

# ***BEPP 250 – SPRING 2018***

## ***Managerial Economics***

Prof. Mike Abito  
Email: [abito@wharton.upenn.edu](mailto:abito@wharton.upenn.edu)

Office Hours: (TBD)  
Office: SHDH 1407

I'll be honest with you... I don't like the Course Title and I'd rather call BEPP 250 as "Using Microeconomics for Decision-Making." Sounds good? Alright. Microeconomic theory is a remarkably useful body of ideas for understanding and analyzing the behavior of individuals and firms in a variety of economic settings. The goal of the course is for you to understand this body of theory well enough so that you can effectively analyze business, public policy or even personal problems in an economic framework. While this is a "tools" course, we will cover many real-world applications, particularly business and public policy applications, so that you can witness the usefulness of these tools and acquire the skills to use them yourself. We will depart from the usual microeconomic theory course by giving more emphasis to *prescription*: What should a decision-maker do in order to achieve some objective? That course deliverable is to be compared with *description*: Why do firms and consumers act the way they do? The latter will still be prominent in this course because only by understanding how other firms and consumers behave can a decision-maker determine what is best for him or her to do.

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 many firm decisions including pricing, marketing, and product positioning. The concept of supply and the supply curve provides a valuable 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 in both product markets and auctions. Finally, the challenges created by asymmetric information are investigated which have significant implications for behavior and market performance.

**Prerequisites:** Students need to have taken ECON 1 or ECON 10 or its equivalent. Also, you will finally be able to apply the tools you learned in calculus! To assist you in reclaiming a level of comfort in taking derivatives (which you surely had when you took calculus), the first recitation will review relevant mathematical methods, and there will be TAs to assist you throughout the semester. While it may take some time to become accustomed to applying calculus to real-world problems, it actually makes it significantly easier to learn the basic principles of microeconomic theory.

**Textbook:** There is NO REQUIRED textbook for this course. However, if you want some BEPP250 bedtime reading, I recommend you pick up Microeconomics by Acemoglu, Laibson and List. Either the 1<sup>st</sup> or 2<sup>nd</sup> editions will do. The Penn Bookstore carries the 2<sup>nd</sup> edition both in Ebook format and looseleaf, while you can purchase the 1<sup>st</sup> edition from Amazon.

**Resources:** The main resources in the class are lecture notes, recitation notes, and other notes that we will prepare ahead of time.

You have a question about the course – a concept, a deadline for a problem set, etc? You have many resources available to you to get the answer. To start, the primary venue for resolving questions will be Piazza. This system is designed to getting you help fast and efficiently from classmates, the TA's, and me. You are encouraged to check Piazza for an answer to your question (for if you have that question, so might other students) and, if it is not there, to then post your questions on Piazza. If you would rather engage in a one-on-one discussion, you can email your query to one of the undergraduate TAs. If the TA feels that discussion would be useful to other students, s/he will post it on Piazza while maintaining your anonymity. Of course, you can also go to the office hours of an undergraduate TA or to my office hours.

The undergraduate Teaching Assistants for the course are: TBA

You should feel free to contact them by email with your questions at any time.

The class Piazza page can be found at: TBA

We will also use Canvas to distribute lecture slides and for other administrative matters. Although there will be some overlap between Piazza and Canvas, please use Piazza for all questions and communications.

**Requirements:** Your grade in the course is based on participation (10%), best exam (40%), second best exam (30%), and third best exam (20%).

Let me explain the individual components:

1. *Participation:* Consists mainly of problem sets that are graded based on effort. A small part of participation is how well I know you during the course. For example, while I don't require that you go to lectures, in-class participation obviously counts. Btw, Piazza keeps statistics on students' participation so that will count as well.
2. *Exams:* If you look at our course schedule below, you will see that we will have 3 "midterm exams," all occurring during term time (i.e. we won't have a final!). Among these three tests, the highest you get will receive the largest weight (40%), the second best will get 30%, while the lowest will get the least (20%).

**Problem sets:** Problem sets will be posted on Canvas. They are to be turned in during class and will be returned either at class or recitation. Problem sets are designed to give you practice working

on the material and to prepare you for the exams. Though problem sets will be graded on apparent effort, we strongly advise that you take them very seriously. Think of them as an investment that will yield a return when you take an exam.

**Recitations:** Each student must register for a Friday recitation run by a graduate TA and you should only attend the recitation for which you are registered. Attendance at recitation is not mandatory but it is highly recommended in the strongest terms. While lectures will emphasize concepts and applications, recitation will focus on problem-solving which is crucial for the exams. The recitations have been designed to engage in “active learning” which means you will work in groups to solve problems with the assistance of the graduate TA. Studies have shown this to be an effective method of learning and it should nicely complement lectures. When it comes to deciding whether to attend recitation, just consider it in cost-benefit terms. If attending recitation allows you to answer just one question on an exam that you would not have been able to answer otherwise, it would be time well-spent in terms of delivering a higher course grade.

**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. 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.

**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. 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).

**Missed exams:** Students are expected to attend all the exams. A missed exam will be assigned zero points, unless the student has a medical or personal emergency or some unavoidable school-related conflict that is recognized and excused by a student’s instructor. In all cases, a student must make a request for an excused absence to the BEPP course administrator. We ask students to provide appropriate documentation. Conflicts with other exams will be dealt with on a case-by-case basis. In case of a conflict, a student is required to notify us of the conflict ***at least two weeks prior to the exam date.***

A make-up exam is usually organized around the date of the main exam. You can only attend it if you have been excused from taking the main exam. As you can imagine, we can only organize one such make-up exam. (For otherwise, where does it all end? A make-up for a make-up for a make-up ...) Other issues will be dealt with on a case-by-case basis.

**Students with disabilities:** Requests for academic accommodations need to be made during the first two weeks of the semester, except under unusual circumstances, to arrange reasonable accommodations. Students must register with Student Disabilities Services (SDS) for disability verification and for determination of reasonable academic accommodations.

Lectures	M/W	BEPP 250	Problem Set Due	Suggested Readings
1	01/10	Introduction		
	01/15	MLK Holiday – No classes		
2	01/17	Consumers: Preferences and Budget Constraint		
3	01/22	Consumers: Utility Maximization		
4	01/24	Consumers: Demand		
5	01/29	Firms: Production		
6	01/31	Firms: Cost Minimization		
7	02/05	Firms: Profit Maximization and Supply		
8	02/07	Review Session and Q&A		
	02/08	<b>MIDTERM EXAM 1 6-8 P.M.</b>		
9	02/12	Competitive Equilibrium		
10	02/14	Trading Pit Experiment		
11	02/19	Monopoly: Price Discrimination		
12	02/21	Monopoly: Price Discrimination		
13	02/26	Public Goods Experiment		
14	03/12	Review Session and Q&A		
	<b>03/13</b>	<b>MIDTERM EXAM II 6-8 p.m.</b>		
15	03/14	Game Theory: Static Games		
16	03/19	Game Theory: Dynamic Games		
17	03/21	Imperfect Competition: Price Choice		
18	03/26	Imperfect Competition: Quantity Choice and OPEQ Experiment		
19	03/28	Imperfect Competition: Collusion		
20	04/02	Imperfect Competition: Collusion		
21	04/04	Auctions		
22	04/09	Auctions		
23	04/11	Decision Making under Uncertainty		
24	04/16	Decision Making under Uncertainty		
25	04/18	Asymmetric Information: Adverse Selection & Moral Hazard		
26	04/23	Review Session and Q&A		
27	<b>04/25</b>	<b>MIDTERM EXAM III 6-8 P.M.</b>		
<b>NO FINAL ☺</b>				