



Spring 2014

MGT 6506: Managerial Economics

MBA (21551): Tues/Thur, 1:35PM – 2:55PM, CoB 300

EMBA (23799): Tues, 6:05PM – 8:55PM, CoB 300

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Office hours: Wednesday, Noon to 2pm

Course Materials:

- (1) Allen, Weigelt, Doherty, and Mansfield, *Managerial Economics: Theory, Applications and Cases*, 8th Edition. You may also go to www.nortonebooks.com and purchase digital copies of only the chapters we will be covering. This should only cost around \$45.
- (2) *Wall Street Journal* (www.WSJStudent.com), *Financial Times* or *New York Times*
- (3) Optional: William Baumol & Alan Blinder, *Economics: Principles and Policy*, 9th or 10th Edition (Reference material only, if needed. This is a more basic text.)

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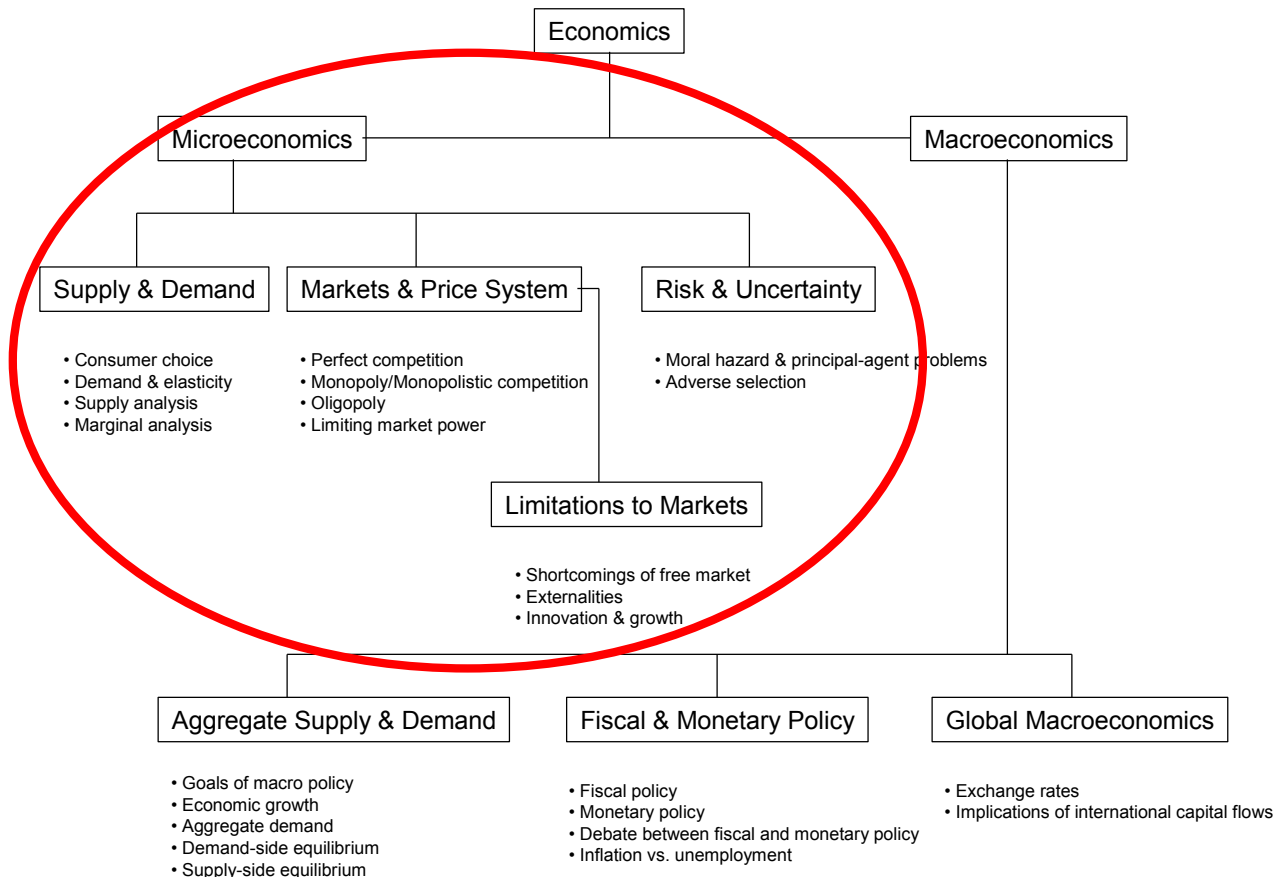
OVERVIEW OF THE COURSE

