

BECO 4310-008 – Applied Business Economics
Jerry S. Rawls College of Business Administration
Texas Tech University

Lecture Time: MWF 10:00 – 10:50 AM

Room: RCOB 00103

Course Instructor Audrey Redford
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Office Hours Rawls College of Business 139L – MW 11:00am – 12:30pm
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Course Description The purpose of this course is to provide students with a better understanding of how economic analysis can be productively applied to business decisions and strategy.

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

Class Webpage via Blackboard 9.0

Course Materials Holcombe, Randall G. 2014. *Advanced Introduction to the Austrian School of Economics*. Cheltenham, UK: Edward Elgar.
ISBN: 978-1-78195-574-1

Marburger, Daniel and Ryan Peterson. 2013. *Economic Decision Making Using Cost Data: A Guide for Managers*. New York, NY: Business Expert Press.
ISBN: 978-1-60649-512-4

Harvard Business School Case Studies
(<https://cb.hbsp.harvard.edu/cbmp/access/30990235>)

Other course materials are available on Blackboard.

Course Overview

One of the primary goals of this course is to train students to think like an economist so that they may apply insights from economic analysis to situations they will face as business practitioners. Successful managers possess the capacity to identify, understand, analyze and productively act upon various issues, problems and opportunities that arise, whether they are expected or unexpected. Economic analysis provides a toolbox for managers to use in the process of effectively resolving problems and creating value by seizing opportunities for innovation in the delivery of goods and services to consumers.

Productive application of the tools of economic analysis in business contexts requires an understanding of the framework of economic analysis and the broader context in which business firms operate. As such, this course will begin with introductory readings that focus on issues and concepts that form the foundation of economic analysis. Brief reviews of fundamental economic principles will be highlighted during the first few weeks of the course.

Please note that this course assumes knowledge of the principles of economics. Consequently, this review will be brief and will not be comprehensive. The primary focus of this course is the application of microeconomic tools of analysis to specific business situations whether hypothetical or historical.

Students are expected to purchase the texts by Holcombe (2014) and Marburger and Peterson (2013). These texts will form the basis of the theoretical discussions that will introduce each of the core concepts covered during the course. Supplementary readings from other sources that explain particular theoretical concepts and their application in current business contexts will be posted to Blackboard and may be added at the instructor's discretion.

Additionally, students are expected to purchase a course pack hosted on the Harvard Business School Publishing website that will be used to guide discussions for the case analysis part of the course. The assigned case studies from the course pack are intended to provide real world context for the application of theoretical principles and concepts that will be presented.

Although this course is titled Applied Business Economics, it is also important to understand the environment in which successful business firms operate. The formal and informal institutions that govern society circumscribe the scope of activity in which entrepreneurs and managers employ resources to satisfy the wants and needs of consumers.

Understanding what constitutes those institutions, how they promote or inhibit firms' activities and why different institutions produce different results for different societies provides students with a richer understanding of the purpose of the business firm, along with its relative strengths and weaknesses in resolving particular human dilemmas.

Ultimately, students should leave this course with an enhanced understanding of the core principles of economics and their application to specific issues facing managers in business firms. After completing this course, students will also be more knowledgeable about the tools managers use to make effective business decisions, the reasons why business firms emerge, expand and contract, and the institutional contexts in which firms best achieve their goal of maximizing profits through satisfying the particular wants and needs of consumer

Expected Learning Outcomes

After completing this course, students will be able to:

- Explain the relationship including differences between opportunity costs and accounting costs and the connections between economic profit and accounting profit;
- Explain how managers estimate demand and supply relationships and apply those estimates in common business contexts;
- Apply economic analysis to pricing strategy issues and understand the broader socioeconomic context of pricing decisions;
- Explain the reasons for the emergence of the firm, the factors that limit the size of the firm, and how the principal-agent problem affects firm performance;
- Describe the strengths and weaknesses of markets, contracts, and firms as alternative ways to organize economic activity;
- 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; and
- Better understand and explain the broader institutional context in which entrepreneurs create value, business firms operate, and policymakers impact economic outcomes.

Methods of Assessment

Participation	15%
Discussion Leading	5%
Short Papers (2 @ 5% each)	10%
Quiz Grade	10%
Examinations (2 @ 15% each; 1 @ 10%)	40%
Final Examination	20%

Participation

Advance preparation for class lectures and discussions is required and will be evaluated through student contributions to the Discussion Board on Blackboard. Please refer to the guidelines attached to the syllabus and posted on the Discussion Board for more information about student responsibilities and instructor expectations for this part of the course.

