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Office Hours: 9:30 am to 5:30pm. Kindly contact me to schedule an appointment.

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1. Course Objective

The objective of this course is to acquaint students with basic tools and concepts of microeconomic analysis and their application to managerial decision-making. This course will enable students to analyse firm-level economic problems and understand their consequences, to compare alternative solutions to these problems, to understand the market, and to take informed and optimal decisions subject to various constraints and targets.

This course is designed for first year PGPX and PGDM students. Students are expected to have some exposure to basic algebra and calculus skills.

Topics include an overview of managerial economics; demand and supply and market, consumer behaviour, costs of production; market structures and pricing behaviour of firm; Welfare Analysis under taxation, and the economics of information and the role of government in the marketplace.

2. Learning outcomes

At the end of this course, students will be able to:

- Use consumer choice model to analyse individual decisions and business decisions.
- Analyse competitive market outcomes using demand and supply framework
- Understand how prices get determined in markets and how it influences the benefits of consumers and producers in terms of consumer surplus and producer surplus. Analyse the consequences of government intervention
- Measure the responsiveness of consumer's demand and producer's supply to a change in price and income
- Understand constraints faced by firms
- Solve for cost minimization and profit maximization problems for firm

- Understand different types of market structures: perfect competition, monopoly, monopolistic competition, and oligopoly
- Explain how firms can use different pricing strategies to maximize profit: price discrimination
- Tools to analyse strategic scenarios
- Understand Market failures

3. Text book / Reading materials

Lecture Notes

Main Text: Pindyck, Robert S., and Daniel L. Rubinfeld. "Microeconomics".

4. Assessment Method

There will be two quizzes, a midterm and a final. Students will also be evaluated for their class participation. Quizzes will be of 30mins duration and consist of MCQs. Mid-term and final exams would involve MCQs, descriptive questions and numerical. All exams would be closed book and closed notes.

| Weight | |
|----------------------|------|
| Quiz 1 | 10% |
| Mid Term Examination | 25% |
| Quiz 2 | 10% |
| Final Examination | 50% |
| Class Participation | 5% |
| Total | 100% |

5. Course Schedule

| Session # | Session Content | Case (Pre-Reading) | Reading | Learning Outcomes |
|------------------------------------|--|---------------------------------------|---------|---|
| Module-I : Introduction | | | | |
| Session 1 | What is economics? Micro and Macro Economics. Importance of Economics, Market, Basic Assumption about participants in Market, Opportunity Cost, Production Possibility Frontier | | Chap 1 | Introduce students to Economic way of thinking |
| Module 2: Supply and Demand | | | | Provide an understanding of the determinants of demand and supply, the nature of demand and supply curves and their interaction in the market, and important concepts such as price elasticity of demand and supply and market equilibrium. |
| Session 2 | Demand Curve, Supply Curve, Shifts in Demand and Supply Curve, Factors Influencing Demand and Supply Curve, Movement along and shift in demand and supply curve, Aggregate Demand and Aggregate Supply Curve, Adjustments to Changes in Demand or Supply | Demand and Supply in Copper Industry | Chap 2 | |
| Session 3 | Elasticity: Definition, Forms and Shapes, Implication to pricing decisions, Elasticity and Marginal Revenue | Procter & Gamble's Pricing Strategies | Chap 2 | |

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| Session 4 | Market Equilibrium, Consumer and Producer Surplus, Effect of Government Intervention | Office Depot and Staples Merger ¹ | Chap 2 | |
| Module 3: Consumer Behaviour | | | | To acquaint students with the basic concepts and theories relating to consumer behaviour under certainty. The link between consumer theory and demand curves is also explained. |
| Session 5 | Consumer Preferences, Utility, Marginal Utility, Indifference Curves, Budget Constraint, Consumer's Choice | | Chap 3 | |
| Session 6 | Changes in Income and Consumption Choices: Normal and Inferior Goods, Price Changes and Consumption Choices, Income effect and substitution effect; | | Chap 3 & 4 | |
| Session 7 | Price consumption and Income consumption curves; Network Effects: The Bandwagon Effect, The Snob Effect, Derivation of demand curve from the P-C curve | | Chap 4 | |
| Module 4: Production and Costs | | | | The focus of this module is to explain the main concepts in production theory. The link between production theory and the supply curve is explained. |
| Session 8 | Quiz 1 , Production Function, Total, Average and | The iPhone in China | Chap 5 | |

¹<https://www.nytimes.com/2016/05/11/business/dealbook/staples-office-depot-merger.html>

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| | Marginal Product Curves, Production Isoquants, MRTS, Returns to Scale | | | |
| Session 9 | Costs of Production, Costs in Short-run and Costs in Long-run | | Chap 6 | |
| Session 10 | Economies of Scope, Isocost Lines, Cost Minimization | | Chap 6 | |
| Session 11 | Cost and Output Relationship, When should a firm stop producing? Break even and shut down points; Economies of scale and scope; minimum efficient scale. | | Chap 6 | |
| Session 12 | Mid-term | | | |
| Module 5: Market Structure | | | | This module considers different kinds markets structures and pricing policy under different market structure. |
| Session 13 | Perfect Competition, Demand Curve Facing the competitive Firm, Short-run Supply Curve, Long run Supply Curve | Competition and Cooperative Behavior in the Potato Industry | Chap 7 | |
| Session 14 | Profit Maximization in Perfectly Competitive Markets, Producer surplus and Consumer surplus under perfect competition | | Chap 7 & Chap 8 | |
| Session 15 | Monopoly, Product Pricing with Monopoly, Monopolistic Competition and Oligopoly | | Chap 9 | |
| Session 16 | Pricing with Market Power, Price Discrimination, Two-Part Pricing, Block Pricing, Commodity Bundling, Peak-Load Pricing | Airline Pricing Strategies: Will They Start Charging for the Use of the Lavatories? | Chap 10 | |

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| Module 6: Game Theory | | | | This module deals with strategic aspects of firms. To begin with it discusses in detail Game Theory as a tool to analyse strategic environment. |
| Session 17 | Game theory I | Nintendo Confronts a Changed Video Game World ² | Chap 12 | |
| Session 18 | Game theory II | | Chap 12 | |
| Module 7: Market Failure | | | | This module explains why markets sometimes fail to allocate resources efficiently |
| Session 19 | Quiz 2 , Asymmetric Information, Adverse Selection, Moral Hazard, Signalling | | Chap 17 | |
| Session 20 | Public Good and Externalities, Free-Rider Problem, External Costs and Benefits | Napster: Nipping or Nudging Economic Efficiency | Chap 16 | |
| END TERM | | | | |

6. Instructional Methods and Expectations

A variety of approaches will be used - lectures, caselets (small cases), Video clips, newspaper articles, in class exercises and problem solving, and exams.

Performance in this course will depend on how well you perform in ALL the exams as well as class participation. Each session will begin with a recap of last class discussion. Each student is required to come prepared for the class and contribute to the discussions when called upon by the instructor. Failing to do so will influence your assessment under class participation.

² http://www.nytimes.com/2012/11/25/technology/nintendos-wii-u-takes-aim-at-a-changed-video-game-world.html?pagewanted=all&_r=2&