Microeconomics is about scarcity and how individuals make choices in the face of scarcity. It deals with behavior of individuals; it is a behavioral science. Questions of interest deal with groups of individuals acting in markets. Market outcomes (for example, prices of goods) are our goal, but our building block is the behavior of the individual as a buyer or seller.

We begin with assumptions or statements about individual behavior; based on these assumptions we form predictions about behavior when individuals are confronted with choices. Once we understand the behavior of individuals when confronted with market choices, we can then “aggregate” those individuals in order to understand how markets operate. It is our goal to make predictions about market outcomes. It is not important that predictions about individual behavior be correct for every individual, it is only important that the predictions be correct “on average.” This is because we do not, in general, care to predict the behavior of every individual. Our purpose is to predict group behavior; for this purpose our predictions about individual behavior need only be correct on average. It is important to bear this point in mind. Some of our predictions can fail for some people; what is important is that our predictions not fail for the typical individual. Economists look at individual behavior primarily as a mechanism for understanding market (group) behavior.

As a start in understanding individual (and hence group) behavior we consider a set of simple, plausible assumptions about people in a setting where the individual is not concerned about others. There is no concern about benefit or harm to others from actions taken, nor is our individual concerned that her actions might invoke a reaction by others. Interdependence among individuals is interesting and important, but it must wait until we have explored the simple case of an individual making choices in isolation. The simple case reveals quite a lot about markets. Once the simple case is understood, and its implications explored, we can continue to a world with interactions among individuals.

The overall organization of the course topics can be shown hierarchically, as follows:



TEACHING & LEARNING METHODS

This course emphasizes **active learning** through discussions of current topics, articles, cases and interactive lectures. Success in this course requires your active participation. You cannot succeed in this course if you just sit back and “coast.” The most important learning will take place **during** the face-to-face discussions and activities that we hold in class. The readings are also valuable learning tools, but a much richer kind of learning takes place when one is challenged by others who have different backgrounds and therefore do not necessarily share one's own point of view. So, if you do not attend class, or if you show up unprepared to participate fully, you not only deprive yourself of learning, but you also deprive your classmates of a learning opportunity, since they will not have a chance to hear your ideas, insights, and viewpoints.

EXPECTATIONS ABOUT ATTENDANCE & PARTICIPATION

Because of the emphasis in this course on active learning, I set high expectations regarding attendance and preparation. Your attendance is expected at every class. Please arrive on time so that we may start promptly. If for some reason you must be absent, please let me know (in advance, if possible) so that your absence will not be unexplained. I will keep attendance records. A sign-in sheet will be passed around at the start of each class; it is your responsibility to make sure you have signed in.

It is essential to the success of this course that you are both physically and mentally present in class, and that you are fully prepared to discuss the material. While attendance and participation is not an active component of your grade, if you come to class unprepared I reserve the right to lower your final grade.

Consistent with the emphasis on active learning and case discussion, you will be required to be prepared to participate in class on a daily basis. Your fellow students and I expect quality participation. What is quality? My definition for quality of class participation is outlined in the following set of criteria:

Contributions that I evaluate positively:

- Insightful analysis supported by appropriate logic and evidence.
- Comments demonstrating that you have done a thorough job of preparation.
- Perceptive questioning.
- Relating class material to first-hand personal experience or other concrete (second-hand) examples.
- Distinguishing critical issues from peripheral or extraneous ones.
- “Process comments” offering insights into the class’s pattern of reasoning.
- Politely helping to curb those who monopolize discussion without contributing to classmates’ learning.