Questions, comments, and answers during class lectures and discussions are encouraged and will contribute to the “Participation” portion of the final grade. While class attendance is not mandatory, you cannot participate if you are absent.

Discussion Leading

For selected class sessions, two students will serve as co-discussion leaders along with the instructor. Each student will serve as a co-discussion leader once during the semester. The co-discussion leaders should be prepared with questions and comments about the readings and everyone else in the class should be prepared to discuss various questions.

Short Papers

Students are required to complete two (2) short paper assignments during the course. Please refer to the guidelines attached to the syllabus and posted under Course Content on Blackboard for more information about student responsibilities and instructor expectations for this part of the course.

Quiz Grade

The instructor will administer unannounced quizzes periodically during the semester. Each quiz will begin promptly at 10:00 AM and end promptly at 10:05 AM. Quizzes are designed to assess student comprehension of required course materials.

Please note that makeup quizzes will be administered only when acceptable (as deemed by the instructor) medical documentation has been provided.

Examinations

Examinations will be written and will test your understanding of theoretical concepts and their business applications. Examinations will consist of essay questions.

The tentative dates for examinations are as follows:

- Monday, September 22, 2014
- Friday, October 24, 2014
- Monday, November 24, 2014

The two highest grades will contribute 15% of your final grade for the course. The lowest grade of the three examinations will contribute 10% of your final grade.

Final Examination

The final examination will be a cumulative written examination and is scheduled for **Tuesday December 9, 2014 (7:30 AM – 10:00 AM)** in our regular meeting room for lectures and discussions (RCOB 00103).

Please note that makeup examinations will be administered only when acceptable (as deemed by the instructor) medical documentation has been provided.

Grade Distribution

Superb		
A+ 97-100	A 94-96	A- 90-93
Above Average		
B+ 87-89	B 84-86	B- 80-83
Average		
C+ 77-79	C 74-76	C- 70-73
Below Average		
D+ 67-69	D 64-66	D- 60-63
Fail		
F 0-59		

Course Communication

Course announcements will be made in class and posted to Blackboard. The course syllabus, handouts, and selected required readings will also be posted to Blackboard. As outlined above, Discussion Board responses that will count toward your Participation grade will be collected and evaluated through Blackboard.

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.

Disability Accommodation

Any student who, because of a disability, may require special arrangements in order to meet the course requirements should contact the instructor as soon as possible to make any necessary arrangements. Students should present appropriate verification from Student Disability Services during the instructor's office hours.

Please note: instructors are not allowed to provide classroom accommodations to a student until appropriate verification from Student Disability Services has been provided. For additional information, please contact Student Disability Services in 335 West Hall or by phone 806-742-2405 or by email sds@ttu.edu. Please refer to Texas Tech University Operating Procedure 34.22 for more information.

Religious Holy Day Observance

A student who intends to observe a religious holy day should make that intention known in writing to the instructor 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 schedules for that day within a reasonable time after the absence. Please refer to Texas Tech University Operating Procedure 34.19 for more information.

Course Policy on Use of Phones, Computers and Electronic Equipment

Electronic gadgets are great, but they easily distract. Research published in *Computers & Education* by Sana, Faria et al (2013) finds "Laptop multitasking hinders classroom learning for both users and nearby peers." The same is true of checking one's phone or text messaging, so please use these devices outside, but not during, scheduled class meetings. You are allowed to use your laptops in class for the sole purpose of taking notes. I reserve the right to ask a student to leave if their use of an electronic device becomes distracting to others around them, including myself.

**** This syllabus is subject to change as the instructor sees fit. ****

BECO 4310-001 - Applied Business Economics Fall 2014 Course Schedule

Week 1 – 8.25.2014 – 8.29.2014

Course Introduction/Economics 2.0

8.25.2014

- Syllabus Distribution and Course Introduction

8.27.2014

- Coyne, Christopher J. 2010. “Economics as the Study of Coordination and Exchange.” In *Handbook on Contemporary Austrian Economics*, Peter J. Boettke, ed. Cheltenham, UK: Edward Elgar. 14-29.
- Kling, Arnold and Nick Schulz. 2009. “An Introduction to Economics 2.0.” In *From Poverty to Prosperity: Intangible Assets, Hidden Liabilities and the Lasting Triumph Over Scarcity*. New York, NY: Encounter Books. 1-19.

