

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

OFFICE HOURS: MONDAYS AND WEDNESDAYS 5-6 P.M.
OR BY APPOINTMENT
CBB 302E

TEL: 713-743-5255

EMAIL: sbasu@bauer.uh.edu

TEXT AND READINGS:

The textbook for the course is *Managerial Economics and Organizational Architecture* by Brickley, Smith and Zimmerman, 6th edition, published by McGraw-Hill-Irwin. The material used for class lectures will be available on Blackboard. Please check Blackboard regularly for updates and announcements.

There are four Harvard Business School cases used in the course that can be purchased directly from HBS.

Please use the link <http://cb.hbsp.harvard.edu/cbmp/access/72597552>

Additional articles that will be discussed in class (listed on the tentative course schedule) are posted on <http://guides.lib.uh.edu/FINA6387>. Please copy and paste the link in your browser.

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:

Exam 1	25%
Exam 2	35%
Group Assignments	30%
Class participation	10%

- Exams: There will be two closed book exams during the semester. The first will be held during class hours and the second in the final exam period. If you have a conflict please discuss with me as soon as possible. Exams 1 is worth 25% of the course grade and Exam 2 is worth 35%.
- Assignments: There will be three 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 on request if you feel that the participation was unequal. The dates the assignments will be assigned are listed in the course outline. Typically you will have two weeks to complete the assignments but the submission dates will be confirmed in class. 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.
- Class Participation: Students are expected to read the assigned material and participate in constructive class discussion. Class Participation accounts for 10% of your course grade.

Note from SGA:

Counseling and Psychological Services (CAPS) can help students who are having difficulties managing stress, adjusting to college, or feeling sad and hopeless. You can reach CAPS (www.uh.edu/caps) by calling 713-743-5454 during and after business hours for routine appointments or if you or someone you know is in crisis. Also, there is no appointment necessary for the "Let's Talk" program, which is a drop-in consultation service at convenient locations and hours around campus. http://www.uh.edu/caps/outreach/lets_talk.html.

Tentative Course Schedule

The following schedule (by week) 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 HBS online course pack as well as the library site referenced on the 1st page of the course outline

January 22 2018

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

Readings

BSZ: Chapters 2

Class exercises on Opportunity Costs

January 29 2018

Topic: Theory of demand and supply

Readings

BSZ: Chapters 3 and 4

Articles

“Know thy enemy, the Economist May 20, 2017 Articles

“Free Exchange: Reasonable Doubt”, the Economist October 14, 2017

“Wage against the machine”, the Economist July 8, 2017

“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

“Trade in the Balance”, the Economist February 6, 2016

“Dumping and tub-thumping”, the Economist April 9, 2016

Class exercise on Gains from Trade

February 5 2018

Topic: Demand and supply in the market for foreign exchange

Theory of demand and supply

Readings

BSZ: Chapters 4

Articles

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

“Sizzling”, the Economist July 7 2007

“Meat reversion”, the Economist July 15, 2017

Class exercise on Big Mac Index

Assignment 1 handed out on February 7th

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

February 12 2018

Topic: Cost Analysis and Market Structure

Readings

BSZ: Chapters: 5 and 6

Class exercises on Cost functions and breakeven analysis

February 19 2018

Topic: Market Structure and antitrust

Articles

“Pricing the Surge”, the Economist March 29 2014

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

“Algorithms and antitrust”, the Economist May 6, 2017

“No truck with cartels”, the Economist June 4, 2016

Class exercises on Herfindahl Index

February 26 2018

Review for Exam 1 on February 26 2018

Exam 1 in class on February 28 2018

March 5 2018

Topic: Pricing With Market Power

Readings

BSZ: Chapter: 7

Articles

“Economist Focus: E pluribus tunum”, the Economist, October 24 2009

Class exercises on Bundling and Price Discrimination

March 19 and March 26 2018

Topic: Game Theory

Readings

BSZ: Chapter: 9

Articles

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

‘Preying on theory’, the Economist July 10 1999

‘A cooler head’, the Economist December 24, 2016

‘Guaranteed profits’, the Economist February 14, 2015

Assignment 2 (handed out on March 21st)

“Pricing the EpiPen: This is Going to Sting”, Darden Business Publishing, Revised December 15 2017

Class exercises on Game Theory

April 2 2018

Topic: Game Theory (continued)

Incentives, Contracts and Compensation

Readings

BSZ: Chapters: 10, 14, 15

Articles:

‘Secrets and agents’, the Economist July 23, 2016

‘Taken for a ride’, the Economist March 4, 2017

‘Hard bargains’, the Economist October 15, 2016

Class exercises on incentive compatible contracts

April 9 and April 16 2018

Topic: Incentives, Contracts and Compensation

Readings

BSZ: Chapters: 10, 14, 15

Assignment 3 (handed out on April 11th)

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

‘Shearing and Shaving’, the Economist February 11, 2017

April 23 2018

Wrap up course

April 30 2018

Review for Exam 2