

San José State University
Department of Economics
Econ 106: Managerial Economics
Course No. 27432, Spring 2018

Instructor:	Ray March
Office Location:	DMH 138
Telephone:	(408) 924-5404 (email preferred)
Email:	raymond.march@sjsu.edu
Office Hours:	1:30PM-3:00PM Tuesdays and Thursdays
Class Days/Time:	Tuesday and Thursday, 3:00-4:15PM
Classroom:	DMH 160
Prerequisites:	Econ 001B

MYSJSU Messaging

Course materials such as syllabus, handouts, notes, assignment instructions, etc. can be found on [Canvas Learning Management System](http://sjsu.instructure.com) course login website at <http://sjsu.instructure.com>. The student is responsible for regularly checking with the messaging system through [MySJSU](http://my.sjsu.edu) at <http://my.sjsu.edu> to learn of any updates.

Catalog Description(s)

Course Description

Applications of economic analysis to practical problems in the private and public sector. Demand and cost analysis, market structure, statistical estimation, and forecasting; case studies.

Additional Description

A lot is left to the economics student's imagination when it comes to the business world. Learning about the role of prices in exit and entry, how production is connected with cost, what it means to have an efficient firm, why monopolies are undesirable, and how to identify profit and loss (or at least how to find them in various models) are critical to understanding markets and the role firms play in them. It's not enough.

How does a firm know what its marginal costs are? What price should the firm sell at (and what would be the marginal revenue)? How does a firm know who its competitors are? Why does the business world preach the need for a company to find their "niche" but economic models center on similarities? These are the questions firms face daily and must answer correctly to make profits, which is where most economics models start.

But who, exactly, is supposed to set the marginal cost equal to the marginal revenue? Firms can involve tens of thousands of employees, how are those managed. Saying labor is a compliment,

substitute, etc. surely isn't sufficient. When are decisions delegated to lower levels or decided "from the top"? If the firm has a hierarchy, how are the various levels managed?

Managers ultimately make choices on how best to use resources, including physical resources and employees. How do they make the right choices? What information do they have available? What information is provided from the market? What information needs to be discovered to find future opportunities for profits?

Those questions are mainly concerned with the private sector. What about managers working in a public organization? If the government (a public body) consists of one-third of the GDP, examining how they function is critical. Can they be run the same way as a private firm?

Fortunately, all of them are addressable using the economics toolkit. Managerial, and other organizational decisions, are ultimately about assessing (or estimating) costs and benefits. Economics follows the same rubric, and so will this class.

This class is a reading intensive course. To address the issues facing managers in public and private settings, students will have to grapple with complex questions. That requires reading complex articles, analyzing different management techniques, and applying concepts to real case studies. Effective management is difficult. Unlike the typical economics models, information on what to do is scarcely available. Not to mention mistakes are costly.

This is a four-unit course. Students will be expected to spend a minimum of forty-five hours over the length of the course (normally 3 hours per unit per week with 1 of the hours used for lecture) to be successful. This includes completing each weeks reading assignments (which are often conceptually challenging), taking weekly quizzes, preparing for a midterm and final. A major component of this course involves independent research in addition to other course requirements. Students can expect to spend a minimum of 9hours per week to succeed in this course (this included attending class twice a week).

More details about student workload can be found in [University Policy S12-3](#).

Course Learning Outcomes and Program Learning Objectives

To develop and apply knowledge and understanding of how organizations function in the public and private sector. This course fits into the following Department of Economics program learning objectives (PLO).

PLO 1: Microeconomics

PLO 4: Specialist Area (Policy Economics, Finance, Data Analysis)

PLO 5: Communication

Upon successful completion of this course, students should be able to demonstrate the following:

CLO 1: Explain the relationship and relevance of separate kinds of costs in decision making.

CLO 2: Explain how managers estimate demand and supply relationships and apply those estimates in common business contexts.

CLO 3: Apply economic analysis to pricing strategy issues and understand the broader socioeconomic context of pricing decisions.

CLO 4: Explain the reasons for the emergence of the firm, the factors that limit the size of the firm, and how the principal-agent problem affects firm performance.

CLO 5: Understand and explain the different rationales for, and contexts in which political authorities may intervene in markets and their intended and unintended impacts on business decisions.

