

Course Syllabus[†], Fall 2013

SECTION INFORMATION

Section	Days	Time	Classroom	Instructor
MGEC 611-001	MW	9-10:30	JMHH 245	Michael Sinkinson
MGEC 611-002	MW	10:30-12	JMHH 245	Michael Sinkinson
MGEC 611-003	MW	1:30-3	JMHH 245	Michael Sinkinson
MGEC 611-004	MW	9-10:30	JMHH 255	Judd Kessler
MGEC 611-005	MW	10:30-12	JMHH 255	Judd Kessler
MGEC 611-006	MW	1:30-3	JMHH 255	Judd Kessler
MGEC 611-007	MW	9-10:30	JMHH 265	Clayton Featherstone
MGEC 611-008	MW	10:30-12	JMHH 265	Clayton Featherstone
MGEC 611-009	MW	1:30-3	JMHH 265	Clayton Featherstone
MGEC 611-010	MW	9-10:30	JMHH 270	Katja Seim
MGEC 611-011	MW	10:30-12	JMHH 270	Katja Seim
MGEC 611-012	MW	1:30-3	JMHH 240	Katja Seim

FACULTY CONTACT INFORMATION

Faculty	Location	Email	Office Hours
Professor Clayton Featherstone	SHDH 3006	ClaytonF@wharton	Monday 3:00-4:30 and by appointment
Professor Judd Kessler	SHDH 1454	JuddK@wharton	Monday 3:00-4:30 and by appointment
Professor Katja Seim	SHDH 1457	KSeim@wharton	Monday 3:00-4:30 and by appointment
Professor Michael Sinkinson	SHDH 1461	MSink@wharton	Monday 3:00-4:30 and by appointment

READINGS

The *MGEC 611 Custom Book* and *MGEC 612 Custom Book* includes readings from "Microeconomics", Doug Bernheim and Michael Whinston, 2nd Edition, McGraw-Hill [BW below] and "Intermediate Microeconomics: A Modern Approach," Hal Varian, 8th Edition, Norton [Varian below]. The text is available at the bookstore.

Extracts from "Microeconomics", by Robert Pindyck and Daniel Rubinfeld, 8th Edition, Pearson [PR below] are available on study.net.

[†] Updated July 25, 2013

TEACHING ASSISTANTS

TAs will hold recitations, at which they will solve practice exam problems, and office hours, which are a more free-form time for questions. Attendance of either recitations or office hours is not mandatory. Feel free to attend whichever office hours or recitation fit your schedule. **Please contact the head TA concerning administrative details and use Canvas' discussion board for questions related to the material.**

Email Addresses

Victoria Perez (Head TA)	vep@wharton.upenn.edu
Mark Clements	markclem@wharton.upenn.edu
Rudy Henkel	rudyhenkel@gmail.com
Sterling Horne	hornes@wharton.upenn.edu
Ami Ko	koam@sas.upenn.edu

Office Hours (individual Q & A)

	12-1:30 p.m.	3-4:30 p.m.	5:30-7 p.m.
Mon	Rudy Henkel	Rudy Henkel	
Tue	Sterling Horne		
Wed	Mark Clements	Ami Ko	Ami Ko
Thur	Sterling Horne	Mark Clements	

Recitations (practice for exams)

MGEC 611-201, Monday, 4:30-5:30 p.m.	Rudy Henkel
MGEC 611-202, Tuesday, 4:30-5:30 p.m.	Ami Ko
MGEC 611-203, Wednesday, 4:30-5:30 p.m.	Mark Clements
MGEC 611-204, Friday, 11:00-12:00 p.m.	Sterling Horne

MATHEMATICAL REQUIREMENTS

You should review elementary algebra and calculus and:

1. Be able to graph an equation, especially a linear equation.
2. Be able to solve a system of two linear equations and two unknowns.
3. Understand what a derivative is. Short answer: "the slope of a function at a point."
4. Be able to compute the derivative of a simple equation.
5. Know that the derivative of a function is zero at its peak.

There is a practice "problem set" (no need to submit your answers; it is just for your own self-assessment) posted on Canvas. If you understand how to do the problem set, you should be fine in terms of the math for this course. If you have any difficulty, please talk to a TA about steps you can take to get your math skills up to speed.

