ECON 5315.W01: Managerial Economics
Fall 2011
Marilyn K. Spencer, Ph.D.

E-Mail: marilyn.spencer@tamucc.edu
Office Telephone: 361-825-5802
Office: TAMU-CC, OCNR 323

VIRTUAL Office Hours Exclusively for
This Class: T: 6-8 p.m., and available by appointment

Onsite Office Hours: M: 12:30-1:45, 3:30-6:45
& 9:30-10 p.m.; W: 3:30-4:30 p.m.; and available by appointment

Course Description
A graduate-level course in managerial microeconomics focusing on the use of economic tools
and concepts to assist managers in decision-making. Topics may include market demand and
elasticity, demand estimation, production and cost functions, marginal analysis under various
forms of market structure and game theory.
Prerequisite: ECON 5311 or equivalent

Learning Objectives
By the end of this course, the students will be able to:

1. Integrate the analysis of the horizontal and vertical boundaries that a firm faces with the
effect that those boundaries have on firm performance and industry competition.

2. From the firm’s management perspective, effectively identify the market structure that the
firm competes in and its primary and secondary competitors.

3. Integrate the use of marginal analysis into the managerial decision-making process.


SUBSTANTIVE CHANGES WERE MADE TO THE NEW EDITION.

Additional texts, useful for writing your paper, on reserve in the library:

Michael E. Porter, Competitive Strategy: Techniques for Analyzing Industries and

A.K. Dixit and B.J. Nalebluff, Thinking Strategically: The Competitive Edge in Business,

*Readings provided by instructor.

MAJOR COURSE REQUIREMENTS

<table>
<thead>
<tr>
<th>Points of Course Components Used for Calculating Grade</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam: 100 points, scheduled for <strong>November 14</strong></td>
<td>100</td>
</tr>
<tr>
<td>Graded homework</td>
<td>100</td>
</tr>
<tr>
<td>Contributions to group discussions</td>
<td>100</td>
</tr>
<tr>
<td>Case Study, Confidential Reports and Presentations: <strong>Saturday, December 3</strong></td>
<td>100</td>
</tr>
<tr>
<td>Comprehensive Final Exam: <strong>Saturday, December 12</strong></td>
<td>100</td>
</tr>
<tr>
<td>TOTAL**</td>
<td>500</td>
</tr>
</tbody>
</table>

End-of-course grades will be assigned based on the student’s total score from all of the elements above. *Please note that the student’s performance, not the instructor, determines the course grade.*

**Website** that coordinates with the onsite ECON 5315 class this term: [http://faculty.tamucc.edu/mspencer/ECON%205315/Fall%202011/index_5315_Fall%202011.htm](http://faculty.tamucc.edu/mspencer/ECON%205315/Fall%202011/index_5315_Fall%202011.htm).

COURSE POLICIES

**Participation:** Students are responsible for active class participation and are advised that lack of participation will adversely affect their grades. *Students are responsible for assignments due, meaningful contributions to discussions.* Assignments, assessments and other course requirements missed cannot be made up except in extraordinary and documented circumstances.

**Academic Integrity/Plagiarism:** University students are expected to conduct themselves in accordance with the highest standards of academic honesty. Academic misconduct for which a student is subject to penalty includes all forms of cheating, such as illicit possession of examinations or examination materials, falsification, forgery, complicity or plagiarism. (Plagiarism is the presentation of the work of another as one’s own work.) In this class, academic misconduct or complicity in an act of academic misconduct on an assignment or test will result in a score of zero for that portion of the course. For further reference, consult the *Student Code of Conduct* and the College of Business *Student Code of Ethics*.

This course, and all other courses offered by the College of Business (COB), requires all of its students to abide by the COB Student Code of Ethics (available online at [www.cob.tamucc.edu](http://www.cob.tamucc.edu)). Provisions and stipulations in the code are applicable to all students taking College of Business courses regardless of whether or not they are pursuing a degree awarded by the COB.

