

UNIVERSITY of **HOUSTON**

Managerial Economics – ECON 3389

Fall Semester – 2025

Monday-Wednesday: 10:00 AM - 11:30 AM

Bates Law, Room 3

Contact information

Instructor:

Prof. Andrea Szabo

E-mail: aszabo2@uh.edu

Office hours: By appointment only.

You can schedule an appointment at

<http://www.uh.edu/~aszabo2/appointments.htm>

There is a 24-hour minimum notice to book office hours. Please indicate during scheduling whether you prefer Zoom or in-person office hours. I offer in-person office hours only on Tuesdays. I continuously update the scheduling site to add new office hours during the semester.

Teaching Assistant:

TBA

E-mail: TBA

Office hours: TBA

Course Description

Econ 3389 (Managerial Economics) explores how microeconomic tools can be used to make effective managerial decisions. The course equips students with frameworks for analyzing how firms set prices, make production choices, respond to market conditions, and develop competitive strategies. Topics include demand analysis, production and cost, market structure, pricing strategies, auctions, regulation, and the role of information in decision-making.

The objective of the course is to prepare students to apply economic reasoning to managerial problems across a range of industries. While the course draws on economic theory, the emphasis is on real-world applications and decision-making. Mathematical and statistical tools will be introduced as needed but will not be the central focus.

A key component of the course is a series of detailed case studies that examine actual business decisions in context. These include Netflix's pricing strategy, Burger King's value menu, Whole Foods' acquisition of Wild Oats, Google's antitrust investigations, McDonald's market experiments, American Airlines' pricing behavior, and Spectrum's strategic response to cord-cutting. The course also covers broader regulatory and policy issues such as electricity deregulation and net neutrality. These case studies are used to reinforce core concepts and show how economic tools can be applied in practice.

Textbook

Michael R. Baye and Jeff Prince, Managerial Economics and Business Strategy, 10th Edition (2025), McGraw-Hill Education, ISBN-13: 9781264917587.

Please make sure you get the 2025 edition. We will use several chapters and case studies that are not available in earlier versions.

Course Requirements

There will be 10 homework assignments, and 3 midterm exams.

All homework assignments will be done online through the University of Houston Canvas site. All homeworks are due on the day listed below by 9.00 am.

Midterms will be given in class on the dates listed in the calendar.

All exams are open book and open notes (hard copies only). No cooperation is allowed during the tests. Academic misconduct will not be tolerated and any instances of it will be dealt with according to the appropriate University channels.

If you disagree with the grading of a midterm, submit it for further review. You must submit a written argument for why you deserve more points for the specific question(s) you would like re-graded. If you do not specify this, the entire test will be re-graded and it is possible that you may lose points. You must submit these arguments within one week after the midterm has been returned.

Course Participation

You are expected to bring a name tag and come to class prepared. This will be an interactive course, and you will often be asked to read newspaper articles, review case studies, or prepare a short 1–2 minute summary to share with classmates.

While attendance will not be recorded and there is no formal participation grade, you will get more out of the course if you are consistently present, prepared, and engaged. Everyone benefits when more people participate: discussions are more interesting, examples are more relevant, and the class is more enjoyable for all.

Class Website

All assignments and handouts will be posted on the class website in Canvas.

All technical and login help for Canvas is provided by UH IT.

Email: support@uh.edu

Phone: 713-743-1411, every day 8 am to 8 pm (except University holidays)

Live chat: <http://www.uh.edu/infotech/livechat> Monday-Friday 8 am to 8 pm (not available Saturday-Sunday and on university holidays)

Statistical software package

No statistical software is required for this course. Some homework assignments will involve working with data in Excel, but all exercises will be designed so that students can

complete them using basic spreadsheet functions. You do not need to purchase or install any additional software.

Grading

<i>Course Component</i>	<i>Percentage from the final grade</i>
Problem Sets	40
Midterm 1	20
Midterm 2	20
Midterm 3	20
Total	100

I will drop your two lowest homework scores to allow for some flexibility. Thus you will have 8 problem sets that count towards your final grade.

The numerical course grade will be converted to a letter grade according to the following scale:

92%-100%	A
90%-91%	A-
88%-89%	B+
82%-87%	B
80%-81%	B-
70%-79%	C+
50%-69%	C
40%-49%	C-
38%-39%	D+
33%-37%	D
30%-32%	D-
-29%	F

There is no curve for the class. This means that you are not competing with other students, and you will always know exactly where you stand in the class based on your performance.

