206 Microeconomic Analysis

Winter Term, 2000

(Full Time MBA)

Lecturer:

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Broad Aims of Subject:

Students should:

- gain an appreciation of the value of economic reasoning in solving business problems;
- develop the fundamental economic analytical skills required to read the literature in finance, marketing and business strategy.

Assessment:

The assessment for the subject is as follows:

One-Hour Mid-term Exam (Open Book) 40%
Two-Hour Final Exam (Open Book) 60%

The mid-term exam will be held during class on Friday 16th June.

Reading:

Reading Pack: The reading pack contains the following:

- Lecture Notes: The lecture notes cover all of the slides used in the subject. From time to time these slides will be updated. If you wish to obtain the updated slides or alternatively an electronic copy so that you can modify them yourself, please visit the subject web page.

- Worked Cases: For most of the topics there are mini-cases or examples that you should attempt before the class. The process of struggling with the concepts prior to coming to class forces an understanding that goes beyond mere rote and recitation.
• **Problem Sets and Solutions**: You may work from these at your own discretion. Note, however, that they (and the worked cases) are your best guide as to the type of questions in the exams.

• **Prescribed Reading**:


• **Optional Reading**:


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**Subject Outline and Guide:**

Readings are divided into three types:

- **Pre-reading**: you should read these *before* the commencement of the topic in class
- **Required reading**: it is recommended that you read these *after* the topic has been lectured.
- **Additional reading**: these readings are optional, for those interested in the topic. They are not examinable.

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*Introduction*  
(May 19th)

- No pre-reading or worked cases
- Required Reading:
  
  GKM, Chapters 1 and 2
  
  BN, Chapters 1 and 3

**Topic 1: Creating Value**  
(May 19th)

- No pre-reading
- Required Reading:
  
  GKM, Chapter 3
  
  BN, Chapter 2

**Topic 2: Added Value in Trade**  
(May 26th)

- No pre-reading
- Required Reading:
  
  GKM, Chapter 3

- Additional Reading:


**Topic 3: Monopolistic Markets**  
(May 26th)

- No pre-reading
- Required Reading:
  
  BN, Chapters 4 and 5
  
  GKM, Chapter 15 (pp.299 - 303)

- Additional Reading:


"ER could fetch $14m a show as networks start bidding war," *The Age*, 4 November, 1997, p.B3.
**Topic 4: Costs of Producing to Mass Markets**  
(June 2\(^{nd}\))

- Pre-Reading:
  
  GKM, Chapter 13

- No Required Reading

- Additional Reading:


**Topic 5: Pricing to Mass Markets**  
(June 2\(^{nd}\))

- Pre-Reading:
  
  GKM, Chapters 5 (pp.87-96), 15 (pp.304-329)

- Required Reading:
  
  BN, Chapter 6

**Topic 6: Pricing with Multiple Buyers and Sellers**  
(June 9\(^{th}\))

- Pre-Reading:
  
  GKM, Chapters 4 and 5

- Required Reading:
  
  GKM, Chapter 6

- Additional Reading:
  
  GKM, Chapter 7

**Topic 7: Production in Perfectly Competitive Markets**  
(June 16\(^{th}\))

- Pre-Reading:
  
  GKM, Chapter 14

- No Required Reading

- No Additional Reading
Topic 8: Barriers to Entry and Competition (June 23rd)

- Pre-Reading:
  GKM, Chapter 17

- No Required Reading

- Additional Reading:

Topic 9: Game Theory Revisited (June 30th)

- No Pre-Reading

- Required Reading:
  GKM, Chapter 16 (pp.333-350)

- Additional Reading:


Topic 10: Oligopoly (July 7- July 14th)

- Pre-Reading
  GKM, Chapter 16 (Appendix)

- Required Reading:
  GKM, Chapter 16 (pp.350-356)

- Additional Reading:


Review and Extensions to Business Strategy (July 21st)