Business Administration UGBA101A: Microeconomic Analysis for Business Decisions
ugba101-a@haas.berkeley.edu

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F526 Haas School

Office Hrs: Thursday, 11:00 AM – 1:00 PM, and by appointment (F526, Haas School)

GST: Oliver Beige (Ph.D. Student)
Office: F535 (510) 643-1415

Office Hrs: Monday, 1:00 – 3:00 PM (in F535, or the Ph.D. lounge in F534)

Lecture: Tuesday/Thursday @ 9:30 – 11:00 AM
C230 (Cheit Hall, Haas School of Business)

Section: UGBA101A-101: Friday @ 8:00 – 9:00 AM, C210 (Cheit Hall)
UGBA101A-102: Friday @ 9:00 – 10:00 AM, C210 (Cheit Hall)

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

Description: Microeconomics, the study of economic concepts at the level of the consumer, the firm and the market place, is essential to the understanding of how markets operate and as a tool for strategic management decision-making. Consistent with this view, the emphasis of UGBA101A will be on developing a strong conceptual foundation of microeconomic theory together with the ability to apply the concepts to management problems. Students should already have taken an introductory economics course as well as courses in calculus and probability theory.

Organizational, UGBA101A covers the microeconomic conceptualization of the individual consumer (as, for example, a utility maximizer), the producer-firm (as, for example, a profit maximizer, or a cost minimizer for a given output level), and the market setting in which they buy and sell goods (pure competition, monopoly, oligopoly, monopolistic competition, ...).

Requirements/Grading:

Homework Assignments 15%
Midterm Examination I (March 6) 20%
Midterm Examination II (April 17) 20%
Final Examination (Friday, May 16, 5:00 – 8:00 PM) 45%

You are allowed ONE 8 1/2" x 11" sheet of notes (2-sided page) for the final exam only.

Reading Assignment/Homework Policy: In the following course outline of topics, readings should be completed before the class lecture, and the homework assignment is due at the beginning of the class on the date designated in the syllabus (below) unless otherwise announced. Note: Late homework will receive a penalty of 1.5 points off (out of 10 points possible) per day late, and will not be accepted after two class lectures or discussion sessions from the day in which it is to be submitted.
Lecture Topics Calendar:

<table>
<thead>
<tr>
<th>Lecture</th>
<th>Discussion Topic(s)</th>
<th>Readings/Assignment 'Exercises'</th>
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<tbody>
<tr>
<td>1/21 - 23</td>
<td>Overview of Course Basics of Supply and Demand: Changes in Supply and Demand, Elasticity (Price, Income, Cross-Price), Effects of Shortages, Price Controls</td>
<td>Chs. 1, 2 Ch. 2: QF2 (p.56), #2,3,4,7,9 [due 2/4]</td>
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<td>1/24</td>
<td>[Discussion] The Market System, Demand, Supply</td>
<td>Ch. 3</td>
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<td>1/28 - 30</td>
<td>The Consumer: Consumer Behavior Preferences, Indifference Curve, Utility, Marginal Rate of Substitution, Budget Constraint, Revealed Preference, Cost-of Living Indexes (Laspeyres, Paasche)</td>
<td>Ch. 3: #3,7,8,9,12,13 [due 2/4]</td>
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<tr>
<td>2/7</td>
<td>[Discussion] Demand and Engel curves, Inferior and Normal goods, Substitutes, Complements, Income and Substitution Effects</td>
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<td>2/11</td>
<td>Market Demand, Price Elasticity of Demand, (Point and Arc), Consumer Surplus, Network Externalities (Bandwagon and Snob Effects), Empirical Estimation of the Demand Curve</td>
<td>Ch. 4 + Appendix (pp.139-47) Ch. 4: #2,3,8,10; Appendix: #4 [due 2/18]</td>
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<td>2/13</td>
<td>Decision-Making Under Uncertainty Decision-Making Criteria, Expected Money Value, Probability Review</td>
<td>Ch. 5; Handout (&quot;Chapter 12&quot;)</td>
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2/18 - 20 Decision-Making Under Uncertainty (cont'd)
Decision Trees, Value of Information, Sensitivity Analysis, Measure of Risk, Expected Utility Value, Risk-Averse, Risk Neutral, Risk-Taking
Ch. 5: Handout ("Chapter 13")
Ch. 5: #1,6,9 and "Ch.12": #4,14,16; "Ch.13": #4,6
[see 2/25]

[discussion] Decision Trees, Information, Conditional Probability and EMV, Sensitivity Analysis, Risk, EUV

