



## FIN 372 Managerial Economics, Spring 2019

03445: MW 11:00am-12:30 p.m., GSB 2.126

03450: MW 2:00-3:30 p.m., UTC 1.132

Review session: F 10 a.m.-noon, CBA 4.328

## Course Syllabus

### Section 1. Course Objective

Welcome to Managerial Economics! FIN 372 aims to take important lessons from Economics and show how to use them to make better decisions. The course will have a strong focus on Game Theory and use it to develop the student's ability to think strategically. This is a crucial skill that every business student needs to be successful in his or her chosen career.

### Section 2. Contact Information

**Professor:** William Fuchs

**Office:** CBA 6.276

**Office Hours:** email to make appointment

**Email:** [william.fuchs@mcombs.utexas.edu](mailto:william.fuchs@mcombs.utexas.edu)

**TAs:** Mark Whitmeyer: Office Hours 10-12 Thursday, B.R.B. 3.150  
mark.whitmeyer@gmail.com

Feel free to drop in unannounced during office hours although, it is best if you email us your questions beforehand, that way we can expect you and be better prepared to answer. Note that the federal student privacy policy (FERPA) prohibits us from discussing grade-related information via telephone or email.

Mark will hold a **review session on Fridays from 10 a.m. to noon in CBA 4.328**. Attendance is not mandatory but highly recommended. If you cannot solve your doubts by asking a classmate, the review session is the ideal place to do so.

### Section 3. Tools & Materials

**Text:** The book *Microeconomics for Managers* (Second Edition Princeton University Press) by David Kreps will be our main text book. It also comes with a Student Companion that will provide extra practice problems and examples. I will not be following the same order as the book so please pay attention to Canvas for the recommended readings.

Additional books will be recommended along the way to help you cement your understanding. For example, for the first parts of the course on Game Theory. The book by Steven Tadelis, *Game Theory* will be a very useful resource. Feel free to reach out to your TA or myself if you want additional recommendations.

**Clicker:** We will be using the iClicker Classic remote student response system during class each day. You can use new or used iClicker, iClicker+ or iClicker2, all of which are available at the Co-op and online. **You must register your clicker on Canvas** and start bringing it to class by the 2nd day of class. To register your clicker on Canvas, go to the FIN 357 Canvas page, select “i>Clicker” from the left-hand menu bar, and click on “i>clicker Registration.” Enter your clicker number and click “Register.”

If you get a new clicker any time after the 2nd class day, register it on Canvas and email me your name, eid, unique number, and clicker number. You will receive points for all of the “clicks” sent by your new clicker, effective as of the date that your clicker is registered and your email to me has been sent.

You are not allowed to share a clicker with, or borrow a clicker from, anyone currently enrolled in any section of this course. Allowing another student in this course to use your clicker, or using the clicker of another student in this course, or simply **having more than one clicker in your possession will be considered a violation of the University’s academic integrity rules.**

**Calculator:** You might find it helpful to use a simple calculator during the exams. Please make sure you have one. You will not be allowed to use a cell phone or online financial calculator during an exam, nor will you be allowed to share your calculator with another student during an exam.

**Email:** The [General Information Catalog](#) states: "Electronic mail (e-mail), like postal mail, is a mechanism for official University communication to students. The University will exercise the right to send e-mail communications to all students, and the University will expect that e-mail communications will be received and read in a timely manner." You can verify and/or update your email address here: [https://utdirect.utexas.edu/apps/utd/all\\_my\\_addresses/](https://utdirect.utexas.edu/apps/utd/all_my_addresses/)

## Section 4. Prerequisites

You can take this class without any formal prerequisites but you are expected to know some basic calculus and business terminology. I would also recommend against taking this class your freshman year.

## Section 5. Grading

Your grade in this course will be determined by your performance on the following:

- |   |             |
|---|-------------|
| • Midterm Exam:                               | 25%         |
| • Homework: The lowest scores will be dropped | 20%         |
| • Class participation / iClicker answers      | 10%         |
| • Final Exam                                  | 45%         |
| Course Total                                  | <u>100%</u> |

We will use the McCombs recommend curve to assign grades. The University-approved +/- grading system will be employed. Make-up or extra work to improve your grade is not possible. Your final letter grade will be determined by the criteria set forth above.

## **Section 6. Exams**

The midterm exam will take place in the regular classroom on Wednesday March 6<sup>th</sup>. The Midterm will include all of Part I and a selection of topics from Part II.

The Final exam schedule is provided by the registrar's office. It will be comprehensive.

Make up exams are offered for only the following reasons:

- A conflict with another UT course,
- Participation in a University-sponsored event,
- A conflict with a University-recognized religious holy day,
- A medical event (such as illness or injury) documented by [Student Emergency Services](#).

