

ECON 308-02
Managerial Economics and Strategy
George Mason University
Spring 2020

Instructor: Deric Tilson

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Office Hours: By appointment only

Time: Mondays and Wednesdays 1:30pm-2:45pm

Location: Innovation 136

Final Exam: May 6

Course Description:

Managerial Economics is the study of economics theories, logic and tools of economic analysis that are used in the process of business decision making. Economic theory and technique of economic analysis are applied to analyze business problems, evaluate business options and opportunities with a view to arriving at appropriate business decision. Managerial economic is thus constituted as that part of economic knowledge, logic, theories and analytical tools that are used for rational business decision making. This course will combine tools from Industrial Organization, Game Theory, and Microeconomics to provide the students a broad foundation for the understanding and implementation of Managerial Economics.

Required Texts:

- *The Art of Strategy* Dixit and Nalebuff (TAS)
- *Managerial Dilemmas* Miller (MD)
- *Private Government* Anderson (Library has [digital copy](#)) (PG)

Required Other: Student [MobLab](#) License

- MobLab is \$18 for a perpetual license
- Class code is (3rj4w38v3)
- You must register from their website, not the mobile app

Additional Readings (as assigned):

- Ronald Coase (1937), "The Nature of the Firm," *Economica*, 4: 396-405.
- Friedrich A. Hayek (1945), "The Use of Knowledge in Society," *American Economic Review*, 35: 519-530.
- Fritz Machlup (1967), "Theories of the Firm: Marginalist, Behavioral, Managerial," *American Economic Review*, 57: 1-33.
- Armen Alchian and Harold Demsetz (1972), "Production, Information Costs, and Economic Organization," *American Economic Review*, 62: 777-795.
- Michael Jensen and William Meckling (1976), "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," *Journal of Financial Economics*, 3: 305-360.

- Oliver Williamson (1979), “Transactions-Cost Economics: The Governance of Contractual Relations,” *Journal of Law and Economics*, 22: 233-261.
- Harold Demsetz (1983), “The Structure of Corporate Ownership and the Theory of the Firm,” *Journal of Law and Economics*, 26: 375-390.
- Other readings or podcasts may be assigned on a weekly basis

Attendance: Short pop quizzes and game assignments will be given throughout the semester. The quizzes are intended to be very easy and the questions will be pulled directly from the reading. The quizzes will be given randomly during the lecture and you will have to be in attendance to receive credit for the quiz. MobLab will be used to complete the various game assignments. You must be in class to complete these tasks; furthermore, some games may require team performance. In addition, the exams will include material that is discussed in class but is not in the readings, so attendance is suggested for optimal exam performance.

Final Paper: A final paper/project will be due at the end of this course. Additional details will be made throughout the semester.

Problem sets: Problem sets will be handed out on a rolling basis and will be due two (2) classes from the date they are handed out.

Grades: Your grade will be composed of the following components:

- Final Exam: 25%
- Final Project: 25%
- In Class Work: 25%
- Outside of Class Work: 25%

The final exam will take place on May 6 from 1:30 to 4:15. Details on the final project will be presented later in the semester. In class work will consist of quizzes and MobLab participation throughout the semester. Outside of class work, problem sets and short essays, will be due one week from assignment. Late assignments will not be accepted.

Tentative Outline: A detailed reading schedule will be updated throughout the semester. Additional readings will be assigned and provided via Blackboard.

- I. Econ Review
- II. The Art of Strategy
 - Dixit, A. and Nalebuff, B. 2008. *The Art of Strategy*.
- III. Theory of the Firm
 - Coase, R. 1937. The nature of the firm.
 - Masten, S. 2002. Modern evidence on the firm.
 - Tadelis and Williamson. 2012. Transaction cost economics.
- IV. Managerial Dilemmas
 - Miller, G. 1992. *Managerial Dilemmas*.
 - Williamson, O. 1983. Credible commitments: using hostages to support exchange.
- V. The State

- Acemoglu, D. 2003. Why not a political Coase theorem? Social conflict, commitment, and politics.
- Ma and Rubin. 2017. Principal-agent problems and fiscal capacity in absolutist regimes.

VI. Private Government

- Anderson, E. 2017. Private Government.
- Coase, R. 1960. The problem of social cost.
- Demsetz, H. 1964. The exchange and enforcement of property rights.
- Demsetz, H. 1967. Toward a theory of property rights.

Administrative Policies

Important Dates:

- Last day to add: Jan 28
- Last day to drop with no penalty: Feb 5
- Last day to drop: Feb 11
- Spring recess: Mar 9 - Mar 15
- Final Exam: May 6

Electronic Devices: You may use a laptop or tablet for class related purposes. I understand that many people need to have their phones accessible throughout the day. If you need to use your phone please do so outside of the classroom. The exception for this is use of MobLab for attendance and quizzes.

Honor Code: Students are expected to understand and adhere to the honor code of George Mason University. Students may neither give nor receive help from other students or from other sources during exams or quizzes. Students are obligated to report any violations observed.

Disability Policy: If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services at 703-933-2474. All academic accommodations must be arranged through that office