CLO 6: Better understand and explain the broader institutional context in which entrepreneurs create value, business firms operate, and policymakers impact economic outcomes.

Required Readings

Required Texts

[“The Science of Success: How Market-Based Management Built the World’s Largest Private Company”](#) Koch, Charles. 2007.

[“Knowledge and Decisions”](#) Sowell, Thomas. 1980.

[“The Politics of Bureaucracy”](#) Tullock, Gordon. 1965.

Additional required readings include chapters from economics books, economic articles. These are provided through hyperlinks on the required reading table or on Canvas.

Assignments and Grading Policy

Grades in this class are composed of weekly quizzes, two exams, case memos assignments, and a final exam/ book report. The grading rubric and a description of each component are provided below:

Grade Breakdown

The grade in this course is calculated as follows:

Quizzes	(20%, drop the lowest 2)
Midterm	(15%)
Case Memos	(40%, 10% each)
Final Exam OR Book Report	(25%, final is cumulative)

Quizzes

The instructor will give one unannounced (pop) quiz a week. If the quiz is held on Tuesday, it will be on a topic covered in that week’s assigned readings. If on Thursday, it will cover something covered in the previous lecture. The lowest two quiz grades are dropped.

Midterm and Final Exam

There will be two exams: a midterm and final. Exams consist of short answer and essay questions. The questions come from topics covered in lectures and the required reading. A study guide will be provided before each exam and the instructor will hold a review session the class before. The final is cumulative. Exam dates are below:

Midterm	April 15 th (Usual time and place)
Final	May 18 th (2:45-5:00 PM, Room TBA)

Case Memos

Students are expected to complete 4 case memos examining real business dilemmas. The memos, a grading rubric, a suggested process on how to approach these assignments, and a memo template are all provided on canvas.

Students will work in groups to complete the assignment. Each memo comes with a list of questions. Each group will work as “consulting” economists to answer the questions. Be warned, all information required to answer the questions is not provided in the memo. Additional research is needed to give convincing answers in many cases. When providing recommendations/ answers, be sure to cite relevant information (the page of the memo, website, data, etc.)

Each group will turn in one case memo in person on the due date. Electronic work will not be accepted.

These memos are also writing exercises. Strong writing skills are indispensable for professional development and career advancement. Memos must be written as if the students are economic consultants providing advice to businesses, non-profits, policy makers, etc. If the instructor sees sentences such as, “In this case memo”, or “The memo says”, significant points will be subtracted.

Spelling and Grammar count. The instructor strongly recommends having one member of your group edit the assignment or to use the writing center. Memos are usually about 3 single-spaced pages (not including tables, figures, etc.) but there is no word or page limit. *Don't count your words, make your words count!*

Due dates for the memo's are below:

Case 1: Old Mule Farms	March 13 th
Case 2: Springfield Nor'easters	April 5 th
Case 3: Making a Market: Ebay, Stubhub, Swaptree	April 17 th
Case 4: Uber Regulation	May 3 rd

Book Review

Students have the choice to **either** take a cumulative final exam or to write a book review for the book, “[How to Measure Anything](#)” by Douglas Hubbard (PDF in the hyperlink). This course covers 3 chapters from the book. However, there are many more important and helpful insights that cannot be covered due to time constraints. The book review option allows students a chance to cover them independently.

The book review must be between 7-8 double spaced pages (Times New Roman, 12 point font, 1-inch margins). In the review, the student must (1) summarize the main findings and economic concepts used by the author in each section, (2) write about what the student found most interesting, (3) Relate the book's material to at least 6 topics covered in the course, (4) come up with a criticism of the book (something the student thinks is wrong, something unconvincing, etc.) and (4) a question the student would have liked to see the author address. Be sure to have each

component in the book report. Grammar and spelling count.

Students must let the instructor know the **day after the midterm** if they plan to write a book review instead of take the final exam. No late requests will be met. The book report is due in person at the time of the final exam.

Grading Criterion

97-100 A+	93-96 A	90-92 A-
87-89 B+	83-86 B	80-82 B-
77-79 C+	73-76 C	70-72 C-
67-69 D+	63-66 D	60-62 D-
<60 F		

Grades will be curved as needed. Opportunities for extra credit will be discussed in class.

