

**Course:** BA 301 Managerial Economics

3 units, 45 contact hours

Day/Time: Monday 1530-1815PM

Instructor: Aharon Hibshoosh

Office Hours: M 2115-2315, T 1530-1730

Phone: (510) 843 6584 (Cell)

Email: [ahibshoosh@lincolnua.edu](mailto:ahibshoosh@lincolnua.edu)

**Textbook:** Jack Hirshleifer, Amihai Glazer and David Hirshleifer (2015) Price Theory and Applications, , 7th Edition , Cambridge University Press(Several ISBNs are available: ISBN-13, 978 0-521-81864-3 (hardback , : ISBN-10, 0-521-81864-8 (hardback), ISBN-13, 978 0-521-52342-4 (paperback), ISBN-13, 0-521-52342-7 (paperback).

### **BA 301 Managerial Economics**

#### **Course description:**

**Course Catalog Description: BA 301:** The course covers basic economic relationships, demand and supply analysis, forecasting, production and cost theories, market structures and models, pricing practices, capital budgeting and governmental regulations. (3 units) *Prerequisite: MATH 10.*

The Managerial Economics course is essentially a microeconomics course which provides the Economics foundation necessary for understanding and modeling economics and business issues. Together with the Financial Accounting course, the micro and macro economics courses provide the most essential foundation in Business Education. In particular students studying finance should be aware that Finance can be considered as a special topic within Economics. Any future work in Finance would require deep comprehension of Micro and Macro economics. Additional required topics beyond the textbook will be presented.

The course assumes that different agents are forming preferences and optimal choices, while facing various constraints. We will thus study: a) the consumer as an agent maximizing its preference (utility) by consuming optimal quantities of goods b) the business firm maximizing its profit via recruiting the optimal number of workers and employing optimal quantities of production factors c) the financial investor maximizing its objective by balancing risk and expected return. The decisions of the different agents are made in an environment characterized by scarcity and with limited agent resources, control, or strategic options. We will learn how to derive optimal economic decisions and how to characterize them. In particular, we will focus on the change in optimal behavior when the markets' environmental factors are varying. We will

study the effect of distinctive market structures on the behavior of the agents, and learn how the aggregate behavior of the agents helps form these distinctive market structures.

## **Course Learning Outcomes**

	<b>Course Learning Outcome</b>	<b>Assessment activities</b>
1	Compare how Microeconomics and Macroeconomics knowledge is applied by the firm and the state.	Homework
2	Understand precisely, the relationship between a firm's revenues and cost functions and their corresponding marginal and average functions, as a consequence of general relationships between a function and its averages and marginals.	Homework midterm/final exams
3	Use Excel for computing and graphing economic functions and solutions, identifying their relationships, and performing sensitive analysis.	Homework
4	Derive a variety of reference solutions including maximization of Revenue and Profit and minimization of Average Cost.	Homework midterm/final exams
5	Understand concepts and conditions of consumer and producer choice. Be able to graphically identify optimal choice under constraints using indifference curves (or isoquants) and budget (or cost) constraint lines.	Homework midterm/final exams
6	Derive and interpret measures of sensitivity of demand and production functions: marginals, elasticities and the relationship between price elasticity and marginal revenue. Apply this knowledge in the case of linear and constant Elasticity Demand and Production functions.	Homework midterm/final exams
7	Characterize demand and production functions.	Homework midterm/final exams
8	Understand the consequences of optimal choice in a static environment, and under inter-temporal choice. Compare nominal and real interest rates, and the rate of inflation.	Homework midterm/final exams
9	Learn basic features of the Mean Variance Framework and topics in the managerial economics of Finance.	Homework