**Performance Evaluation and Grading:** Throughout the semester, students will have a number of "opportunities to perform" and to accumulate points towards a maximum of 500 points. These "opportunities to perform" include a midterm exam, discussions, quizzes for extra credit, a research project and a final exam.
**Dropping a Class:** I hope that you never find it necessary to drop this or any other class. However, events can sometimes occur that make dropping a course necessary or wise. Please consult with me before you decide to drop, to be sure it is the best thing to do. Should dropping the course be the best course of action, you must initiate the process to drop the course by going to the Student Services Center and filling out a course drop form. Just stopping attendance and participation WILL NOT automatically result in your being dropped from the class. **November 5 is the last day to drop a class with an automatic grade of “W” this term.**

**Preferred method of scholarly citations:** APA style

**Professional behavior:** Texas A&M University-Corpus Christi, as an academic community, requires that each individual respect the needs of others to study and learn in a peaceful atmosphere. Under Article III of the Student Code of Conduct, classroom behavior that interferes with either (a) the instructor’s ability to conduct the class or (b) the ability of other students to profit from the instructional program may be considered a breach of the peace and is subject to disciplinary sanction outlined in article VII of the Student Code of Conduct. This prohibition applies to all instructional forums, including classrooms, electronic classrooms, labs, discussion groups, field trips, etc.

**Everyone in this class is expected to treat everyone else in this class with respect.**

**Grade Appeals**: As stated in University Rule 13.02.99.C2, Student Grade Appeals, a student who believes that he or she has not been held to appropriate academic standards as outlined in the class syllabus, equitable evaluation procedures, or appropriate grading, may appeal the final grade given in the course. The burden of proof is upon the student to demonstrate the appropriateness of the appeal. A student with a complaint about a grade is encouraged to first discuss the matter with the instructor. For complete details, including the responsibilities of the parties involved in the process and the number of days allowed for completing the steps in the process, see University Rule 13.02.99.C2, Student Grade Appeals, and University Procedure 13.02.99.C2.01, Student Grade Appeal Procedures. These documents are accessible through the University Rules Web site at [http://www.tamucc.edu/provost/university_rules/index.html](http://www.tamucc.edu/provost/university_rules/index.html). For assistance and/or guidance in the grade appeal process, students may contact the Office of Student Affairs.

**Disabilities Accommodations**: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please call or visit Disability Services at (361) 825-5816 in Driftwood 101.

If you are a returning veteran and are experiencing cognitive and/or physical access issues, please contact the Disability Services office for assistance at (361) 825-5816.

*Required by SACS*
Relationship to Other Coursework:
This course is designed specifically for those students who have completed their principles of economics courses and are ready to learn more about the application of economic principles in the context of managerial decision-making in some of the functional areas of business such as marketing, finance, production, etc.

COURSE METHODOLOGY

Instructional Methodology:
The class will be interactive. A variety of learning methodologies will be used, such as discussions, team activities, presentations, audio-videos and quizzes.

Communication Content:
Class quizzes, presentations, graded homework, discussions, a written report on a special topic, as well as major examinations will provide an opportunity for evaluating each student’s performance in communications.

Discussions: To access articles that will be used as the basis for several discussions, go to the Bell Library’s website, http://rattler.tamucc.edu/, click on the “Find” tab to scroll down to “Course Reserves.” Click on that tab to reach the next page and click on “Instructor.” In the blank space on the next page, type in “spencer.” When asked for the course password, type in “spencer2011fall.”

Technology Applications:
Reports and presentations will be computer generated and written in a clear and concise manner. Students are expected to develop computer skills and to use the Internet and the library’s databases for research.

Homework, extra credit and participation
Homework is likely to be assigned for every chapter assigned in Besanko, et al., throughout the semester; it is for the benefit of the students and will be handed in for a grade. Homework is to be attempted by the beginning of the next week. The purpose this homework will be for you to learn to apply one or more of the theoretical concepts being presented.

Extra credit can take several forms, including quizzes, opportunities to analyze business practices reported in the news, analysis of real and fictional company actions, and other opportunities that may arise. Extra credit opportunities are each worth 5 points.

Active participation is expected on a regular basis.
Exams

One midterm exam will be given during the semester, Monday, November 14. Your final exam is scheduled for Monday, December 12. You will have a 24-hour time period from the time the test is posted to take the test, during which you will have a 2-hour period to complete it. The comprehensive final exam will be given on Saturday, December 10. It is your responsibility to find, and to pay for, if necessary, a proctored site for taking these two exams. At least two weeks before an exam, you need to inform me of the name and location of the proctored site. I will contact that side to decide whether to and approve it. If you are in the Corpus Christi, TX area, please contact the TAMU-CC Academic Testing Center, 361-825-2334, concerning their hours of operation and when you can schedule to take these exams.

Exams must be taken on the dates scheduled. The first exam will test student knowledge of the material assigned in that section of the course. The second exam will be comprehensive, including some of the material previously tested, along with new material since the first exam.

