



Managerial Economics and Globalization – ECO 550

Student Course Guide

Prerequisite: None

Quarter	Spring 2009
Meeting Days/Time	Thursdays 6-10 p.m.
Instructor	Jay K. Walker
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Instructor E-mail	jkwalker.econ@gmail.com
Instructor Office Hours/Location	Thursdays 5-6 p.m. and by appointment
Academic Office Phone Number	n/a

INSTRUCTIONAL MATERIAL

(including all mandatory software)

Farnham, P. G. (2005). *Economics for managers* (1st ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

I. COURSE DESCRIPTION

Applies relevant economic theory to develop a framework of analysis and techniques that business managers can use in deciding how to allocate a firm's scarce resources to achieve its objectives. Uses economic analysis to support business strategy decisions that promote competitiveness in an environment of changing domestic and international market conditions, government regulations, trade policies, and resource availability. Systematically analyzes how global economic integration affects the production, input sourcing, and pricing decisions of firms operating in different market structures.

II. COURSE OBJECTIVES

Upon the successful completion of this course, the student will be able to:

- Apply the concepts of supply and demand to identify and determine the impact of changes in market conditions in the short-run and long-run and identify the economic impact on a company's operations.
- For a firm in a perfectly competitive industry, determine the breakeven point and determine profitability at the optimal level of output for given prices and operating costs in the short-run and analyze factors that would affect long-term production decisions.
- For monopolies and firms in monopolistically competitive industries, determine the profit-maximizing price and output level for given operating costs.
- For firms in oligopolistic markets, analyze the nature of competition and market dynamics that would affect price and output decisions.
- Apply macroeconomic concepts to determine how changes in a national economy affect economic growth, inflation, interest rates, and wage rates and identify the economic impact on a company's operations.
- Analyze changes in foreign market conditions (exchange rates, wage rates, interest rates, inflation, global economic integration, and economic policies) and determine the impact on a firm's strategic decisions for operating in that market.

- g. Given an information requirement related to economics, determine the nature and extent of information needed to effectively address the topic; efficiently locate, determine the validity, and critically evaluate the resources; and apply the information to accomplish the specific purpose (report, case analysis, factual requirement, problem solving, planning).
- h. Construct and implement a refined information search using various resources (the University Learning Resource Center (LRC) collections and services, scholarly journals in a field of study, the World Wide Web, and online database or other sources appropriate to the topic), select relevant and valid information sources, use this information ethically and legally avoiding plagiarism and composing proper APA references, synthesizing this information to reach informed conclusions with supporting rationale, and present the conclusions.

III. COURSE INTRODUCTION

In this section, the course instructor will provide a brief overview of the course, major activities, and highlight major topics.

IV. WEEKLY COURSE SCHEDULE

The weekly schedule below describes the learning activities that will help you achieve the course objectives listed above and the assessments that will be used to measure your mastery of the outcomes.

Each week is divided into sections consisting of activities to be completed before, during, and after class. Before class activities will help you prepare for the class session. After class activities will reinforce the material covered in the session. Homework consists of both after class activities of the current week and before class activities of the following week. For example, before coming to class in Week 2 you should complete the after class activities in Week 1 and the before class activities in Week 2.

WEEK 1 – January 15

Course objective in focus:

- Apply the concepts of supply and demand to identify and determine the impact of changes in market conditions in the short-run and long-run and identify the economic impact on a company's operations.

Supporting topics:

- Determinants of supply
- Determinants of demand
- Equilibrium price and quantity (concept, how determined graphically and mathematically)
- Changes in equilibrium price and quantity (factors affecting change in supply and change in demand, interpret shifts in the curves).

Activities

During Class:

- Course overview centered on discussion of course guide activities and assessments.
- Lecture/discussion to review determinants of supply, determinants of demand, and their interaction to produce an equilibrium price and quantity in a market (show graphically)
- Group exercise. The groups will use supply/demand graphs to analyze shifts in supply and demand and the resulting changes in market equilibrium in the situation below. The groups will report out on their conclusions.
 - Problem 1: Some states are requiring that ethanol be mixed with gasoline to comply with anti-pollution laws. Ethanol can be made from corn. What effect are these policies having on the equilibrium price and quantity of corn?
- Lecture/demonstration of algebraic solution to determine market equilibrium.
- Group exercise. The groups will use supply/demand graphs to analyze shifts in supply and demand and the resulting changes in market equilibrium in the situation below. The groups will report out on their conclusions.
 - Problem 2: Corn as a key input in the poultry, dairy, hog, and cattle industry. What effect has the sharp increase in the price of corn had on these industries?

