
Columbia Business School
MANAGERIAL ECONOMICS (B6200)
Course Syllabus
Spring 2014

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Office Hours: **TBA or by appointment**



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Locations Listed on Canvas
Review Sessions: Fridays 10:45am Uris 303
(Also at 2:15pm in Uris 303 on Feb 7 & 14)



Course Description

Success in business depends on the positioning of the firm and the management of its resources. Through the lens of economics, students will learn to think systematically and strategically about management problems concerning consumer demand, costs, pricing, market analysis, and interactions with competitors. This course is very different from undergraduate microeconomics, with an emphasis on the application of a relatively small number of general economic principles to managerial decision-making.

Class Location and Schedule

Warren Hall 207
Cluster X: T/Th 10:45 am Cluster Y: T/Th 9:00 am Cluster Z: T/Th 2:15 pm

Evaluation

All core classes are graded on a curve with the following distribution: 20-25% H; 60-70% HP; 10-15% P or below. In this course, grade determinants and their relative weights are as follows:

Class Participation (20%): In-class discussions are an integral part of the course, and students are expected to contribute to the learning experience of the class by asking relevant questions, offering insights into the topic at hand, and generally behaving in a professional manner. Quality of contribution matters more than quantity. Participation scores will also take into account attendance, lateness, and participation in class surveys. *Note:* students with an excused absence should contact the Office of Student Affairs, who will provide professors with this information; days in which a student has an excused absence will not count against their participation grade.

Problem Sets (30%): There will be five problem sets due for this course. Problem sets will be given a percentage grade, and a student's best 4 of 5 scores will count towards the final grade. These assignments are Type B (see table below). Students seeking additional help with the problem sets can also come to Professor Sicherman's office hours, attend weekly review sessions with the TA, or email with specific questions or to schedule an appointment.

Type	Designation	Conceptual Discussion	Preparation of submission	Grade
B		As desired	Individually	Individual

Problem sets will be due before midnight (11:59pm) on the following Sunday nights: Feb 3, Feb 10, Feb 17, Feb 24, and March 3. To be eligible to receive full credit, students must turn in their problem set by 11:59pm on the due date via Canvas. Partial credit will be given for problem sets turned in within 8 hours of normal deadline (i.e., before 8:00am Monday) in the following manner: 20% reduction for any lateness, plus a reduction of an additional 10% per hour, giving partial credit to any assignment turned in before 8:00am Monday. (For example, the score for an assignment turned in at 2:30am would be reduced by $20\% + 25\% = 45\%$.) At 8:00am Monday, the solutions to problem sets will be posted online via Canvas and no more assignments will be accepted. Students are strongly encouraged to turn in their problem sets prior to the due date.

Final Exam (50%): The final exam will take place on March 12 (2:00PM). The exam will include a combination of quantitative and qualitative components, similar to the Problem Sets. Addition problems to help you review for the final exam will be posted online via Canvas.

Course Materials

Cases: We will discuss three Columbia Caseworks cases during the semester: General Motors: Relevant Costs of Production (Session 3), Airline Pricing on Shuttle Routes (Session 5), and AMAX Corporation (Session 8). All cases are available online via Canvas. Students should work with their learning teams to analyze case questions and prepare for class discussion.

Handouts: At the start of each session students will be provided with a handout which accompanies slide presentations. Handouts do not contain all presented material, and students will find it useful to bring a notebook or other materials on which to take notes. Copies of the handout, slide presentations, and any other relevant materials from class will be posted on Canvas on the day after class.

Textbook: We recommend (but do not require) readings from the textbook Managerial Economics by Samuelson and Marks. Relevant chapters/pages from this book are given at the end of this syllabus for each class session.¹ Textbook readings are likely to be very helpful for students who have not taken economics before.

Video: Posted on the Canvas course page is an Excel spreadsheet with links to selected YouTube videos on various topics covered in class. Video from actual class sessions will be

¹ Several leading textbooks align with the topics covered in class, and students should feel free to choose a different textbook and locate the relevant chapters on their own. Some good alternatives are: Microeconomics by Michael Katz and Harvey Rosen; Microeconomics by Robert Pindyck and Daniel Rubinfeld; Microeconomics: An Integrated Approach by David Besanko and Ronald Braeutigam; and Microeconomics for Managers by David Kreps.

posted via the Echo system; we post video on each session topic, but they will vary with respect to the particular cluster and Professor recorded. We may also post additional video on Canvas for advanced topics that we cannot cover in class but which are of interest to students.

Columbia Core Culture

The purpose of the Columbia Core Culture is to promote a consistent classroom environment of mutual respect, preparation and engagement. Our expectation of you in class is to be:

Present: Your success depends on being on time and present for the entire class every session. Attendance will be part of your grade for class participation and students are expected to sit in their assigned seats.

Prepared: Bring your nameplate, clicker, and complete any pre-work needed for class discussion. Expect the professor to cold call in class.

Participating: Active participation calls for no electronic devices such as laptops, smartphones, or tablet computers during class, except when the professor tells you as part of in-class work.

Managerial Economics Course Roadmap

PROFITABILITY & PRICING

Sessions 1-6

COMPETITIVE MARKETS

Sessions 7-9

STRATEGIC DECISIONS

Sessions 10-12

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|---|--|------------------------------------|
| 1. Consumer Demand | 7. Supply and Demand | 10. Strategic Price Competition I |
| 2. Costs & Profitability I | 8. Market Analysis <small>Columbia CaseWorks</small> | 11. Strategic Price Competition II |
| 3. Costs & Profitability II  | 9. Adverse Selection | 12. Agency and Incentives |
| 4. Marginal Analysis | | |
| 5. Group Based Pricing <small>Columbia CaseWorks</small> | | |
| 6. Pricing for Segmentation | | |



Class Topics, Cases, and Optional Textbook Reading

1. **Consumer Demand** (M.S. Chapter 3, pp. 78-88, 91-95, M.S. Chapter 2, pp. 44)
2. **Costs and Profitability I** (M.S. Chapter 2, pp. 45-52, M.S. Chapter 6, pp. 231-233)
3. **Costs and Profitability II (*GM Case*)**, M.S. Chapter 6, pp. 227-231)
4. **Marginal Analysis** (M.S. Chapter 2, pp. 27-31, M.S. Chapter 6, 234-236)
5. **Targeted Pricing (*Airline Pricing Case*)**, M.S. Chapter 3, pp. 99-102)
6. **Pricing for Segmentation** (M.S. Chapter 103-107)
7. **Supply and Demand** (M.S. Chapter 7, pp. 283-290, 302-303)
8. **Market Analysis (*AMAX Case*)**
9. **Adverse Selection** (M.S. Chapter 14, pp. 582-586)
10. **Strategic Price Competition I** (M.S. Chapter 9, pp. 351-357, 368-375, Ch. 8, pp. 329-330)
11. **Strategic Price Competition II** (M.S. Chapter 10, 402-410, 422-428)
12. **Agency and Incentives** (M.S. Chapter 14, pp. 587-592)

Note: M.S. refers to *Managerial Economics*, 7th Edition, by William Samuelson and Stephen Marks.