

Managerial Economics/Strategy  
Econ 308-001  
Spring 2019

**Instructor:** Robert Hazel

**Class Schedule:** Tuesday and Thursday, 3:00-4:15

**Location:** Innovation Hall 136

**Office hours:** By appointment and before class

**Contact:** [rhazel3@gmu.edu](mailto:rhazel3@gmu.edu), 571-723-3515

**Course description:** We will study how managers use tools such as price discrimination, versioning, early mover advantage, cost-leadership, and scale effects to gain an advantage over competitors and increase firm value. Much of our focus will be on firms in the new information economy.

**Course objective and learning outcome:** Gain familiarity with principles of managerial economics and strategy and be able to apply them in the real world.

**Recommended Prerequisite:** ECON 306 (Intermediate Microeconomic Theory)

**Course materials:** Readings will be posted on Blackboard. See list on last page of syllabus. For students interested in a text to supplement the posted material, *Managerial Economics and Business Strategy*, by Baye and Prince, is the right level for this course and claims to be the best-selling managerial text (either the 9<sup>th</sup> or 8<sup>th</sup> edition is fine). Another useful text is *Managerial Economics and Strategy*, by Perloff and Brander.

**Grading:**

Problem sets/one-pagers 35%

Presentation 10%

Midterm 25% - **scheduled for Thursday March 7**

Final 25%

Class participation 5%

I will assign a problem set or one-page case analysis approximately every other week. **You must turn in a hard copy. Assignments may not be submitted by email.** Collaboration on homework assignments is allowed and encouraged. **Late assignments will not be accepted** but your lowest grade among the problem sets/one-pagers will be dropped.

Each student will be required to make a short presentation in which they discuss the application of managerial economics to a subject of their choosing or explain a relevant journal article to the class. The presentation is limited to 10 minutes and, if PowerPoint is used, to no more than six

slides. If your topic cannot be covered within this time-frame, you may team-up with another student. Grading will be based on my judgment of your understanding of the material, its relevance to the class, how much thought you put into your subject, and the clarity of the presentation.

To qualify for a make-up exam, you must notify me in advance of the original exam date and provide a valid excused absence.

There are no extra credit assignments.

**Class sequence:**

The class will proceed on two tracks, which will converge as the class proceeds. The first track will focus on general managerial economics principles. The second will focus on the economics of the information economy. The general class sequence is as follows:

1a – Introduction to managerial economics

1b – Introduction to the information economy

2 – Basics – price elasticity, price discrimination, and the cost function

3a – Horizontal firm boundaries – economies of scale and scope

3b – Network economics

4a – Vertical firm boundaries – make vs. buy

4b – Search costs, switching costs, and lock-in

5a – Where does new technology come from?

5b – Product versioning

6a – Market structure and industry concentration

6b – Superstars and the long tail

7a – Internal organization

7b – Non-competes, no poaching, and other restrictive agreements

Midterm – March 7

Spring break

8a – Basic oligopoly models

8b – The new oligopolies

9 – Oligopoly game theory

10a – Pricing strategies for firms with pricing power

## December 2018 – Preliminary Syllabus

10b – Bundling and aggregation

11a – Targeted advertising

11b – Standards battles

12 – Competition law and economics

13 – Privacy economics

### **University policies and information:**

**Academic integrity:** Faculty in Economics have zero tolerance for academic dishonesty and will strictly enforce Mason’s honor code.

**Disabilities:** If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703.993.2474. All academic accommodations must be arranged through that office.

**Email:** Mason uses only Mason email accounts to communicate with enrolled students. Students must activate their Mason email account, use it to communicate with their department and other administrative units, and check it regularly for important university information including messages related to this class.

**Syllabus and course changes:** The syllabus is a general plan for the course and is subject to change at the sole discretion of the instructor.

**Readings we may discuss:**

Acquisti, Alessandro, Taylor, Curtis R. and Wagman, Liad, “The Economics of Privacy” (March 8, 2016). *Journal of Economic Literature*, Vol. 52, No. 2, 2016.

Casselmann, Ben. “Corporate America Hasn’t Been Disrupted.” *FiveThirtyEight*, August 8, 2014.

Christensen, C. M., M. Raynor and R. McDonald. 2015. “What is disruptive innovation?” *Harvard Business Review* (December): 44-53.

Christensen, C. M., D. Wang and D. van Bever. 2013. “Consulting on the cusp of disruption.” *Harvard Business Review* (October): 106-115.

Crandall, Robert and Winston, Clifford, “Does Antitrust Improve Consumer Welfare?: Assessing the Evidence,” *Journal of Economic Perspectives* (Fall 2003), 3-26.

Devan, Matson, and Mendonca, “What Really Influences Corporate Performance?” McKinsey staff paper, 2008.

Cowen, Tyler, “Intangible Investment and Monopoly Profits”  
<https://marginalrevolution.com/marginalrevolution/2017/09/intangible-investment-monopoly-profits.html>.

Khan, Lina, “Amazon’s Antitrust Paradox,” 126 *Yale L.J.* (2016).

Parker, Geoffrey, Van Alstyne, Marshall, and Choudary, Sangeet, *Platform Revolution: How Networked Markets Are Transforming the Economy* (2016).

Roth, Alvin, *Who Gets What and Why* (2016).

Shapiro, Carl, “Antitrust in a Time of Populism” (2017)  
<https://faculty.haas.berkeley.edu/shapiro/antitrustpopulism.pdf>

Tabarrok, Alex, “The End of Asymmetric Information” (2015).  
<https://marginalrevolution.com/marginalrevolution/2015/04/the-end-of-asymmetric-information.html>

Varian, Hal and Shapiro, *Information Rules, A Strategic Guide to the Information Economy* (1999). (This is still the best introduction to the economics of the network economy, but the examples are becoming dated.)

Varian, Hal, “Economics of Information Technology” (2003),  
<http://people.ischool.berkeley.edu/~hal/Papers/mattioli/mattioli.pdf>

Waldfoegel, Joel. “How Digitization Has Created a Golden Age of Music, Movies, Books, and Television.” *Journal of Economic Perspectives* 31.3 (2017): 195–214.