Copying or use of additional unauthorized materials during exams carries a penalty equal to 100% of the exam’s value. No group option is available for exams; exams must be completed individually.

CASE STUDY

You will work with a team of 4 to 5 members – who will be randomly selected by Dr. Spencer – to complete this project. Your team will write a report and give a presentation on a firm that designs, produces or markets a smartphone, e.g., Apple, AT&T, HTC, LG, Nokia, Samsung, Sprint or Verizon – focusing ONLY on the smartphone product design, production and/or marketing of this firm.

• You will start by defining and analyzing:
  A. The industry
  B. The structure of the industry
  C. Your firm’s corporate culture

• With that foundation, you will examine the following:
  D. The threats described in the Five Forces model (see Besanko’s Chapter 12 and Porter) that the company faces from:
     1. Industry competitors
     2. Potential entrants into the industry
     3. Substitute and complement goods or services
     4. Bargaining power of suppliers
     5. Bargaining power of buyers
E. The firm’s “value net” (see Brandenburger and Nalebuff, and/or Besanko’s Chapter 12)

F. The firm’s strategic positioning and sustained competitive advantage (Besanko’s Chapters 13 and 14)

- With this information above, you will examine these aspects of your firm:
  
  G. Demand
  
  H. Costs
  
  I. Strategic positioning in this market

- Finally,
  
  J. Your team will recommend strategies the firm might choose to use, whether and why you endorse the firm’s current strategies, or other strategies.

Your team will write a paper that adequately describes (A) through (J) above. You will give a brief presentation of your findings and recommendations in an 8- to 15-slide PPT presentation to the class. Give your report as if you were managers of this division, giving a report to annual stockholders meeting or a meeting of the board of directors. Your presentation will form the basis for a class-wide discussion.

In order to complete this assignment, you will research online and printed materials on the firm – from the firm itself and from numerous additional sources. You might also consider emails and interviews.

All case study communications that are not held face-to-face should take place in a Group Discussion space set up for this purpose only. Dr. Spencer will monitor your postings to be able to comment if your team seems to need additional guidance.

It is your (your team’s) responsibility to check for and eliminate any and all plagiarism before sending in the case study. You will receive information in class on how to put your paper through turnitin.com. That turnitin.com report will alert you to any plagiarism issues. It is strongly recommended that you place your “final” draft through turnitin.com at least two weeks before it is due. If you are not confident about what the turnitin.com report is telling you, it is your responsibility to find out. Dr. Spencer will be happy to go over the turnitin.com report with you before the deadline for emailing your report. You may wish to take the Plagiarism Tutorial provided in the “Getting Started” module.

If your report contains ANY evidence of plagiarism when it is emailed to Dr. Spencer, the maximum score the case study might earn will be 50 points, NOT 100 points; Dr. Spencer reserves the right to award a score of zero (-0-) on the paper as a result of evidence of gross plagiarism.
CONFIDENTIAL REPORT:

In addition to your presentation and paper, each team member must also complete a CONFIDENTIAL REPORT: Each team member must separately email, to marilyn.spencer@tamucc.edu, a confidentially submitted report, in which you give your name and those of your partners, along with paragraphs that detail the contributions of all members of the group - including yourself - describing the work contributed by each member and proportion and/or percentage of the total work completed by each team member. The term “confidential” means that only you and I will see this report; you will not share any portion of it with your team members. These reports are due on or BEFORE Saturday, December 3.

WARNING: The names of all team members must be at the top of the electronic report the team will send in by the December 3 deadline. I will know the paper comes from you by seeing your names at the top of the cover sheet.

Timeline for Case Study:

- **By October 31:** The team will have selected a company to research. One member posts a discussion entry with team member names to Dr. Spencer.

- **Before Thanksgiving, November 24:** All members of your team will have a VIRTUAL meeting, via group discussion, with Dr. Spencer at some mutually agreed upon day/time, to report on (1) the progress your team has made thus far, and (2) your current strategy for completing project.

- **By December 3:**
  - One member of your team submits your final report.
  - Each team member individually and CONFIDENTIALLY submits her/his confidential report.
  - One member of your team submits your presentation, as if you are giving this presentation to an annual stockholders meeting or a meeting of the board of directors, and you have been given only 8-15 slides to convince the stockholders or board of directors to adopt your recommended strategies. Because of this very limited allotment, assume they know some of the background information in your written report.