8.29.2014

- Kling, Arnold and Nick Schulz. 2009. “Economics 2.0 in Practice.” In *From Poverty to Prosperity: Intangible Assets, Hidden Liabilities and the Lasting Triumph Over Scarcity*. New York, NY: Encounter Books. 20-50.

Week 2 – 9.1.2014 – 9.5.2014

9.1.2014

Labor Day Holiday – NO CLASS

Market Process

9.3.2014 - 9.5.2014

- Holcombe, Randall G. “The Market Process.” In *Advanced Introduction to the Austrian School of Economics*. Cheltenham, UK: Edward Elgar. 1-21.
- Boettke, Peter J. 2010. “What Happened to ‘Efficient Markets?’” *The Independent Review*, Vol. 14, No. 3. 363-375.

Week 3 – 9.8.2014 – 9.12.2014

9.8.2014 - 9.10.2014

- Holcombe. 2014. “Decentralized Knowledge: The Role of Firms and Markets.” 22-45.

- von Mises, Ludwig. 2007. "Profit Management." In *Bureaucracy*. Indianapolis, IN: Liberty Fund, Inc. 17-32.

Introduction to Business Economics

9.12.2014

- Wrapp, Edward H. 1979. "Good General Managers are Not Professional." Graduate School of Business Selected Paper No. 53. Chicago, IL: The University of Chicago. 1-21.

Week 4 – 9.15.2014 – 9.19.2014

9.15.2014

- Marburger, Daniel and Ryan Peterson. 2013. "What Does Economics Have to Do with Running a Business?" In *Economic Decision Making Using Cost Data: A Guide for Managers*. New York, NY: Business Expert Press. 1-12.

9.17.2014

- Marburger and Peterson. 2013. "What Matters and What Doesn't: Relevant Revenues and Costs." 13-25.

Demand and Pricing

9.19.2014

- Marburger and Peterson. 2013. "Determining Relevant Revenues: Understanding the Buyer." 26-46.

Week 5 – 9.22.2014 – 9.26.2014

9.22.2014

FIRST EXAMINATION - Economics 2.0; Market Process; Introduction to Business Economics

9.24.2014

- Marburger and Peterson, "Determining Relevant Revenues: Understanding the Buyer" (Continued)
- Yoon, Eddie. 2012. "Demand and Sales Aren't Equivalent." Harvard Business Review Blog. October 17.
- Sahay, Arvind. 2007. "How to Reap Higher Profits with Dynamic Pricing." *Sloan Management Review*, Vol. 48, No. 4. 53-60.

9.26.2014

- Shapiro, Benson P., and Frank V. Cespedes. 2011. “Curled Metal Inc. – Engineered Products Division.” Harvard Business School Case 709-434, October 2008. 1-14.

Week 6 – 9.29.2014 – 10.3.2014

9.29.2014 - 10.1.2014

- Cespedes, Frank V., Christopher H. Lovelock, and Laura Winig. 2009. “The Springfield Nor’easters: Maximizing Revenues in the Minor Leagues.” Harvard Business School Brief Case 082-510, May 2009. 1-13.

Cost and Production

10.3.2014

- Marburger and Peterson. 2013. “What Your Cost Accountant Can’t Measure: The Economic Theory of Production and Cost.” 47-74.

Week 7 – 10.6.2014 – 10.10.2014

10.6.2014

- Marburger and Peterson. 2013. “How Accountants Measure Opportunity.” 75-102.
- Taylor, Thomas C. 2000. “Current Developments in Cost Accounting and the Dynamics of Economic Calculation.” *The Quarterly Journal of Austrian Economics*, Vol. 3, No. 2. 3-19.

10.8.2014

- Currie, David, and Lorena Mosnja Skare. 2010. “Old Mule Farms.” Richard Ivey School of Business Case 910B04. 1-7.

Competitive Strategy

10.10.2014

- Porter, Michael. 2008. “The Five Competitive Forces That Shape Strategy.” *Harvard Business Review* 86, No. 1. 78-93.
- Mathews, John A. 2006. “Ricardian Rents or Knightian Profits? More on Austrian Insights on Strategic Organization.” *Strategic Organization*, Vol. 4, No. 1. 97-108.

Week 8 – 10.13.2014 – 10.17.2014

10.13.2014

- Porter, “The Five Competitive Forces That Shape Strategy.” (Continued)

- Mathews, “Ricardian Rents or Knightian Profits? More on Austrian Insights on Strategic Organization.” (Continued)

10.15.2014

- Yoffie, David B., and Renee Kim. 2011. “Apple Inc. in 2010.” Harvard Business School Case 710-467, April 2010. 1-25.

