

Syllabus

Course description

The goal of this course is to give you some insight into how markets work. The first part of the course starts with the study of decision making by consumers and firms and concludes with a fundamental result in economics: a set of conditions under which markets function efficiently. In the second part of the course, we focus on situations when, for one reason or another, markets don't work efficiently. We will emphasize the importance of strategic behavior, as modeled by game theory.

Microeconomics (as the topic of this course is frequently referred to) is an important component of an MBA program. First, microeconomics focuses on specific dimensions of optimal firm decision making, such as pricing and entry and exit. Second, the formal economics perspective on business plays an important role in other areas of MBA study, such as finance or marketing. Finally, by studying public policy towards market failures, microeconomics highlights important factors conditioning firm strategy.

Some of the key concepts we will introduce include economic incentives, marginal analysis, opportunity cost (which costs matter), market efficiency (what does it mean for a market to work), strategic behavior (how to predict and respond to your rivals' decisions), and asymmetric information (what happens when others know something you do not). Our experience with students in prior years is that much of this is intuitive. But much is not, and our hope is that the combination of theoretical structure and practical examples will be useful in the years to come. It will not make you a success on its own, but it might give you an edge a few times when it matters.

Prerequisites

You are expected to be comfortable with basic algebra and calculus, including *systems of equations*, *NPV calculations*, and *simple derivatives*.

Course materials

- *Lecture notes*. They review the theory relevant to most classes. In a few pages, they outline and explain the key concepts, define terms, give examples, and (where it makes sense) work through numerical problems. They are intended to complement the lectures rather than substitute for them.
- *Textbook*. There is no required textbook for this course. If you insist on having a reference text, I recommend Michael Baye's *Managerial Economics and Business Strategy* (McGraw-Hill, 8th edition),

which is available in the bookstore or online. There is also a study guide to accompany the text. Some students indicate that they find this book helpful.

- *Slides.* I will post the slides on NYU Classes after each class, but keep in mind that the slides are not a complete record of all that is discussed in class. I recommend that you take notes during the class as a supplement to the slides.
- *Additional materials.* I will occasionally post additional materials on NYU Classes. This will include some useful materials for the group presentations, and potentially other newspaper articles or research papers that might be interesting or relevant.

Deliverables and grades

The various “deliverables” in the course are designed to develop different skills:

- *Class participation.* It is important to integrate what you learn and be able to express it effectively. Moreover, there is a great deal of collective insight and experience in the class and we all benefit from sharing it. But the *quality* of your contributions is more important than the *quantity*. Your attendance, punctuality, and overall citizenship in class are all also relevant dimensions of your participation performance.
- *Individual problem sets.* Problem sets emphasize quantitative applications of the principles and tools developed in class. They are due at the start of class. They will not be quantitatively graded, but will be marked with a check or check minus. You are expected to hand these in and to make a reasonable attempt; failure to do so will be penalized.

Most of the problems are quantitative, while some are qualitative and may not have definitive “right” or “wrong” answer—it is understanding the underlying issues that is key. You should also note that the problem sets are the best preparation for the exams. Dates and deadlines for all assignments can be found in the detailed course outline.

- *Group projects.* Working with classmates will be an important component of the course, as there is much we can learn from each other’s different experiences and perspectives. Group work will consist of *two* projects. Each project is like a “big” exercise that aims to help you learn to apply the economic concepts from the course to real-world situations. They are more challenging than the usual problem sets, and so need efforts from all group members.
- *Exams.* There will be *two* in-class exams, a midterm and a final. Generally, each exam will feature three or four questions similar to those in the problem sets and additional practice problems.

Your grade for the course will be based on your contributions to all of these deliverables, as follows:

Homework	10% (2% for each)
Group projects	10% (10% for each)
Midterm exam	35% (or 20%)
Final exam	35% (or 50%)

Your performance in terms of class participation will serve as a *tiebreaker* if you are on the border between two grades.

The midterm counts 35% if it increases your grade but only 20% if it does not. This means that if you do better in the midterm than in the final, then the midterm will count 35%. By contrast, if you do better in the final than the midterm, then the midterm will count only 20%. The reason for doing this is that the course will move quickly and I am sensitive to the fact that some students may need some time to familiarize themselves with what economics is about. Ultimately I care about what you learn by the end of the course—the grading scheme is intended to be consistent with that concern.

Final grades will strictly follow the School's guideline for core courses: no more than 35% of the class will receive grades of A or A-. This guideline was instituted in response to student concerns that different sections of a course might be graded by different standards.

Exams and re-grading

You are responsible for checking the exam dates and avoid any conflict with other commitments. Exams will not be re-administered on other dates. During an in-class exam, you are *not* allowed to consult class notes, books, or any other material. You may, however, consult one (standard letter-sized) sheet of notes. Questions about grading must be made in writing and no more than a week after the exams are returned.

Getting help

I would like each of you to learn and gain as much as you can from this course. I would also encourage collaboration, as students come from varying academic and professional backgrounds. Therefore, for questions regarding class material I strongly encourage use of the class discussion forum. This allows all members of the class to see the questions and answers. I also encourage students to answer questions on this forum. The answers will be moderated by the teaching fellow and myself, and quality answers will be treated the same as quality in-class participation.

For more conceptual questions, I encourage you to use my office hours just before class (TBA). If this time does not work for you, feel free to email me and set up an alternate time. My e-mail (gkubitz@stern.nyu.edu) should be used for mainly administrative purposes.

Additionally, you can get help from our teaching fellow, TBA, who can hold office hours by appointment.

All announcements regarding the course will be made on NYU Classes. Besides administrative issues, I may post clarifications on the class material. You are responsible for checking NYU Classes for announcements on a regular basis (i.e., at least a couple of times a week).

Students with disabilities

If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. If

you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Honor code

The Stern community believes that honesty and integrity are necessary for rewarding academic and professional experiences. These qualities form the basis for the strong trust among members of the academic community (students, faculty, and administrators) that is essential for excellence in education. The Honor Code requires that each student act with integrity in all academic activities and endeavor to hold his or her peers to the same standard.

In this course, you may discuss assignments with anyone and collaboration is encouraged. However, final write-ups submitted for a grade should be your own.

Any incidents will be dealt with according to the rules and definitions outlined in the [NYU policy on Academic Integrity for Students](#)