

Darren Grant—please call me Darren!
ECON 5313, Managerial Economics
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All course power points are available
on my web site.

Section 521 (Dallas) meets 6:00-8:50
M, Th at Presbyterian Hospital—Dallas
from Mar. 22–May 3
Section 570 (Ft. Worth) meets 6-8:50
T, Th at UTA/FW Jan. 20–Mar. 2
Office Hours: Wednesday 10-12. I will
also come to class up to 45 minutes
early if you call by noon of class day.

Texts. There are two required texts and one recommended supplement. These three books were also assigned for ECON 5333. The total cost of these three books is less than the average cost of two traditional business textbooks. The required books for this semester are Wessels, *Economics*, 3rd edition, Barron’s Business Review Books series (2000), and Folland, Goodman, and Stano, *The Economics of Health and Health Care*, 3rd edition, Prentice Hall (2001). Recommended is Dranove, *The Economic Evolution of American Health Care*, Princeton University Press (2000)—we may refer to this occasionally for examples of the concepts discussed in class. Newer editions of Dranove and Folland are available and are also acceptable.

Preliminaries. Coming into this class, I assume you know the fundamental economic ideas discussed in ECON 5333: value creation (or efficiency, Wessels Ch. 24) and supply/demand analysis (Wessels, Ch. 3, 4). If you did not have ECON 5333 but you have had a previous economics class, such as principles of microeconomics, you should have sufficient background economics knowledge. Chapter 2 of Wessels discusses basic graphing concepts that are assumed known in a graduate-level class.

Course Objectives. The design of the course and course objectives reflect the fact that this course is part of a health care administration master’s degree. Fundamentally, I want you to develop a rigorous basic understanding of firm and consumer behavior. While this behavior was discussed in ECON 5333, it was often in general, discursive terms. Now I want to make that discussion more precise. Knowledge is power and more precise knowledge confers greater power. This understanding will be useful in four ways: it will help you make better day-to-day management decisions; it will help you think about strategic management issues; it will help you better understand the economic environment in which our health care system operates; and it will help you develop a better understanding of health economics. We’ll cover most of the Folland chapters we omitted in ECON 5333.

With the new focus on application will come a change in course assignments: less reading and more doing. In particular, there are three assignments to complete during the course, in groups, that will require you to apply course concepts to tangible, practical situations.

Plan for the Course. The course is split into three units. Each will center around an economic concept or related set of concepts; each will feature applications to health care; each will include an applied assignment, that you will turn in to be reviewed, that asks you to use the concepts in analyzing real life phenomena.

Each unit of material will take four class days, with your final exam given on thirteenth and final class day. The four days within each unit are structured as follows: The first and second days we will discuss theory, based on Wessels. The third day we apply the theory to health care, utilizing handouts and readings from Folland et al. The fourth day we will go over homework problems and assignments that explore applications of the theory. A test (take home or in-class) follows after each unit.

- *Unit 1: Theory of Production and the Production of Health.* We will develop basic production theory. This includes understanding the concept of a production function, the productivity of inputs, the properties of production functions, cost concepts. We will use these properties in analyzing the production of health. In doing so, we will gain an understanding of the demand for health care specifically and analyze some properties of health care demand.

First Class: Production Theory–Marginal Productivity of Inputs–Properties of Production Functions–Optimality in Production

Second Class: Cost Concepts–Properties of Costs–Basic Firm Cost Curves

Third Class: The Production of Health–Demand for Health Care as Input in the Production of Health

Fourth Class: Go over homeworks, turn in and discuss your first assignment (costs of driving)

Take Home 1 is given out at the end of the fourth class meeting.

Reading: Wessels, Ch. 17, 18 (pp. 319-320 only), 19; Folland et al., 4th edition: Ch. 2 (Production and Market Supply Section only), 4, 5 (Production and Possibilities for Substitution and Costs in Theory and Practice Sections), 6, 8 (Empirical Measurements Section to end of chapter); Folland et al., 3rd edition: Ch. 2 (Production and Market Supply Section only), 5, 6 (through p. 133 only), 8 (Empirical Measurements Section to end of chapter), 13 (pp. 281-296).

- *Unit 2: Theory of Firm Conduct in Competitive and Non-Competitive Markets.* We will discuss the conduct (price, quantity, entry/exit) of firms in markets that are perfectly competitive and markets that are not, and discuss how market structure can impact firms' strategic choices.

First Class: Policy Space and Business Strategy–Firm Behavior in Perfectly Competitive Markets

Second Class: Pricing with Market Power–Strategic Choices–Market Structure and Firm Behavior

Third Class: Market Structure and Firm Behavior in Pharmaceutical Markets

Fourth Class: Go over homeworks, turn in and discuss your second assignment (dental markets)

Take Home 2 is given out at the end of the eighth class meeting (the fourth class of Unit 2).

Reading: Wessels, Ch. 20, 21, 22; Folland et al., 4th edition: Ch. 14, 16; Folland et al., 3rd edition: Ch. 18, 26.

- *Unit 3: Theory of Labor Markets and Firm-Employee Relationships.* We will discuss how economic theory can help us choose wages and staffing levels, motivate employees, and encourage their skill development.

First Class: Labor Market Strategy–Competitive Labor Market Wage Determination–Compensating Differentials–General Human Capital

Second Class: Specific Human Capital–Theory of Incentives

Third Class: The Market for Nurses: Equilibrium, Human Capital, and Incentives

Fourth Class: Go over homeworks, turn in and discuss your third assignment (AISD salary schedule)

Reading: Wessels, Ch. 25, 26 (pp. 459-466 only); Folland et al., 4th edition: Ch. 14; Folland et al., 3rd edition: Ch. 15, 16.