3/25 - 27 The Firm: Production
Production Function, Isoquants, Short Run (fixed input) vs. Long Run, Average Product, Marginal Product, Law of Diminishing Marginal Returns, Marginal Rate of Technical Substitution, Returns to Scale
Ch. 6
Ch. 6: #2,5,6,7,9
due 3/11

[discussion] Production concepts, Midterm exam review

3/4 The Firm: Costs of Production
Accounting Cost, Opportunity Cost, Economic Cost, Sunk Cost, Fixed Cost, Variable Cost, Average Fixed Cost, Average Variable Cost, Average Total Cost
Ch. 7

March 6 MIDTERM I EXAMINATION
Chs.1-5 + Handout Chs.(12),(13)
(Covering topics through 2/25)

[discussion] Economic Cost, Sunk, Fixed and Variable Costs, Average Costs, Midterm Overview

3/11 - 13 The Firm: Costs of Production
Marginal Cost, Short Run vs. Long Run, Cost-Minimizing Input Choice (for given Q), Isocost Line and the Marginal Rate of Technical Substitution (MRTS), Economies of Scope, Learning Curve and First Mover Advantage, Production and Cost relationships
Ch. 7 + Appendix (pp.246-50)
Ch. 7: #4,9,11 + Appendix: #3,4-b,c
due 3/18

[discussion] Production Function, Isoquants, Average Product, Marginal Product, Marginal Rate of Technical Substitution, Returns to Scale, Marginal Cost, Optimal Input Choice

[3/14]
3/18 - 20  
Pure Competition: Profits Max & Competitive Supply 
Goals of Firm, Principal-Agent Problem 
Conditions of Profit Maximization in the 
Short Run (and SR Supply Curve) 
Long Run Equilibrium Conditions 
Industry Long Run Supply Curve Under 
Constant, Increasing, Decreasing Cost  
Ch. 8  
Ch. 8: #1,3,6,7,8  
[due 4/1]  

[3/21]  
[Discussion] Goals of the Firm, Equilibrium, 
Short-Run Supply Curve, 
Long-Run Supply Curve  

3/24 - 28  
SPRING RECESS  

4/1 - 3  
Analysis of Competitive Markets 
Consumer and Producer Surplus 
Deadweight Loss 
Market Failure 
Price Supports and Production Quotas 
Import Quotas and Tariffs 
Taxes and Subsidies  
Ch. 9  
Ch. 9: #2,5,6,7,9,10,15  
[due 4/8]  

[4/4]  
[Discussion] Competitive Markets (Short/Long Run) 
Firm vs. Industry Supply Curve 
Welfare Effects of Competitive Markets 
Case of Tax or Subsidy  

4/8 - 10  
Market Power: Monopoly & Monopsony 
Profit Max of the Monopolist 
Pricing with MC and Elasticity of Demand 
Tax Effects, Multi-plant Monopolist 
Multi-Market Monopolist  
Ch. 10  

[4/11]  
[Discussion] Monopoly concepts, 
Review for Midterm II  

4/15  
Market Power: Monopoly & Monopsony 
Lerner’s Index (L) of Monopoly Power 
Monopsony, Bilateral Monopoly, 
Regulation and Antitrust Laws  
Ch. 10  
Ch. 10: #3,4,5,6,13  
[due 4/22]  

April 17  
Midterm II Examination  
Chs. 6, 7, 8, 9  
(Covering topics through 4/8)  

[4/18]  
[Discussion] Monopoly, Bilateral Monopoly, 
Midterm Overview  

4/22 - 24  
Monopolistic Competition and Oligopoly 
Monopolistic Competition 
Oligopoly: Cournot, Stackelberg, 
Fixed Market Share, 
Kinked Demand, Game Theory  
Chs. 12, 13 (pp. 461-71)
4/25 [Discussion] Monopolistic Competition, Oligopoly

4/29 – 5/1 Oligopoly
  - cartel, kinked demand curve, game theoretic models
  - Ch. 12, 13 (pp. 461-71) + handout
  - Ch. 12: 2, 3, 10, 13 (due 5/6)

5/2 [Discussion] Economic Models of Oligopoly

5/6 – 8 Resource Markets, Exam review
  - Ch. 14
  - Ch. 14: #5, 7, 8 (Solutions provided)

[5/9] [Discussion] Review for Final Exam, Friday, May 16

5/13-15 Office hours/Prepare for Final Exam

May 16 FINAL EXAMINATION FRIDAY, 5:00 - 8:00 PM, Room t.b.a

Comprehensive Exam

- You are allowed one 8.5" x 11" sheet of notes (two-sided page) for the final exam.
- Do not bring two one-sided sheets.