Classroom Protocol

This course and covers a wide variety of complex subjects in a short period. Although this course is primarily lecture, much can be learned through interacting with classmates and the instructor. Take advantage of time in the classroom! Ask questions. Challenge your instructor.

The instructor is not a Luddite. Feel free to bring printouts of articles, laptops, or other electronics to class. Although laptops can serve as a distraction, the instructor trusts the students have the ability focus during the class. Be warned, most learning occurs when notes are handwritten and not typed.

University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and undergraduate Programs' [Syllabus Information web page](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>.

Course Schedule and Readings

NOTE:

SOS refers to The Science of Success (Charles Koch)

K&D refers to Knowledge and Decisions (Thomas Sowell)

POB refers to The Politics of Bureaucracy (Gordon Tullock)

Week	Date	Topics	Readings
1	1/ 25	Course Introduction	-
2	1/29, 2/1* *NO CLASS	The Market	K&D: Ch.1 I, Pencil : Leonard Reed The Power of Markets : Charles Wheelan and Malkeil Burton
3	2/6, 2/8	The Firm	SOS: Ch. 2 (stop at pg. 44) K&D: Ch. 2 The Nature of the Firm , Ronald Coase
4	2/13, 2/15	Profit, Loss, Prices, and Costs	K&D: Ch. 3 (stop at pg. 78) Profit and Loss : Ludwig von Mises The Social Responsibility of a Business is to Increase its Profits : Milton Friedman
5	2/20, 2/22	Information: What's Available?	SOS: Ch. 3 The Use of Knowledge In Society : F.A. Hayek Economics as Study of Coordination and Exchange: Christopher Coyne (<i>Canvas</i>)
6	2/27, 3/1	Information: What to do about what's <u>NOT</u> available?	K&D: Ch. 4 (Stop at pg. 110) How to Measure Anything : Hubbard, Douglas (Ch. 3)
7	3/6, 3/8	Human Resources/ Human Capital	SOS: Ch. 4 Production, Information Costs, and Economic Organization : Armen Alchain and Harold Demsetz How to Measure Anything : Hubbard, Douglas (Ch. 4-5)
8	3/13* , 3/15 Memo 1 Due	Incentives	SOS: Ch. 6-7 Property Rights : Armen Alchain The Armchair Economist: Stephen Lansburg Ch. 1, 3 (<i>Canvas</i>)
9	3/20, 3/22	Competition: What does it mean?	K&D: Ch. 8 (pg. 195-213) Monopoly : George Stilger A Petition : Fredric Bastiat The Meaning of Competition : F.A. Hayek
10	3/27, 3/29	SPRING RECESS	-

11	4/3, 4/5* *Memo 2 Due	NO CLASS THIS WEEK (Instructor is traveling)	<i>Turn Assignment Into Instructors Mailbox and Study for your Midterm</i>
12	4/10, 4/12** **Midterm	Review and Midterm	-
13	4/17*, 4/19 Memo 3 Due	Marketing and Advertising	The Armchair Economist: Steven Landsburg Ch. 2, 7 (<i>Canvas</i>) Phishing for Phools: George Alkerlof and Robert Shiller (Ch. 1, 3-4) (<i>Canvas</i>)
14	4/24, 4/26	Regulation	K&D: Ch. 8 (pg. 167-194) Bourbon for Breakfast : Tucker, Jeffrey Ch. 2-5 (pg. 17-33) The Theory of Economic Regulation : George Stigler
15	5/1, 5/3* *Memo 4 Due	Bureaucracy (1) Incentive structures	K&D Ch. 5 (stop at pg. 140) POB: Ch. 1-3
16	5/8, 5/10	Bureaucracy (2) Managing without external prices	POB. Ch. 11-17 Overcoming the Peter Principle: Andrea Ovans (<i>Canvas</i>)
16	5/18	Final Exam/ Book Review	2:45-5:00 PM

Also, anyone who sends me a picture of a cat before class on January 29th will receive an additional quiz grade dropped. This course requires a lot of reading. If you can't get this far on the syllabus, you are in for a rough semester.