

**BUFW E540**  
**Microeconomic Analysis**  
**and Decision Making**  
**Spring 2003**



**INSTRUCTOR:** Dr. Ali Rassuli      **OFFICE:** Neff 340C      **OFFICE PHONE:** (260) 481-5771

**COURSE PREREQUISITES:** A524 or equivalent, and college-level differential calculus

- TEXTS:**
1. The Economics of Strategy, David Besanko et al., John Willy & Sons, Inc., 2<sup>nd</sup> Edition, 2000.
  2. Managerial Economics, Charles Maurice and Christopher R. Thomas, McGraw-Hill Irwin, 7<sup>th</sup> Edition, 2000. On Reserve.

**COURSE OBJECTIVES:** The purpose of this course is to place traditional microeconomics theories, which generally have an internal focus, into the context of the external competitive environment in which firms operate in the long run.

In the first half of the course, students will study microeconomic theory and will learn how to integrate calculus and statistics for constrained optimization and estimation into managerial decision making. In order to strengthen the learning effectiveness of the course in a global competitive environment, both internal and external elements of dynamic decision-making to the firm have been added. In the latter half of the semester, students will learn to integrate the effects of the competitive structure of the firm and the industry with the behavior of other firms to develop a strategic competitive advantage.

Topical Outline

Reading and Assignments

Introduction and Circular Flow Model

Lecture and Introduction: Strategy and Economics (EOS)

Demand, Supply, and Dynamics of Market Equilibrium

Chapter 2 - ME

Theory of Demand and Using Elasticities in Managerial Decision Making

Chapter 3 - ME

Demand Estimation Using Regression Analysis

Chapter 5 - ME

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## Topical Outline

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## Reading and Assignments

Optimization Theory of Constrained and Unconstrained functions	Chapter 4 - ME
Production and Cost and constrained Output Maximization in Short-Run	Chapter 10 - ME
Production and Cost in the Long Run	Chapter 11 - ME
The Horizontal Boundaries of the Firm	Chapter 2 - EOS
The Vertical Boundaries of the Firm: Economics of Scale and Scope	Chapter 3 - EOS
The Transaction Costs of Market Exchange	Chapter 4 - EOS
Organizing the Vertical Boundaries	Chapter 5 - EOS
Market Structure, Perfect Competition, Monopoly, and Monopolistic Competition	Chapter 7 - EOS and Presentation
Profit Maximization with Calculus	Presentation
Oligopoly, Cooperation and Rivalry	Presentation
Introduction to Game Theory Game Theory and Strategic Behavior	Chapter 14 - ME, pp. 527 to 552 Bargaining Theories
The Dynamics of Pricing Rivalry	Chapter 9 - EOS
Strategic Commitment	Chapter 8 - EOS
Entry and Exit	Chapter 10 - EOS
Industry Analysis	Chapter 11 - EOS
Strategic Positioning for Competitive Advantage (E of S)	Chapter 12 - EOS
Sustaining Competitive Advantage (E of S)	Chapter 13 - EOS

## Examinations and Grading Procedures

Your course grade will depend upon your group and individual performance in the following categories:

2 Exams:	20% each
Short paper and Group Presentation:	20%
Class Assignments, Discussions, and Participation:	10%
Final Exam:	30%

The examinations will be composed of a combination of multiple-choice questions, essays, and problems. End-of-chapter problems and exercises that appear in the texts are the best sources of practice for the exams.

All class sessions after about the middle of the term will involve group presentations. During these sessions, I will present the pertinent economic theory and related issues at the beginning of the class period; and the student groups will follow by presenting the application of assigned chapters. I expect students to have read the material and be prepared to participate fully in discussions and answer questions from the assigned chapters.

Again, each class session will involve the application of economics theory and tools through discussion of the material in both texts. Naturally, it is expected that you have read the chapters and will be prepared to discuss them in class.

## Additional Information

1. The topical outline presented in this syllabus is my estimate of how the course will proceed. Should we proceed other than estimated, course content and exam coverage will be appropriately adjusted.
2. If you have or acquire a disability and would like to find out what special services and accommodations may be available to you, contact Services for Students with Disabilities in Walb Union Rooms 118 and 125 (260-481-6657, voice/TTY).
3. You are expected to have read the reading assignments prior to each class meeting, and be prepared to discuss them in class.
4. The date and coverage of the midterm examination will be announced at least one week in advance.
5. Feel free to ask questions about the material presented in class and/or in the textbooks. Since no textbook is without errors, read them carefully. Feel free to ask me about anything in the texts, which, seems confusing and/or erroneous.
6. Office hours: 2:00 p.m. to 4:00 p.m. on Wednesdays. Other times available by appointment.
7. E-mail address: [rassuli@ipfw.edu](mailto:rassuli@ipfw.edu)