If you have any circumstance listed above (other than a medical emergency) that will necessitate taking a make-up exam this semester, you must notify me and provide appropriate documentation **no later than, January 26<sup>th</sup>**.

*If you took the exam, discussing it with anyone that has not yet taken it will be considered a serious violation of academic integrity. Likewise, if you have not yet taken the exam you should not discuss it with anyone that took it before you.*

## **Section 7. Homework**

There will be a homework due most weeks. If you hand in the homework late, but within a week of the due date you will lose 20% of the points. Your lowest homework score will be automatically ignored when computing your final grade. Therefore, unless there is an extreme situation, there will be no exceptions or extra time granted. Working hard on your homework is the best strategy to succeed in the class.

## **Section 8. iClicker / Class Participation**

We will play games using the iClicker and I will also ask questions from time to time. How you answer these questions in addition to your general class participation and etiquette (see below) will count towards your participation score. You are expected to attend all lectures. Any material discussed in class could in principle be part of the exams.

## **Section 9. Class etiquette**

As future professionals, you are expected not to disrupt your classmates and help foster a good learning environment. In particular as general practice you should:

- Arrive on time to class and be ready to start.
- Not to leave the lecture until the end of class.
- Not to use your phone or laptop during the lecture.

## Section 10. Getting help

There are many resources available to you to help you out.

You should follow the following order for questions about the material:

- (1) If you do not understand something I say during class, please stop me and ask. Most likely, several of your classmates have the same question.
- (2) Ask me right after class if something about the lecture I just gave is still unclear.
- (3) Ask a classmate.
- (4) Attend the TA review session. Asking your questions there will surely also help your classmates with similar difficulties.
- (5) Read the book and class notes.
- (6) Attend the TA office hours.
- (7) Attend my office hours.

For logistical/administrative questions:

- (1) Read the syllabus (most answers are usually here).
- (2) Ask a classmate.
- (3) Email Mark or myself as needed.

## Section 11. Religious Holy Days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, and you have provided proper advance notice, you will be given an opportunity to complete the missed work within a reasonable time before or after the absence.

## Section 12. Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities (SSD), 512-471-6259, <http://diversity.utexas.edu/disability/>. If you are eligible for academic accommodations **you must present your SSD letter to me, during my office hours during the first month of class.** This will allow me to make appropriate arrangements as needed.

## Section 13. Academic Integrity

All materials in this course are protected by copyright. Uploading copyrighted materials to course sharing websites such as CourseHero, GradeBuddy, etc. is not only an academic integrity

issue, it is also against the law. All such actions will be reported to Student Judicial Services, and may result in both academic and legal penalties. The minimum academic penalty is a full course grade reduction, e.g. from A to B. The legal penalty for copyright infringement is a minimum of \$200 per document, plus all attorney fees and court costs related to the case.

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the [Policy Statement on Scholastic Dishonesty for the McCombs School of Business](#). By teaching this course, I have agreed to observe the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to seek clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. Refer to the [Student Judicial Services website](#) or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

## **Section 14. Campus Safety**

Loaded guns are now permitted in UT classrooms. However, no guns are allowed in my office. Because I am prohibited from asking whether you have a gun, no purses, bags, backpacks, large jackets or coats, or any other items that might conceal a gun are allowed in my office. Leaving a gun unattended (as it would be, if left outside my office) is against the law. Plan accordingly.

*“Please note the following information from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:*

- *If an alarm is activated, we are required to exit the building. Please follow my instructions.*
- *Familiarize yourself with all exit doors. Remember that the nearest exit door may not be the one you used when entering the building.*
- *Students requiring assistance in evacuation should inform me via email immediately.*
- *Do not re-enter a building unless given instructions to do so by the Austin Fire Department, or the University of Texas at Austin Police Department or Fire Prevention Services.*
- *Concerns? Call the Behavior Concerns Advice Line (BCAL) at 512-232-5050.*
- *Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.”*

## Section 15. Plan for the Semester

- ▶ Part I: Economics of Relationships
  - ▶ Game Theory and Applications:
    - ▶ Complete Information Games
    - ▶ Finding Equilibria
    - ▶ Tacit collusion
    - ▶ Hold-up problems reputation, commitment
    - ▶ Relational Contracts
- ▶ Part II :Incomplete and Private information
  - ▶ Expected Utility
  - ▶ Risk Sharing (insurance and financing risky ventures)
  - ▶ Adverse Selection: sorting, screening, signaling.
  - ▶ Moral Hazard: incentives, multitasking
- ▶ Part III: Pricing
  - ▶ Market Power.
  - ▶ Optimal Pricing.
  - ▶ Double Marginalization Problem.
  - ▶ Price discrimination.
- ▶ Part IV: Market Forces
  - ▶ Competitive equilibrium, efficiency and inefficiency of markets