

# BAYLOR UNIVERSITY

Hankamer School of Business  
Department of Economics

## ECO 5117 Market Structure Analysis and Estimation

Fall Semester 2003  
Lockstep 3 (8/26-9/25)

Section 01: 8:00am - 9:20am TR Room HCB 300  
Section 02: 9:30am - 10:50am TR Room HCB 300

Professor Carl Gwin Office: HSB 365	Preferred Way to Contact Me: Email: <a href="mailto:carl_gwin@baylor.edu">carl_gwin@baylor.edu</a>  ECO 5117 course materials are available on Blackboard at <a href="https://my.baylor.edu/">https://my.baylor.edu/</a> .
Office Hours: Tuesday 11:00am - 11:30am and 2:30pm - 5:00pm Thursday 1:30pm - 5:00pm And by appointment	Mailing Address: PO Box 98003, Waco, TX 76798-8003 Office Phone: 254-710-6251 Fax: 254-710-6142 Home Page: <a href="http://business.baylor.edu/Carl_Gwin">http://business.baylor.edu/Carl_Gwin</a>

## Economics Integrated Core Courses Description

The study of Managerial Economics develops a student's ability to apply economic reasoning to a firm's internal decision-making processes. A goal for any entrepreneur or manager should be to make the best possible decision within the constraints that exist in the market. In order for firms to successfully achieve objectives, management must understand the market and economic environment within which the firm operates. The survival and success of a firm depends greatly on whether management recognizes the opportunities/threats existing in and constraints imposed by the market.

The concepts, skills, and analytical tools that you will learn in Managerial Economics rest upon a foundation of economic principles. These include the principles that a business exists to create and capture economic value and that any business must overcome the forces of market competition to have any hope of sustaining superior financial returns over time. The economic competencies that students gain in a Managerial Economics course are transferable across international and cultural boundaries.

Managerial Economics develops many of the basic concepts of firms and markets, applications, and business practices needed for further study in fields such as Marketing, Finance, Management, Strategy, International Trade/Economics and more.

## ECO 5117 Educational Objectives

A student of Managerial Economics can comfortably and competently discuss basic theory and application of market structure analysis. Examples of common business questions that will be addressed in Market Structure Analysis and Estimation are:

- How can we describe the competitive environment of an industry?

- What competitive strategies can a firm adopt to survive and succeed in a particular market?
- Why do some industries seem to compete solely on price?
- Can monopolists really charge as much as they want for their products?
- When, if ever, can differentiation in some element of the marketing mix lead to a sustainable competitive advantage?
- What happens to competition if a small number of firms dominate an industry?
- How do I choose the best prices to charge for my firm's products?

This course's emphasis on understanding market structure analysis and estimation supports the third core semester focus on evaluation issues. An important benchmark for evaluating a firm's performance is the overall performance of the industry in which the firm operates. Most investment analyst reports compare a firm's performance to the industry average. The degree of competition implied by an industry's market structure is a key determinant of industry performance.

## Prerequisites

ECO 5115 and ECO 5116

## Required Textbook

Salvatore, Dominick, *Managerial Economics in a Global Economy*, Fourth Edition, 2001 by Harcourt Inc., Orlando, Florida.

## Course Grade

Course grades will be assigned in accordance with the Grading System detailed in the graduate catalog. Your course grade will be based on:

<i>Graded Items</i>	<i>Points</i>	<i>Percentage of Course Grade</i>
Quizzes - Best 3 of 4 @ 5 points each	15 points	15%
Progress Test	15 points	15%
Homework - 2 @ 10 points each	20 points	20%
In-Class Assignment	5 points	5%
Final Exam	45 points	45%
Total Maximum Points	100 points	100%

- Course grades will be assigned based on the distribution of total points achieved by students in all sections of the course. The standard grading scale is A: 90-100, B+: 87-89, B: 80-86, C+: 77-79, C: 70-76, and D: 60-69. The cutoffs for the grading scale may be lower if warranted by the distribution of total points, however the cutoffs will never be higher (i.e. the curve will never work against you).
- All graded items are to be completed as individual work as required by the Constitution of the Baylor University Honor System. (See pages 90-97 of the Student Handbook.)
- No extra credit projects will be accepted.

### Quizzes, Progress Test, In-Class Assignment, and Final Exam

The quizzes and the progress test will be administered at the beginning of class on the dates indicated on the course calendar that follows.

Quizzes are intended to reward students for study and preparation prior to class. The coverage for each quiz will be the reading assignment for the day of the quiz. Quizzes are 5 minutes long and consist of 2 or 3 multiple choice questions and 1 or 2 of the questions from the back of the assigned chapter in the textbook. The three best scores of the four quizzes will count towards the course grade, the lowest quiz score will be dropped.

The progress test is 20 minutes long and consists of problems intended to assess a student's understanding of consumer demand theory. The coverage is the reading assignments and all material covered in class prior to the date of the progress test.