10	Compare and compute different project choice criteria.	Homework midterm/final exams
11	Understand how market equilibrium is formed and evolved by market forces of supply and demand under free competition and under regulation and taxation. Understand conditions for free and perfect competition and identify Consumer and Producer surpluses.	Homework midterm/final exams
12	Compare short run and long run supply functions.	Homework midterm/final exams
13	Find the degree of return to scale of a firm's production function, and consequently decide whether to centralize or decentralize firm's production.	Homework midterm/final exams
14	Identify the demand for a single factor of production and calculate the quantity demanded as a function of the product marginal revenue and a factor price.	Homework midterm/final exams
15	Compare commonly considered market structures and their strategic implications for the firm (s).	Homework midterm/final exams
16	Compare different types of monopolies and apply the results in determining optimal price discrimination under market segmentation.	Homework midterm/final exams

### **Instructional Methodology:**

The course is based on lecture and exercise. The lecture will present selected topics from the most recent edition of the classical textbook of Hirshleifer et al. My focus will be on topics critical in Managerial Economics, and thus I will simplify and unify the analysis in order to teach the material efficiently. The teaching and study will be highly analytical and formal. In a typical topic, I will state and discuss some model's assumptions regarding agents, their objectives and constraints. This will typically involve teaching some newer mathematical techniques. I will then progress to derive on the blackboard, interactively, some optimal behavior rules and engage in sensitivity analysis. The presentation will typically use specific examples, and the boundaries of the model and its application will be exemplified and discussed.

HW in the form of textbook exercises, as well as my own specially developed exercises, is the most critical and challenging element of this course. Answers to key HW problems will be covered in class, supported occasionally with an Excel presentation for clarifying summaries.

In the teaching of this course, we distinguish between Passive comprehension and Active comprehension. In passive comprehension the student can verify that the derived answers of a third person are indeed correct. This is not too difficult. In active comprehension, the student

develops the ability and confidence to personally derive the results. Engaging comprehension is achievable only through a sustained exercising process.

Specifically, students are expected to first try to solve their problems alone, but then compare their solutions with those of other group members. In case of difficulty, the group should work on the problem(s) together. Answers for some of the problems are provided briefly in the back of the book. The homework is then submitted individually. The group must review the progress of each member weekly, and report the completion of the homework of every member by the homework deadline.

**HW format:** Quantitative exercises including diagrams will be required to be processed in Word and or Excel. Typically, homework must be typed, unless otherwise specified.

My teaching assistant evaluates assignments under my direct guidance, and issues a preliminary grade. If any student has a question about the evaluator's comments and/or grade, he/she should first discuss it with the teaching assistant, and then with me if there are further questions. My teaching Assistant would be available on weekly bases for reviewing the HW answers with inquiring students.

We are using the CANVAS software for HW collection, submission time monitoring and grade assignments. The HW files are submitted *only* through CANVAS. No hard copy is turned in. Every student must be listed with CANVAS. An adding student must belong to a group and inform the teaching assistant his/her adding status and group number. HW is due by 1AM Monday as instructed by CANVAS. If you are late, you still may use an automatic extension of 8 hours and submit the HW by 9 AM Monday through CANVAS. CANVAS has a built in time cut off function and would not allow submission past the deadline or the deadline extension. No further extension would be provided. Hence, any homework passed the due date extension deadline would not be accepted for grading. The hard copy submitted with to CANVAS must be brought to class. It may be examined by the professor at the roll call and would help the students when we review the HW answers in class.

In reporting to CANVAS every student must list on his/her assignment by the following order the following information: Student ID, Last Name and First Name- as appear on the enrolment sheet and group number. In reporting group work all group members must reported on the assignment in this format but only one submission per group is allowed.

### **Student Conduct:**

- Please participate. What you put into the class will determine what you get out of it – and what others get out of it.
- Please come **on time**. Late arrivals disturb everyone else. Plan to stay during the whole class period. Attendance may be taken at least one time in of each class. In the case where more than one attendance is taken, only students attending all attendances would be considered as present.
- Students may not read other materials (newspapers, magazines) during class an no multitasking is allowed.
- Students are not allowed to come and go during class sessions.

