




MEMORANDUM

FINAL FACULTY SENATE APPROVAL ON MARCH 10, 2015

TO: Faculty Senate

FROM: Jack Kirby 

DATE: February 3, 2015

SUBJECT: Curriculum Proposal #14-15-15, REV #1
School of Business; Managerial Economics

I recommend approval of the attached REVISION #1, Curriculum Proposal #14-15-15. This proposal requests to create a new course titled Managerial Economics. This course would be listed as a 3000 level, 3-credit hour business elective course. This course would also have a "BSBA" prefix and generate a new, permanently numbered course and also discontinue ECON 4401: Managerial Economics.


C: Dr. Christina Lavorata
Dr. Richard Harvey
Dr. Timothy Oxley
Dr. Amy Godfrey
Ms. Leslie Lovett
Ms. Cheri Varkonda





MEMORANDUM

TO: Curriculum Committee

FROM: Jack Kirby 

DATE: November 12, 2014

SUBJECT: Curriculum Proposal #14-15-15
School of Business; Managerial Economics

I recommend approval of the attached Curriculum Proposal #14-15-15. This proposal requests to create a new course titled Managerial Economics. This course would be listed as a 3000 level, 3-credit hour business elective course. This course would also have a "BSBA" prefix and generate a new, permanently numbered course and also discontinue ECON 4401: Managerial Economics.

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Ms. Leslie Lovett
Ms. Evie Brantmayer
Ms. Cheri Varkonda



CURRICULUM PROPOSAL (Submit one hard copy and an electronic copy to the Associate Provost by the second Tuesday of the month.)

Proposal Number: #14-15-15

School/Department/Program: School of Business

Preparer/Contact Person: Dr. Amy Godfrey

Telephone Extension: 304-367-3680

Date Originally Submitted: November 12, 2014

**Revision (Indicate date and label it
Revision #1, #2, etc.):** Revision #1 - January 27, 2015

Implementation Date Requested: Fall 2015

- I. **PROPOSAL.** Write a brief abstract, not exceeding 100 words, which describes the overall content of the proposal.

A new course, Managerial Economics, is proposed as a 3000 level, 3 credit hour, business elective course: BSBA 3350. This course will provide a solid foundation of economic understanding for use in managerial decision making by using a problem-solving approach. It will be designed to sharpen the analytical skills of the students through integrating their knowledge of economic theory learned in introductory courses with decision making techniques.

If approved, this proposal would generate a new permanently numbered course from a temporary special topics course (BSBA 3399 Managerial Economics) and discontinued economics course (ECON 4401 Managerial Economics). The course will be an elective for School of Business majors; specifically intended for general business and management concentrations.

- II. **DESCRIPTION OF THE PROPOSAL.** Provide a response for each letter, A-H, and for each Roman Numeral II-V. If any section does not apply to your proposal, reply N/A.

- A. Deletion of course(s) or credit(s) from program(s)

N/A

Total hours deleted. 0

- B. Addition of course(s) or credit(s) from program(s)

N/A

Total hours added. 0

- C. Provision for interchangeable use of course(s) with program(s) NA

N/A

- D. Revision of course content. Include, as an appendix, a revised course description, written in complete sentences, suitable for use in the university catalog.

N/A

- E. Other changes to existing courses such as changes to title, course number, and elective or required status.

N/A

- F. Creation of new course(s). For each new course

1. Designate the course number, title, units of credit, prerequisites (if any), ownership (FSU or shared) and specify its status as an elective or required course. If you are creating a shared course, attach a memo from the Deans of the affected Schools explaining the rationale for the course being shared.

- **BSBA 3350 - Managerial Economics**
- **3 credit hours**
- **Prerequisites: ECON 2201/BSBA 2211 and ECON 2202/BSBA 2212**
- **Elective under B.S. in Business Administration degree program**
- **Ownership: Fairmont State University**

2. Include, as an appendix, a course description, written in complete sentences, suitable for use in the college catalog.

See Appendix I

3. Include, as an appendix, a detailed course outline consisting of at least two levels.

See Appendix II

4. In order to meet the requirements as outlined in Goal One of the Strategic Plan, please include Outcome Competencies and Methods of Assessment as an appendix. Examples are available upon request from the Chair of the Curriculum Committee.

