
Indiana University Kokomo
BUKO E542 – Fall 2009
Strategic Managerial Economics
Course Syllabus

Instructor:	Dmitriy Chulkov	
Time:	Section 21542 – Mon / Wed 5.30-8.15 p.m.	
Room:	KO 281	
Office Hours:	Mon / Wed 1-2 p.m. and Tue 6-7 p.m. (also by appointment or walk-in)	
Office:	KO 186	
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Web Page:	Course web page available in the Oncourse (http://oncourse.iu.edu).	
E-mail:	dchulkov@iuk.edu	
Required text:	Baye, <i>Managerial Economics and Business Strategy, 6th ed.</i>	

Goals of the Course:

This course is designed for MBA students who have completed either a Microeconomics AND Macroeconomics course sequence or have taken an approved Survey of Economics course. The major goal of the course is to show how the principles of economics are used to make the kinds of economic choices relevant to all areas of managerial decision-making. The course provides the knowledge and skills in managerial economics, including graphical and mathematical analysis of economic decisions, and statistical tools such as regression analysis. Relevant economic theories are presented including the theory of the firm, market structures and their effects on pricing decisions, and decision-making under uncertainty.

Objectives of the Course:

At the completion of this class, the student should:

- Apply demand theory and the concept of elasticity of demand to managerial decisions.
- Describe the relationship between production and costs in the short run and long run.
- Identify the goals of the firm and the constraints the firm faces.

- Recognize the nature and importance of profit.
 - Recognize the time value of money
 - Use managerial analysis in decision problems
 - Apply tools of regression analysis to the analysis of real business problems
 - Explain variations in market structure across industries and the effect of market structure on optimal behavior of firms
 - Analyze pricing strategies used by firms in the marketplace
 - Describe principles of making business decisions under uncertainty
 - Analyze diverse and unstructured real-world problems and cases using cost-and-benefit analysis and marginal analysis
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SCHOOL OF BUSINESS MISSION STATEMENT

The mission Statement of the School of Business can be accessed at the following web address: <http://www.iuk.edu/~kobus/Mission.shtml>

GRADING:	Midterm	30%
	Final Exam	30%
	Term Paper	20%
	Quizzes / Cases / HW	<u>20%</u>
	Total	100%

GRADING SCALE:	90% - 100%	A
	80% - 89%	B
	70% - 79%	C
	60% - 69%	D
	Below 60%	F

Plus and minus grades will be given within the above ranges

EXAMINATIONS: There will be a midterm exam scheduled for Nov 16 and a final exam scheduled for Dec 16. The exact set of topics covered by each particular exam and the format thereof will be announced later in the semester. The final exam is comprehensive, with a slight bias towards the latest material. All exams will consist primarily of problems and short-answer questions. Unexcused absences will result in zero score on exams.

PREREQUISITES: E201 AND E202 or an approved Survey course (such as E300). If a student is found to be in the class without the correct prerequisite s/he will be administratively withdrawn during the semester unless specific permission has been given.

HINTS TO IMPROVE YOUR GRADE:

In order to learn, apart from using the class lectures, the textbook, in-class and homework assignments, and the website associated with the textbook, you are highly encouraged to engage in out-of-class discussions with me, as well as form study groups with other students in class. You might find the following hints useful in improving your grade.

- The nature of the material you will be learning is cumulative. Concepts learned in the first weeks of class will be used later on and will appear on later exams. Do not allow yourself to fall behind, and do not dismiss material that you do not understand. Use all the available resources efficiently and to your best advantage.
- Studying in groups could be very productive, especially if you have had a similar experience before.
- I am available and open to discussing ideas during office hours and other times by appointment. Don't keep your ideas and concerns to yourself.

SPECIAL NEEDS:

Indiana University Kokomo provides equal access and support services to students with special needs. Students with documented disabilities should contact the University Division (455-9309) and discuss any necessary support services or accommodation with the instructor.

ACADEMIC HONESTY:

Plagiarism and cheating are serious offenses and may be punished by failure on the exam, paper, or project; failure in the course; and/or expulsion from the university. For more information refer to the Code of Student Rights, Responsibilities and Conduct available at: <http://dsa.indiana.edu/Code/index.html>

CLASS POLICIES: The information on these pages, together with announcements, homework assignments, information about exams, etc, will be presented in Oncourse at: <http://oncourse.iu.edu>. You are expected to check Oncourse regularly.

- **Attendance policy:** Students are expected to attend all classes for the full length of the class period. Attendance at lectures is strongly recommended. Having your own set of lecture notes and participating during the class period is essential for performing well in this class, as it better prepares you for exams and facilitates your overall learning. If you miss a lecture, please do not expect me to repeat the material at another time (i.e. during my office hours). You may borrow your classmate's notes and after going through them, I will assist you with any questions you may have.
- **Missing exams policy:** No make-up exams or quizzes will be offered. Should your circumstances prevent you from taking one of the exams, please notify me in advance for accommodation.

LIBRARY USAGE: The IU Kokomo library offers a large number of resources for the student to use in this course for background information, additional examples, and in preparation of the case and term paper assignment. Examples include current newspapers (Wall Street Journal), magazines (Business Week), databases (ABI Inform), and access to the Internet. Several books are placed on reserve, including *Competitive Strategy* (Porter), *Modern Competitive Analysis*, *Business and Competitive Analysis*.

TENTATIVE CLASS SCHEDULE

	Topics covered	Corresponding chapters in the text
Oct 19	Subject of managerial economics. Supply, demand, and market equilibrium.	Ch.1&2
Oct 21, Oct 26	Quantitative demand analysis. Linear and log-linear regressions. Elasticity.	Ch.3
Oct 28	Production and Cost. Short-run and long-run cases. Cost minimization techniques.	Ch.5
Nov 2	Organization of the Firm; Principal Agent Problems; Incentives; Contracts; Transactional Costs	Ch. 6
Nov 4	Nature of Industry; Market Structure; Market Conduct; Measures of Industry Concentration; Structure-Conduct-Performance	Ch. 7
Nov 9	Profit maximization in different market structures.	Ch. 8
Nov 11	Pricing strategies for firms with market power.	Ch.11
Nov 16	Midterm Exam	
Nov 18, 23	Oligopoly Models - Cournot; Bertrand; Stackelberg; Collusion; Contestable Markets; Profit Maximization	Ch. 9
Nov 30 Dec 2	Game Theory; One-Shot Games; Infinitely Repeated Games; Finitely Repeated Games; Multistage Games	Ch.10
Dec 7	Economics of incomplete information. Decision making under uncertainty.	Ch.12
Dec 9	Paper presentations. Review for the final.	
Dec 16	Final Exam	