MSDS6383

**New Approaches to Managerial Economics**

**Lead Professor:**

Prof. Tim Salmon, Department of Economics

Southern Methodist University

**Webpage:** http://faculty.smu.edu/tsalmon

**Course Instructor:**

Ruiyang Hu

**Contact Information:**

rhu@smu.edu

**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 two exams, one midterm exam (30%) and one final exam (40%). You will receive problems sets nearly every week worth 20% of your final grade. During many of the asynchronous lectures, you will be asked to respond to many different questions. Your performance on these will account for 10% of your grade.

**Course Outline:**

Below is an outline of the topics that will be examined in each week of the course along with the accompanying reading. The lectures will not follow the readings very closely but the material in the book will be good background to supplement the lectures. Each week you will be expected to watch the pre-recorded lectures and participate in the online discussion section.

For several sections of the course we will be using a set of interactive tools through [www.moblab.com](http://www.moblab.com) during the online discussion sections. I will create accounts for everyone on the system using your emails and you will receive the login information from the site. The system runs on any laptop, smart phone or tablet and you will be able to connect using whatever device you find most convenient. 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. These segments are not for grades but are intended to help you develop a deeper understanding of the material.

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| Week | Topic | Reading |
| Week 1 | Course Introduction | Chapter 1 |
| Week 2 | Consumer Theory | Chapters 2 & 3 |
| Week 3 | Producer Theory | Chapters 5 & 6 |
| Week 4 | Market Structure and Pricing | Chapters 7 & 8 |
| Week 5 | Advanced Pricing Strategy I | Chapter 9 |
| Week 6 | Advanced Pricing Strategy II | Chapter 10 |
| Week 7 | Risk and Uncertainty | Chapter 14 |
| Week 8 | Introduction to Game Theory | Chapter 12 |
| Week 9 | Models of Competition | Chapter 11 |
| Week 10 | Extensive Form Games | -- |
| Week 11 | Repeated Games | -- |
| Week 12 | Auction Theory | Chapter 13 & Handout |
| Week 13 | Moral Hazard and Principal-Agent Model | Chapter 15 |
| Week 14 | Adverse Selection and Signaling Models | Chapter 16 |

**University Policies**

**\* 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.

**\* Excused Absences:** Students participating in an officially sanctioned, scheduled University extracurricular activity or other activity required for their job 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.