Tentative Course Schedule:

Textbook page numbers refer to the 2025 edition of the textbook. Additional materials for each class will be posted on Canvas, please check Canvas before every class. If the schedule says only "Check Canvas for class material," that means there is no assigned textbook reading for that day.

Week	Class #	Date/Day			Topic	Ch. #	Problem Sets
Week 1	1	Aug	25	M	Welcome to Managerial Economics! Syllabus, introduction		
	2		27	W	Introduction, The economics of effective management	Ch. 1, p. 1 - 39	
Week 2	3	Sept	1	M	NO CLASS Labor Day Holiday, UH closed		
	4		3	W	Market forces: Demand and supply, Demand and supply shifters, Advertising and demand, Market equilibrium, Comparative statics	Ch 2, p. 40-57 and 62-67.	
Week 3	5		8	M	Quantitative demand analysis, The elasticity concept, own -price elasticity and cross-price elasticity	Ch 3, p.74-89	PS 1 Due
	6		10	W	Obtaining elasticities from demand functions Data-driven demand curves <i>Case study: Netflix Price Increase Hurts Membership</i>	Ch 3, p. 89-96 Ch 1, Appendix B	
Week 4	7		15	M	The production process and costs Production function, The role of the manager in the production process	Ch. 5 p.137-157	PS 2 Due
	8		17	W	The cost function, Multiple-output cost functions <i>Case study: The opportunities and risks of AI</i>	Ch. 5 p.157-177	
Week 5	9		22	M	The Organization of the Firm, Methods of procuring inputs, Vertical integration, Outsourcing <i>Case study: Burger King Dollar Double Cheeseburgers</i>	Ch 6 p.179-193	PS 3 Due
	10		24	W	The nature of the industry, Market structure, Firm size, Industry concentration, Potential for entry, Integration and merger activity	Ch. 7, p.206-221	
Week 6	11		29	M	<i>Case study: Whole Foods to Acquire Wild Oats</i>	Check Canvas for class material	PS 4 Due

	12	Oct	1	W	Managing in competitive, monopolistic and monopolistically competitive markets, Short run and long run decisions	Ch. 8, p.231-243	
Week 7	13		6	M	Monopoly <i>Case study: Google Search Practices under Investigation</i>	Ch. 8, p.243-257	PS 5 Due
	14		8	W	Monopolistic competition, <i>Case study: McDonald's Futuristic Retro: CosMc's</i> Review for the Midterm	Ch. 8, p. 257-272	
Week 8	15		13	M	Midterm I		
	16		15	W	Pricing strategies for firms with market power, Two part pricing, Block pricing, Commodity bundling, price matching, randomized pricing	Ch. 11, p.345-377	
Week 9	17		20	M	<i>Case Study: Pricing and Package Size in South African Grocery Stores</i>	Check Canvas for class material	PS 6 Due
	18		22	W	The Economics of information Auctions, The optimal bidding strategy <i>Case Study: Economic insights from internet auctions</i>	Ch.12, p.396-406	
Week 10	19		27	M	<i>Case Study: Collusion in procurement auctions</i>	Check Canvas for class material	PS 7 Due
	20		29	W	Strategies to change the business environment, Entry prevention, Lessening competition <i>Case Study: Limit Pricing and the "Southwest Effect"</i>	Module Group A, p. 412-429	
Week 11	21	Nov	3	M	<i>Case Study: American Airlines' Actions Raise Predatory Pricing Concerns</i> Review for the Midterm	Check Canvas for class material	
	22		5	W	Midterm II		
Week 12	23		10	M	Government in the marketplace Regulatory constraint on market power, Antitrust policy, Price regulation <i>Case Study: Electricity Deregulation</i>	Module Group B, Module 5. p.440-453	PS 8 Due
	24		12	W	Regulation of markets with externalities, public goods, or incomplete information <i>Case Study: The Clean Air Act, The</i>	Module Group B, Module	

					<i>Cost of Environmental Regulation in a Concentrated Industry</i>	6. p.453-466	
Week 13	25		17	M	<i>Case Study: Spectrum Navigates Challenges from Cord Cutting, Part 1.</i>	Case Study, p. 472-485	PS 9 Due
	26		19	W	<i>Case Study: Spectrum Navigates Challenges from Cord Cutting, Part 2.</i>	Case Study, p. 485-498	
Week 14	27		24	M	<i>Case Study: Net Neutrality and Consumer Demand in the Video On-demand Market</i>	Check Canvas for class material	PS 10 Due
	28		26	W	NO CLASS, Thanksgiving Holiday UH closed		
Week 15	29	Dec	1	M	Closing and review		
	30		3	W	Midterm III		