

# BECO 3310: Applied Business Economics

Jerry S. Rawls College of Business Administration  
Texas Tech University  
Fall 2023

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<b>Instructor:</b>	João Pedro Bastos	<b>Time:</b>	Tuesday 5:00 – 7:50PM
<b>Email:</b>	<a href="mailto:Joao-Pedro.Bastos@ttu.edu">Joao-Pedro.Bastos@ttu.edu</a>	<b>Place:</b>	Rawls, BA 001.

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## Course Description:

The purpose of this course is to provide students with a better understanding of the relationship between the economic way of thinking and business decisions and strategy.

**Office Hours:** Tuesdays 4:00-5:00PM (Rawls, Room NW 307) or by appointment (Zoom or in person).

**Prerequisites:** ECO 2305 – Principles of Economics (C or better)

**Textbook:** N. Gregory Mankiw, *Principles of Microeconomics* (10th Edition), Cengage.

This course **requires MindTap** for Mankiw, which is available for purchase on its own, or through [Cengage Unlimited](#), a subscription that gives you access to all your Cengage access codes and online textbooks for \$124.99 per term, \$189.99 per year or \$249.99 for two years. No matter how many Cengage products you use, they are included in Cengage Unlimited at no additional cost.

Prefer print? You also get a textbook rental with your activation through Cengage Unlimited for \$9.99 + free shipping and the option to purchase a loose-leaf version of your text, which you can keep. Cengage Unlimited is available at TTU bookstore (Follet) or using the Direct Purchasing option from Cengage when you access your MindTap Course through Blackboard

**Expected Learning Outcomes:** After completing this course, students will be able to:

- Explain the relationship, including differences, between opportunity costs and accounting costs and the connections between economic profit and accounting profit;
- Explain how managers evaluate demand and supply relationships and apply those evaluations in common business contexts;
- Apply economic analysis to public policy interventions intended to alter market outcomes;
- Apply economic analysis to pricing and output decisions under different market structures;
- Apply economic analysis to pricing strategy issues; and
- Better understand and explain the broader institutional context in which entrepreneurs create value, business firms operate, and policymakers impact economic outcomes.

**Course Outline:**

<b>Date</b>	<b>Topic</b>	<b>Readings</b>
Aug. 28	<b>Pre-Course Assessment Starts (8AM)</b>	See below
Aug. 29	<b>Pre-Course Assessment Ends (5PM)</b>	See below
Aug. 29	Basic Principles	Ch. 1-2
Sep. 5	Gains from Trade	Chs. 3, 9.2e, 9.3
Sep. 12	Supply and Demand	Chs. 4, 7.1, 7.2
Sep. 19	The Price System	Ch. 7.3, Videos
Sep. 26	Elasticities	Chs. 5
Oct. 3	Review Session (5:00 PM – 6:10 PM)	
	<b>Exam 1 (6:20 PM – 7:50 PM)</b>	
Oct. 10	Government Intervention and Taxation	Chs. 6.1, 6.2, 8
Oct. 17	Production and Competitive Markets	Chs. 14-15
Oct. 24	Monopoly	Ch. 16
Oct. 31	Price Discrimination and Market Structures	Chs. 16.4, 17, 18
Nov. 7	Review Session (5:00 PM – 6:10 PM);	
	<b>Exam 2 (6:20 PM – 7:50 PM)</b>	
Nov. 14	Externalities & Transaction Costs	Ch. 10-11
Nov. 21	No-In Person Class. Office Hours Online.	Microsoft Teams
Nov. 27	<b>Post-Course Assessment Starts (8AM)</b>	See below
Nov. 28	<b>Post-Course Assessment Ends (5PM)</b>	See below
Nov. 28	Asymmetric Information Problems	Ch. 23.1
Dec. 5	Review Session (5:00PM – 6:10PM)	
	<b>Make-Up Exam (6:20 PM – 7:50 PM) (Optional)</b>	
Dec. 8	<b>Final Examination: Friday 7:30PM to 10:00PM</b>	

**Additional Resources:**

Apart from our textbook, I consider these videos and additional reading to be essential parts of the course. They are extremely useful for learning of revisiting concepts and provide a series of intuitive examples that will help you learn. I **strongly** advise you to watch these lessons. In special, the **September 19 class** (The Price System) will be almost exclusively based on the videos, as our textbook does not sufficiently cover this topic.

