

Economics Department
National Chi Nan University
Spring 2014

Managerial Economics

Academic Year/Semester: Spring 2014

Course Number:

Instructor: Hsien-hung Chiu

Course Title(English): Managerial Economics

Grade: 2,3,4

Credits: 3

Office hours: 1-2pm, 5-6pm on Tuesdays (Rm 5103 in Mgmt bldg)

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Course Description

- ▶ **The intended audience and prerequisite**
 - ▶ This course is designed for the second to fourth year undergraduate students in economics or management majors.
 - ▶ No other prerequisites

- ▶ **What we learn?**
 - ▶ to apply economic analysis (economic concepts and decision sciences) to management decision problems.

Course Description

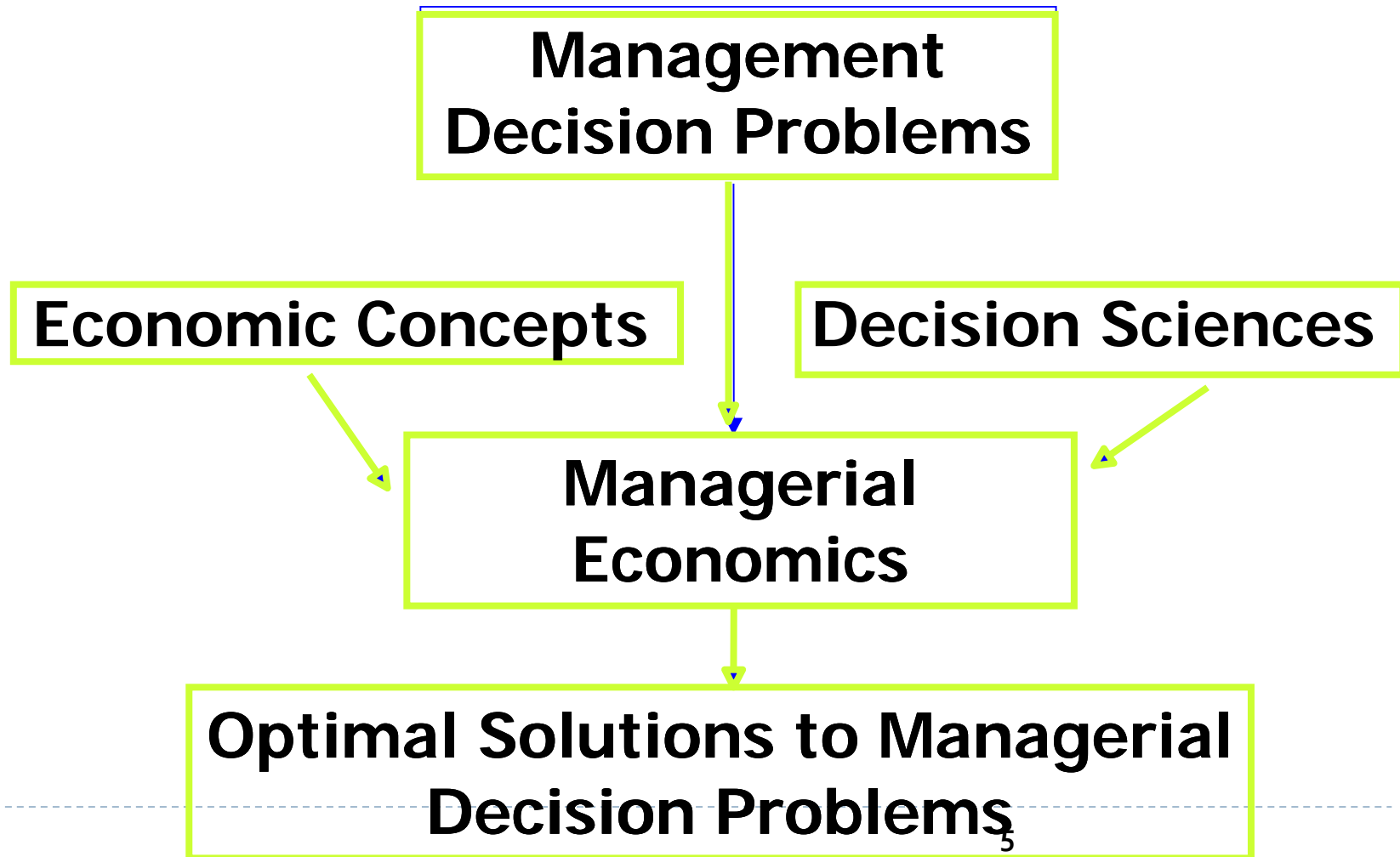
- ▶ **The focus**

- ▶ Focus on understanding individual economic behavior, competition, and market characteristics that are relevant to business and management.

- ▶ **The main objective**

- ▶ to learn the analytical tools to solve business problems.

Relationship between Managerial Economics and Related Disciplines



What are the management decision problems ?

- ▶ **Product pricing decisions**
 - ▶ uniform pricing or discriminatory pricing
- ▶ **Product line design**
 - ▶ e.g, mobile service provider offers various plans
- ▶ **Advertising Media and Intensity**
- ▶ **Labor Hiring and Training**
- ▶ **Investment and Financing**

Economic concepts and Decision Sciences

- ▶ **Economic concept:**
 - ▶ demand, supply, elasticity, consumer behavior, firm behavior
- ▶ **Decision sciences: tools and techniques of analysis**
 - ▶ statistical estimation, regression analysis, game theory, optimization

Textbooks

- ▶ Png, Ivan (2012), *Managerial Economics*, 4th edition, Routledge.
- ▶ Kreps, David (2004), *Microeconomics for Managers*, W. W. Norton & Company. (optional)
- ▶ Boyer, Michael (2009), *Managerial Economics and Business Strategy*, 7th edition, McGraw-Hill Higher Education. (optional)

Grading Criterion

- ▶ **Group projects** **30 points**