After class:

- Read chapter 1 and 2 in the textbook
- Complete Questions #5-8 in Technical Questions Section at the end of Ch. 2 for HW

WEEK 2 – January 22

Course objective in focus:

- Apply the concepts of supply and demand to identify and determine the impact of changes in market conditions in the short-run and long-run and identify the economic impact on a company's operations.

Supporting topics:

- Elasticity (concept, factors affecting)
- Total revenue (impact of elasticity, computations)
- Introduction to regression analysis, application to economics

Activities

Before class:

- Read Chapters 3 and 4
- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on elasticity of demand, its determinants, and its relationship to total revenue
- Group exercise: Given a supply and demand function, solve for market equilibrium mathematically and show effects on equilibrium of shifts in supply and demand. The groups will report out on their conclusions.

- Lecture/discussion to review an estimated demand function, the interpretation of the regression coefficients, their statistical significance, and the overall significance of the model
- Group exercise: The groups will discuss and respond to two problems involving application of elasticity:
 - Problem 1: Should a company raise its price when it faces an elastic demand? Explain.
 - Problem 2: Using my example in class, using your own numbers give an example how as you proceed along a demand curve that elasticity changes from elastic to inelastic.
 - The groups will report out on their conclusions.

After class:

- Given a set of multiple regression analysis results from Excel, similar to Table 4.2, interpret the results: (i) determine significance of the model; (ii) determine significance of individual coefficients; and (iii) interpret them.

WEEK 3 – January 29

Course objective in focus:

- For a firm in a perfectly competitive industry, determine the breakeven point and determine profitability at the optimal level of output for given prices and operating costs in the short-run and analyze factors that would affect long-term production decisions.

Supporting topics:

- Short-run production function and diminishing marginal productivity (concept, graphical interpretation, computations)
- Total cost, total fixed cost, total variable cost
- Average cost, average fixed cost, average variable cost
- Marginal cost
- Long-run production function and returns to scale
- Economies of scale (concept, impact on firm's operations)
- Characteristics of perfect competition (market dynamics, impact on a firm)

Activities

Before class:

- Read Chapters 5 and 6
- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on the short-run production function and diminishing returns.
- Group exercise: Given a table of data representing a short-run production function (levels of the variable input and the associated total product), compute marginal and average products and determine the input level where diminishing returns begins. Groups will report out on their conclusions.

- Lecture/discussion on relationships between production and cost, highlighting the equivalence between diminishing marginal productivity and increasing marginal costs.
- Group exercise: Using the same data from the previous exercise and a wage rate specified by the instructor, compute the marginal cost curve based on the marginal products. Groups will report out on their conclusions.
- Lecture/discussion on the relationships among total, average, and marginal costs
- Group exercise: Given a partially completed table of costs, apply the relationships and complete the table.
- Lecture/discussion on long-run production, returns to scale, and the corresponding long-run average cost concept of economies of scale
- Lecture/discussion on characteristics of a perfectly competitive industry

After class:

- Homework #'s #5 & #9 in Technical Questions section of Ch. 5, #4 Technical Questions section of Ch. 6

WEEK 4 – February 5

Course objective in focus:

- For a firm in a perfectly competitive industry, determine the breakeven point and determine profitability at the optimal level of output for given prices and operating costs in the short-run and analyze factors that would affect long-term production decisions.

Supporting topics:

- Marginal revenue equals price (concept, graphical interpretation)
- Economic profit (define, significance)
- Shutdown point ($P=AVC$) (determine, continuation vs. shut down decision)
- Breakeven output (concept, computation)

Activities

Before class:

- Read Chapters 7 and 8

During Class:

- Lecture/discussion on determining the profit-maximizing level of output in a perfectly competitive industry by applying the marginal revenue = marginal cost rule
- Lecture/discussion on economic costs (contrasted with accounting costs) and normal profit, the shutdown point, and breakeven output
- Lecture/discussion showing that the firm's supply curve is that part of its marginal cost curve that is above the average variable cost curve.

- Group exercise: Given partially completed table of costs and revenues for a perfectly competitive firm fill in the missing values.
- Review for midterm exam

Homework: Ch. 7 Technical Questions #1 & #3, Ch. 8 – Understand the concepts from the “Antitrust Issues” portion of the chapter, I will likely ask a critical thinking question regarding the application of antitrust law

WEEK 5 – February 12

Course objective in focus:

- Discuss the end of Chapter 8 on monopolistically competitive industries. Introduce Chapter 9 to better prepare for group discussions in next class period.