- August 29:
  - [Introduction to Economics](#)
  - [Marginal Thinking and the Sunk Cost Fallacy](#)
  - [What Are Incentives?](#)
  - [What is Opportunity Cost?](#)
- September 5. Gains from Trade
  - [The Big Ideas of Trade](#)
  - [Comparative Advantage](#)
  - [Another Look at Comparative Advantage](#)
  - [The Production Possibility Frontier Part 1, Part 2, Part 3.](#)
- September 12: Supply and Demand
  - [The Demand Curve](#)
  - [What Shifts the Demand Curve?](#)
  - [Change in Demand vs. Change in Quantity Demanded](#)
  - [Understanding the Demand Curve: Shifts and Consumer Surplus](#)
  - [What is Consumer Surplus?](#)
  - [The Supply Curve](#)
  - [What Shifts the Supply Curve?](#)
  - [Understanding the Supply Curve: Shifts and Producer Surplus](#)
  - [What is Producer Surplus?](#)
  - [Supply and Demand Terminology](#)
  - [What are Normal Goods?](#)
  - [What are Inferior Goods?](#)
  - [Equilibrium Price and Quantity](#)
  - [Exploring Equilibrium](#)
  - [Does the Equilibrium Model Work?](#)
- September 19: The Price System
  - [I, Pencil](#)
  - [A Price Is a Signal Wrapped Up in an Incentive](#)
  - [Markets Link the World](#)
  - [The Great Economic Problem](#)
  - [Information and Incentives](#)

- Profit and Loss Calculation
  - What is Arbitrage?
  - Arbitrage: Why iPhones cost the same but haircuts are cheaper in India?
  - Speculation
  - Prediction Markets
- September 26: Elasticities and Price Controls
  - Elasticity of Demand
  - Elasticity of Supply
  - Elasticity of Supply: Real World Examples
- October 10: Government Intervention and Taxation
  - Price Ceilings: Rent Controls
  - Price Ceilings
  - Price Ceilings: Shortages and Quality Reduction
  - Price Ceilings: Lines and Search Costs
  - Price Ceilings: Misallocation of Resources
  - Price Floors: The Minimum Wage Laws
  - Price Floors: Airline Fairs and Wasteful Increases in Quality
  - Why do Governments Enact Price Controls?
  - Commodity Taxes
  - Who Pays the Tax?
  - What is Deadweight Loss?
  - Tax Revenue and Deadweight Loss
  - Subsidies
  - Wage Subsidies
  - Price Ceilings: Deadweight Loss
- October 17: Production
  - Introduction to the Competitive Firm
  - Maximizing Profit Under Competition
  - Maximizing Profit and the Average Cost Curve
  - Entry, Exit and Supply Curves
  - Total Industry Costs of Production
- October 24: Market Structures
  - Maximizing Profit Under Monopoly
  - Monopoly Markup
  - The Costs and Benefits of Monopoly
- October 24: Monopoly and Market Structures
  - Maximizing Profit Under Monopoly
  - Monopoly Markup

- The Costs and Benefits of Monopoly
  - Water and Monopoly
- October 31: Price Discrimination and Strategy
  - Introduction to Price Discrimination
  - The Social Welfare of Price Discrimination
  - Tying
  - Bundling
- November 14: Asymmetric Information Problems
  - Asymmetric Information and Used Cars
  - Asymmetric Information and Health Insurance
  - Moral Hazard
  - Solutions to Moral Hazard
- November 14: Externalities and Transaction Costs
  - What is a Private Good?
  - Public Goods and Asteroid Defense
  - A Deeper Look at Public Goods
  - What are Free Rider Problems?
  - Club Goods
  - What is a Common Resource?
  - The Tragedy of the Commons
  - An Introduction to Externalities
  - External Benefits
  - Command and Control Solutions
  - The Coase Theorem
  - Trading Pollution
  - A Deeper Look at Tradeable Allowances
- November 28: TBD

Other useful content:

- [Economics in Many Lessons](#) (YouTube channel)
- Gwartney et al. *Economics: Private & Public Choice* (Textbook, available through Cengage Unlimited for free)
- McGuigan et al. *Managerial Economics: Applications, Strategy, and Tactics*. (Textbook, available through Cengage Unlimited for free)
- Cowen & Tabarrok, *Modern Principles of Economics* (textbook)

**Grade Scale:**

A .....	90 – 100
B .....	80 – 89.9
C .....	70 – 79.9
D .....	60 – 69.9
F .....	0 – 59.9

**Assessments:**

Pre-Course Assessment .....	5%
Homeworks (MindTap Assignments) .....	30%
Exam 1 .....	20%
Exam 2 .....	20%
Exam 3 .....	20%
Post-Course Assessment .....	10%

Note that the possible total adds up to 105 points, due to the pre-course assessment.

