GOVERNORS STATE UNIVERSITY
College of Business and Public Administration

Instructor: Dr. V. K. Chris Liebscher
Course Title: Managerial Economics: The Economics of the Firm
Course Number: ECON 420
Trimester: Fall 1987 (August to December)
Time and Day: Monday/Wednesday 9:30 - 10:45 a.m.
Target Group: Seniors
Credits: 3 Units (No partial completion credits given)

Course Description
"Economics of the Firm" deals with the analysis and theoretical constructs of Microeconomics applied to managerial decision-making, consumer demand, production and cost analysis, business behavior and market performance, and with resource input decisions and growth equilibrium.

Entrance Competencies
Prerequisites are Macro and Microeconomic Principles, Statistics, Business Algebra and Calculus.

Rationale
Microeconomics is the basis for all other economic studies of society. The development of our ideas of how the whole system works depends upon the analytical understanding of how the individual bits and pieces of the total economy operate.

A future manager or government administrator cannot function effectively without such knowledge.

With the resources of our society in short supply, the theory of economic behavior with respect to individual entities offers students an area of knowledge which can lead to a more meaningful life. This knowledge supports functional citizenship by rendering a view of the economic character in productivity and by enhancing his efficiency in decision-making on resource usage relative to altered conditions of cost and return.
Competency Objectives

To teach something substantial. To change your life for the better.

After completion of this course, the student will be competent to understand the analytical methodologies of Intermediate Microeconomics to probable real world events facing a business manager. Specifically, the student will be competent to:

1a. Identify and name the components as well as the process for the methods of economic analysis

1b. Identify and name the development of industrial organization in the U.S. and the current market organization, as well as the economic strategies arising therefrom.

2. Identify the use and relevance of consumer demand theory to a firm's output decisions.

3. Explain the analytical principles of production technology and of production costs.

4. Identify the rational price and output decisions of firms based on the relevant market structure and the goals of the firm, and analyze the effects of business decisions upon the economic welfare of society.

5. Identify the rational resource input decisions of business enterprises, to relate analytically the growth equilibrium of the firm to that of the total economy. Do this, both as a class exercise based on readings and instructions, and as input received from actual interviews of business managers.

6. Be able to apply economics analysis in simulated company management.

Instructional Resources


2. A list of reference readings. Reading assignments for these will be announced from time to time at the class meetings.


4. A syllabus to permit planned and prior preparation for the in-class meetings, and to structure self-study parallel with the in-class learning events.

5. Consult with the instructor to receive additional study guidance and tutorial assistance during office hours.
Reading References


Chiang, Alpha C., _Fundamental Methods of Mathematical Economics_.


Instructional Objectives

The final academic success with this course will be evaluated with a traditional letter grade A through F. The expected competency level requires the student to meet the following instructional objectives:

Examinations

1. During the class period take a textbook topic recall test over the assigned chapters to be read as preparation. The tests consist of True and False, and/or problem questions.

2. Take five in-class comprehensive competency examinations. Each in-class examination will cover the textbook chapter subjects comprising one competency (see syllabus) and will consist of multiple choice questions and/or essays or Model Graphing; which will entail some extensive calculations and theoretical synthesis testing.

In-Class Practice Sessions Via Computer Simulated Company Management and Homework, Group Project

These activities serve to round out the grading and provide hands-on experience in the learning subject.

Evaluation of Examinations

Letter Grades - Based on the percentage of correct responses:

- 90-100% = A
- 80-89% = B
- 70-79% = C
- 60-69% = D
- < 60% = F

Grading will not be on a curve!
Textbook Topic Recall Tests

Four or five preparatory recall tests are planned. The purpose of these tests is to monitor the students' reading effort on each assigned subject in the textbook and other assigned reading materials. These tests are made up of True and False questions. Recall tests may not be repeated. For every unexcused absence during a reading recall test, a "F" grade will be entered in the student's grade sheet. Excused absences will generate a "zero" entry. Make-up tests will not be administered because the intent of these tests is to serve as an incentive for subject preparation and as a feedback source to monitor the learning progress.

Comprehensive Tests

Five comprehensive problem tests are planned. There will be no mid-term and no final examinations. These tests present problems in multiple choice form and are intended to test the students' analytical skills, ability to synthesize and to differentiate among methods. Unexcused absences from a comprehensive test will result in a drop from the class for non-participation. Students with persistent grades of less than 70% have to see the instructor for counseling. Students with excused absences have to make arrangements to take the missed exam at hours convenient to the instructor; appointments are required.

Homework

At every session homework problems for all exercises are automatically assigned. Each homework problem must be neatly done. Homework has to be submitted for grading at the session when the comprehensive test over the assigned chapters is being administered. Review of correct answers for homework problems is available from the instructor during regular office hours. Late homework will not be graded, nor accepted.

Make-up Examinations (See Comprehensive Tests)

Examination Papers

All examination papers and solution papers shall be made available to students for inspection purposes only, and only at the discretion of the instructor. They shall not be removed from the instructor's range of visual supervision without the latter's permission. After inspection of the evaluated examinations, the coordinator shall have them returned to him upon request.

All examinations shall be destroyed by the coordinator at the end of the term.

