

Managers, Markets & Prices

MNGT 4601

(Core)

Course aims / objectives:

The aim of this course is to provide managers with an understanding of the economic environment in which firms operate and to provide them with some of the analytical tools helpful for managerial decision making.

The course is split into three parts: markets, behaviour of firms, and strategy.

The first part covers several key ideas in microeconomics (the behaviour of buyers and sellers in the market). The central tool to understanding microeconomics is demand, supply and market equilibrium, which should be at every MBA's fingertips. In this part, demand and supply models are used to analyze markets, managerial decisions and various policy issues.

The second part looks more closely at the behaviour of firms. The firm's bottom line is the difference between revenue and cost. Determination of cost and the relevance of various cost concepts are first discussed. We then analyze the behaviour of firms in various market settings ranging from competition to monopoly. Additional topics include diverse pricing techniques and economics of information technology.

Strategy part is an introduction to game theory, and is motivated by the behaviour of firms in markets with a few players. Game theory is a tool to understand, predict and prescribe behaviour in strategically interdependent situations. This part will cover various topics such as strategic interaction, credible commitment, cooperation, coordination and reputation. In the end, you will learn to think strategically, which every manager should do, whether dealing with competitors or various stakeholders.

Topics include:

- Introduction to economic thinking
- Economic models and concepts
- Analysis of demand and supply
- Elasticities
- Market equilibrium and government policies I
- The costs of production
- Firms in competitive markets
- Monopoly
- Topics in pricing
- Economics of information technology
- Monopolistic competition and oligopoly
- Introduction to game theory
- Games with sequential and simultaneous moves
- Nash equilibrium
- Co-ordination and co-operation
- Dynamic oligopoly
- Strategic moves and credible commitment
- Application to business strategies