GRADING POLICIES

1. Each student must submit his or her own problem set, although collaboration is permitted in working through the questions.
2. Problem sets should be submitted to the section-labeled hanging folders just inside **1041 Steinberg Hall-Dietrich Hall** (i.e. the smaller door to the left of the main entrance to the 1400 suite). The door will be closed at 4 pm on the day of the deadline. Please be mindful that this is a working office. **Submissions will not be accepted once the door is closed, and submissions will not be accepted through any other method, including email.**
3. Exams are closed book, but a one page “crib sheet” of formulas is allowed along with a stand-alone (not a phone or a computer) calculator (details to be discussed in class).
4. Each subpart of a homework question will either be graded right or wrong, that is, there is no partial credit for any given subpart of the homework. Making a mistake on an early part of a question can lead to errors-carried-forward in subsequent parts: these will lose full points on homework. However, due to the limited time you have for writing exams, we will be more lenient on partial credit and errors-carried-forward on exams.
5. If you wish to dispute a grade on an assignment or an exam, you must do so by the dispute deadline we will announce in class. In order to file a dispute, you must ante up 5% of the value of the assignment. If we conclude that your dispute is valid, you will receive the 5% back, but if not, we will keep it. We also reserve the right to re-grade all parts of a disputed assignment, not only the specific parts you wish to dispute. Finally, your dispute must be put into writing, attached to the original graded exam, and submitted to the same place that the homework assignments are submitted, by 4 pm on the dispute deadline. Again, **disputes will not be accepted beyond the deadline, and disputes will not be accepted through any other method.**
6. **Any evidence of cheating is sent immediately to the Dean.**
7. Your score for the course will be calculated according to the following table. Course grades will be “curved” at the instructor level across his/her sections, i.e. not across *all* sections.

Assessment	Due Date	% Of Grade
Problem Set 1	Sept 11	13%
Problem Set 2	Sept 25	13%
Problem Set 3	Oct 9	13%
MGEC 611 Exam	Oct 15	50%
Attendance and Participation	-	11%

CLASSROOM POLICIES

1. Each student must sit in his or her assigned seat with name-card displayed.
2. You are expected to have read the assigned articles before class. We suggest that you briefly discuss them with your learning teams as well.
3. We will cold-call people.
4. If you would like to take notes electronically, tablets, but not laptops or smartphones, can be used in the classroom.
5. Wharton "concert rules" apply: be seated when class is scheduled to start and don't leave the room unless absolutely necessary.

ATTENDANCE POLICIES

We will rely on the attendance app developed by the MBA Program Office (MBAPO) in conjunction with the seating chart to record attendance. Absences will be excused only for the specific reasons listed on the MBAPO website.

REVIEW SESSIONS

Teaching Assistants will hold two reviews for the Final Exam on Friday, Oct. 11, from 4 pm to 6 pm and on Sunday, Oct. 13, from 1 pm to 3 pm in rooms to be announced on Canvas.

LIST OF LECTURES AND TOPICS

1. Aug 26: Course Introduction and Market Demand.
 1. Why Managerial Economics?
 2. Overview of the Course
 3. Calculating Market Demand
 4. Measuring Satisfaction: Consumer Surplus
Reading: BW Chapters 2.1, 6.1, 14.2 section on "Market Demand", 14.5
Article: "Frustrations of Air Travel Push Passengers to Amtrak"
<http://www.nytimes.com/2012/08/16/business/hassles-of-air-travel-push-passengers-to-amtrak.html>

2. Aug 28: Production and Supply Curves
 1. Types of costs firms face
 2. When to enter or leave an industry
 3. Who to hire and what to buy
Reading: BW Chapters 2.2, 7.2, 7.3 (through p. 223), 8.1-8.6
Article: "Armies of Expensive Lawyers Replaced by Cheaper Software"
<http://www.nytimes.com/2011/03/05/science/05legal.html?pagewanted=all>
Article: "Game over for 520 Zynga workers", Brett Molina and Jon Swartz, USA TODAY,
<http://www.usatoday.com/story/tech/gaming/2013/06/03/zynga-layoffs-mark-pincus/2385291/>

3. Sept 4: Equilibrium and Elasticity
 1. Market Equilibrium
 2. Understanding Consumer Demand: Price elasticity, income elasticity, and cross-price elasticity
Reading: BW Chapters 2.3, 2.4
Article: "Severe Drought Seen as Driving Cost of Food Up", ANNIE LOWREY and RON NIXON, The New York Times,
<http://www.nytimes.com/2012/07/26/business/food-prices-to-rise-in-wake-of-severe-drought.html>
Article: "Disruptions: Taxi Supply and Demand, Priced by the Mile", Nick Bilton, The New York Times 1/8/2012
<http://bits.blogs.nytimes.com/2012/01/08/disruptions-taxi-supply-and-demand-priced-by-the-mile/>

4. Sept 9: Dealing with Government
 1. Price controls
 2. Licenses and cap-and-trade
 3. How taxes are split between firms and consumers
Reading: BW Chapter 15.1, 15.2
Article: "Cigarette Taxes vs. Cigarette Smuggling", Catherine Rampell, The New York Times, 1/10/2013.
<http://economix.blogs.nytimes.com/2013/01/10/cigarette-taxes-vs-cigarette-smuggling/>
Article: "Drink tax not what either side predicted in Philadelphia", Steve Twedt, Pittsburgh Post-Gazette, 7/21/2007

