

KANSAS STATE UNIVERSITY
Department of Economics

ECONOMIC ANALYSIS FOR BUSINESS
(Economics 815)

Spring 2009
T, Th 8:05 – 9:20
Waters 348

Professor Dennis Weisman
Office: Waters 246
Contact: 532-4588/weisman@ksu.edu
<http://www.ksu.edu/economics/weisman/flash.htm>

PURPOSE OF COURSE

This course is partitioned into two segments. The first segment in the course covers the basic concepts in Microeconomic theory, including demand analysis, production, cost measures, pricing and analysis of different market structures. The second segment in the course covers a number of Microeconomic applications, including price discrimination and product bundling, elementary concepts in game theory and strategic behavior, antitrust and government regulation of business and public policy.

PREREQUISITES

Economics 110, Economics 120, and one semester of Calculus.

READINGS

The primary textbook for this course is Robert Pindyck and Daniel Rubinfeld, *Microeconomics*, Prentice Hall, 2009, Seventh Edition. Students are responsible for the pages assigned regardless of whether they are covered specifically in class. Additional readings may be assigned at various intervals throughout the semester to supplement the material in the textbook.

One goal of this course is to help students understand and analyze current economic issues in the news. Frequent references to articles from the *Wall Street Journal* will be made during the course of the semester. You may want to consider subscribing to the *Wall Street Journal*, but you are not required to do so. Other items of relevance in the news will be used to facilitate class discussion.

COURSE REQUIREMENTS

Your grade in this course will be based on (i) a midterm examination; (ii) a final examination; and (iii) two take-home essays, each accounting for approximately one-third of your total grade. Class participation will affect your grade at the margin. Problem sets will be assigned on a regular basis. These problem sets are essential to mastering the analytical techniques covered in the lectures. Regular attendance at all lectures is highly recommended. Lecture material not specifically covered in your readings may appear on the examinations.

FINAL EXAMINATION

The final examination will be administered on Thursday, May 7, 2008 at 7:30AM. Please note that the date and time differ from the University's posted final examination schedule.

TEACHING PHILOSOPHY

I believe that students should be held to stringent standards of performance and that course grades should accurately and fairly reflect that performance. You should expect to devote considerable time outside of the classroom to reading the assigned material and working through problems. If you are unwilling or unable to commit to this level of effort, you are strongly encouraged to reevaluate the merits of enrolling in this particular class. Within these parameters, however, my goal is to make this course both interesting and challenging while helping you develop a set of tools that will be of significant benefit to you in your respective careers.

OFFICE HOURS

Tuesday and Thursday, 9:45AM – 11:15AM and by appointment.

COURSE OUTLINE

The following is an outline of the major topics that will be covered in this course, along with the associated readings in the textbook by Pindyck and Rubinfeld (P&R).

1. Overview and Introduction to Microeconomics (Self-Directed Study)

P & R, Chapter 1

2. Mathematical Review

- A. Algebra Fundamentals
- B. Univariate and Multivariate Calculus

3. Demand and Supply

- A. Elasticity of Demand and Supply
- B. Equilibrium and Disequilibrium
- C. Rationing and Government Intervention
- D. Consumer Surplus

P & R, Chapters 2 and 4 (pp. 125-140)

4. Cost and Production Decisions

- A. Optimal Production Decisions
- B. Derivation of Cost Functions
- C. Cost Concepts

P & R, Chapters 6 - 7

Dennis L. Weisman. "How Cost Allocation Systems Can Lead Managers Astray." *Journal of Cost Management*, Vol. 5(1), Spring 1991, pp. 4-10.

Dennis L. Weisman. "An Instructional Exercise in Cost-Raising Strategies and Perfect Complements Production." *The Journal of Economic Education*, Vol. 38(2), 2007, pp. 215-221.

5. Perfect Competition

- A. Pricing
- B. Equilibrium Outcomes
- C. Benchmark Importance

P & R, Chapter 8

6. Monopoly

- A. Pricing
- B. Equilibrium Outcomes
- C. Comparisons with Perfect Competition

P & R, Chapter 10

7. Pricing with Market Power

- A. Measurement of Market Power
- B. Price Discrimination
- C. Economic Welfare Considerations
- D. Price Discrimination In Practice

P & R, Chapter 11

Carl L. Shapiro and Hal R. Varian. *Information Rules: A Strategic Guide to the Network Economy*. Harvard Business School Press, 1999, Chapters 2 and 3 (Optional).

8. Introduction To Game Theory and Strategic Behavior

- A. Nash Equilibrium
- B. Prisoner's Dilemma
- C. Oligopoly Models
- D. Raising Rivals' Costs

P&R, Chapter 13

9. Regulation and Antitrust

- A. Recent Trends In Industry Consolidation
- B. Department of Justice Merger Guidelines
- C. Allocative vs. Technical Efficiency Trade-Offs
- D. Barriers To Entry

Robert W. Crandall and Clifford Winston, "Does Antitrust Policy Improve Consumer Welfare? Assessing the Evidence." *The Journal of Economic Perspectives*, Vol. 17(4), Fall 2003, pp. 3-26.

Jonathan Baker, "The Case for Antitrust Enforcement." *The Journal of Economic Perspectives*, Vol. 17(4), Fall 2003, pp. 27-50.

10. Current Issues To Be Announced

- A. Economic Analysis
- B. Public Policy

ACADEMIC HONESTY AND INTEGRITY

Kansas State University has an Honor & Integrity System based on personal integrity which is presumed to be sufficient assurance in academic matters that one's work is performed honestly and without unauthorized assistance. Students, by registration, acknowledge the jurisdiction of the Honor & Integrity System. The policies and procedures of the Honor System apply to all full and part-time students enrolled in undergraduate and graduate courses on-campus, off-campus, and via distance learning. Failure to adhere to these standards of conduct are serious offenses and may be punished by failure on the examination, paper or project; failure in the course; and/or expulsion from the university.

DENNIS L. WEISMAN, Ph.D.

Dr. Weisman is a Professor of Economics at Kansas State University and a member of the graduate faculty. A former Director of Strategic Marketing for SBC Communications, Inc. (now AT&T), and a research fellow with the Public Utility Research Center at the University of Florida, Dr. Weisman has over 25 years of experience in the areas of government regulation, competition policy and business strategy. He has testified in numerous regulatory proceedings to the economic and social impacts of regulatory policies and has served as an economic consultant to Fortune 500 Corporations and regulatory commissions on economic pricing principles, the design of incentive regulation plans and competition policy. His primary research interests are in strategic behavior, government regulation and antitrust. The author or co-author of more than 80 articles, books and book chapters, his work has appeared in the *Antitrust Bulletin*, *Economics Letters*, the *Journal of Regulatory Economics*, the *Yale Journal on Regulation*, *The Journal of Policy Analysis and Management*, and the *Federal Communications Law Journal*. Dr. Weisman's work has also been cited by the U.S. Supreme Court. He is the co-author of *DESIGNING INCENTIVE REGULATION FOR THE TELECOMMUNICATIONS INDUSTRY*, published by the MIT Press and the AEI Press in 1996, and *THE TELECOMMUNICATIONS ACT OF 1996: THE "COSTS" OF MANAGED COMPETITION*, published by Kluwer in 2000. He serves on the editorial boards of the *Journal of Regulatory Economics*, *Information Economics and Policy* and *The Review of Network Economics*. He also serves on the academic advisory board for the Institute for Regulatory Law and Economics. Dr. Weisman received his Ph.D. in economics from the University of Florida.