

BEPP 250 – FALL 2013

Undergraduate Managerial Economics

Welcome to BEPP 250! This course will introduce you to “managerial economics”, the application of microeconomic theory to management problems. Microeconomic theory is a remarkably useful body of ideas for understanding and analyzing the behavior of individuals and firms in a variety of contexts. The goal of the course is to get you to internalize this body of theory well enough so that you can rigorously and efficiently analyze management—as well as other—problems in an economic framework. While this is a “tools” course, we will cover many real-world applications, particularly business applications, throughout the course. We will depart from usual microeconomic policy courses with greater-than-usual emphasis on prescription, as opposed to description. For example, we will focus on profit maximization as a management goal rather than simply a foregone conclusion.

The first major task in the course is the development of the theory of supply and demand underlying the competitive model, which serves as the benchmark for evaluating other market structures. Outside of the purely competitive context, an understanding of demand is essential to firms’ optimal pricing and product positioning decisions. The concept of supply and the supply curve provides an invaluable framework for thinking about firm costs and investment decisions. After presenting the competitive model, we turn to other market structures more like those encountered by real-world firms such as monopoly and oligopoly. We then investigate the development and use of market power, as well as strategic interaction among firms. Finally, we examine market failures such as asymmetric information and externalities.

Prerequisites: students need to have taken or waived Economics 001. Students must also be familiar with derivatives, which—believe it or not—make this course much easier. Don’t worry if your math is rusty, because your TA will dedicate the first recitation to reviewing relevant math and will be available throughout the semester to assist with problem-solving.

Readings: The textbook for this course is Microeconomics: Theory and Applications with Calculus by Jeffrey M. Perloff, third edition (available at the bookstore --- using the second edition is also just fine). You will get much more out of lectures if you can read – or even just skim – the relevant sections of the textbook before coming to lecture.

Requirements: Grades in this course depend on problem sets (10%), attendance (5%), a midterm exam (35%), and a final exam (50%). We will discard the grade of your lowest problem set and late problem sets will not be accepted. Each of the six assigned problem sets will be due in lecture – see the schedule below for due dates. The problem sets will be posted on Canvas on the day that they are assigned and the solutions will be posted on or shortly after the due date. These problem sets are designed to give you practice working on the material and to prepare you for the midterm and final exam. It is important that you put your maximum effort into working on these problem sets. Only via practice with the concepts taught in this course can you become proficient with them. Accordingly, they are graded pass/fail based on apparent effort, not accomplishment. While each problem set is given either credit or no credit (for your grade on the homework), it is nevertheless marked “excellent”, “good”, “ok”, or “fail” or some variant thereof (to give you more fine-tuned feedback).

The midterm exam is Tuesday, October 8, 6-8PM. The final exam is Friday, December 13, 3-5PM. Both exams are “closed book” though you may bring along a non-programmable calculator.

Attendance: Attendance is mandatory. Your course TA will show up randomly once or twice a week to take attendance. Material not in the text and embellishment of material in the text is covered in class. Exams will be based on the material covered in lectures. While the text is a useful complement to the lectures, it is definitely not a substitute. We use attendance as a diagnostic measure to assist us in assessing your performance.

Ethics: You are expected to review and abide by the University of Pennsylvania's Code of Academic Integrity. Violations of the code carry serious sanctions. Among such violations are the altering of exams after the exams are returned. In the spirit of full disclosure, we copy midterm and final exams. The faculty will turn all cases of code violations over to the Office of Student Conduct and reserve the right to impose additional sanctions, including a failing grade for the assignment / exam and the course.

Recitations: Each student is assigned to one Friday TA session. Attendance at the Friday review sessions is not mandatory but is highly encouraged.

MyEconLab: MyEconLab is a dynamic, interactive eLearning program. Your instructor has requested that you have access to this online program to do practice homework, answer practice quizzes, and access the textbook. MyEconLab will also be used for some pieces of homework so it is compulsory.