- If you miss a class, you are responsible for getting notes/slide printouts on the material covered from a classmate in your group.
- To avoid distracting noise in class, cellular phones **must** be turned off or the ringing mode silenced.
- During the exam all recording devices of any form must be closed and stored in closed bags. (See also Examination Policy).
- All class participants are expected to exhibit respectful behaviors to other students and the instructor. All students have the right and privilege to learn in the class, free from harassment and disruption. Inappropriate or disruptive behavior will not be tolerated, nor will lewd or foul language.

### **Examination Policy:**

I will use objective exams consisting of T/F and MC questions. Many of these questions would require mathematical derivation and computations. The final would be comprehensive and consists of two parts. The midterm would include only chapters covered in the lecture prior to the midterm and associated extra lecture information. The final is comprehensive. The exams are closed book exams, without a restroom break (or any other break) during the midterm or the final. (I will make alternative examination opportunities where the need for break is medically required and professionally supported by a letter from a medical doctor). No exchange of pencils, erasers and any other material between students is allowed during the exam. No electronic instrument capable of copying material in any form (in particular, in print or visual image) is allowed in the exam. In particular, cell phones, organizers, calculators, tape recorders cameras, computers, etc. must be closed and stored inside a closed bag. No exchange of pencils, erasers and any other material between students is allowed during the exam. Likewise, any conduct that constitutes subversion of the exam is punishable in at least a course failure. These specifically include: Removing or reproducing examination material; communication with anyone with the purpose of reconstructing the examination or any part of it; keeping or using the instructor's past exam questions to prepare for the exam without specific instructor authorization; distributing any examination material; impersonating an examinee or having an impersonator take the examination. This list is not exhaustive.

A student violating these requirements should expect an F grade, in addition to other disciplinary consequences.

### **Grading Guidelines:**

Class attendance and participation 10 pts

Homework 30 pts\*

Midterm 30 pts

Final 50 pts.

Total course points: 120 pts

The grade will be based on a curve. Gaining the following number of course points would assure the grade:

Course Points	Grade
96 and above	A
90-95	A-
80-89	B+
70-79	B
60-69	B-
50-59	C+
48-49	C
46-47	C-
44-45	D+
42-43	D
Below 42	F

### **Course Schedule:**

### **Topics^ and Tentative Schedule^^**

We will focus on elements in the following chapters^, in Hirshleifer, Glazer and Hirshleifer.

Topics

Chapters

### **I. The Economics Perspective and Mathematical Modeling of Economic Concepts**

8/21-8/28	Introduction and Overview.	1
8/21-9/11	Mathematical derivation of economic relationships and Working Tools *	2

## **II. Preference consumption and Demand**

8/28-9/18	Utility and preference	3, 4
9/18- 9/25	Demand: consumer optimal choice	4
9/25-10/2	Demand sensitivity and Characterization	5

## **III. The economics of Finance**

10/9-10/16	Topics in Financial Economics	15 and elements of 6 and 11
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## **IV. The firm and the Market Structure**

10/16-11/6	Business Firm's production and cost	6 and elements of 12
11/6- 11/20	Equilibrium in the product Market –Competitive industry	7
11/20-11/27	Review of Market structures with monopoly power * and externalities	
		Elements of 8, 9 10 and 16.

### Special Dates:

September 4: Labor Day holiday.

Fall Recess: November 21-25.

Midterm: October 23. Final: December 4.

^ The numerical reference to a chapter in the textbook.

^^ The time table is tentative. This is not an exclusive list of topics to be covered in this course. If time permits, I will accelerate the presentation. Alternatively, if necessary, pace and intensity of coverage may be traded off to assure greater comprehension.

