

BECO 4310 – Applied Business Economics

Spring 2018

Professor Robin Grier

214 D, Admin. Building

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Office Hours: Wednesdays from 1-2 and Fridays from 12:45-1:45 and by appt.

TA: Zac Dawes, Zachary.Dawes@ttu.edu

Prerequisites: ECO 2301 – Principles of Microeconomics with C- or higher
ECO 2302 – Principles of Macroeconomics with a C- or higher

Required Text: Luke Froeb, Brian McCann, Mikhael Shor, and Michael Ward, 2016, Managerial Economics (5th edition, Cengage).

Additional readings are noted on the syllabus and will be posted on Blackboard.

Expected Learning Outcomes: After completing this course, students will be able to:

- Explain the difference between opportunity cost and accounting cost and the connections between economic profit and accounting profit;
 - Explain how managers can use the tools of supply and demand and apply those tools in common business contexts;
 - Apply economic analysis to pricing strategy issues and understand the broader socioeconomic context of pricing decisions;
 - Understand the rational-actor paradigm and recognize that to change behavior, you have to change incentives;
 - Explain the problems of moral hazard and adverse selection in business, especially in decisions of who to hire (adverse selection) and how to make employees exert effort once they are hired (moral hazard);
 - Explain how microeconomics differs from managerial economics; and
 - Understand and explain the different rationales for, and contexts in which, political authorities may intervene in markets and their intended and unintended impacts on business decisions.
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Grade Breakdown:

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|----------------------------|-----|
| Exam 1 | 15% |
| Exam 2 | 15% |
| Exam 3 | 15% |
| Comprehensive Final Exam | 15% |
| Attendance & Participation | 10% |
| Reading Quizzes | 15% |
| Homework | 15% |

Before each class period, I expect students to have read the material as well as have taken the applicable reading quizzes and online homework assignments (on Blackboard). I will use the results of both the quizzes and the homework to decide what problems we are going to focus on during class. For that reason, there will be no possibility of taking a quiz or submit a homework assignment after 12:00 p.m. the day of the class. Students can drop their lowest two scores of each.

All students are expected to take examinations during the prescribed time. Please note that makeup examinations will be administered only in emergency situations (as deemed by the instructor) and proper medical documentation has been provided.

We will be using an online resource called Mindtap for this class. I will discuss it in detail the first day of the semester. Students should download the Mindtap app onto their phones or tablets. Doing so will allow me to take attendance through the app. The app will ask you whether you are present for the class and you click yes if you are in class that day. Note that the app uses GPS to determine whether your phone or tablet is actually in the classroom.

Rawls College Course Assessment: All students must take a pre- and post-course assessment. The pre-course assessment provides a benchmark for retention of material from the prerequisite courses. It consists of 20 multiple choice questions, randomly drawn with four questions from the following five topics: marginal analysis, scarcity and choice, supply and demand, and the theory of the firm. Students have 30 minutes to answer the questions. The assessment will be administered in the Rawls Testing Center (NW 104) between 8:00 a.m. on January 24th until 5:00 p.m. on January 26th.

You must take the pre-course assessment; *it is required*. Taking the pre-course assessment will earn you 2.5 extra credit points on your final grade. However, if you do not take the pre-course assessment, then you *lose* 2.5 points from your final grade.

The post-course assessment is a 40-question multiple-choice test over five topics. Students will have 90 minutes to complete the assessment between 8:00 a.m. on April 26th until 5:00 p.m. on April 30th. I do not write these questions so they count for *up to* 2.5 extra credit points on your final grade. However, you must take the post-course assessment. If you do not take it, you will *lose* 2.5 points from your final grade.

Disability Accommodations: Any student who, because of a disability, may require special arrangements in order to meet the course requirements should obtain appropriate verification from Texas Tech’s Student Disability Services. In the case of exam accommodations, I will be happy to provide them provided that the student contacts me at least a week in advance of an exam for which you are requesting accommodations. Doing so will provide me will time to schedule a room and a proctor. Requesting a week in advance is the student’s responsibility.

Academic Integrity: It is the aim of Texas Tech University to foster a spirit of complete honesty and a high standard of integrity. Academic dishonesty will not be tolerated and will be treated according to the rules outlined in the Student Handbook. Please refer to Texas Tech University Operating Procedure 34.12 for more information. Thank you for upholding the integrity of the academic degree at Texas Tech University.

Important Dates:

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|-------------------------------------|-------------------------------------------------------------------------------------------|
| Friday, February 2 nd | Last day to drop a course without academic penalty |
| Thursday, February 22 nd | Exam 1 |
| Tuesday, April 10 th | Exam 2 |
| Wednesday, March 28 th | Last day to drop a course with academic penalty; Last day to declare pass/fail intentions |
| Friday, May 11 th | Exam 3 & Final Exam (10:30 a.m. – 1:00 p.m.) |

Religious holy day observance

A student who intends to observe a religious holy day should make that intention known in writing to the instructor at least one week prior to the absence. A student who is absent from class for the observance of a religious holy day shall be allowed to take an examination or complete an assignment scheduled for that day within a reasonable time after the absence. Please refer to Texas Tech University Operating Procedure 34.19 for more information.

Resources for discrimination, harassment, and sexual violence

Texas Tech University (TTU) is committed to providing and strengthening an educational, working, and living environment where students, faculty, staff, and visitors are free from gender and/or sex discrimination of any kind. Sexual assault, discrimination, harassment, and other Title IX violations are not tolerated by the University. Report any incidents to the Office for Student Rights & Resolution, (806)-742-SAFE (7233) or file a report online at titleix.ttu.edu/students. Faculty and staff members at TTU are committed to connecting you to resources on campus. Some of these available resources are:

TTU Student Counseling Center, 806-742-3674, <https://www.depts.ttu.edu/scc/>
(Provides confidential support on campus.)

