

## Firms and Markets (COR1-GB.1303.S.11.FA12)

■ **Course Description.** The goal of this course is to give you some insight into how markets work. The first part of the course starts with a fundamental result in economics: a set of conditions under which markets function efficiently. We also study the decision making process by consumers (preferences and the demand function) and firms (costs, pricing and the supply function). In the second part of the course, we focus on situations when, for one reason or another, markets don't work efficiently. We will emphasize the importance of strategic behavior, as modeled by game theory.

Microeconomics (as the topic of this course is frequently referred to) is an important component of an MBA program. First, microeconomics focuses on specific dimensions of optimal firm decision making, such as pricing and entry and exit. Second, the economics formal perspective on business plays an important role in other areas of MBA study, such as finance or marketing. Finally, by studying public policy towards market failures, microeconomics highlights important factors conditioning firm strategy.

Some of the key concepts we will introduce include economic incentives, marginal analysis, opportunity cost (which costs matter), market efficiency (what does it mean for a market to work), strategic behavior (how to predict and respond to your rivals' decisions), and asymmetric information (what happens when others know something you don't). Our experience with students in prior years is that much of this is intuitive. But much is not, and our hope is that the combination of theoretical structure and practical examples will be useful in the years to come. It will not make you a success on its own, but it might give you an edge a few times when it matters.

A complete list of topics can be found in the detailed course outline.

■ **Prerequisites.** You are expected to be comfortable with basic algebra and calculus, including systems of equations, logarithms and NPV calculations, derivatives.

■ **Course Materials.** There are two different sources of materials that will help you follow the course.

- Textbook. I will assign several chapters of my textbook, *Introduction to Industrial Organization* (MIT Press, 2000). I am working on a second edition of this textbook and will post draft chapters on the course management system (<http://classes.nyu.edu>).
- Slides. The slides are a forecast of where the class will head, but if the discussion moves in another interesting direction we will generally let it run its own course. Slides will also be posted online.

■ **Deliverables and Grades.** The various “deliverables” in the course are designed to develop different skills:

- Class participation. It’s important to integrate what you learn and be able to express it effectively. Your grade will be based on such measures as the quality (not the quantity) of your contributions, attendance, punctuality, and so on.
- Individual problem sets. Problem sets emphasize quantitative applications of the principles and tools developed in class. They are due at the start of class. They will not be graded, but will be marked with a check (and possibly a plus or minus).

Most of the problems are quantitative; some require a qualitative answer. Your overall performance on problem sets will serve as an informal tie-breaker if you’re on the border between two grades. You should also note that the problem sets are the best preparation for the exams.

- Mid-term and final exams. Generally three or four problems, similar to the practice exams that I will distribute in due course.
- Group projects. Generally more complex and realistic quantitative assignments that use and extend the principles and tools developed in class.

Your grade for the course will be based on your contributions to all of these deliverables, weighted as follows:

Class participation	10%
Individual problem sets (5)	“check+/-”
Group projects (2)	20%
Mid-term exam	30%
Final exam	40%

Final grades will follow the School’s guideline for core courses: no more than 35% of the class will receive A or A-. This guideline was instituted in response to student concerns that different sections of a course might be graded by different standards.

Dates and deadlines for all assignments can be found in the detailed course outline.

■ **Exams and re-grading.** There are no make-up exams in this course. You are responsible for checking the exam dates and avoid any conflict with other commitments. During the exams, you are not allowed to consult class notes, books, or any other material. However, you may consult one page of notes (a standard-size sheet of paper written on one side). Questions about grading must be made in writing and no more than a week after the exams are returned.

■ **Honor Code.** The Stern community believes that honesty and integrity are necessary for rewarding academic and professional experiences. These qualities form the basis for the strong trust among members of the academic community (students, faculty, and administrators) that is essential for excellence in education. The Honor Code requires that each student act with integrity in all academic activities and endeavor to hold his or her peers to the same standard.

In this course, you may discuss assignments with anyone, but any written work submitted for a grade should be your own. On exams, you may bring in and consult one piece of paper with anything on it you like, but your answers should be entirely your own work.

For more information, see [stern.nyu.edu/StudentActivities/Involved/CON\\_023278](http://stern.nyu.edu/StudentActivities/Involved/CON_023278)

■ **Students with disabilities.** If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

■ **Help.** There are times when a little help can get you past an obstacle. If you're stuck, send me an email ([lcabral@stern.nyu.edu](mailto:lcabral@stern.nyu.edu)) or stop by my office (KMC 7th floor, room 70). I try to respond quickly to email. In addition to office hours, I am happy to answer questions in person whenever I am in my office.