5. Sept 11: Perfectly Competitive Industries
 1. What do we mean by a "perfectly competitive" market?
 2. Profit maximization by perfectly competitive firms
 3. Market outcomes in perfectly competitive markets
 4. Short Run vs. Long Run decision-making
Reading: BW Chapter 9, 14.3, 14.4
Article: "Shipping Lines Sail Uncertain Seas; Global Weakness Sends Rates Tumbling With New Vessels on the Way; Some May Become Cruise Ships." Miller, John W.; Wall Street Journal [New York, N.Y] 08 Oct 2008: B.1.
Article: "Cartel Pushes Up Price of Rubber --- Southeast Asian Group to Withhold, Tighten Supply by Burning Older Trees" Alex Frangos and Huileng Tan, The Wall Street Journal, 8/20/2012

PROBLEM SET 1 DUE SEPT 11

6. Sept 16: Firms with Market Power: Monopoly
 1. What is market power?
 2. Marginal Revenue and Uniform Pricing with market power.
 3. Sources of Market Power: patents, licenses, etc.
 4. The Inverse-Elasticity Pricing Rule
 5. Multi-product firms
 6. Effects of monopolies on consumers
Reading: BW Chapter 17.1-17.3
Article: "Drugs' Cost And Safety Fuel a Fight", Gardiner Harris, The New York Times 4/5/2011.
Article: "Rare Earth Minerals: An End To China's Monopoly Is In Sight", Paul Martyn, Forbes, 6/8/2012.

7. Sept 18: Pricing with Market Power – Quantity Discounting and Personalized Pricing
 1. Pricing to markets where consumers have different tastes
 2. Different types of Price Discrimination: how well are you able to target consumers with different tastes
 3. Perfect price discrimination: applications and outcomes
 4. Pricing on demographics

Reading: BW Chapter 18.1-18.2 (through p. 631), 18.3
Article: “Shopper Alert: Price May Drop for You Alone”, Stephanie Clifford, New York Times, 8/9/2012.
Article: “When Business Can’t Foresee Outrage”, Richard Thaler, The New York Times, Nov 20 2011

8. Sept 23: Pricing with Market Power – Market Segmentation Strategies
 1. Designing products for consumers to self-select
 2. Quantity discounting
 3. Versioning, “Damaged Goods”

Reading: Varian Chapter 25.3
Article: “Websites Vary Prices, Deals Based on Users' Information”, Jennifer Valentino-Devried, Jeremy Singer-Vine and Ashkan Soltani, The Wall Street Journal, Dec 24, 2012,
<http://online.wsj.com/article/SB10001424127887323777204578189391813881534.html>

9. Sept 25: Pricing with Market Power – Two-Part Tariffs
 1. Introduction to two-part pricing
 2. Optimal two-part tariffs with full information
 3. Two-part pricing to markets with multiples types of consumers

Reading: BW Chapter 18.2 (from p. 631), 18.4 (p. 644-648)
Article: “Square's new pricing: A bold move”, Miguel Helft, CNN Money 8/16/2012
Article: “A Stingy Spirit Lifts Airline's Profit”, Jack Nicas, The Wall Street Journal 5/12/2012

PROBLEM SET 2 DUE SEPT 25

10. Sept 30: Pricing with Market Power – Bundling
 1. Capturing surplus from bundling goods together
 2. When “Pure” and “Mixed” bundling strategies are profitable.
 3. Tying goods together.

Reading: BW Chapter 18.5
Article: “Dish Network Drops Home of ‘Mad Men’”, Brian Stetler, The New York Times 7/1/2012
Article: “New Netflix Pricing Gets Thumbs Down --- Stock Falls 19% As Customers Leave”
 Ian Sherr, The Wall Street Journal, 9/16/2011

11. Oct 2: Pricing in vertical markets
 1. Market structure at different levels affects the final goods market
 2. Market power at multiple levels: double markups and how to avoid them
 3. Implications of forms of downstream/retail competition
 4. Optimal contracts to overcome vertical market distortions

Reading: PR Appendix to Chapter 11, available on study.net.

Article: "Fallout From Apple's Loss on E-Books", BRIAN X. CHEN and JULIE BOSMAN, The New York Times, July 10 2013

Article: "Sticker shock: Why are glasses so expensive?", Lesley Stahl, CBS News, Oct 7 2012

12. Oct 7: Course Review and Other Topics

PROBLEM SET 3 DUE OCT 9

MGEC 611 EXAM – Tuesday, October 15, 6pm-8pm