Contributions that I evaluate negatively:

- Simply reiterating case facts, without analysis or insight.
- Comments that are off-the-point or indicate inadequate preparation.
- Superficial comments.
- Verbosity.
- Interrupting someone who is speaking.
- Personal attacks or comments that are disrespectful, insulting, or unprofessional.
- Distracting behavior (e.g., grunts or unrelated side conversations).
- Unfounded comments unsupported by logic or evidence.
- Monopolizing discussion without contributing to classmates’ learning.

This is a fairly large class. As a result, in order to help me (and your fellow students) learn your name I ask that you take the following steps:

- 1) Display a name card at every class meeting, showing your name in large, clearly legible letters.
- 2) Sit in the same seat throughout the entire semester (or, at a minimum, in the same general location).

I intend to solicit widespread participation in class discussions and to ensure that everyone gets an opportunity to participate. However, my methods may be imperfect. If you believe that you are being consistently and disproportionately overlooked, then please alert me privately, and I will try to ensure that you get an opportunity to participate. In general, I try to call more frequently on those who have not been frequent contributors to prior class discussions.

EXPECTATIONS ABOUT PROFESSIONAL BEHAVIOR

It is my responsibility as instructor to foster a mutually respectful learning environment in the classroom. Accordingly, I set high expectations regarding professional behavior in class. The following unprofessional behaviors are disruptive to everyone and therefore should be avoided during our class meetings and for the final exam session:

- Arriving late.
- Holding side conversations. (If you have a question about the class material, please raise your hand and ask it, rather than whispering it to your neighbor. If you have to discuss something unrelated, please wait until after class.)
- Inattention (e.g., reading unrelated materials or studying for other classes).
- Personal attacks or comments of a disrespectful or insulting nature.

Unprofessional behavior *may* result in your final grade being lowered. ***Given the campus-wide security notification system you may keep your phones on but please set them to vibrate.***

Georgia Institute of Technology Honor Code

All students are to uphold the Honor Code at all times. Any act of academic dishonesty (e.g., plagiarism) hurts the entire Georgia Tech community. The Honor Code aims to prevent any student from gaining unfair advantage over other students through academic misconduct. All cases of alleged academic misconduct will be referred to the Office of the Dean of Students for disciplinary actions. The Academic Honor Code is explained in detail at <http://deanofstudents.gatech.edu/Honor> or the GIT General Catalogue.

What counts as plagiarism?

Plagiarism refers to the direct quotation of text without appropriate attribution. Every quotation must have a citation, and no amount of text can be quoted without citation. Furthermore, when paraphrasing, borrowing or building upon the work of another author, citation is also required. There are many styles of citation (in the text, in footnotes, etc.). Note that it is NOT acceptable to simply include the quoted source in a list of general references. If you are quoting, you must indicate which specific sections of your text are taken from which specific sources. Basically, your writing should be your own – every word of it – unless it appears in “quotation marks” with a specific citation to the original source. It is surprisingly easy to detect text that has been cut and pasted from a web site, so please do not be tempted to cut corners in this way.

For any questions involving these or any other Academic Honor Code issues, please consult me or www.honor.gatech.edu.

MGT 6506: COURSE REQUIREMENTS & GRADING

The course grade is based on your performance on a comprehensive final exam. No make-up exam will be given. In general, I will follow a standard grading scale: 100-90% (A); 89-80% (B); 79-70% (C); 69-60% (D); and, 59% and below (F). A curve *may* be applied to final course grades but this is left to my discretion based on aggregate course performance.

COMPLETE COURSE SCHEDULE IN DETAIL

This schedule should be treated as tentative, not fixed. Any changes to this schedule will be announced ahead of time in class or via email. For each session, I have indicated themes that will be introduced and identified what you need to do in preparation for class. The items listed under “Reading” are the readings I expect you to have done for that session. Items under “Preparation” are deliverables for that day.

Read the WSJ, Financial Times, or NYT if there is something relevant we can spend some time at the beginning or end of class discussing it.

