UNIVERSITY OF WASHINGTON - BOTHELL
BBUS 310: Managerial Economics, Autumn 2015

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1. Course Description

The course exposes students to the basic concepts of microeconomic theory and illustrates how to apply them to various managerial decision-making problems. Although some of the topics covered in this class are similar to those discussed in BBUS 201 (Introduction to Business), theoretical issues will be covered in much greater detail here, and there will be a considerable emphasis on problem solving. The goal is to provide you with a solid understanding of the principles of microeconomic analysis, as well as the analytical and quantitative tools necessary to be successful in the modern business world.

The class covers four major areas. First, we focus on consumption decisions. We analyze how a rational consumer allocates his/her budget among alternative commodities, and evaluate the implications of these choices on the aggregate market demand. Applications in areas such as the theory of labor supply and the analysis of the supply of personal savings are explored.

Second, the theory of the firm is developed. We explore here the relationship between costs and productivity, and analyze the implications of profit maximizing behavior on factor demands and the supply of consumption commodities.

Third, the theory of market (partial) equilibrium is presented. The determination of price and quantity of output is analyzed for the cases of perfect competition and a variety of imperfectly competitive market structures. Also, the critical relationship between factor markets and income distribution is explored.

Finally, the forth topic exposes students to some basic game theory concepts. We analyze here some implications of strategic behavior and explore a few basic game theoretical equilibrium notions and their applicability to a variety to real world issues such as bargaining between unions and management or setting optimal levels for prices, quantitates and advertisement levels.

2. Prerequisites

The course has been constructed under the assumption that students have previous exposure to courses in algebra and basic calculus. These prerequisites are crucial for your success in the class and imply, as a minimum, familiarity with the construction of geometric diagrams typically used in economic analysis, computation of derivatives and solving simple optimization problems. Please review this material before the course starts. You will have to take a math test on our first class meeting.

3. Course Materials

Required textbook: Perloff, J. and J. Brander, *Managerial Economics and Strategy* (with the **new MyEconLab**), published by Pearson Economics.

Calculator: You will need a simple calculator that handles exponents and logarithms.

Class website: canvas.uwb.edu (you will need to login with your UW NetID).
Homework, selected answer keys and lecture slides, important announcements and other class material will be posted on the class website.

It is your responsibility to check the website regularly for updates!

Supplementary Material (optional): A nice reference for a more rigorous treatment of statistical estimation can be found in *Managerial Economics* by Christopher R. Thomas and S. Charles Maurice (published by McGraw-Hill/Irwin). If you are interested in a more detailed treatment of game theoretic topics applied to business you may try *Co-opetition,* by Barry J. Nalebuff and Adam M. Brandenburger or *The Art of Strategy: A Game Theorist's Guide to Success in Business and Life*, by Avinash Dixit and Barry J. Nalebuff.

4. Methodology

The course relies on different in-class activities to reinforce the concepts and skills the students are supposed to acquire. Among these activities are lectures, guided discussions, problem solving, classroom experiments and, in the game theory section, playing games (of course!). Class participation is crucial, as it will enhance your understanding of the material. However, class participation alone is **not enough** to grasp the concepts. Reading the assigned material after every class and diligently doing your (weekly) homework are very important for your success as well.

You might find it useful to form some study groups to go over the material taught in class. However, you should attempt to solve the homework problems individually. If there is something you don't understand, you should not be shy to ask me questions during lectures or office hours.

5. Exams: There will be one midterm and one final exam. The midterm will take place on Tuesday, November 3rd, during regular class hours and will cover the material taught until October 29th. The final exam is scheduled for December 15th and it is comprehensive (that is, it covers the material of the entire quarter). Both exams are "closed-book" but you are allowed to use a calculator and a **handwritten** sheet of notes (one side for midterm, two sides for final).

Rescheduling of an exam can only be discussed when a valid and documented excuse is present (having bought tickets to fly home early is not a valid excuse).

6. Class Experiments: Three classroom experiments are programmed along the quarter. Your active participation in these activities is crucial to achieve the learning objectives of the course. A report sheet including your results will be graded. Additionally, the best performers in the class will be awarded extra credit.

7. Grading

The final numerical score will be the weighted average of the scores obtained on the homework assignments, the midterm and the final exam. The weights are defined as follows:

Midterm exam:	30%
Final exam:	40%
Problem Sets:	15%
Class experiments:	15%
Total:	100%

Any change of grade in an assignment or exam must be requested in writing with a clear explanation of why any modification should be made. Such a request will only be accepted within one week of receiving the graded material.

8. Academic Integrity

Plagiarism or any kind of fraud will not be tolerated. Students are expected to read, know, and strictly uphold the academic integrity standards specified in the University of Washington Student Code. You are strongly encouraged to read the campus academic integrity policy.

9. Disability Support Policy

If you believe that you have a disability and would like academic accommodations, please contact Disability Support Services at 425.352.5307 or rlundborg@uwb.edu. If you have a documented disability on file with the DSS office, please have your DSS counselor contact me so we can discuss accommodations you might need in class.

Tentative Course Schedule

Dates	Topics	Readings
Oct. 1-13th	Consumer Choice	Ch. 4
Oct. 15th-22nd	Production, costs and profits	Ch. 5,6,8
Oct. 27th, 29th	Firm Organization and Market Structure	Ch. 7
Nov. 3rd	**MIDTERM**	Ch. 4, 5, 6, 8
Nov. 4th, 10th	Supply and Demand (*Class experiment*)	Ch. 2
Nov. 12th	Empirical Methods for Demand Analysis	Ch. 3
Nov. 17th,19th	Monopoly and price discrimination	Ch. 9, 10
Nov. 24th, 26th	Oligopoly (*Class experiment*)	Ch. 11
Dec. 1st-10th	Game Theory (*Class experiment*)	Ch. 12
Dec. 15th	**FINAL EXAM**	