See Appendix III

- G. Attach an itemized summary of the present program(s) affected, if any, and of the proposed change(s). Describe how this proposal affects the hours needed to complete this program. Specifically, what is the net gain or loss in hours? Use the format for Current and Proposed Programs in Appendix A.

This proposal will not have any effect on any program or course requirements. The new course will provide students with elective options currently not available.

III. RATIONALE FOR THE PROPOSAL.

A. Quantitative Assessment: Indicate the types of assessment data, i.e., surveys, interviews, capstone courses, projects, licensure exams, nationally-normed tests, locally developed measurements, accreditation reports, etc., that were collected and analyzed to determine that curricular changes were warranted. Quantitative data is preferred.

N/A

B. Qualitative Assessment: Based upon the assessment data above, indicate why a curricular change is justified. Indicate the expected results of the change. Be sure to include an estimate of the increased cost, or reduction in cost of implementation. **FOR EXAMPLE:** Will new faculty, facilities, equipment, or library materials be required?

The development of a Managerial Economics course at Fairmont State University is motivated by the following:

- **To help diversify and add to the learning of business majors. This course will connect the topics learned in the introductory economics courses with the ‘real world.’ For instance, it will suggest ways to increase profits by setting prices, change demand through advertising, and ways a firm’s decisions will influence competitors.**
- **To prepare current business majors who are going to pursue a MBA in the future. Many MBA programs, including Fairmont State’s MBA program, offer (and usually require) a graduate level Managerial Economics course. This course is designed to be suitable for any student with a background in introductory economics and introduce them to the modern business world through the eyes of an economist.**
- **To provide more economics course options to business students. Currently, students within the School of Business are limited to taking only two introductory economics courses. The addition of a Managerial Economics course will add to these introductory courses by applying basic economic theories to the business world and expose students to economic problem-solving techniques used to make business decision integration of economic principles to managerial practices.**
- **To better prepare our students for the business world. In today’s dynamic economic environment, effective managerial decision-making is in high demand and requires timely and efficient use of economic information. This course will guide students on the use of managerial economics tools and techniques in business settings.**

The addition of the Managerial Economics course will add to the course load of a current faculty member. The course can be offered face-to-face or online through the regular Fall and Spring semesters or during the summer term. Final course rotation will be determined based upon enrollments after roll-out.

IV. Should this proposal affect any course or program in another school, a memo must be sent to the Dean of each school impacted and a copy of the memo(s) must be included with this proposal. In addition, the Deans of the affected schools must sign below to indicate their notification of this proposal.

By signing here, you are indicating your college's/school's notification of this proposal.

College/School	Dean	Signature
NONE		

V. Should this proposal affect any course to be added or deleted from the general studies requirements, a memo from the chair of the General Studies Committee indicating approval of the change must be included with this proposal.

N/A

VI. ADDITIONAL COMMENTS.

APPENDIX I: Course Description

BSBA 3350: Managerial Economics

Course Description:

This course applies economic theories and tools of analysis to decision making within the firm or organization. The topics studied include decision making and risk, estimation of product demand, analysis of production costs, and price determination. PR: BSBA 2211 and BSBA 2212

Note: This is the same course description of discontinued course ECON 4401.

APPENDIX II: Course Outline

BSBA 3350: Managerial Economics

- I. Introduction to Managerial Economics**
 - A. Managerial Decision Making**
 - B. Economic Models**
- II. Supply and Demand**
 - A. Demand**
 - B. Supply**
 - C. Market Equilibrium**
 - D. Shocks to Equilibrium**
 - E. Effects of Government Interventions: Policies, Price Controls, Sales Taxes**
 - F. Elasticity**
- III. Consumer Choice, Production, and Costs**
 - A. Consumer Preferences**
 - B. Utility and Budget Constraints**
 - C. Production Function: Short- and Long-Run**
 - D. Returns to Scale**
 - E. The Nature of Costs: Short- and Long-Run**
- IV. Market Structures**
 - A. Perfect Competition**
 - B. Monopolies: Causes, Market Power, Market Failure**
 - C. Cartels**
 - D. Oligopolies**
 - E. Monopolistic Competition**
- V. Game Theory and Business Strategy**
 - A. Nash Equilibrium**
 - B. Incomplete Information**
 - C. Bargaining**
 - D. Actions**
- VI. Managerial Decision Making**
 - A. Assessing Risk**
 - B. Reducing Risk**
 - C. Investing Under Uncertainty**
- VII. Government and Business**
 - A. Government Regulation and Anti-Trust Law**
 - B. Externalities**
 - C. Public Goods**