TTU Student Counseling Center 24-hour Helpline, 806-742-5555, (Assists students who are experiencing a mental health or interpersonal violence crisis. If you call the helpline, you will speak with a mental health counselor.)

Voice of Hope Lubbock Rape Crisis Center, 806-763-7273, voiceofhopelubbock.org
(24-hour hotline that provides support for survivors of sexual violence.)

The Risk, Intervention, Safety and Education (RISE) Office, 806-742-2110, rise.ttu.edu
(Provides a range of resources and support options focused on prevention education and student wellness.)

Texas Tech Police Department, 806-742-3931, <http://www.depts.ttu.edu/ttspd/> (To report criminal activity that occurs on or near Texas Tech campus).

Class Schedule

- Thursday, January 18th** **Introduction to the class**
- Tuesday, January 23rd** **Why economics is important to business**
Read Chapter 1 and watch video
Read blog post on “Iowa car crop”
Chapter 1 Reading quizzes & homework
Make sure you are registered for Mindtap and have downloaded the Mindtap app
- Thursday, January 25th** **The One Lesson of Business**
Read Chapter 2 and watch video
Blog post on “Why seat belts kill”
Chapter 2 reading quizzes & homework
*Interactive tutorials on costs and demand
- Tuesday, January 30th** **Benefits, Costs, & Decisions**
Read Chapter 3 and watch video
Chapter 3 reading quizzes & homework
- Thursday, February 1st** **Benefits, Costs, & Decisions**
Review Chapter 3 notes
- Tuesday, February 6th** **Extent Decisions**
Read Chapter 4 and watch video
Chapter 4 reading quizzes & homework
- Thursday, February 8th** **Extent Decisions**
Blog post: [“America’s top chef uses marginal analysis”](#)
*Interactive Tutorials on [Average Cost and Break Even](#)
- Tuesday, February 13th** **Investment Decisions**
Read Chapter 5 and watch video
Chapter 5 reading quizzes & homework

- Thursday, February 15th** **Investment Decisions**
 Blog post: "[Is Nashville's Pension Fund Doubling Down?](#)"
 *Interactive tutorial on [Discounting](#)
- Tuesday, February 20th** **Practice Exam and Review for Exam #1**
- Thursday, February 22nd** **EXAM #1**
- Tuesday, February 27th** **Simple Pricing**
 Read Chapter 6 and watch video
 Chapter 6 reading quizzes & homework
- Thursday, March 1st** **Simple Pricing**
 Read Landsburg, "Why Prices are Good: Smith versus Darwin"
 Blog post: "[Did Netflix Raise its Price Enough?](#)"
 *Interactive tutorial on [Elasticity](#), [Elasticity II](#), and [Monopoly](#)
- Tuesday, March 6th** **Economies of Scale & Scope**
 Read Chapter 7 and watch video
 Chapter 7 reading quizzes & homework
- Thursday, March 8th** **Economies of Scale & Scope**
 Review Chapter 7 notes
 Blog post: "[If there is no scope, just say nope](#)"
- Tuesday, March 20th** **Understanding Markets**
 Read Chapter 8 and watch video
 Chapter 8 reading quizzes & homework
- Thursday, March 22nd** **Understanding Markets**
 Blog post: "[Demographic Changes Shift Housing Demand](#)"
 Landsburg, "The Indifference Principle: Who Cares if the Air is Clean?"
 *Interactive tutorial on [Supply and Demand](#)
- Tuesday, March 27th** **Relationships Between Industries**
 Read Chapter 9 and watch video
 Chapter 9 reading quizzes & homework

Thursday, March 29th Relationships Between Industries

Review Chapter 9 notes

Blog post: "[Making people pay for their prejudices](#)"

Tuesday, April 3rd More Realistic & Complex Pricing

Read Chapter 12 and watch video

Chapter 12 reading quizzes & homework

Landsburg, "Why Popcorn costs More at the Movies and Why the Obvious Answer is Wrong"

Blog post: "[Psychological pricing in action](#)"

Thursday, April 5th Practice Exam and Review for Exam #2

Tuesday, April 10th EXAM #2

Thursday, April 12th Direct Price Discrimination

Read Chapter 13 and watch video

Chapter 13 reading quizzes & homework

Tuesday, April 17th Direct Price Discrimination

Review Chapter 13 notes

Blog post: "[Do tourists pay more than locals?](#)"

Thursday, April 19th Indirect Price Discrimination

Read Chapter 14 and watch video

Chapter 14 reading quizzes & homework

Tuesday, April 24th Indirect Price Discrimination

Review Chapter 14 notes

Blog post: "[Antitrust 'Common Sense Guidelines'](#)"

Thursday, April 26th Adverse Selection

Read Chapter 19 and watch video

Chapter 19 reading quizzes & homework

Blog post: "[Advice for Selling on Ebay](#)"

*Interactive tutorial on [Risk](#) and [Risk Aversion and Insurance](#)

Tuesday, May 1st **Moral Hazard**

Read Chapter 20 and watch video

Chapter 20 reading quizzes & homework

Thursday, May 3rd **Moral Hazard**

Review Chapter 20 notes

Tuesday, May 8th **Practice exam and review for Exam #3 & Final**

Friday, May 11th (10:30-1:00) **EXAM #3 and FINAL EXAM**

** indicates optional assignments*