**Pre- and Post-Course Assessments:**

The Rawls Colleges mandates that students take a Pre- and Post-Course assessments. Again, they are **both mandatory**. The Pre-Course assessment evaluates your baseline knowledge of economics, but it is not required to count for your grade. However (i) as an incentive for your cooperation, you will **gain extra credit** for doing so (yay!), but (ii) you will **lose** 5 points of your final grade if you don't complete it. Again, it is **mandatory**.

The pre-course assessment will be conducted in Blackboard and will be available from Monday, August 28, 8:00 AM until Tuesday, August 29, at 5:00 pm.

The post-course assessment will be administered through Blackboard between November 27, 2023, at 8:00 am and continue until November 28, 2023, at 5:00 pm. It must count for 10% of the student's course grade as per Rawls College policy.

Both assessments will require Respondus Lockdown Browser (see [here](#) how to install). If you have any problems installing, please contact TTU IT Support. It is **your** responsibility to assure that everything is running smoothly before taking the assessment. Do **not** attempt to take it last minute. If anything goes wrong, there's nothing I can to provide extensions, as this is implemented by Rawls.

**Homework (MindTap):**

There will be 11 homework assignments using the MindTap platform that will be available after every class (see more below on how to access the platform). Each counts for  $\approx 2.72$  (30/11) points and you can complete them from the time each class ends until next class. That is, from Tuesday 8 PM to the next Monday, 5 PM. They are multiple-choice questions related to the chapters we covered, and you have three chances to go through them.

MindTap assignments will encourage students to engage in the course material throughout the semester. Each chapter covered in class will have a corresponding set of questions.

See more below under "Cengage Unlimited Access/Support" if you need help with the MindTap platform.

**Exams:**

There will be four exams in this class, including your final examination. Seems like much, but you only need to three of them. One of them is an optional/make-up exam. If you choose to take all four exams, I will drop your lowest score. Your three best scores will be worth 20 points each. **Students must bring their Scantron sheets to perform the exam.**

Exams 1 and 2 will be will cover the topics presented before the exam. Each will be worth 20 points and will consist of either (a) 40 multiple-choice questions (0.5 points each), or (b) 30 multiple-choice questions (0.5 points each), plus two essay questions (2.5 points each). The Make-up exam on December 5th and the final will be comprehensive.

It is **very** important to know that the topics covered before the first exam will be your "toolbox" for the course. If you fail to understand the basic concepts of economics, it will be difficult to understand future topics. Thus, I highly recommend that you commit early on and don't skip exams 1 and 2.

The exams will cover lectures, assigned book chapters, and additional resources listed on the syllabus. Any topic in the latter two is considered "fair game", even if not explicitly covered in class.

**Extra Credit:**

There will be multiple opportunities for extra credit during the semester, including (but not limited to) attending public lectures listed below and unscheduled quizzes.

Each lecture you attend will give you 1 extra point. If you attend all three of them, you will gain an extra five points. Consider that by attending all three lectures and doing the pre-course assessment, you will gain 10 points which will move your final grade one letter up.

To earn extra credit, you must stay for the entire length of the event, including Q&A. There will be an attendance sheet that must be signed **both before and after** the event.

- **September 28, Thursday, 5:30 - 6:30PM:**

- **The Myth of Skyrocketing Inequality**
- **Speaker:** Phillip Magness, F. A. Hayek Chair in Economics and Economic History, American Institute of Economic Research
- **Location:** Student Union Building (SUB) - Red Raider Ballroom

- **October 19, Thursday, 5:30 - 6:30PM**

- **National Development Delivers and Kinky Development is Just a Fetish**
- **Speaker:** Lant Pritchett, Visiting Professor at the School of Public Policy, London School of Economics, and the co-founder and Research Director of Labor Mobility Partnerships (LaMP)
- **Location:** Student Union Building (SUB) - Red Raider Ballroom

- **November 9, Thursday, 5:30 - 6:30PM:**

- **The Puzzle of Prison Order: Why Life Behind Bars Varies Around the World**

- **Speaker:** David Skarbek, Professor of Political Science and Political Economy, Brown University
- **Location:** International Cultural Center (ICC) - Auditorium, 601 Indiana Avenue

### Late Assignments, Makeup Exams

- I will accept late assignments or administer makeup examinations **only** when a student provides acceptable documentation of a medical issue or an academic/professional obligation (described below).
- If a student has already taken the two midterm examinations, no makeup will be provided for the third/optional exam on December 5th.
- **Emergencies and Professional Obligations:** The instructor is willing to take into account medical emergencies and professional obligations provided the student presents sufficient documentation.
- **University-sanctioned absence:** If a student will be absent due to a university-sanctioned event, the student should provide notice **in advance**, **and** documentation in writing from a professor (or university-sanctioned advisor) **and**, will correspond with the instructor to arrange a makeup for the missed assignment/exam.

