Outline

	Topics Covered	Assigned Readings, Practice and Homework Problems
Week 1	Overview <ul style="list-style-type: none"> • Managerial economics • Organizational architecture Economic Darwinism Economic Problem Marginal Analysis: Two Puzzles <ul style="list-style-type: none"> • Should developer build more luxury boxes? • Selling seats at a football game 	Chapters 1, 2, 3, and Economic Tutorial. Practice Problems: 1-2, 1-5, and 1-6. Homework 0 (not graded). Survey (not graded).
Week 2	Consumer Choice <ul style="list-style-type: none"> • Indifference curves, budget constraint, consumer optimization Decision Making with Uncertainty <ul style="list-style-type: none"> • Risk aversion, certainty equivalent, and risk premium Demand and Supply: First look <ul style="list-style-type: none"> • Consumer and producer surplus Markets Versus Central Planning <ul style="list-style-type: none"> • Knowledge, incentives, and contracting costs 	Chapters 2, 3, and Economic Tutorial Practice Problems: 2-11, 2-12, 2-15, 2-20, 2-23, 2-24, 3-3, 3-5, 3-9, 3-13, 3-17, and 3-21. Homework 1. Homework 0 due.
Week 3	Demand: Second look <ul style="list-style-type: none"> • Law of demand • Elasticity of demand • Marginal revenue Demand Estimation	Chapters 4 and Economic Tutorial. Practice Problems: 4-3, 4-13, 4-15, 4-21, and 4-30. Homework 2. Homework 1 due.
Week 4	Producer (Firm) Choice <ul style="list-style-type: none"> • Isoquants, isocosts, cost minimization, and output maximization Exam 1 (Weeks 1 to 3)	Chapters 5 and Economic Tutorial. Practice Problems: 5-2 and 5-3. Homework 2 due.
Week 5	Cost Curves <ul style="list-style-type: none"> • Short-run, long-run and learning curves Profit maximization <ul style="list-style-type: none"> • Supply curve and factor demand curves 	Chapters 5 and Economic Tutorial. Practice Problems: 5-9, 5-11, 5-19, and 5-25. Homework 3
Week 6	Competitive Markets <ul style="list-style-type: none"> • Short-run supply curve, long-run supply curve, and market equilibrium Monopoly Monopolistic Competition Oligopoly <ul style="list-style-type: none"> • Game theory 	Chapters 6 and Economic Tutorial. Practice Problems: 6-7, 6-8, and 6-12. Homework 4 Homework 3 due.

Week 7	<p>Single-Price Monopoly Block Pricing Two-Part Tariffs Price Discrimination</p> <ul style="list-style-type: none"> • Group pricing • Menu pricing • Coupons and rebates <p>Bundling</p>	<p>Chapters 7 and Pricing with Market Power Tutorial. Practice Problems: 7-2, 7-3, 7-8, 7-10, and 7-12. Homework 5 Homework 4 due.</p>
Week 8	<p>Value Creation Capturing Value Economics of Diversification Strategy</p>	<p>Chapters 8 and Economic Tutorial. Practice Problems: 8-2, 8-3, 8-7, and 8-8. Homework 6 Homework 5 due.</p>
Week 9	<p>Simultaneous-Play, Non-Repeated Game</p> <ul style="list-style-type: none"> • Nash equilibrium <p>Exam 2 (weeks 4 to 8)</p>	<p>Chapters 9 and Economic Tutorial. Practice Problems: 9-1, and 9-2. Homework 6 due.</p>
Week 10	<p>Sequential Interaction Repeated Strategic Interaction Folk theorem</p>	<p>Chapters 9 and Economic Tutorial. Practice Problems: 9-5, 9-6, 9-7, and 9-8. Homework 7</p>
Week 11	<p>Incentive Conflicts Controlling Incentive Conflicts with Contracts Implicit Contracts and Reputation</p>	<p>Chapters 10 and Economic Tutorial Practice Problems: 10-6, 10-9, 10-11, and 10-12. Homework 8 Homework 7 due.</p>
Week 12	<p>Overview to Organizational Architecture</p> <ul style="list-style-type: none"> • Fundamental problem • Architectural determinants • Corporate culture <p>Attaining and Retaining Qualified Employees</p> <ul style="list-style-type: none"> • Level of pay 	<p>Chapters 11 and 14. Practice Problems: 11-4, 11-5, 11-8, 11-10, 14-7, 14-9, 14-12, and 14-16., Homework 9 Homework 8 due.</p>
Week 13	<p>Attaining and Retaining Qualified Employees</p> <ul style="list-style-type: none"> • Internal labor markets • Salary and fringe benefits <p>Incentive Compensation</p> <ul style="list-style-type: none"> • Optimal risk sharing • Incentive contracts 	<p>Chapters 14 and 15. Practice Problems: 14-20, 14-21, 14-23, 14-25, 15-9, 15-10, 15-13, 15-16, 15-17, 15-19, and 15-22. Homework 9 due.</p>
Week 14	<p>Vertical Integration and Outsourcing</p> <ul style="list-style-type: none"> • Competitive markets • Non-market transactions • Vertical integration • Long-term contracts 	<p>Chapters 19. Practice Problems: 19-2, 19-4, 19-7, 19-9, 19-11, 19-14, and 19-15. Homework 10.</p>
Week 15	<p>Review and summary</p>	<p>Homework 10 due.</p>
Week 16	<p>Exam 3 (weeks 9 to 14)</p>	