

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

**OFFICE HOURS:** WEDNESDAYS 4-6 PM OR BY APPOINTMENT  
CBB 302E

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**TEACHING ASSISTANT: SANGWON LEE**  
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**TEXT AND READINGS:**

The textbook for the course is *Microeconomics*, by Pindyck and Rubinfeld, 8<sup>th</sup> ed., Prentice-Hall. There are three Harvard Business School cases used in the course that can be purchased directly from HBS –please use the following link <http://cb.hbsp.harvard.edu/cbmp/access/51511170>

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 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)

### Week 1 (August 22 2016)

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

Read: P&R Chapter 1 Sections 1.2 and 1.4 and Chapter 2 Sections 2.1-2.6

#### Articles

“Bust and Boom”, the Economist May 23 2009

### Weeks 2, 3 and 4 (Weeks of August 29, September 7 2016 and September 12 2016)

Topic: Supply and Demand and Analysis of Competitive Markets (P&R Chapters 2& 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

“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

### Week 5 (Week of September 19 2016)

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

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

**Assignment #1 handed out September 19 2016**

### Week 6 (Week of September 26 2016)

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

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

**Exam 1 on September 28 2016 in class**

### Week 7 (Week of October 3 2016)

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 5 2016**

### **Week 8 (Week of October 10 2016)**

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

### **Week 9 (Week of October 17 2016)**

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 24 2016)**

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

***Exam 2 on October 26 in class***

### **Weeks 11-12 (Weeks of October 31 2016 and November 7 2016)**

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

***Assignment #2 handed out October 31 2016***

### **Weeks 13 and 14 (Weeks of November 14 and November 21 2016)**

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 23 2016***

### **Week 15 (Week of November 28 2016)**

***Review on November 28 2016***

***Exam 3 on November 30 2016 in class***