

**UNIVERSITY OF HOUSTON
C.T. BAUER COLLEGE OF BUSINESS
MANAGERIAL ANALYSIS
FINA 4334
INSTRUCTOR: SWATI BASU**

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

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TEACHING ASSISTANT: TBA

TEXT AND READINGS:

The textbook for the course is *Microeconomics*, by Pindyck and Rubinfeld, 8th ed., Prentice-Hall. There is a course package with cases which can be purchased from the university copy center. Additional articles will be made available on the course website. 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 purpose of this course is to present issues in economics that are of particular interest from the perspective of a manager. In particular, we will discuss the basics of demand and supply, cost structures of firms, pricing strategies used by firms and particulars of various market structures. In addition we will discuss issues that arise between the business and the government like regulation and antitrust issues.

One aspect of this course will be to give you an understanding of certain theoretical issues in economics. Therefore some elements of the course will be theoretical. To clarify the theory, graphical analysis and simple techniques in algebra and calculus will be used. The other aspect of the course is to give you applications of theory. This will involve class discussions and case studies. Regular attendance and reading material due to be discussed in class *in advance* are important. After a topic is covered in class you should work out the questions and problems at the end of the chapters. This will clarify the topics and prepare you for examinations.

STUDENT EVALUATION:

Class participation	5%
Exams 1 and 2 (20% each)	40%
Exam 3	30%
Assignments	25%

- Class Participation: Your grade for Class Participation will depend on the quality of participation in class discussions. It is therefore imperative that you are up to date with the material discussed in class. Being up to date with current economic news is also important. This will help you in making links between theory and application as well as preparing assignment questions and participating in classroom discussions. Particularly interesting reading are journals like *The Economist* and newspapers like *The Financial Times* or *The Wall Street Journal*. Class Participation is worth 5% of your course grade.
- Exams: There will be three closed book exams during the semester, all held during class hours. The dates have been specified in the course schedule.
- Assignments: There will be two assignments in the course (each worth 12.5% 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.

Tentative Course Schedule (by week)

Weeks 1 and 2 (August 25 2014 and September 3 2014)

Topic: Preliminaries/ Basics of Supply and Demand (P&R Chapters 1-2)

Read: P&R Chapter 1 Sections 1.2 and 1.4

Chapter 2 Sections 2.1-2.6

Articles

“Bust and Boom”, the Economist May 23 2009

Weeks 3 and 4 (Weeks of September 8 2014 and September 15 2014)

Topic: Analysis of Competitive Markets (P&R Chapter 9)

Read: P&R Chapter 2 Section 2.7 and Chapter 9

Articles

“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

Week 5 (Week of September 22 2014)

Topic: The cost of Production (P&R Chapter 7)

Read: P&R Chapter 7 (Omit Section 7.3 and Appendix)

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

Assignment #1 handed out September 22 2014

Week 6 (Week of September 29 2014)

Topic: Profit Maximization and Competitive Supply (P&R Chapter 8)

Read: P&R Chapter 8 (Section 8.1 -8.7)

Exam 1 on October 1 2014 in class

Week 7 (Week of October 6 2014)

Topic: Market Power: Monopoly and Monopsony (P&R Chapter 10)

Read: P&R Chapter 10 (Section 10.1 – 10.4 and 10.7)

Articles

“Here we go again”, the Economist May 9 2009

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

Assignment #1 due back October 8 2014

Week 8 (Week of October 13 2014)

Topic: Pricing with Market Power (P&R Chapter 11)
Read: P&R Chapter 11 (Omit Appendix)

Week 9 (Week of October 20 2014)

Topic: Pricing with Market Power (P&R Chapter 11)
Monopolistic Competition and Oligopoly (P&R Chapter 12)
Read: P&R Chapter 11, 12
Article:
"Economist Focus: E pluribus tunum", the Economist October 24 2009

Week 10 (Week of October 27 2014)

Topic: Monopolistic Competition and Oligopoly (P&R Chapter 12)
Game Theory and Competitive Strategy (P&R Chapter 13)
Read: P&R Chapters 12, 13 (Omit Section 13.8)
Article:
"The Last Kodak Moment", the Economist January 14, 2012
"Zara: Fast Fashion", HBS 9-703-497, Revised December 21 2006
"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

Exam 2 on October 29 in class

Weeks 11-12 (Weeks of November 3 2014 and November 10 2014)

Topic: Game Theory and Competitive Strategy (P&R Chapter 13)
Read: P&R Chapter 13 (Omit Section 13.8)
Articles
'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 November 3 2014

Weeks 13 and 14 (Weeks of November 17 and November 24 2014)

Topic: Markets with Asymmetric Information (P&R Chapter 17)
Topic: Externalities and Public Goods (P&R Chapter 18)
Read: P&R Chapter 17 and 18

Assignment #2 due back November 24 2014

Week 15 (Week of December 1 2014)

Review on December 1 2014

Exam 3 on December 3 2014 in class