(oral presentations or written reports)
- ▶ **Midterm** **50 points**
- ▶ **Final** **50 points**

Tentative Course Outline

- ▶ **Part 1: introduction and basic concepts (3 weeks)**

Introduction, demand, supply, elasticity, averages and margins
(Png ch 1-4, Kreps ch 8)

- ▶ **Part 2: Competitive Markets and efficiency (3 weeks)**

- ▶ **Competitive market:** perfect Competition, market equilibrium, supply shift, demand Shift, calculating equilibrium changes, adjustment time. (Png ch5, Kreps ch 11)

- ▶ **Economic Efficiency:** conditions for economic efficiency, invisible hand, decentralized management, price ceilings, price floors (Png ch 6, Kreps ch 12)

Tentative Course Outline

- ▶ **Part 3: Market Power and pricing (3 weeks)**
 - ▶ **Market power:** sources of market power, monopoly pricing, demand and cost changes, advertising, restraining competition. (Png ch 8, Kreps ch 7)
 - ▶ **Pricing policy:** uniform pricing, price discrimination, direct segment discrimination, indirect segment discrimination, bundling. (Png ch9, Kreps ch 7)

Tentative Course Outline

- ▶ **Part 4: Game theory and strategic thinking**

(3 weeks)

- ▶ **Non-cooperative Game theory and strategic thinking:**
modeling situation as games, dominant strategy, Nash equilibrium, backward induction in extensive form games (Png ch 10, Kreps ch 21)

- ▶ **Oligopoly**

price competition, capacity competition, limit pricing
(Png ch 10)

Tentative Course Outline

- ▶ **Part 5: Externalities, information, and incentives**
(4 weeks)
 - ▶ **Externalities:** resolving externalities, network effects and externalities, public goods, excludability. (Png ch 11, Kreps ch 14)
 - ▶ **Asymmetric Information:** screening, auctions, signaling, contingent payments (Png ch 12, Kreps ch 18)

Some remarks

- ▶ Why taking a class lectured in English?
 - ▶ Challenge or opportunity
- ▶ About the language used in the lectures, exams, and others (presentations and reports)
- ▶ Concerns about the grading criterion