Supporting topics:

- Characteristics of monopoly and monopolistic competition
- Natural monopolies (characteristics)
- Product differentiation
- Determining quantity and price (monopolies, firms in monopolistic competitive markets)

Activities

Before class:

- Review for Midterm Exam

During Class:

- Lecture/demonstration (graphically and algebraically) of how these firms set $MR=MC$ to determine output and then set price to sell that amount of output (they “see” the demand curve)
- **Midterm Exam**

After class:

- Read Chapter 9 in preparation for next week’s class.

WEEK 6 – February 19

Course objective in focus:

- For firms in oligopolistic markets, analyze the nature of competition and market dynamics that would affect price and output decisions.

Supporting topics:

- Characteristics and models of oligopolies
- Mutual interdependence, i.e., one firm’s pricing strategy affects other firm’s behavior
- Game theory (concept, basic application for planning)

Activities

Before class

- Read Chapter 9

- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on unique characteristics of oligopoly and how game theory is used to model behavior; types of games and how they are played.
- Group discussion of Games I will furnish in class. Groups will present their results.
- Lecture/discussion on game theory (concept, basic application for planning) and how game theory is used to model behavior; types of games and how they are played.
- Group exercise: Given a set of outcomes and initial assumptions about game conditions, find the dominant strategy. Groups will report out on their conclusions.

After class:

- HW is Chapter 9 Technical Questions, #4 and #7, Ch. 10 Technical Question #8

WEEK 7 – February 26

Course objective in focus:

- Apply macroeconomic concepts to determine how changes in a national economy affect economic growth, inflation, interest rates, and wage rates and identify the economic impact on a company's operations.

Supporting topics:

- Gross domestic product (GDP) (characteristics, interpretation)
- Components GDP [$Y = C + I + G + (X - M)$]
- Inflation and unemployment (factors affecting, impact on business)
- Aggregate expenditure (nature of the components, equilibrium)
- Nominal and real interest rates
- Investment-saving (IS) curve

Activities

Before class:

- Read Chapters 11 and 12
- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on measuring a country's level of economic activity (GDP) using both expenditure and income approaches, emphasizing the difference between nominal and real measures of GDP.
- As a group exercise, complete Technical Questions #1, #3, #5 from Ch. 11.
- Lecture/discussion on inflation and unemployment

- Lecture/discussion on the aggregate expenditure function, nominal and real interest rates, and the derivation of the investment-saving curve.
- Group exercise: Groups will develop responses to Technical Question 3, p. 377, and Application Question 1, p. 378. Groups report out on their conclusions.

After class:

- If not completed in class, complete responses to the group exercises for homework from Chapters 11 and 12. Additionally, complete Technical Question #7 in Ch. 12.

WEEK 8 – March 5

Course objective in focus:

- Apply macroeconomic concepts to determine how changes in a national economy affect economic growth, inflation, interest rates, and wage rates and identify the economic impact on a company's operations.

Supporting topics:

- Money demand and money supply
- Federal Reserve (functions)
- Tools of monetary policy
- Liquidity-money (LM) curve
- Equilibrium interest rate and income level (IS-LM framework)
- Term structure of interest rates
- Equivalence of IS-LM with aggregate demand-aggregate supply (AD-AS) framework and equilibrium income and price level
- Regulatory, fiscal, and monetary policies

Activities

Before class:

- Read Chapters 13 and 14
- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on money demand, the Federal Reserve, the money supply.
- Group exercise: Given data on the nominal money supply, nominal interest rates, the consumer price index, and inflation rates, compute the current real stock of money in the US and real interest rates. Groups report out on their conclusions.
- Lecture/discussion on deriving the liquidity-money (LM) curve
- Lecture/discussion on the IS-LM framework (determination of income and the interest rate) and the equivalent AD-AS framework (determination of price level and income) and how changes in equilibrium occur as a result of changes in fiscal and monetary policy.

- Group exercise: For selected changes (*instructor will specify*) in either fiscal or monetary policies show graphically what happens to equilibrium income, interest rate, and price level and evaluate the likely effects of the changes in these variables on a firm's profitability (revenue effects and cost effects). Groups report out on their conclusions.

After class:

- Technical ?'s 1,4,5 in Chapter 13 and Technical ?'s 1,2,3 in Chapter 14.