10.17.2014

- Shih, Willy, Stephen Kaufman, and David Spinola. 2009. “Netflix”. Harvard Business School Case 607-138, April 2009. 1-15.

Week 9 – 10.20.2014 – 10.22.2014

Economics of Organization

10.20.2014 - 10.22.2014

- Kasper, Wolfgang, Manfred E. Streit, and Peter J. Boettke. 2012. “Economic Organizations.” In *Institutional Economics: Property, Competition, Policies*, 2nd ed. Cheltenham, UK: Edward Elgar. 282-310.
- Alchian, Armen A., and Harold Demsetz. 1972. “Production, Information Costs, and Economic Organization.” *American Economic Review*, Vol. 62, No.5. 777-795.

10.24.2014

SECOND EXAMINATION - Demand and Pricing; Cost and Production; Competitive Strategy

Week 10 – 10.27.2014 – 10.31.2014

10.27.2014

- Berlin, Mitchell. 1999. “Jack of All Trades? Product Diversification in Nonfinancial Firms.” Federal Reserve Bank of Philadelphia Business Review. 15-29.
- Bhidé, Amar. 1990. “Reversing Corporate Diversification.” *Journal of Applied Corporate Finance*, Vol. 3, No. 2. 70-81.

10.29.2014

- Yoffie, David B., and Renee Kim. 2012. “Coca-Cola in 2011: In Search of a New Model.” Harvard Business School Case 711-504. 1-24.

10.31.2014

- Garvin, David A., and Sunru Yong. 2011. “Bergerac Systems: The Challenge of Backward Integration.” Harvard Business School Brief Case 4381. 1-9.

Week 11 – 11.3.2014 – 11.7.2014

11.3.2014

- Sowell, Thomas. 2010. "Productivity and Pay." In *Basic Economics: A Common Sense Guide to the Economy*. New York: NY: Basic Books. 183-206.

11.5.2014

- Kaplan, Steven N. 2008. "Are U.S. CEOs Overpaid?" *Academy of Management Perspectives*, Vol. 22, No. 2. 5-20.
- Kaplan, Steven N. 2013. "The Real Story Behind Executive Pay: The Myth of Crony Capitalism." *Foreign Affairs* 92. 20-26.

Political Economy

11.7.2014

- Holcombe. 2014. "Economic Calculation." 46-68.

Week 12 – 11.10.2014 – 11.14.2014

11.10.2014

- Litan, Robert. 2008. "Regulation." In *The Concise Encyclopedia of Economics*, David R. Henderson, ed. Indianapolis, IN: Liberty Fund, Inc. 439-442.
- Caplan, Bryan. 2008. "Externalities." In *The Concise Encyclopedia of Economics*. 169-172.
- Stigler, George J. 2008. "Monopoly." In *The Concise Encyclopedia of Economics*. 363-366.
- McChesney, Fred. 2008. "Antitrust." In *The Concise Encyclopedia of Economics*. 11-14.
- Cowen, Tyler. 2008. "Public Goods." In *The Concise Encyclopedia of Economics*. 431-432.

11.12.2014

- Stiglitz, Joseph E. 2008. "Information." In *The Concise Encyclopedia of Economics*. 267-270.
- Henderson, David R. 2008. "Rent Seeking." In *The Concise Encyclopedia of Economics*. 445-446.
- Holcombe, Randall G. 2012. "Make Economics Policy Relevant: Depose the Omniscient Benevolent Dictator." *The Independent Review*, Vol. 17, No. 2. 165-176.

11.14.2014

- Hoyt, David, and Steven Callander. 2012. "Uber: 21st Century Technology Confronts 20th Century Regulation." Stanford Graduate School of Business Case P-81. 1-10.

Week 13 – 11.17.2014 – 11.21.2014

11.17.2014

- Gómez-Ibáñez, José A. 2005. "Congestion Charging in London (A): The Western Extension." Kennedy School of Government Case HKS310. 1-22.

11.19.2014

- Holcombe. 2014. "Money, Banking and Business Cycles." 69-94.

