

Department of Agricultural Economics and Rural Sociology
University of Idaho

Course Title: Agricultural Economics I

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Class web page: <http://courses.ag.uidaho.edu/aers/agecon301/index.html>

Purpose

This course is designed to help you recognize how economic forces affect organizations and the economic consequences of managerial behavior. In order to improve your management decision making skills, you must gain competency in applying economic principles to business problems. It is necessary, therefore, to know how analytical tools can be used in conjunction with economic theory. This course, the first of a two course sequence, is designed to give you the basic principles of microeconomics, as applied to management decision making, along with spreadsheet based tools for analyzing real world business problems. Economic problems will be discussed in theoretical and mathematical terms. Students will then learn how to obtain estimates of important economic relationships using appropriate statistical and mathematical methods.

Course objectives:

1. To introduce students to the neoclassical theory of the firm and its application to management decisions.
2. To give students a broad background in production economics, production functions, cost functions and production possibilities curves.
3. To introduce students to mathematical programming methods
4. To have students apply mathematical programming techniques to solve profit maximizing and cost minimizing problems.

Prerequisites:

Econ 202, Math 143, Stat 251 and ASM 240

Required Text:

Hirschey, Mark. 2006. *Managerial Economics*. Eleventh Edition. Thomson, South-Western, Mason, Ohio. ISBN 0-324-31495-7

Note: If you have access to a tenth edition, of the text and wish to use that, it is fine with me. The changes in the text are fairly minor, and in the case of one chapter, we will be using the 10th edition anyway.

Computer Software:

Homework exercises will be completed using Excel. I have Office 2007 installed so if you are using the current software you do not need to send your work saved as an Office 2003 file. You will be asked to send completed work via email to the instructor and TA.

Contact Notes – Virtual Office Hours

Though I am now located in Moscow, I plan on maintaining virtual office hours as well as being available in person. I encourage you to add me to your MSN messenger, or if you do not have this service to install it (it is free). I will have MSN messenger on most times that I am in my office. Feel free to contact me any time during these *virtual office hours*. I will always make every effort to respond to your questions and concerns as quickly as I possibly can. I cannot read your minds so it is important for you to communicate with me. My address on MSN messenger is mcintosh83402@hotmail.com (no email to this address please it is for messenger use only).

GRADING:

There will be **five** regular exams. There will also be homework assignments that will be given on a weekly basis. They will be weighted in determining your final grade as follows:

Exams:	50%
Homework	45%
Attendance and participation	5%

Each student is expected to do his or her own work on homework assignments.

Note: The most important things you can do to be successful in this class is attend every session and complete every homework assignment.

Course letter grades will be assigned according to a weighted average of all graded assignments. The grading schedule will be as follows:

90 - 100	=	A
80 - 89	=	B
70 – 79	=	C
60 - 69	=	D
59 and below	=	F

Attendance? That is up to you, and attendance will not be recorded. However, if you expect to do well in this class then your consistent attendance is a must (see *Note* above). Given the relatively small class size in both locations, a consistent lack of attendance will be obvious. If you miss enough times to be noticed, a lack of class participation will likely impact your final grade.

Excuses for late homework papers or missed exams? Trust me; I have probably heard just about every possible excuse and many creative variations on the old themes. Most are quite lame, but I am always eager to hear a truly innovative excuse! Please do not try to blame your lack of timeliness on your computer, your roommate, your significant other, your dog, or your grandparents. If work, illness or significant commitments will prevent you from taking a scheduled exam, you must let me know ahead of time. I am more than willing to make allowances for legitimate scheduling problems. **Late papers will be graded down according to the date due relative to the date received. The standard point reduction on late assignments will be 10% (one letter grade) per day late.**

Let me be very clear. The worst possible thing you could do in this class is neglect your homework.

Exam Schedule:

Exams are currently scheduled on the following dates:

September 11

October 2

October 23

November 13

December 16

Final Exam:

There is no final exam. The last midterm exam will be given during the final exam period, Tuesday, December 16, 7:30-9:30 am.

Again, if work, illness or significant commitments will prevent you from taking a scheduled exam, you must let me know ahead of time. I am more than willing to make allowances for legitimate scheduling problems

Course Outline:

1. Overview of Managerial Economics (**Chapter 1**)
 - a. Nature and scope of managerial economics
 - b. The theory of the firm
 - c. Profit measurement
 - d. The role of business in society
2. Economic Optimization (**Chapter 2**)
 - a. Basic economic relations, marginal concepts
 - b. Marginals as the derivatives of functions
 - c. The derivative and rules of differentiation
 - d. The use of the derivative in economics
 - e. Marginal analysis and decision making
3. Demand and Supply (**Chapter 3**)
 - a. Basis for demand
 - b. Market demand functions and demand curves
 - c. Basis for supply
 - d. Market supply function and supply curves
 - e. Market equilibrium
4. Production Analysis and Compensation Policy (**Chapter 8**)
 - a. Production functions
 - b. Total, marginal, average product
 - c. Input combination choice
 - d. Input demand functions
 - e. Optimal levels of multiple outputs
 - f. Returns to scale
 - g. Estimation of production functions
 - h. Measurement of productivity
5. Cost Analysis and Estimation (**Chapter 9**)
 - a. Issues and problems
 - b. Opportunity costs
 - c. Short run, Long run
 - d. Firm and plant size
 - e. Economies of scope
6. Linear Programming (**Hand-out chapter from previous edition**)
 - a. Single and multiple products
 - b. Mathematical and graphical solutions
 - c. The dual
 - d. Constrained cost minimization
7. Risk Analysis (**Chapter 17**)
 - a. Concepts of risk and uncertainty
 - b. Probability concepts
 - c. Standard normal concepts
 - d. Utility theory and risk analysis
 - e. Decision trees

8. Capital Budgeting (**Chapter 18**)
 - a. The capital budgeting process
 - b. Cash-flow estimation
 - c. Capital budgeting decision rules
 - d. Choosing among alternative projects
 - e. Optimal capital budgeting.