WEEK 9 – March 12

Course objective in focus:

- TBD, I will lecture on Chapter 16, or will double back and cover some of Appendix 3A “The Economic Model of Consumer Choice” (I will announce in the prior week, according to time availability and progress through the material)
- Discussion of combining microeconomic and macroeconomic analysis and their role in managerial decision making (and/or)
- Discussion of how individual consumers make optimal consumption choices when faced with budget constraints

Supporting topics:

- More AS/AD analysis combined with micro level decision making
- Consumer choice

Activities

Before class:

- Read Chapter 16 in the textbook and/or Appendix 3A
- Review the group exercise/discussion topics for this week and be prepared to complete the actions with your group.

During Class:

- Lecture/discussion on Chapter 16's contents, the combination of micro and macroeconomic elements in decision making.
- Group exercise: The groups will analyze the following and report out on their conclusions.
 - (a) Given illustrative data (provided by the instructor, aka a short case study) for a company along with current economic conditions explain possible opportunities and areas of weakness that could arise due to changes in macroeconomic level conditions. Groups will present their findings to the class.

After class:

- Prepare for next week's presentation

WEEK 10 – March 19

Course objective in focus:

- Analyze changes in foreign market conditions (exchange rates, wage rates, interest rates, inflation, global economic integration, and economic policies) and determine the impact on a firm's strategic decisions for operating in that market.

Activities

Before class:

- Prepare Case Study/Presentation materials

During Class:

- Review for Final Exam
- Presentations
- Lecture/discussion on example of economic issues in international operations (Brazil, auto manufacturing)

WEEK 11 – March 26

Course objective in focus:

Final Exam

V. EVALUATION METHODOLOGY

Midterm Exam	25%
Final Exam	35%
Homeworks	20%
Presentation/Case Study	15%
Class Participation	5%

Grading Scale

90-100	A
80-89	B
70-79	C
Below 70	F

VI. UNIVERSITY NOTICES

Honor Pledge

All work submitted for this course is subject to the University's Academic Integrity Policy available in the Student Handbook and the University's Honor Pledge, printed below:

I have read and understand Strayer University's Academic Integrity Policy. I promise to conduct myself with integrity in the submission of all academic work to the University and will not give or receive unauthorized assistance for the completion of assignments, research papers, examinations or other work. I understand that violations of the Academic Integrity Policy will lead to disciplinary action against me, up to and including suspension or expulsion from the University. I understand that all students play a role in preserving the academic integrity of the University and have an obligation to report violations of the Academic Integrity Policy committed by other students.

Academic Integrity

Strayer University holds its students to high standards of academic integrity and will not tolerate acts of falsification, misrepresentation or deception. Such acts of intellectual dishonesty include, but are not limited to, cheating or copying, fabricating data or citations, stealing examinations, the unauthorized use of instructor editions of textbooks, taking an exam for another student or having another student take an exam intended for oneself, tampering with the academic work of another student, submitting another's work as one's own, facilitating other students' acts of academic dishonesty, using internet sources without citation and plagiarizing.

Plagiarism

Plagiarism means the act of passing off the work or ideas of another person as one's own. Plagiarism can be either intentional (for example, downloading a research paper from the Internet and submitting it as one's original work), or unintentional (for example, the single improper citation of another person's statement). Both forms of plagiarism are unacceptable at Strayer University, but the penalties may vary with the type and seriousness of the infraction.

Course Participation Guidelines for Students

The University encourages open discussion within its courses and often asks students to draw from personal experience in their responses to course assignments. Though such information should be used only for educational purposes, the University cannot guarantee that such information will remain confidential. Students are responsible for knowing the applicable policies of their employers and others with regard to the sharing of confidential information and using appropriate discretion. Additional care should be used when posting to online discussion boards where written comments are preserved. The University is not legally responsible for any inappropriate postings through its online discussion boards (i.e. those that violate University policy, defame another person, etc.). In order to preserve an open discussion within the classroom environment, students may choose to not specifically identify their current or previous employers by name or withhold other similar identifying information. Questions or concerns regarding this policy should be directed to the course instructor or the applicable Campus Dean, Strayer University Online Dean of Students or the Dean of Student Affairs.

Attendance Policy

Students are expected to attend all regularly scheduled classes. Should absences be necessary, students are responsible for the material covered during the absences. Faculty cannot grant requests for excessive amounts of make-up material, and they may request written documentation detailing the reason for the absences.

Excessive absences make it almost impossible for a student to meet the academic objectives of a course; they frequently cause a student to receive a lower grade, even though, the absences were unavoidable.

Strayer University requires all faculty members to take attendance during each class period and to records it accurately on their permanent roster. This data is available for verification of attendance by the appropriate governmental agencies and educational accrediting organizations.

