MyRA **September 2014-2015**

Managerial Economics

Instructor: **Professor Amrita Dhillon**
Email address: **amrita.dhillon@kcl.ac.uk**
Office Location:
Office Hours:

(I) Course Objective and Description

Managers regularly address issues ranging from pricing, cost determination, compensation, entry into and exit from markets, and output decisions. The goal of this course is to introduce you to economic principles and methodologies that will help you develop an intuition on how to approach and structure these problems for optimal decision-making.

The course will be a combination of lectures, discussions, experiments and problem solving. Among the topics that this course will include are demand and supply analysis, cost analysis, profit maximization, perfect competition, price discrimination and market power, rudimentary game theory and applications to pricing decisions, and asymmetric information. Basic mathematical and calculus skills are expected.

(II) Course Material

There is a course pack which consists of classnotes, exercises and Chapters 1,2,3,5,8,10, 11, 13.
Main Text: Baye, M. (2010,7th ed), Managerial Economics and Business Strategy, McGraw-Hill International Edition.

Several copies of these books are in the library. These books have a number of problems that you can solve for practice.

(III) Examination

There will be one midterm (2 hours) on Friday 12 September 2014 and the Final Examination (2 hours) will be on Friday 19th September -time and place to be determined by MyRA.
The midterm exam will cover the first week topics and will be a closed book exam.
The final exam will cover the entire course and will be a closed book exam.

(IV) Grading

Quizzes and Group problem solving– 10%
Midterm – 40%
Final Exam – 50%

Quizzes and problem sets: I will make groups of about 6-7students each. You will do the assigned questions during the second half of the class time and then I will call on each group (in turn) to present the answer. Individuals within a group get equal marks.

(V) Course Webpage

I will post Problem Sets and Solutions on the course webpage. You are expected to obtain these from the webpage directly rather than expect hard copies in class.
All lectures will be posted on the course webpage at end of the day.

I will also use the webpage for all announcements (e.g., error in Problem Set). It is your responsibility (as adults) to check for announcements.

(VI) Class Protocol

Please turn off all mobile phones and all other potentially disrupting audio-visual gadgets prior to the class. It is incumbent on all participants to fulfill their obligation in this course. All students will be expected to attend and be prepared for all classes.

(VII) Course Outline

This is an **approximate** outline of what I hope to cover in each class.

Week 1: (A) Basic Demand and Supply Analysis assuming perfect information. Pricing with perfect competition. Efficiency of perfect competition. (B) Relaxing the assumption of perfect information.

Day 1: Readings Chapter 1, 2 Baye, Class notes.
Lecture 1:Introduction: Opportunity Cost, Present Value, Maximizing profits. (Chapter 1, Baye)
Exercise 1 on Introduction: group discussion and presentation
Lecture 2: Market price mechanism, the role of prices.
Basic demand and supply analysis
Exercise 2: group discussion and experiment.
Day 2: Readings Baye Chapter 2, Baye, Class notes.
Lecture 3:
Demand, Elasticity, Aggregate Demand
Exercise 3: group discussion and presentation.
Quiz 1 in class
Day 3: Lecture 4: Production and Cost (Chapter 5, Baye)
Production functions.
Exercise 4 and Quiz 2 in class.
Day 4: Lecture 5: Competitive Markets (Chapter 8 Baye)
Quiz in class
Day 5: Lecture 6**:** Adverse Selection (Class notes)
Quiz in Class and Midterm Exam

Week 2: Relaxing the assumption of perfect competition. Pricing with different market structures.

Day 6: Lecture 7: Pricing with Market Power I (Chapters 8, 11, Baye)
Problem Set 6&7
Day 7: Lecture 8: Pricing with market Power II (Chapters 8, 11, Baye)
Problem set 6&7
Quiz in Class
Day 8: Lecture 9: Introduction to Game Theory (Chapter 10, 11 Baye)
Pricing in Oligopolistic markets
Problem set 8
Day 9: Lecture 10: Pricing in Oligopolistic markets (Chapter 10,11, Baye)
Problem Set 9
Quiz in class
Day 10: Revision and Final Exam