### Rounding Grades

To minimize emails at the end of the semester, I will automatically round your grade to the nearest decimal point if that improves your grade. For instance, if your final score is 89.5, I will automatically round you up for an A. This is an arbitrary rule to ensure that rounding is fair and equal for all students. Do **not** email asking for a rounding.

### Changing the Syllabus

I will do my best to keep any changes to the syllabus to a minimum. If I ever need to do so, I will let you all know in class and by email, as well as update file on Blackboard.

### Cengage Unlimited Access/Support:

When you go into the class in Blackboard, you will see a “Click Here to Access Your MindTap Course for BECO 3310.” You will want to follow that link to obtain a Cengage Unlimited subscription. If you experience any problem with Cengage Unlimited – with either registering for a subscription or accessing materials – you can reach FAQs and Cengage support at [this link](#).

Via the above link, there are links to “Virtual Office Hour Sessions” (for working with Cengage Unlimited; these are not office hours with me). You can also find the email for Rawl’s Cengage representative, Lindsey Leslie ([lindsey.leslie@cengage.com](mailto:lindsey.leslie@cengage.com)), who is also a resource to contact directly.

Also, when you access the Mankiw textbook, there will be a “Course Orientation” folder. In preparation for completing MindTap Homeworks (see below) I highly recommend that you complete the “How to Do Aplia Assignments” tutorial in that folder. This will provide a guide on how these assessments work.

Now, here is an Easter egg for students who reached this point. Send a photo a of your pet (any random pet from the internet will do, too) via “course messages” on Blackboard before our first class and you will get an extra point. It is your reward for reading the syllabus carefully.



**Academic Integrity Statement:** Academic integrity is taking responsibility for one's own class and/or course work, being individually accountable, and demonstrating intellectual honesty and ethical behavior. Academic integrity is a personal choice to abide by the standards of intellectual honesty and responsibility. Because education is a shared effort to achieve learning through the exchange of ideas, students, faculty, and staff have the collective responsibility to build mutual trust and respect. Ethical behavior and independent thought are essential for the highest level of academic achievement, which then must be measured. Academic achievement includes scholarship, teaching, and learning, all of which are shared endeavors. Grades are a device used to quantify the successful accumulation of knowledge through learning. Adhering to the standards of academic integrity ensures grades are earned honestly. Academic integrity is the foundation upon which students, faculty, and staff build their educational and professional careers. [Texas Tech University ("University") Quality Enhancement Plan, Academic Integrity Task Force, 2010]

**ADA Statement:** Any student who, because of a disability, may require special arrangements in order to meet the course requirements should contact the instructor as soon as possible to make any necessary arrangements. In the case of exam accommodations, I will be happy to provide them provided that the student contacts me *at least* a week in advance of an exam for which you are requesting accommodations. Doing so will provide me with time to schedule a room and a proctor. Requesting a week in advance is the student's responsibility. Students should present appropriate verification from Student Disability Services during the instructor's office hours. Please note that instructors are *not allowed* to provide classroom accommodations to a student until appropriate verification from Student Disability Services has been provided. For additional information, please contact Student Disability Services in 335 West Hall or by phone (806-742-2405) or email (sds@ttu.edu). Please refer to Texas Tech University University Operating Procedure 34.22 for more information.

**Religious Holy Day Statement:** "Religious holy day" means a holy day observed by a religion whose places of worship are exempt from property taxation under Texas Tax Code §11.20. A student who intends to observe a religious holy day should make that intention known in writing to the instructor prior to the absence. A student who is absent from classes for the observance of a religious holy day shall be allowed to take an examination or complete an assignment scheduled for that day within a reasonable time after the absence. A student who is excused under section 2 may not be penalized for the absence; however, the instructor may respond appropriately if the student fails to complete the assignment satisfactorily.

**COVID-19:** As per TTU policy, students (both vaccinated and unvaccinated) who have been identified as having a known exposure to a COVID-19 positive person should wear a face mask for a period of 10 days and should seek a SARS-CoV-2 test at day five after exposure. If the individual begins to develop symptoms at any point during the 10 days following exposure, they should immediately self-isolate and seek a COVID-19 test.

Self-isolation for five days is required for all students (vaccinated or unvaccinated) who test positive for COVID-19. After the five-day isolation period, if the student is asymptomatic or their symptoms are resolving (fever free without the use of fever reducing medication for 24 hours), they may return to class/activities but should wear a face mask for an additional five days.

**Students who are positive should report the result [here](#)**, under the "Report a Positive Result" tab. This generates a letter that you can provide to your professors and instructors, notifying them of your positive diagnosis.