Active In-Class Participation

Students will be called upon to perform instructional explanations to the class on assigned subjects to the satisfaction of the instructor. Choice of student will be by random designation. Work on the blackboard must be expected.
Computer Simulated Company Management Exercises

The class is divided into groups representing firms and industries. Firms compete against the market and each other. Each group is structured into a management team to input decisions via worksheets and corresponding computer input. Each week the group inputs managerial decisions in relation to economic data and receives output to base its next set of decisions on it. Each group will earn its grade relative to the proportion of the total profit earned for all quarters by the firm. The higher profit firm will earn an "A" grade, etc. It is expected that the simulation will run for 12 quarters.

Project Paper

The class will be divided into groups. Each group will seek out a medium to large size business, interview the management, and provide a typewritten report and in-class presentation on the subject: "How does this business employ economic reasoning equivalent to the reasoning implied by the course Managerial Economics: Economics of the Firm, at GSU?" A guide to the interview will be handed out to students.

Grading Weight Policy

1. Reading Recall Tests
   Each test - 4% towards Total Grade
   - Accumulative 28%

2. Comprehensive Problem Tests
   Each test - 8% towards Total Grade
   - Accumulative 40%

3. Homework
   Each submission - 2.5% towards Total Grade
   - Accumulative 10%

4. Active In-Class Participation
   Minimum Total of 10 minutes of class-time--Questions, Demonstrations.
   - Accumulative 6%

5. Computer Simulated Company Management
   Once - 10%

6. Group Project
   10 minutes in-class presentation
   - Once 6%

Project Grading:

Grading is typical of case study grading. Group apportioning of grade is according to each group member's percentile of contribution toward the project. Group leadership assumption entitles to 2% toward the final grade. These 2% will be taken from the group's total. (Example: 5 members x 6.0%/)
project = 30/5% group total at 100% grade) prior to apportionment. If project attains 80% grade evaluation, then the leader will receive 2% and each group member (including the leader) will receive 28/5 x .80 grade % points.

Homework Grading Per Submission:

<table>
<thead>
<tr>
<th>Quality</th>
<th>Weight</th>
<th>Quantity</th>
<th># of Exercises Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter $X_1$</td>
<td>For $X_2$</td>
<td>Assigned $X_3$ Chapters</td>
<td>and so on.</td>
</tr>
</tbody>
</table>

Homework Grade:

\[
\frac{\text{Weighted Sum of Points Earned}}{\text{Number of all Exercises}} = \text{Grade Written}
\]
SYLLABUS
Fall 1986

Class Meetings: Monday/Wednesday 9:30 - 10:45 a.m.

Office Hours:
Monday, Wednesday 11:00-12:00 Noon
Monday 1:30- 2:30 p.m.
Wednesday 6:00- 7:30 p.m.

Lecture Topics Outline, Examination Dates
Note: Simulation Run Assignments are always current

Competency 1
1. 8/31 Scope and Method of Analysis & Model Building Chapter 1
2. 9/2 Role of Firms and Markets Chapters 2
   Recall Test: Chapters 1 and 2
3. 9/7 Holiday
4. 9/9 Introduction to Computer Simulated Company Management

Competency 2 DEMAND THEORY
5. 9/4 Consumer Demand - Cardinal Utility Model Chapter 3
6. 9/16 Ordinal Utility: Indifference Curve Model Chapter 4
7. 9/21 Ordinal Utility: Indifference Curve Model
   Recall Test: Chapters 3 and 4
8. 9/23 Revenue Functions and Elasticity Chapter 5
   Revenue Functions and Elasticity &
   Recall Test: Chapter 5
9. 9/28 Comprehensive Test Over Competency 2

Competency 3 PRODUCTION AND COST THEORY
10. 9/30 Lecture on The Firm and Technological Change Chapter 6
11. 10/5 Production Analysis and Input Guidelines Chapter 7
12. 10/7 Production Analysis - Continued
13. 10/12 Cost Functions and Economics of Scale Chapter 8
14. 10/14  Recall Test: Chapters 7 and 8
15. 10/19  Comprehensive Test Over Competency 3

**Competency 4**  PRODUCT MARKET STRUCTURES (Demand Side)

16. 10/21  Lecture of The Firm and Its Goals  Chapter 9
17. 10/26  The Model of Perfect Competition  Chapter 10
18. 10/28  The Model of Monopolistic Competition &  Recall Test: Chapters 9, 10 and 11  Chapter 11
19. 11/2   The Model of Oligopoly  Chapter 12
20. 11/4   The Model of Oligopoly, Cont.  The Model of Monopoly &  Recall Test: Chapters 12 and 13  Chapter 13
21. 11/9   Comprehensive Test Over Competency 4

**Competency 5**  RESOURCE MARKET STRUCTURE

22. 11/11  Pricing and Employment of Resource Inputs  Chapter 17
23. 11/16  Pricing and Employment of Resource Inputs, Cont.  Recall Test over Chapters 14, 15, 16, 17, and 18
24. 11/18  Comprehensive Test Over Competency 5
25. 11/23  Comprehensive Test Over Competency 5

**Competency 6**  APPLIED REASONING IN COMPANY STRATEGY ANALYSIS

26. 11/25  Lecture on Chapters 14 and 15
27. 11/30  Lecture on Chapters 16 and 18

**Competency 6**  COMPANY INTERVIEW AND SIMULATION

28. 12/2   Review of Computer Simulated Company Management
29. 12/7   In-Class Presentation of Business Interviews  Group Project

END OF CLASS

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