**Updated:** August 16, 2017 The syllabus may be updated in the future as necessary.

## Appendix

<b>Institutional Learning Outcomes (ILOs)</b>	
<i>MBA Graduates of Lincoln University should be able to:</i>	
<b>1b</b>	Recognize and be able to work with the components of reasoning and problem solving; understanding concepts, assumptions, purpose, conclusions, implications, consequences, objections from alternative viewpoints, and frame of reference.
<b>2b</b>	Gather and assess relevant information, using abstract ideas to interpret it effectively; being able to develop well-reasoned conclusions and solutions, and testing them against relevant criteria and standards
<b>3b</b>	Be exemplary business professionals and try to ensure that the products of their efforts will be used in socially responsible ways, will meet social needs, and will avoid harmful effects to health and welfare
<b>4b</b>	Lead by example in order to create highly collaborative organizational environment, and be able to develop and use strategies to encourage employees at all organizational levels to do the same.
<b>5b</b>	Set goals and have a vision of the future. The vision should be owned throughout the organization. As effective leaders, they should habitually pick priorities stemming from their basic values.
<b>6b</b>	Continually look for, develop, and offer new or improved services, and be able to use original approaches when dealing with problems in the workplace.
<b>7b</b>	Demonstrate fluency in the use of tools, technologies and methods in the field. They should know how to evaluate, clarify and frame complex questions or challenges using perspectives and scholarship from the business discipline.

<b>Program Level Outcomes (PLOs)</b>	
<i>Students graduating our MBA program will be able to:</i>	
<b>1</b>	Develop and exhibit applied and theoretical knowledge in the field of management and business administration
<b>2</b>	Use theoretical knowledge and advanced problem solving skills to formulate solutions and identify risks in the following fields: international business, finance management, general business, human resources management, management information systems, marketing management
<b>3</b>	Communicate within a highly specialist environment that allows the presentation of critiques of complex strategic matters
<b>4</b>	Demonstrate autonomy, creativity, and responsibility for managing professional practices
<b>5</b>	Demonstrate leadership and set strategic objectives for team performance
<b>6</b>	Identify ethical issues/problems in business organizations and reach decisions within ethical framework

<b>Institutional Learning Outcomes (ILOs)</b>	
<i>A Graduates of Lincoln University MS Program should be able to</i>	
<b>1</b>	Recognize and be able to work with the components of reasoning and problem solving; understanding concepts, assumptions, purpose, conclusions, implications, consequences, objections from alternative viewpoints, and frame of reference.
<b>2</b>	Gather and assess relevant information, using abstract ideas to interpret it effectively; being able to develop well-reasoned conclusions and solutions, and testing them against relevant criteria and standards
<b>3</b>	Be exemplary business professionals and try to ensure that the products of their efforts will be used in socially responsible ways, will meet social needs, and will avoid harmful effects to health and welfare
<b>4</b>	Lead by example in order to create highly collaborative organizational environment, and be able to develop and use strategies to encourage employees at all organizational levels to do the same.
<b>5</b>	Set goals and have a vision of the future. The vision should be owned throughout the organization. As effective leaders, they should habitually pick priorities stemming from their basic values.
<b>6</b>	Continually look for, develop, and offer new or improved services, and be able to use original approaches when dealing with problems in the workplace.
<b>7</b>	Demonstrate fluency in the use of tools, technologies and methods in the field. They should know how to evaluate, clarify and frame complex questions or challenges using perspectives and scholarship from the business discipline.

<b>Program Level Outcomes (PLOs)</b>	
<i>Students graduating our MS in International Business program will be able to:</i>	
<b>1</b>	Demonstrate expert-level understanding of the aspects of international business
<b>2</b>	Exhibit deep knowledge of international dimensions of business functioning, including marketing, finance, management, operations, accounting, and entrepreneurship
<b>3</b>	Recognize business problems and provide creative solutions. Integrate theory and practice for strategic analysis in the field of international business.
<b>4</b>	Apply quantitative and qualitative methods of analysis to business situations in a complex global business environment
<b>5</b>	Develop and exhibit effective communication skills for relevant international audiences.
<b>6</b>	Work effectively with a team of international colleagues on diverse projects
<b>7</b>	Identify and analyze the ethical obligations and responsibilities in the field of international business