APPENDIX III: Course Objectives and Assessment Tools

BSBA 3350: Managerial Economics

<u>Objective</u>	<u>Assessment Tool</u>
Define managerial economics	Test questions
Analyze demand, supply, and market outcomes	Class activity (or discussion board if online course), homework assignment, test questions
Discover that consumers maximize their utility subject to constraints	Test questions
Adapt production and cost estimation techniques to determine optimal courses of actions for managers	Homework assignment, test questions
Outline the four main market structures and their characteristics and impact on the economy	Homework assignment, test questions
Apply game theory to make decisions in business environments	Homework assignment, test questions
Determine how managers make decisions under uncertainty	Class activity (or discussion board if online course), homework assignment, test questions
Analyze the relationship between government and business	Homework assignments, test questions

Examples of Assessment Tools:

- **Outcome: Analyze demand, supply, and market outcomes**
 - Homework Assignment 1 on Chapters 1 and 2:
 - 2) Explain what the statement "We can't have everything we want" means.
Answer: Should include talk about scarcity and how we must face tradeoffs due to scarcity
 - 5) If a good is not produced, then there is no demand for it.
Answer: This statement is false and answer should include a statement about demand for a product is independent of supply.
 - 6) Explain why the equilibrium price is called the market clearing price
Answer: Should include talk about how the equilibrium price is where sellers want to sell the exact amount consumers want to buy
 - Discussion Board:

If there is a demand for jalapeno-cotton candy ice cream will there be a supply of it? Why or why not?
Answer: Answers should include discussion on how the demand for a product is independent of the products supply

Note: this question can be applied to a classroom activity. Students can be divided into groups of 3 or 4 to discuss the answer and determine a demand and supply curve if a company decides to supply the product
- **Outcome: Outline the four main market structures and their characteristics and impact on the economy**
 - Homework Assignment on Chapter 7:
 - 3. What types of firm organization allow owners of a firm to obtain the advantages of limited liability?
Answer: Should include discussion that the owners of corporations are not personally liable for the firm's debts
 - 4. Which market structure best describes each of the following and why?
 - A. airplane manufacturing
 - B. electricians in a small town
 - C. farms that grow tomatoes
 - D. cable television in a cityAnswer:
 - A. Oligopoly because there are only a few airline manufacturers and airline manufacturing has entry barriers
 - B. Monopolistic Competition because electrical work may be differentiated and individual electricians have some ability to set price
 - C. Perfectly Competitive because there are many tomato farmers selling a homogeneous product, farmers do not have market power, and can enter/exit the market easily
 - D. Monopoly because there is only one cable supplier and there are barriers to entry
- **Outcome: Apply game theory to make decisions in business environments**
 - Homework Assignment for Chapter 12:

Payoff Matrix

		Firm B	
		Low Price	High Price
Firm A	Low Price	10	5
	High Price	25	20

1. The above figure shows a payoff matrix for two firms, A and B, that must choose between a high-price strategy and a low-price strategy. The Nash equilibrium in this game is?
 Answer: occurs when both firms set a low price

		Firm B	
		Enter	Do Not Enter
Firm A	Enter	-20	0
	Do Not Enter	40	0

2. A. The above figure shows the payoff to two airlines, A and B, of serving a particular route. If the two airlines must decide simultaneously, W one of the following statements is T what will happen?
 Answer: Only firm A will enter the market
- B. The above figure shows the payoffs to two airlines, A and B, of serving a particular route. Is there a Nash equilibrium? What is it? Explain
 Answer: Firm A entering and firm B not entering is the Nash equilibrium. Entering is firm A's dominant strategy. It will enter no matter what firm B does. Firm B does not have a dominant strategy but is always better off doing the opposite of firm A. Put in another way, given firm A's decision, if firm B enters, it will incur a loss.

- Outcome: Analyze the relationship between government and business
 - Test Question from Final Exam
 1. Fill in the blank: A main rationale for government intervention in markets _____ and _____.
 Answer: is to correct market failures; increase surplus
 2. Fill in the blank: If the government wants to regulate a natural monopoly while ensuring it does not earn profits or require subsidies, it will force the firm to set price equal to _____.
 Answer: average cost
 3. Short Answer: Markets tend to produce too little of an excludable public good because?
 Answer: Answer should include discussion about the lack of rivalry in the market