

MBA Program
ECONOMICS
Sample Course Outline



SUMMARY:

The subject is organized around three main themes: microeconomics (the economics of the market), macroeconomics (the economics of the country), and game theory (a tool for understanding strategic behavior).

Since they swim in markets, firms had better understand how markets work. We introduce modelling, which can be done in many ways, as a way of simplifying a complex reality. Market behaviour includes the concepts of demand, supply, and market equilibrium: what determines demand and supply? How do they together determine the quantity and price of the exchange of goods or services? How will the equilibrium change in response to changes in information, in tastes and preferences and in government policy? We introduce the dimensionless measure of elasticity, and show how it's pervasive in economics, marketing, and finance. We also introduce the idea of opportunity cost — of what is forgone when a decision is made — and show its relation to the economist's idea of profit.

How do firms behave? In many ways, of course, but a firm that ignores the bottom line for long won't be around for longer. And it depends on the kind of market the firm operates in — competitive, monopolistic, or between. In the final two weeks, we introduce game theory for understanding and predicting strategic interactions between parties — where my actions affect you, and vice versa. Game theory can be useful to understand and predict behaviour in markets, inside organisations, and even in families.

Course Title:	Economics	Course No. MNGT5200
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Prerequisites/Sequence. NIL - this is a CORE course in the MBA.

Course aims / objectives.

The subject is organized around three main themes: microeconomics (the economics of the market), macroeconomics (the economics of the country), and game theory (a tool for understanding strategic behavior). Economics is not just telling stories or looking at once-off cases. It tries to discern the underlying patterns and forces in markets, in order to better understand the economic world, and eventually to change it.

Preliminary readings to be done prior to the first class. NIL

Detailed list of Texts & References to include Recommended Readings for the whole course.

Required textbook

Gans, J., King, S., Stonecash, R. & G. Mankiw (**GKSM**), *Principles of Economics*, 2nd edition, Thomson, 2003.

Course pack

Course pack contains several cases and articles that will be discussed in the lecture. At times, more reading material will be distributed throughout the term.

Lecture slides

They can be downloaded from the subject homepage about one week before each lecture. Subject home page (<http://www.agsm.edu.au/~cchoe/core.html>) will have additional information updated regularly.

Optional Reading:

The following books are for your optional peruse, and are available in the library. Though they are not examinable, reference will be made during the lecture to the relevant part of the books.

- Dixit, Avinash K. and Barry, J. Nalebuff (1991), *Thinking Strategically*, Norton. **(DN)**
- Besanko, David, Dranove, David and Mark Shanley (2000), *Economics of Strategy*, Second edition, Wiley.
- Dixit, Avinash and Susan Skeath (1999), *Games of Strategy*, Norton.
- Mansfield, Edwin and Gary Yohe (2000), *Microeconomics*, 10th edition, Norton.

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Lecture Guides by Week / Course Schedule and Reading Guide

The following is a general outline of the subject. Depending on circumstances, topics may be reshuffled or modified. At times additional material (short articles, cases or exercises) may be distributed in class.

Week 1: Introduction to economics

Week 2: Analysis of demand and supply

Week 3: Elasticities; Market efficiency and government policies I

Week 4: Government policies II; Costs of production

Week 5: Competition vs Monopoly

Week 6: Introduction to Macroeconomics: Meanings and Measurements

Week 7: Oligopoly and Introduction to Game Theory

Week 8: Nash equilibrium; Coordination and cooperation

Week 9: Strategic moves and credible commitment; Review lecture

Assessment requirements as follows:

Mid-term Exam	Yes		Class Participation and Group Presentation 10%
End-of-term Exam	Yes	Weighting of each assessment component	Week 3 Group Assignment 15% Mid Term Exam 25% Week 8 Group Assignment 15% Final Exam 35%
Group assessment	Yes		
Individual assessment	Yes	Is the course	Graded
Group Presentation	Yes	Late Policy [deduction of marks for last assignment(s) /project(s)]	10% per day
Individual Presentation	No	Return of assignments & projects: where should they be handed in?	Class / MBA Office / Email

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