Course Description

Prior to the first class on April 28th, you are to read the section of Baye’s textbook pertaining to a firm’s short-run and long-run costs (Chapter 5 pages 175-186). You will be provided a set of problems on this material which you should attempt prior to the first class. The solutions to these problems will also be provided to help you understand the material. Besides Baye’s textbook, I will post power point slides and articles on Angel. Besides on Angel, I will also post this material on my website, http://www.msu.edu/~conlinmi/ (see the link for PIM821 at the bottom of my webpage). The problem sets will also be posted on Angel and my website.

This course is organized into four main sections. The first class considers marginal analysis, demand and how a firm selects price to maximize profits given the firm’s cost and demand curves. You will be responsible for learning about cost curves prior to the first class. The second class focuses on different methods firms use to price discriminate. The (sometimes abstract) modeling of these pricing decisions can be somewhat complex. To simplify the analysis in this section, we will not consider the strategic interaction among firms when modeling a firm’s decision to price discriminate. The third class will explicitly consider strategic interaction among firms. This section will model this interaction using game theory. Besides between firms, game theory will also be used to analyze other interactions. The final class will consider the effect of private information on firm and contract structures. These topics include adverse selection, signaling, screening, moral hazard and voluntary disclosure.

To demonstrate the applicability of these models to the “real world”, we will apply the concepts taught in class to recent articles that appeared in the Wall Street Journal, Business Week and The New York Times.

Reference Material

Required Textbook:

Grading

Your course grade will be calculated using the following weights: Each set of problems will be worth 5% of your final score (there will be three of these for a total of 15%), each in class quiz will be worth 10% of your final score (there will be three of these for a total of 30%), 25% for the Midterm exam and 30% for the Final Exam. After final scores have been calculated, a curve will be set (if required). Consistent with the guidelines recently adopted by the WMBA Program, the grade distribution will be (roughly) 4.0 for the top 30%, 3.5 for the next 50% and 3.0 (or below, as appropriate) for the remainder.
Statement on Academic Integrity

It is assumed that all work done for credit will be the result of the individual’s or authorized group’s unaided effort. Anyone who either gives or receives unauthorized assistance in the preparation of work at home or during tests in class will be subject to disciplinary action under the provisions and policies set forth by Michigan State University. Article 2.3.3 of the Academic Freedom Report states that "the student shares with the faculty the responsibility for maintaining the integrity of scholarship, grades, and professional standards." In addition, the College of Business adheres to the policies on academic honesty as specified in General Student Regulations 1.0, Protection of Scholarship and Grades, and in the all-University Policy on Integrity of Scholarship and Grades, which are included in Spartan Life: Student Handbook and Resource Guide. Students who plagiarize or who give or receive unauthorized assistance may receive a zero (0.0) on the assignment or fail the course.¹

¹ For example, this paragraph was taken from the MSU Office of the Ombudsman (http://www.msu.edu/unit/ombud/syllabi.html). If I had submitted a paper including this paragraph without citation, I should get a zero on the whole assignment.