To access your MyEconLab online course for the first time, you need to **register** and **log in**. Whenever you want to use MyEconLab after that, you just need to log in. You can do both from the same starting point, at www.pearsonmylab.com

To **register**, you will need a *student access code* and a *course ID*. If you purchased a new textbook, it should have come with a Student Access Kit that contains a code you can use to register. If you do not have a Student Access Kit, you can purchase access online with a major credit card.

Re-grading Policy: Grading mistakes are rare, but they can occur. In the event that you believe your test has been graded incorrectly, please follow the steps below:

- 1) Go home from class and read the answer sheet posted on Canvas carefully. Take at least 24 hours to think about the answers before submitting a re-grade request.
- 2) If you do submit a request, submit it in writing on a separate piece of paper and attach that sheet to your exam. Do not write on the exam. Additionally:
 - a) For each part of the exam that you think was mis-graded, give a written explanation of your view.
 - b) You must ante up one exam point for each part of the exam that you think was mis-graded. You get that point back only if your complaint is judged to have merit. Otherwise, you lose the point.
 - c) You must submit the entire original exam (not just the question(s) you wish to have re-graded). Your score could go down or up as a result of re-grading.
 - d) We reserve the right to re-grade the whole exam (even questions not requested for a re-grade).

BEPP 250 Course Schedule and Key Dates
(The topic schedule is approximate and will be updated)

<i>Lecture</i>	<i>Date</i>	<i>Action</i>	<i>Session Topic(s)</i>	<i>Readings</i>
1	W-TH Aug 28-29		Introduction to Microeconomics; Demand	1, 2.1
2	T-W Sept 3-4		Supply; Market Equilibrium; Elasticity	2.2-2.8
3	TH-M Sept 5-9		Consumer Preferences; Budget Constraints	3.1-3.2
4	T-W Sept 10-11		Consumer Choice	3.4-3.5
5	TH-M Sept 12-16		Demand Graphically: Income & Price Change;	4.1-4.5,
6	T-W Sept 17-18	Homework 1 due	Firms and Production Functions	6.1-6.6
7	TH-M Sept 19-23		Cost of Production	7.1-7.3
8	T-W Sept 24-25		Costs; Perfect Competition	7.3-7.4, 8.1
9	TH-M Sept 26-30		Profit Maximization & Competitive Supply; Long Run Output	8.2-8.4
10	T-W Oct 1-2	Homework 2 due	Consumer Welfare and Policy Analysis	5.1, 5.3
11	TH-M Oct 3-7		Analysis of Competitive Markets	9.2-9.3, 9.5-9.6
12	SUN October 6 T, OCT 8 (No class 10/8-9)	MIDTERM 6-8PM	REVIEW SESSION COVERS MATERIAL IN LECTURES 1 THROUGH 11	
13	M-T Oct 14-15		Monopoly	11.1-11.3; 11.5-11.8
14	W-TH Oct 16-17	Homework 3 due	First and Third Degree Price Discrimination	12.1-12.2, 12.4
15	M-T Oct 21-22		Second Degree and Other Forms of Price Discrimination	12.3, 12.5- 12.6
16	W-TH, Oct 23-24		Game Theory & Competitive Strategy	13.1-13.3
17	M-T, Oct. 28-29	Homework 4 due	Game Theory & Competitive Strategy (continued)	13.4
18	W-TH, Oct 30-31		Auctions	
19	M-T, Nov 4-5		Introduction to Oligopoly; Cartels	14.1-14.2
20	W-TH, Nov 6-7		Quantity Competition (the Cournot Model)	14.3-14.6
21	M-T, Nov 11-12	Homework 5 due	Price Competition, Monopolistic Competition	14.7-14.8
22	W-TH, Nov 13-14		Uncertainty	16.1-16.2
23	M-T, Nov 18-19		Efficiency and Equity; Market Failure, Externalities	10.5, 17
24	W-TH, Nov 20-21		Externalities (continued) & Public Goods	17
25	M-T, Dec 2-3		Asymmetric Information	18.1-18.3
26	W-TH, Dec 4-5	Homework 6 due	Moral Hazard & Incentives	19.1-19.2
27	M-T, Dec 9-10		Wrap-Up	
	Friday, Dec 13	FINAL 3-5 PM	COVERS MATERIAL IN LECTURES 1 THROUGH 27	