An in-class final exam is given during the thirteenth class meeting (following the fourth class of Unit 3).

Grades. You will have two take-home exercises that will be turned in and graded on a A+, A, A-, B+, ... etc. scale. On the last class you will be given a comprehensive, in-class final exam that will also be graded on a A+, A, A-, etc. scale. Then I will convert the letter grades into points: A+ = 10; A = 9; A- = 8; B+ = 7; B = 6; B- = 5; C+ = 4; C = 3; C- = 2; D = 1; F = 0. I will add up the points achieved from the two take-home exercises and the final exam, counting the final exam double, and assign grades in the following way:

A	32-40 points
“Fuzzy Region”	29-31 points
B	20-28 points
C	8-19 points
D	4-8 points
F	0-3 points

I reserve the right to subtract one point from your total for each class absence in excess of two. (More than 25 min. late is ½ absence, more than one hour late is a full absence.)

You are asked to complete three applied assignments in this class, in groups. I have chosen not to explicitly include these in the grading. The most important reason for this is that I want the focus of the assignments to be the learning experience, not the grade. However, all assignments will be reviewed and informally assessed, and those assessments will be substantial weight in making grade decisions about people in the fuzzy region. In addition, I reserve the right to subtract up to two points from your total for each applied assignment that is incomplete or substantially inaccurate.

Please note: to earn a B your points must equal those of someone who earns a B- on everything. If you receive a B- on your final, a B- on one take home and a C+ on the other—that's a C. My view is that the lowest standard for a final grade of B should be the equivalent of consistent B- work.

In the fuzzy region I can round you up or down at my discretion. This will depend on your total points, your class participation, and the distribution of your grades over the course of the semester. (This latter permits me to make some allowance for one particularly bad grade, or to recognize an upward trend in grades over the course of the class.) Class participation includes verbal participation, attendance, tardiness, homework completion, homework presentations, assignments, etc. It is especially important to me that you are familiar with the assigned reading. It is a large fuzzy region, and it is intended to give me some leeway for intangibles.

Academic Honesty. It is the philosophy of The University of Texas at Arlington that academic dishonesty is a completely unacceptable mode of conduct and will not be tolerated in any form. All persons involved in academic dishonesty will be disciplined in accordance with University regulations and procedures. Discipline may include suspension or expulsion from the University. "Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts." (Regents' Rules and Regulations, Part One, Chapter VI, Section 3, Subsection 3.2, Subdivision 3.22) Much of your grade comes from take home exercises. The rule to remember on those is simple—just don't say anything to anyone or ask anyone anything about these tests but myself. As in never, ever, no way, no how.

Grade Grievances. You have one calendar year from the date the grade is assigned to initiate any grievance. The normal academic channels are department chair, academic dean, and the Provost.

Make-up Exams. Let's not go down this road unless we really, really need to. Death or serious illness (yours or family) is excused with appropriate documentation; other stuff is at my discretion.

Drop Policy. It is the student's responsibility to complete the course or withdraw from the course in accordance with University Regulations. Students are strongly encouraged to verify their grade status before dropping a course after the first withdrawal date. A student who drops a course after the first withdrawal date may receive an "F" in the course if the student is failing at the time the course is dropped.

Converse High Top Policy. The wearing of Converse High Tops in class is a natural and appropriate part of the college experience and a vital part of outfitting oneself in such comfort as to learn as effectively as possible. If any student—or your instructor, for that matter—should happen to wear Converse High Tops to class, this is to be taken as a welcome sign that he or she is approaching "health economics nirvana" and that individual is to be applauded.

Nonpayment of Fees. Students who have not paid by the census date and are dropped for non-payment cannot receive a grade for the course in any circumstances. Therefore, a student dropped for non-payment who continues to attend the course will not receive a grade for the course.

Emergency loans are available to help students pay tuition and fees. Students can apply for emergency loans by going to the Emergency Tuition Loan Distribution Center at E.H. Hereford University Center (near the southwest entrance).

Bomb Threats. Effective April 8, 1997, the College of Business Administration has adopted a policy to deal with the classroom disruption caused by bomb threats in the building. (A) Section 22.07 of the Texas Criminal Law Statutes governs terrorist threats and classifies bomb threats as Class A misdemeanors. Section 12.21 of the Texas Criminal Law Statutes states that a Class A misdemeanor is punishable by (1) a fine not to exceed \$4,000, (2) a jail term of not more than one year, OR (3) both such a fine and confinement. (B) If anyone is tempted to call in a bomb threat, be aware that UTA will soon have technology to trace phone calls. (C) Every effort will be made to avoid cancellation of presentation/tests caused by bomb threats to the Business Building. Unannounced alternate sites will be available for these classes. If a student who has a class with a scheduled test or presentation arrives and the building has been closed due to a bomb threat, the student should immediately check for the alternate class site notice which will be posted on/near the main doors on the south side of the Business Building. If the bomb threat is received while class is in session, your instructor will ask you to leave the building and reconvene at another location. (D) Students who provide information leading to the successful prosecution of anyone making a bomb threat will receive one semester's free parking in the Maverick Garage across from the Business Building. UTA's Crimestoppers will provide a reward to anyone providing information leading to an arrest. To make an anonymous report, call 817-272-5245.

ADA Compliance. It is my obligation and my pleasure to provide reasonable accommodation to students with disabilities, so as not to discriminate on the basis of that disability. Student responsibility primarily rests with informing faculty at the beginning of the semester and in providing authorized documentation through designated administrative channels.

Cell Phones. All beepers, pagers and cell phones must either be turned off prior to class starting or placed in silent mode. Violators have to sing Abba's "Dancing Queen" in front of the class.