<b>Institutional Learning Outcomes (ILOs)</b>	
<i>A Graduates of Lincoln University MS Program should be able to</i>	
<b>1</b>	Recognize and be able to work with the components of reasoning and problem solving; understanding concepts, assumptions, purpose, conclusions, implications, consequences, objections from alternative viewpoints, and frame of reference.
<b>2</b>	Gather and assess relevant information, using abstract ideas to interpret it effectively; being able to develop well-reasoned conclusions and solutions, and testing them against relevant criteria and standards
<b>3</b>	Be exemplary business professionals and try to ensure that the products of their efforts will be used in socially responsible ways, will meet social needs, and will avoid harmful effects to health and welfare
<b>4</b>	Lead by example in order to create highly collaborative organizational environment, and be able to develop and use strategies to encourage employees at all organizational levels to do the same.
<b>5</b>	Set goals and have a vision of the future. The vision should be owned throughout the organization. As effective leaders, they should habitually pick priorities stemming from their basic values.
<b>6</b>	Continually look for, develop, and offer new or improved services, and be able to use original approaches when dealing with problems in the workplace.
<b>7</b>	Demonstrate fluency in the use of tools, technologies and methods in the field. They should know how to evaluate, clarify and frame complex questions or challenges using perspectives and scholarship from the business discipline.

<b>Program Level Outcomes (PLOs)</b>	
<i>Students graduating our MS in Finance Management program will be able to:</i>	
<b>1</b>	Demonstrate expert-level understanding of the aspects of finance management including mathematical, statistical, financial, and economic.
<b>2</b>	Develop knowledge of finance management including international finance, international securities, commercial banking and lending, investment science, real estate, and stock market.
<b>3</b>	Recognize financial problems and provide creative solutions. Integrate theory and practice for strategic analysis in the field of finance management.
<b>4</b>	Apply quantitative methods of analysis to analyze financial data.
<b>5</b>	Communicate to relevant audiences including written and oral communication.
<b>6</b>	Work effectively with a team of colleagues on diverse projects.
<b>7</b>	Identify and analyze the ethical obligations and responsibilities in the field of finance management.

<b>Institutional Learning Outcomes (ILOs)</b>	
<i>DBA Graduates of Lincoln University should be able to:</i>	
<b>1c</b>	Incorporate various modes of thinking, among them: scientific thinking, mathematical thinking, historical thinking, anthropological thinking, economic thinking, and moral thinking.
<b>2c</b>	Operate within alternative systems of thought, recognizing and assessing the needs, with related assumptions, implications, and practical consequences; and being able to communicate results effectively with others in figuring out solutions to complex problems
<b>3c</b>	as exemplary business professionals, minimize the possibility of indirectly harming others by following accepted standards at local, national or international levels; to be able to assess the likelihood and physical and social consequences of any developed product's harm to others.
<b>4c</b>	Integrate collaboration into organizational workflows, create a supportive environment for collaboration and teamwork, and lead by example.
<b>5c</b>	Have perseverance to accomplish a goal despite potential obstacles, use sound judgments to make decisions at a right time, and make timely appropriate changes in thinking, plans, and methods in achieving organizational goals.
<b>6c</b>	Set up realistic goals for the organization, encourage innovative strategies, and convey a clear sense of future direction to employees.
<b>7c</b>	Formulate and arrange ideas, designs, or techniques, and apply them to specific issues and problems. They should be able to apply current research, scholarship and or/techniques in the field.

<b>Program Level Outcomes (PLOs)</b>	
<i>Students graduating our DBA program will be able to:</i>	
<b>1</b>	Demonstrate advanced knowledge and competence in the latest academic theories, concepts, and techniques in the field of business administration.
<b>2</b>	Demonstrate effective research skills including formulation of research problem; integration of previous literature into an appropriate literature review; design of a research study; data analysis; and summary and presentation of results.
<b>3</b>	Create and present advanced forms of oral and written communications, including teaching and advising.
<b>4</b>	Generate, evaluate and assess the ethical obligations and responsibilities of business for the purpose of responsible management.
<b>5</b>	Apply the knowledge from the area of specialization and provide consulting to other business industries or other fields.