A student who is absent from four consecutive class meetings, excluding holidays and emergency cancellation of classes, will be withdrawn automatically from that course. A student will be withdrawn automatically from a mini-session course when he/she misses two consecutively scheduled class meetings.

Attendance in an online asynchronous course is automatically recorded by the system. Even though accessing an online asynchronous course only once a week is sufficient for a student for attendance purposes, an active participation by the student helps the student's performance and overall grade. Each week runs from Monday through Sunday (midnight) Eastern Time. In a Synchronous course, attendance is taken by the Instructor during each live session.

APA Style (if essay/research paper requirements present in the course)

Strayer University uses the APA (American Psychological Association) Writing Style in all its courses which require a Paper or Essay. Instructors provide information on some useful resources in the course.

Grade Dispute Policy

If you have questions with regard to the grading policies in this course, please contact the instructor for clarification. Questions on the final grades received in this course should be directed to the instructor of the course. In the event you still seek to dispute the final grades after contacting the instructor, please go to the Online Help Center to record your grievance and requesting an action on it. For further information, please see the Student Handbook.

Inclement Weather Policy

In the event of inclement weather, consult the Strayer University student website at <http://studentserver.strayer.edu> for information on University closings and delays

VII. UNIVERSITY SERVICES

Learning Resources/Library

A variety of learning resources designed to help students succeed academically is available through the Strayer University Library or Learning Resources Center (LRC). Each campus LRC offers print resources, books, and periodicals for research. Circulating books located at any LRC may be requested for use through the LRC Manager.

Library resources are also available online, and can be accessed from any computer connected to Internet through the Resource tab located on the e-College course web pages. The Library's online databases and other research resources can be accessed through the University's website at <http://online.strayer.edu/lrs/resourcecenter/home.htm>. These web pages provide thousands of full text periodicals, over 50,000 electronic books, radio and TV transcripts, the complete Encyclopedia Britannica, access to the Strayer University Library catalog, online tutorials, and useful links to Internet resources. A tour, if possible, of the LRC is highly recommended and can be scheduled through your LRC Specialist.

Tutoring Services

Tutoring is offered for undergraduate level courses in subject areas such as English, writing skills development, mathematics, accounting and computer information systems. All students have access to these free tutoring services-whether they are taking classes at a brick-and-mortar campus or via Strayer Online. Tutoring services are provided by either a full-time or part-time faculty member with a strong background in the subject area in which he or she is tutoring.

Campus based tutoring schedules vary slightly, but typically tutoring services are available Monday through Friday in the late afternoon and Saturday mornings in order to accommodate the needs of our student body. Students should check with their Academics Office for a tutoring schedule and information on how to schedule an appointment.

Notice to Students with Disabilities

Strayer University welcomes students with disabilities and provides reasonable accommodations and auxiliary aids and services in accordance with applicable law. A disabled student is not required to disclose his/her disability to the University unless the student wishes the University to provide a reasonable accommodation. If you desire accommodation for a disability in this course and have not already contacted the office of the Dean of Student Affairs with your request, please do so immediately. Requests may be submitted to: 1133 Fifteenth Street, NW, Suite 300, Washington, D.C. 20005, Phone: (202) 419-0400, Fax: (202) 419-1423.

Security on Campus

Any person in immediate danger due to crime or emergency while on University property should contact local police immediately by dialing 911. When the emergency has subsided, the victim should also report the incident as soon as possible to the Campus Director of the location where the incident occurred. The University's Campus Security Report is available on the Strayer University student website at <http://studentserver.strayer.edu>.

Turnitin (*if used in the course*)

Due to Strayer University's firm belief in upholding academic integrity and honesty, a contract has been signed with "Turnitin", which is a plagiarism detection software. Certain courses may include Essays/Research Papers as assessment items, which serve to evaluate not only the effectiveness of a student's writing skills, but also a student's research skills (including proper citations and use of sources/references), critical-thinking skills, and ability to provide strong argument to support and defend their point-of-view. In order to effectively (and fairly) measure these attributes in a student, it is important to know that the student has submitted an original work. This is where the Turnitin feature is utilized. Students are allowed to run their Essay/Research Paper through this software themselves to detect any unintentional (or, intentional) plagiarism and then make the necessary changes before making the final submission to their Instructor for grading. This opportunity allows the students to make corrections in their paper and submit an original work. The Instructor reserves the right to run the students' work through this utility again and, in the event of finding any level of plagiarism, may use his/her discretion to grade the students' work.