



Aristotle University of Thessaloniki
School of Economics
Master in Business Administration
Academic Year: 2021-2022

Module: Managerial Economics

Lecturer: Thanassis Kazanas, Assistant Professor
(tkazanas@econ.auth.gr)

Course Objective

Managerial Economics applies economic theory and methods to business and administrative decision making. Because it uses the tools and techniques of economic analysis to solve managerial problems, managerial economics links traditional economics with the decision sciences to develop vital tools for managerial decision making. The course of Managerial Economics aims to identify how the firms' and organizations policies are being analyzed and implemented in the frames of strategic decision – making.

Students will be able to

- Summarize how goals, constraints, incentives, and market rivalry affect economic decisions.
- Distinguish economic versus accounting profits and costs.
- Explain the laws of demand and supply, and identify factors that cause demand and supply to shift.
- Calculate consumer surplus and producer surplus, and describe what they mean.
- Apply various elasticities of demand as a quantitative tool to forecast changes in revenues, prices, and/or units sold.
- Explain the meaning of demand estimation and examine different methods of demand estimation.
- Explain the nature of empirical studies and examine the implications of empirical studies in terms of economic theory.
- Perform empirical studies and test economic theories.
- Explain alternative ways of measuring the productivity of inputs and the role of the manager in the production process.
- Calculate a cost function from a production function and explain how economic costs differ from accounting costs.

- Distinguish between short-run and long-run production decisions and illustrate their impact on costs and economies of scale.
- Identify the conditions under which a firm operates as perfectly competitive, monopolistically competitive, or a monopoly.
- Explain how beliefs and strategic interaction shape optimal decisions in oligopoly environments.
- Apply normal form and extensive form representations of games to formulate decisions in strategic environments that include pricing, advertising, coordination, bargaining, innovation, product quality, monitoring employees, and entry.
- Formulate pricing strategies that permit firms to extract additional surplus from consumers - including price discrimination, two-part pricing, block pricing, and commodity bundling - and explain the conditions needed for each of these strategies to yield higher profits than standard pricing.
- Identify strategies to manage risk and uncertainty, including diversification and optimal search strategies.
- Explain why asymmetric information about “hidden actions” or “hidden characteristics” can lead to moral hazard and adverse selection, and identify strategies for mitigating these potential problems.
- Learn the ingredients of a successful empirical analysis, with emphasis on completing a term project.

Course Description

During this course, the most crucial topics are related to the demand – supply relationship, the determination of pricing policy, the cost factors and the costing systems, the maximization of revenues and profits, game theory, the structure of budgeting systems, the performance measurements and the acquisition of competitive advantages. Moreover, case studies will be used for the understanding of the above issues.

Suggested Textbooks

- Allen, B. W., Weigelt, K., Doherty, N. and Mansfield E. (2013), *Managerial Economics: Theory, Applications and Cases*, W. W. Norton and Company, 8th edition.
- Baye, Michael and Prince, Jeff (2017), *Managerial Economics & Business Strategy*, McGraw-Hill, 9th Edition.
- Besanko, D., Dranove D., Shanley M. and Schaefer S. (2017), *Economics of Strategy*, John Wiley & Sons, Inc., 7th edition.
- Keat, P. and Young, P. (2009), *Managerial Economics*, Prentice Hall, 6th edition.
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (2013) *Business Economics*, 1st edition, Cengage Learning.
- Wilkinson, Nick (2005), *Managerial Economics: A Problem-Solving Approach*, Cambridge University Press.
- Wooldridge, M. Jeffrey (2013), *Introductory Econometrics: A Modern Approach*, 5th Edition, Cengage Learning.

In Greek

- Mankiw N. G., Taylor M. P. and Ashwin A. (2018), *Οικονομικά των Επιχειρήσεων*, Εκδόσεις Τζιόλα, 2^η έκδοση.
- Salvatore D. (2012), *Επιχειρησιακή Οικονομική στο Διεθνές Οικονομικό Περιβάλλον*, Gutenberg.

Course outline and literature

PART A: Introduction

The Fundamentals of Managerial Economics: Nature, scope and methods of managerial economics

- Baye, Michael and Prince, Jeff (Ch. 1)
- Wilkinson, Nick (Ch. 1)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 1, 2)

The theory of the firm

- Baye, Michael and Prince, Jeff (Ch. 1)
- Wilkinson, Nick (Ch. 2)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 3)

PART B: The market system

Supply and Demand: How markets work

- Baye, Michael and Prince, Jeff (Ch. 2)
- Wilkinson, Nick (Ch. 3)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 4)

Quantitative Demand Analysis: Elasticity and its applications

- Baye, Michael and Prince, Jeff (Ch. 3)
- Wilkinson, Nick (Ch. 3)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 5)

Demand estimation

- Baye, Michael and Prince, Jeff (Ch. 3)
- Wilkinson, Nick (Ch. 4)
- Wooldridge, M. Jeffrey (Ch. 2, 3, 4, 6, 7, 10)

PART C: Production and cost analysis

Production theory

- Baye, Michael and Prince, Jeff (Ch. 5)
- Wilkinson, Nick (Ch. 5)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 8)

Cost theory

- Baye, Michael and Prince, Jeff (Ch. 5)
- Wilkinson, Nick (Ch. 6)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 9)

Cost estimation

- Wilkinson, Nick (Ch. 7)
- Wooldridge, M. Jeffrey (Ch. 2, 3, 4, 6, 7, 10)

PART D: Strategy analysis

Market structure and pricing: Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets

- Baye, Michael and Prince, Jeff (Ch. 8)
- Wilkinson, Nick (Ch. 8)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 10, 12, 13)

Game theory

- Baye, Michael and Prince, Jeff (Ch. 10)
- Wilkinson, Nick (Ch. 9)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 13)

Pricing strategy

- Baye, Michael and Prince, Jeff (Ch. 11)
- Wilkinson, Nick (Ch. 10)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 11)

The economics of information, Investment analysis

- Baye, Michael and Prince, Jeff (Ch. 12)
- Wilkinson, Nick (Ch. 11)

Government and managerial policy

- Baye, Michael and Prince, Jeff (Ch. 12)
- Wilkinson, Nick (Ch. 12)
- Mankiw, N. G., Taylor, M. P. and Ashwin, A. (Ch. 6)

PART E: Empirical project

Carrying out an empirical project

- Wooldridge, M. Jeffrey (Ch. 19)

Homework and exam

1. You will receive homework assignments. Mixture of analytical and computer work. Moreover, you will have to present a short empirical project.
2. Mid-term exam, final exam.

Assessment

Final grade: 40% homework, 60% mid-term and final exam.