

SOUTHEAST MISSOURI STATE UNIVERSITY

Department of Economics
COURSE SYLLABUS
Managerial Economics, EC561

New: January 2005

Approved by department on February 9, 2005

Approved by Harrison College of Business Council on February 10, 2005

I. Course Description: Application of microeconomic theory to the practical problems faced by decision makers in business environment. (3)

II. Prerequisites: EC215, MA134

III. Purposes or Objectives of the Course

After completing the course, the student will be able to:

A. Identify a variety of economic problems faced by business organizations.

B. Analyze the process of managerial decision making.

C. Apply principles of economics to managerial problems.

IV. Expectations of Students

A. Regular class attendance.

B. Satisfactory performance on exams.

C. Satisfactory completion of assignments.

V. Course Outline Hours

I. Introduction: Firms and Managing Them 1

II. Basic Concepts

A. The Economist's View of Behavior

1. Economic Behavior

2. Graphical Tools

3. Alternative Models of Behavior

B. Markets, Organizations and the Role of Knowledge 2

1. Property Rights and Exchange

2. Basics of Supply and Demand

3. Markets versus Central Planning

4. Contracting Costs

III. Managerial Economics

A. Demand 3

1. Demand Functions

2. Demand Curves

3. Demand Estimation	
4. Elasticity of Demand	
B. Production and Cost	3
1. Production Functions	
2. Input Choice	
3. Costs	
4. Cost Estimation	
C. Market Structure	3
1. Competitive Markets	
2. Barriers to Entry	
3. Monopoly	
4. Monopolistic Competition	
5. Oligopoly	
D. Economics of Strategy: Creating & Capturing Value	3
1. Value Creation	
2. Capturing Value	
3. Economics of Diversification	
Strategy Formulation	
E. Incentive Conflicts and Contracts	3
1. Incentive Conflicts within Firms	
2. Controlling Incentive Conflicts through Contracts	
3. Implicit Contracts	
IV. Designing Organizational Architecture	
A. Organizational Architecture	3
1. Architectural Determinants	
2. Corporate Culture	
3. Managerial Implications	
B. Decision Rights: The Level of Empowerment	3
1. Assigning Tasks and Decision Rights	
2. Centralization v. Decentralization	
3. Decision Management & Control	
4. Influence Costs	
C. Decision Rights: Bundling Tasks into Jobs	3
1. Bundling Tasks into Jobs	
2. Bundling of Jobs into Subunits	
D. Attracting & Retaining Qualified Employees	3
1. The Level of Pay	
2. Internal Labor Markets	
3. Pay in Internal Labor Markets	
4. The Salary-Fringe Benefit Mix	
E. Incentive Compensation	3
1. The Basic Incentive Problem	
2. Effective Incentive Contracts	
3. Does incentive Pay Work?	

F. Individual Performance Evaluation	3
1. Setting Performance Benchmarks	
2. Measurement Costs	
3. Opportunism	
4. Relative Performance Evaluation	
5. Subjective Performance Evaluation	
G. Divisional Performance Evaluation	3
1. Measuring Divisional Performance	
2. Transfer Pricing	
3. Internal Accounting System and Evaluation	
V. Applications of Organizational Architecture	
A. Vertical Integration and Outsourcing	3
1. Vertical Chain of Production	
2. Benefits of Buying in Competitive Markets	
3. Reasons for Nonmarket Transactions	
4. Vertical Integration versus Long-Term Contracts	
B. Ethics and Organizational Architecture	3
1. Ethics and Choices	
2. Corporate Mission: Ethics and Policy Setting	
3. Contracting Costs: Ethics and Policy Implementation	
4. Codes of Ethics	

VI. Textbook(s) and/or Other Required Materials or Equipment

Brickley, J.A., C.W. Smith, J.L. Zimmerman. *Managerial Economics and Organizational Architecture*, 3rd Edition, New York: McGraw-Hill, 2004.

VII. Basis of Student Evaluation

	Undergraduate	Graduate
Tests	50%	45%
Homework	20%	15%
Quizzes	20%	20%
Bulletin Board (web course)	10%	10%
Article and Case Studies Analyses	NA	10%

The weight of evaluation criteria may vary at the discretion of the instructor and will be indicated at the beginning of each course. Graduate students will be given additional assignments such as articles from the managerial economics literature to read and analyze. In addition, graduate students may be assigned case studies related to course concepts to analyze.

VIII. Academic Honesty Policy

Students will be expected to abide by the University policy for academic honesty. Please refer to <http://www6.semo.edu/judaffairs/code.html>

IX. Students with Disabilities

If a student has a special need addressed by the Americans with Disabilities Act and requires materials in an alternative format, please notify the instructor immediately. Reasonable efforts will be made to accommodate special needs.