The case study (1) **final report**, (2) **confidential reports** and (3) **presentation** are ALL due by December 3.
Case studies will be scored as follows:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Points Possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final report fulfilled the assignment:</td>
<td></td>
</tr>
<tr>
<td>• How well the team/individual analyzed the case</td>
<td>35</td>
</tr>
<tr>
<td>• How well the team/individual used appropriate definitions/concepts/theory</td>
<td>35</td>
</tr>
<tr>
<td>Writing mechanics of final report:</td>
<td></td>
</tr>
<tr>
<td>• Team &amp; individual’s relevant writing of appropriate length</td>
<td>5</td>
</tr>
<tr>
<td>• Clarity and correct formatting of writing</td>
<td>5</td>
</tr>
<tr>
<td>Presentation:</td>
<td></td>
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<tr>
<td>• Appropriate information presented</td>
<td>5</td>
</tr>
<tr>
<td>• Presented competently, within the allotted time</td>
<td>5</td>
</tr>
<tr>
<td>Confidential contributions report, emailed in separately by each team member</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>

End-of-course Grades will be assigned based on each student’s total score from all of the graded elements described above as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Points Range</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>450+ points</td>
<td>(90+%</td>
</tr>
<tr>
<td>B</td>
<td>400-449 points</td>
<td>(80-89%</td>
</tr>
<tr>
<td>C</td>
<td>350-399 points</td>
<td>(70-79%</td>
</tr>
<tr>
<td>D</td>
<td>300-349 points</td>
<td>(60-69%</td>
</tr>
<tr>
<td>F</td>
<td>&lt; 300 points</td>
<td>(&lt; 60%</td>
</tr>
</tbody>
</table>

Note 1: A missed exam without prior approval will be recorded as a zero. However, with prior approval, the student may have the comprehensive final exam count double to make up for the missed midterm exam.

Note 2: Other than the credit explained above, a student will not be allowed to do any additional work to improve her or his grade.
The reading assignments and dates for exams are provided below.

<table>
<thead>
<tr>
<th>Date of the Monday of the week of the assignment and/or assessment</th>
<th>Besanko, et al. chapters: Chapters and Dr. Spencer's Chapter Notes are to be read BEFORE the Monday date indicated: Students will consult other texts as appropriate &amp; as assigned during the course – including but not limited to articles to be discussed.*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>October 17</strong></td>
<td>Introduction to course &amp; Besanko’s Chapter 1: Basic Microeconomics Principles (review)</td>
</tr>
<tr>
<td><strong>October 24</strong></td>
<td>Besanko’s Chapter 2: Economies of Scale &amp; Scope</td>
</tr>
<tr>
<td></td>
<td>Besanko’s Chapter 3: Agency &amp; Coordination</td>
</tr>
<tr>
<td><strong>October 31</strong></td>
<td>Besanko’s Chapter 5: The Vertical Boundaries of the Firm</td>
</tr>
<tr>
<td></td>
<td>Besanko’s Chapter 8: Competitors &amp; Competition</td>
</tr>
<tr>
<td><strong>November 5</strong></td>
<td>Last day to drop a course with an automatic grade of &quot;W&quot;</td>
</tr>
<tr>
<td><strong>November 7</strong></td>
<td>Besanko’s Chapter 9: Strategic Commitment – these pages only: 238 through 246 &amp; [bottom of] 251 through 260</td>
</tr>
<tr>
<td><strong>November 14</strong></td>
<td>Exam 1: Chapters 1, 2, 3, 5, 8 and 9 (abridged)</td>
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<tr>
<td></td>
<td>Besanko’s Chapter 10: The Dynamics of Pricing Rivalry</td>
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<tr>
<td></td>
<td>Besanko’s Chapter 11: Entry &amp; Exit</td>
</tr>
<tr>
<td><strong>November 21</strong></td>
<td>Besanko’s Chapter 12: Industry Analysis</td>
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<tr>
<td></td>
<td>Besanko’s Chapter 13: Strategic Positioning for Competitive Advantage And, on e-reserve, “Thinking Strategically.”</td>
</tr>
<tr>
<td><strong>November 28</strong></td>
<td>Besanko’s Chapter 14: Sustaining Competitive Advantage</td>
</tr>
<tr>
<td><strong>December 3</strong></td>
<td>Case study, confidential reports and presentation handed in to Dr. Spencer</td>
</tr>
<tr>
<td><strong>December 5</strong></td>
<td>Class-wide discussions of project presentations</td>
</tr>
<tr>
<td><strong>December 12</strong></td>
<td>Comprehensive Final Exam, but focusing on Chapters 13 &amp; 14</td>
</tr>
</tbody>
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