11.21.2014

- White, Lawrence H. 2012. "Monetary Policy and the Financial Crisis." In *Boom and Bust Banking: The Causes and Cures of the Great Recession*, David Beckworth, ed. Oakland, CA: The Independent Institute. 13-26.
- Horwitz, Steven and Peter J. Boettke. 2009. "The House that Uncle Sam Built: The Untold Story of the Great Recession of 2008." Irvington-on-Hudson, NY: Foundation for Economic Education. 1-20.
- Gramm, Phil and Peter Wallison. 2014. "Worse than Fannie and Freddie." *The Wall Street Journal*. April 16.

Week 14 – 11.24.2014 – 11.28.2014

11.24.2014

THIRD EXAMINATION - Economics of Organization; Political Economy

11.26.2014 - 11.28.2014

THANKSGIVING HOLIDAY – NO CLASS

Week 15 – 12.1.2014 – 12.6.2014

12.01.2014

- Holcombe. 2014. "The Resurgence of the Austrian School." 95-116.
- Marburger and Peterson. 2013. "Are You a Better Decision Maker Yet?" 103-108.

12.03.2014

FINAL EXAMINATION REVIEW (TENTATIVE)

12.06.2014

FINAL EXAMINATION - 7:30 AM – 10:00 AM - RCOB00103

**** This course outline is general timeline for the semester, but is subject to change as the instructor sees fit. ****

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Appendix I
Blackboard Discussion Board Guidelines

Advance preparation for class lectures and discussions is required and will be evaluated through student contributions to the Discussion Board on Blackboard. The Discussion Board is open and populated with a forum that corresponds to each reading assignment on the course schedule.

Please refer to the guidelines below for further instructions and a schedule of assignments.

- Each student has been randomly placed in a response group.
- The instructor has assigned each response group an equal amount of forums (11) for which response is required. All students are required to contribute to the last forum titled '12.1.2014 – Wrap-Up – Holcombe (2014) Ch. 5 and Marburger and Peterson (2013) Ch. 6'.
- **Each forum is available now and will remain available until 10:00 PM on the evening prior to the scheduled in-class discussion. Students who do not respond to a required forum while it is available will not receive credit for that forum.**
- Each student in a given day's response group is responsible for generating points of discussion for the following day's lecture. **For topics that are scheduled to be discussed over multiple class meetings, the post must be submitted prior to the first class meeting on that topic.**
- To complete the assignment, an individual student must access an assigned forum and create a thread that contains a response to the readings. The thread title should include the student's name and R number.
- Acceptable responses include:
 - A 1-2 paragraph synopsis of the readings that highlights potential points of discussion for the following day's class meeting;
 - Generating 2-3 questions for discussion during the following day's class meeting; and
 - A combination of synopsis and questions.
- If the instructor explicitly mentions a point of discussion from a particular student's synopsis or raises a question that was added to the forum by a student, that student will receive extra credit for that particular forum.
- Students who do not have an assignment for a particular forum are allowed (and encouraged) to contribute to that forum. If the instructor explicitly mentions a point of discussion from a particular student's synopsis or raises a question that was added to the forum by a student, that student will receive extra credit for that particular forum.
- After the in-class discussion, the instructor will reactivate the forum for student use in review and preparation for examinations.

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Appendix II
Short Paper Guidelines

Effective written communication is an important skill for a successful business practitioner. Managers need to be able to identify and effectively address issues, problems and opportunities that impact current and future decision making within the firm.

During the course of the semester, each student is required to complete two short papers that demonstrate an ability to apply particular concepts that are covered in the course to a contemporary business situation. Students will select a current news article from a business publication and provide their perspective on a contemporary business problem highlighted in the particular article, including a recommendation for action.

The guidelines for the short papers are as follows:

- The short paper will be based on a current news article(s) from a business publication (*Wall Street Journal*, *Financial Times*, *Forbes*, etc.). The news article(s) must be turned in with the short paper.
- If a student is unsure of whether a particular business publication or news article(s) is suitable, the student should consult with the instructor prior to starting work on the short paper.
- The instructor will evaluate the student's work based on the following criteria:
 - Ability to identify a particular theoretical concept(s) or economic principle(s) that applies to the situation(s) that a business manager(s) faces in the news article;
 - Ability to explain how that particular concept(s) or economics principle(s) will impact decision making within that firm(s) in the short and intermediate term;
 - The quality of the recommendation for action in light of the analysis provided.
- All papers will conform to the following formatting:
 - Times New Roman 12 point font
 - Double spaced paragraphs with one (1) inch margins
 - 400 – 600 words in length
- The due date for the short papers is **Monday, November 24, 2014**.
- **No late assignments will be accepted.**