Introduction and Objectives:

This course will cover contemporary topics of effective economic management with emphasis on independent reading. The primary objective of this course will be to acquaint students with applications of microeconomic principles to responsible and efficient managerial decision-making in economic and business situations.

Prescribed Text


Lecture Topics and References

Topic 1
Introduction and Fundamental of Economics: The definition of managerial economics, the process of decision making, the economics of effective management.

*References*
- Michael R. Baye, Chapter 1
- Mansfield, Chapter 1, 2
- Salvatore, D. Chapter 1, 2

Topic 2
Market Forces: Demand and Supply: Demand, demand shifter, supply, supply shifters, Price restrictions and market equilibrium.

*References*
- Michael R. Baye, Chapter 2
- Mansfield, Chapter 3,
- Salvatore, D. Chapter 3

Topic 3
Quantitative Demand Analysis: The elasticity, cross price elasticity, income elasticity, and advertising elasticity, price elasticity and pricing policy and constant elasticity of demand function.

*References*
- Michael R. Baye, Chapter 3
- Mansfield, Chapter 3
- Salvatore, D. Chapter 3

Topic 4
Demand Estimation and Demand Forecasting: Direct and indirect methods of demand estimation, regression analysis, problems of the regression, interpreting regression analysis. Survey Techniques, time series, elementary forecasting techniques, leading indicators, and econometric models.
Topic 5
The Production Process and Costs: The production function, the role of the manager in the production process, the cost function, multiple output cost functions, the marginal rate of technical substitution, returns to scale, the output elasticity, technological change, labor productivity and total factor productivity, research and development, the learning curve and application of the learning curve.

References
Michael R. Baye, Chapter 3
Mansfield, Chapter 5, 6
Salvatore, D. Chapter 4, 5

Topic 6
The Organization of the Firm and the Nature of the Industry: methods of procuring inputs, transaction costs, implications of specialized investments, optimal input procurement, managerial compensation and principle agent problem, forces that discipline managers, and the manager worker principle agent problem, market structure, firm size, demand and market conditions, conduct and pricing behavior, the structure conduct-performance paradigm and perfect competition, demand at the market and firm levels, maximizing profits and minimizing profits.

References
Michael R. Baye, Chapter 6, 7, 8
Mansfield, Chapter 7, 8, 9, 10
Salvatore, D. Chapter 6, 7

Topic 7
Monopoly, Oligopoly, and Monopolistic Competition: Monopoly, sources of monopoly power, economies of scale, scope and cost complementarity, monopolistic competition, conditions for monopolistic competition, optimal advertising decisions, price and output decisions under monopolistic competition, conditions for oligopoly, the role beliefs and strategic interaction, profit maximizing in four oligopoly settings, comparing oligopoly models and contestable markets.

References
Michael R. Baye, Chapter 8, 9
Mansfield, Chapter 11, 12
Salvatore, D. Chapter 9, 10

Topic 8
Basic Oligopoly and Game Theory: overview of games and strategic thinking, simultaneous move and one shot games, application of one shot games, infinitely repeated games, and its application, factors affecting collusion in pricing games, finitely repeated games, multistage games and their application.

References
Michael R. Baye, Chapter 10
Mansfield, Chapter 12
Salvatore, D. Chapter 10

Topic 9
The Economics of Information, Risk Analysis and advanced Business Strategy: uncertainty and consumer behavior, uncertainty and the firm, uncertainty and the market, Auctions, and information structures, optimal bidding strategies, Limit Pricing to prevent
entry, Predatory pricing to lesson competition, raising rivals costs to lesson competition,
price discrimination as a strategic tool, penetration pricing to overcome network effects.

References
Michael R. Baye, Chapter 12, 13
Mansfield, Chapter 14, 15
Salvatore, D. Chapter 13