All students must take the quizzes, progress test, in-class assignment, and final exam at the scheduled date and time. A student may be allowed to make up a quiz, the progress test, the in-class assignment, or the final exam if it is "missed because of serious illness or accident or death in the family" as stated in the Student Handbook and the student provides the instructor with reasonable advance notice. Serious illness or accident requires a written excuse from the Baylor Health Center or a personal physician. Death in the family requires an excuse from a staff member in the Chaplain's Office.

A late arrival or unexcused absence for a quiz, the progress test, or the in-class assignment will result in a grade of 0 points for the missed graded item. An unexcused absence from the final exam will result in a grade of 0 points for the missed final exam and the student will receive a failing grade for the course. No excuses will be accepted for a late arrival for any graded item. Students who are late for the final exam will not receive additional time and will be expected to complete the final exam at the regular time.

### Homework

Each homework will consist of a problem set and a microtheme. The problems are intended to assess your understanding of and ability to apply market structure theory. A microtheme is a very short writing assignment

addressing a specific concept. In this course, students will apply the economic concept of market structure analysis to an application in the business world. The format of the microtheme for this course is a typed one-page paper, double-spaced, 12 point font.

Homework are due at the beginning of class on the date indicated on the course outline. Late homework may be accepted up to 48 hours late at the discretion of the instructor. 0 to 24 hours late will result in a 20-percent deduction. 24 to 48 hours late will result in a 40-percent deduction. Homework submitted more than 48 hours late will be assigned 0 points.

## **Graduate Programs Policies**

### **Baylor University Honor System**

Ethics are an integral feature of all personal, social, and professional considerations. Competency in thinking ethically and accepting responsibility for one's actions is essential to personal and professional development. Baylor graduates are committed to their intellectual, ethical, professional, and social development throughout life.

Students are expected to understand and comply with the Constitution of the Baylor University Honor System as detailed on pages 90-97 of the Student Handbook.

## Class Attendance

Please note the following specified classroom rules for all core classes:

University policy concerning absenteeism is detailed in the Class Attendance section of the Student Handbook. The policy states: "A student who misses more than 25 percent of the class meetings of a course automatically fails." As per university policy: "The student bears the responsibility for the effect absences may have upon class participation, announced and unannounced examinations, written assignments, reports, papers and other means of evaluating performance in a course."

On-time attendance is required for all classes. Students must be in their seats and ready for class at the scheduled start time of the class in which they are officially enrolled. A late arrival to a class will be counted as an absence from the class and, therefore will be subject to the university absenteeism policy.

Note: One-hour core courses meet 10 times (2.5 absences constitutes 25% of classroom attendance)

## Course Calendar, Topics, and Assignments

<i>Class</i>	<i>Date</i>	<i>Topic(s)</i>	<i>Reading Assignment</i>	<i>Graded Items</i>
1	Aug 26, Tue	Introduction to Market Structure	Chapter 9, pages 382-383	
2	Aug 28, Thu	Perfect Competition Industry Study: Pork	Chapter 9, pages 383-392 Additional Reading: Visit the National Pork Board at <a href="http://www.theotherwhitemeat.com/">http://www.theotherwhitemeat.com/</a> and surf the website	<b>Quiz 1</b>
3	Sep 2, Tue	Monopoly Company Study: Ticketmaster	Chapter 9, pages 399-408 Additional Reading: Visit <a href="http://www.ticketmaster.com">http://www.ticketmaster.com</a> and surf the website	<b>Quiz 2</b> Hand out <b>Homework 1</b> , Due Sep 9, Tue
4	Sep 4, Thu	Monopolistic Competition Industry Study: Women's Clothing Stores	Chapter 9, pages 408-415 Additional Reading: Visit <a href="http://www.talbots.com">http://www.talbots.com</a> and surf the website	<b>Quiz 3</b>
5	Sep 9, Tue	Oligopoly Industry Study: Soft Drink Manufacturing	Chapter 10, pages 426-427, 431-439 and 441-446 Additional Reading: Visit <a href="http://www.nsd.org">http://www.nsd.org</a> and surf the website	<b>Progress Test</b> <b>Homework 1 Due</b>
6	Sep 11, Thu	Identifying and Analyzing Market Structure	Chapter 10, pages 427-430	<b>In-Class Assignment</b> Hand out <b>Homework 2</b> , Due Sep 18, Thu
7	Sep 16, Tue	Strategic Behavior (Game Theory)	Chapter 10, pages 447-461	

8	Sep 18, Thu	Price Discrimination	Chapter 11, pages 482-492	<b>Quiz 4</b> <b>Homework 2 Due</b>
9	Sep 23, Tue	Pricing	Chapter 11, pages 500-512	
10	Sep 25, Thu	<b>Final Exam</b> <b>Section 01: 8:00am - 9:20am</b> <b>Section 02: 10:00am - 11:20am</b>		

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