<u>Date</u>	<u>Section</u>	<u>Topic</u>	<u>Reading</u>	<u>Questions</u>
1/7 - 1/9	1	Introduction	Syllabus Chapter 1: Introduction "Want to End Traffic Jams, Raise Prices," Yahoo 3 Oct 2005 "Stockholm Syndrome Traffic," WSJ 29 Aug 2006 "Champagne's Land Lock, the Legacy of a 1927 Law," WSJ 12 Aug 2005	1.1, 1.2, 1.4 1.7, 1.9
1/14 - 1/16		Nature of Markets	Chapter 2: Demand Theory Example: Peanut shortage slides "Lawmakers Ratify Tax Moratorium in GA," AJC 11 Sept 2005 "Savings on Fuel Tax Moratorium Did Reach GA Consumers," AJC 18 Oct 2005 "Starbucks Customers Unlikely to Balk at Higher Prices," MSN 22 Sept 2006 "San Francisco: The Butts Stop Here," The Economy Today, Aug. 2009 Example: Demand theory, question #10	2.1, 2.3, 2.4 2.10
1/21 - 1/23 1/28 - 1/30	2	Nature of Markets	Chapter 3: Consumer Theory "Luxury Fashion Lite, Designers Diffusion Lines Offer Same Glitz," WSJ 25 Sept 2006 "How Brazil Broke its Oil Habit," WSJ 6 Feb 2006 "In a Sole Revival, the Recession Gives Cobblers New Traction," WSJ 2 Feb 2009 "GM Offers Cash to Entice Shoppers to Test Drive SUVs," WSJ 8 June 2004 "Why Can't Women Shop More Like Men," CNBC, 2 Dec 2011	3.3, 3.9
1/28 - 1/30 2/4 - 2/6	3	Production	Chapter 5: Production Theory "How US Auto Industry Finds Itself Stalled by Its Own History," WSJ 7 Jan 2006 "Big Three Automakers Go Separate Ways," WSJ 8 Jan 2006	5.3, 5.7, 5.8
2/4 - 2/6	4	Costs	Chapter 6: The Analysis of Costs "California Raises Minimum Wage," MSN 22 Aug 2006 "Wal-Mart Urges Congress to Raise Minimum Wage," WSJ 25 Oct 2005 "Doctor Shortage to Increase," CP 28 Aug 2006 "How Longshoremen Keep Global Winds at Their Backs," WSJ 26 July 2006 "AST to Acquire PC Business of Tandy Corporation," WSJ 27 May 1993 "Big Steel is Threatened by Low-Cost Rivals, Even in Japan, Korea," WSJ 2 Feb 1993 "Call it Sumsizing: Why Some Companies Regret Cost Cutting," WSJ 14 May 1996	6.2, 6.6, 6.10

<u>Date</u>	<u>Section</u>	<u>Topic</u>	<u>Reading</u>	<u>Preparation</u>
2/11 - 2/13	5	Market Structure	Chapter 7: Perfect Competition Chapter 8: Monopolistic Competition "Schultz Cautions Executives of Risks to Starbucks Brands," WSJ 23 Feb 2007 "How McDonalds Wins in Any Economy," Fortune 5 Sept 2011 "McDonalds or Starbucks - Who Wins?," MSN, 5 July 2011	7.2, 7.3, 7.5
2/18 - 2/20	6	Market Structure	Chapter 8: Monopoly "Lawsuit: Home Insulation Giant Fixed Prices," ABC 27 Feb 2009 "FTC Accuses Intel of Trying to Stifle Competition," NYT 17 Dec. 2009 "Merck will Sell Zocor Below Price of Generics," WSJ 22 June 2006 "Patent Abuse," WSJ 19 Dec 2005 "Nike is Suing Adidas, Alleging Patent Breach," WSJ 17 Feb 2006 "In Patent Disputes, A Scramble to Prove Ideas as Old Hats," WSJ 25 Jan 2006 "Blackberry Maker Emboldened By Patent Office," WSJ 17 Dec 2005 "With Patents Expiring on Big Prescription Drugs, Drug Industry Quakes," WSJ 12 Aug 1997	8.3, 8.4, 8.7 8.9
2/25 - 2/27	6	Market Structure	Chapter 8: Monopoly Exam Review	
		Final Exam	Final Exam will be passed out on 2/25 and due by 5pm on 3/4/2014.	