

ECO6383-701
New Approaches to Managerial Economics
Fall 2017

Professor: Tim Salmon

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Meeting Times: T 6:30-9:20 PM

Location: ULC 0303

Office Hours: T 5:30-6:30 PM and by appointment.

Course Description:

The intention behind this course is to teach students how to integrate key components of economic analysis into managerial decisions. The tools covered in the class will include concepts from classical economics such as marginal analysis as well as topics from more modern economics including game theory and information economics with the intention of showing how each of these analytic tools can be useful in managerial decision making.

Course Text:

1. Allen, Bruce W., Keith Weigelt, Neil Doherty and Edwin Mansfield. *Managerial Economics: Theory, Applications and Cases*. 8th ed. ISBN: 978-0-393-91277-7.

Student Learning Outcomes

By the completion of the course the students should be able to do the following:

1. Explain the classical model of price formation including the ability to explain the principles and determinants of supply and demand.
2. Explain how prices adjust to shifts in the determinants of the underlying supply and demand structures as well as how to take these shifts into account in decision making for firms.
3. Explain how different market structures affect price formation and how different markets structures require different modes of managerial decision making.
4. Demonstrate the basic tools of strategic analysis and be able to apply basic game theory to decision making contexts.
5. Explain and apply the economic concept of risk to decision making.
6. Explain the impacts of imperfect and asymmetric information on market outcomes.

Grading:

Grading for this course will consist of one midterm exam (30%), one final exam (50%) and problem sets (20%). Numerical scores will be adjusted for final grades. Problem sets will likely be given out every week.

Course Outline:

The plan for the course will be to cover approximately one element of the outline in each class period though that pace will vary over the course of the semester.

For several sections of the course we will be using a set of interactive tools through www.moblab.com. I will create accounts for everyone on the system using your SMU emails and you will receive the login information from the site. The system runs on any

laptop, smart phone or tablet and on days we use this system it will be helpful if you can bring one of those sorts of devices to class. If you intend to use an iOS or Android device, you can download an app to access the system through the relevant app store for your device. If you do not have any of these devices, you can look on with someone else. These segments are not for grades but are intended to help you develop a deeper understanding of the material.

1. Introduction
 - a. Basics of Managerial Decision Making – Chapter 1
2. Classical Economics
 - a. Consumer Theory – Chapters 2 and 3
 - b. Producer Theory – Chapters 5 & 6
3. Market Structures
 - a. Perfect Competition – Chapter 7
 - b. Imperfect Competition and Monopoly – Chapter 8
 - c. Monopolistic Pricing – Chapters 9 and 10

Midterm Exam

4. Risk and Uncertainty – Chapter 14
5. Strategic Decision Making
 - a. Game Theory – Chapter 12
 - b. Monopolistic Competition / Oligopoly – Chapter 11
 - c. Extensive form & repeated games.
6. Imperfect Information & Market Design
 - a. Auctions – Chapter 13
 - b. Moral Hazard – Chapter 15
 - c. Adverse Selection – Chapter 16

Final Exam, Tuesday December 12th 6:30-9:20 PM.

University Policies

- * **Disability Accommodations:** Students needing academic accommodations for a disability must first be registered with Disability Accommodations & Success Strategies (DASS) to verify the disability and to establish eligibility for accommodations. Students may call 214-768-1470 or visit <http://www.smu.edu/alec/dass.asp> to begin the process. Once registered, students should then schedule an appointment with the professor to make appropriate arrangements.)
- * **Religious Observance:** Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

- * **Excused Absences for University Extracurricular Activities:** Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)