

Course Outline

Department of Economics  
School of Business and Economics

**ECON 3040-3**  
**Managerial Economics (3,0,0)**

**Calendar Description**

Students focus on the application of economic models and rational choice to business decision making. Topics include an introduction to managerial economics, demand analysis and estimates, production and cost analysis, technological change and industrial innovation, pricing strategies in imperfectly competitive markets, game theory and competitive strategies, government and business, and forecasting.

**Educational Objectives/Outcomes**

Upon completing this course, students will be able to:

1. Utilize economic models to aid in explaining all facets of a business enterprise.
2. Apply managerial economic tools in solving business problems.

**Prerequisites**

ECON 1900; ECON 1950; MATH 1170 or equivalent

**Co-requisites**

**Texts/Materials**

Mansfield, Edwin, et al., Managerial Economics Theory, Applications, and Cases, 7th Edition.  
or  
Hirschey, Mark, Managerial Economics, 12th Edition.

**Student Evaluation**

Participation	0-20%
Assignments/quizzes	0-20%
Project	0-25%
Midterms	30-60%

## Course Topics

1. Introduction to Managerial Economics
  - Reasons for the existence of firms and their function
  - The objective and value of the firm
  - Constraints on the operation of the firm
  - Limitation of the theory of the firm
2. Demand Analysis and Estimation
  - Measuring market demand
  - Demand sensitivity analysis and the importance of elasticity
  - Specifications, identification problem
  - Interview and experimental methods
  - Regression analysis
3. Production and Cost Analysis
  - Production functions
  - Productivity measures
  - Law of diminishing returns
  - Input combination choice
  - Returns to scale
  - Economic and accounting costs
  - Opportunity costs
  - Incremental versus sunk costs
  - Short and long-run cost curves
  - Minimum efficient scale
  - Firm size and plant size
  - Learning curves
  - Economics of scope
  - Cost-volume-profit leverage
4. Technological Change and Industrial Innovation
  - Labor productivity
  - Total factor productivity
  - Using total factor productivity to track factory performance
  - Research and development
  - A learning process
  - Parallel development efforts
  - Project selection
  - Innovation
  - Time-cost trade-offs

- The learning curve
- Diffusion models

## 5. Pricing Strategies in Imperfectly Competitive Markets

- Profit maximization rule
- Pricing rules of thumb
- Markup pricing and profit maximization
- Price discrimination
- Multiple-product pricing
- Joint product
- Transfer pricing
- Two-part tariffs
- Bundling
- Peak-load pricing
- Block pricing
- Price matching
- Inducing brand loyalty
- Randomized pricing
- Limit pricing to prevent entry
- Predatory pricing
- Raising rivals' cost
- Network externalities

## 6. Game Theory and Competitive Strategies

- Overview of games and strategic thinking
- Simultaneous moves – one shot games
- Infinitely repeated games
- Finitely repeated games
- Multi-stage games

## 7. Government and Business

- Competition versus monopoly
- Regulation of monopoly
- Effects of regulation and efficiency
- Concentration of economic power
- Antitrust laws
- Patent system
- Trade and trade policy
- Regulation of environmental pollution
- Public goods

## 8. Business and Economic Forecasting

- Applications
- Qualitative analysis
- Trend analysis and projections
- Business cycle
- Economic indicators
- Forecasting techniques
- Reliability

**Methods for Prior Learning Assessment and Recognition**

As per TRU policy

**Attendance Requirements – Include if different from TRU Policy**

As per TRU policy

**Special Course Activities – Optional**

**Use of Technology – Optional**