

**UNIVERSITY OF HOUSTON
C.T. BAUER COLLEGE OF BUSINESS
MANAGERIAL ANALYSIS
FINA 6387
INSTRUCTOR: SWATI BASU**

OFFICE HOURS: **WEDNESDAYS 4-6 P.M.
OR BY APPOINTMENT
CBB 302E**

TEL: **713-743-5255**

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TEACHING ASSISTANT: SANGWON LEE
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TEXT AND READINGS:

The textbook for the course is *Managerial Economics and Organizational Architecture* by Brickley, Smith and Zimmerman, 5th edition, published by McGraw-Hill-Irwin. There are five Harvard Business School cases used in the course that can be purchased directly from HBS – details will be given in class. Additional articles that will be discussed in class are posted on <http://guides.lib.uh.edu/FINA6387>. Please copy and paste the link in your browser. The material used for class lectures will be available on Blackboard. Please check Blackboard regularly for updates and announcements pertaining to the course.

COURSE OBJECTIVES:

The course is based on fundamental principles of Economics that are essential for management. The main contribution of Economics in Management is that it gives a framework for decision-making that can be applied to many disciplines such as Finance, Marketing and Strategy. To give just a few examples, theories of portfolio management are based on utility maximization theories of Economics. The analysis of competitiveness in Strategy is based on theories of demand and supply and market structures in Economics. Theories of compensation and reward systems are based on theories of incentives and contracts in Economics.

Building on the traditional theoretical tools of Microeconomics, this course will expand to explain the response of a firm to its external environment (strategic interaction, pricing) as well as its choice of internal organization. The course will involve lectures, class discussions on current economic issues, and case studies. In order to benefit to the full extent from class lectures, students should come to class having read the assigned material before hand. After attending the lecture, students are encouraged to attempt the exercises at the end of the chapters in the textbook. This will help you to understand the material and a selected number of these exercises will be included in the exams.

STUDENT EVALUATION:

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|-----------------------|-----|
| Exam 1 | 20% |
| Exam 2 | 30% |
| Group Assignments | 20% |
| Class Participation | 5% |
| Individual Assignment | 25% |

- **Exams:** There will be two closed book exams during the semester, both held during class hours. The dates have been specified in the course schedule. Exam 1 is worth 20% of the course grade and Exam 2 is worth 30%.
- **Assignments:** There will be two group assignments in the course (each worth 10% of the course grade). These will be group projects (cooperation should be within your own group only). It is important that everyone does their share in preparing the assignments because you will have the opportunity to evaluate your peers and be evaluated by them. A peer evaluation form will be made available to you. Assignments will be due at the beginning of class and will be discussed in class afterwards. No late submission will be permitted under any circumstances. You need to form a group of four members for the group assignments. If you have trouble forming a group let me know as soon as possible and I will assign you to a group.

The third assignment is individual and will be due on December 9th.

- **Class Participation:** Students are expected to read the assigned material and participate in constructive class discussion. Class Participation accounts for 5% of your course grade.

Tentative Course Schedule

The following schedule will be followed as closely as possible during the course. Based on the needs of the class some changes in topic coverage may occur. The examination and assignment schedule will not be changed. The articles mentioned below are from the course pack as well as the library site referenced on the 1st page of the course outline (note that the library page is updated periodically and includes more articles than the ones mentioned below).

August 26 2015

Course Introduction and overview

Readings

BSZ: Chapter 2

September 2 2015

Topic: Theory of Choice, Gains from Trade and the fundamentals of demand and supply

Readings

BSZ: Chapters 2 and 3

Articles

“Protectionist trade Policies: A Survey of Theory, Evidence and rationale.” Coughlin, Cletus, Chrystal and Wood (1988), Federal Reserve Bank of St. Louis

“Opening the flood gates”, the Economist May 9 2009

Chiquita Brands International HBS 9-797 -015, Revised Sep 12 2007

September 9 and September 16 2015

Topic: Theory of demand and supply and the market for foreign exchange

Readings

BSZ: Chapters 3 and 4

Articles

“Bust and Boom”, the Economist May 23 2009

“Note on Exchange rate Determination”, HBS 9-384-171, Revised July 31 1985

“Sizzling”, the Economist July 7 2007

“When the chips are down”, the Economist July 22 2010

“A basket of sliders”, the Economist July 26 2014

September 23 and September 30 2015

Topic: Cost Analysis and Market Structure

Readings

BSZ: Chapters: 5 and 6

Articles

“Here we go again”, the Economist May 7 2009

“The click and the dead”, the Economist July 1 2010

“The dedicated followers of fast fashion”, the Economist July 5 2014

”Victim of Success”, the Economist August 2 2014

“Competition, hammered”, the Economist July 12 2014

“Just one more fix”, the Economist March 29 2014

"Pricing the Surge", the Economist March 29 2014
Assignment 1 handed out September 30

October 7 2015

Exam 1 in class

October 14 2015

Topic: Pricing With Market Power

Readings

BSZ: Chapter: 7

Articles

"Economist Focus: E pluribus tunum", the Economist, October 24 2009

"Paying the Piper", the Economist, January 4, 2014

Assignment 1 due back October 14

October 21 and October 28 2015

Topic: Game Theory

Readings

BSZ: Chapter: 9

Articles

"Zara: Fast Fashion", HBS 9-703-497, Revised December 21 2006

"Frictionless Fruit" the Economist, June 7, 2014

'Preying on theory', the Economist July 10 1999

"The Unkindest Cuts", the Economist, August 20 2009

"Welcome, Stranger", the Economist, July 30 2012

"Survey- Mastering Strategy- The Dynamics of Price Competition", Financial Times,
October 22 1999

Assignment 2 handed out October 21

November 4, 11 and November 18 2015

Topic: Incentives, Contracts and Compensation

Readings

BSZ: Chapters: 10, 14, 15

Article:

"New Thinking on How to link executive pay with performance" by Alfred Rappaport
(HBR March-April 1999)

"Executive Pay and the Credit Crisis of 2008 (A), HBS 9-109-036, Revised June 24 2010

Assignment 2 due back November 4

Individual Assignment handed out November 18

December 2 2015

Exam 2 in class

December 9 2015

Individual Assignment due