Objective: The objective if the course is to understand how markets work. To that end, we can break up the course into roughly three pieces.

- The mechanics of demand: What motivates consumers to enter the marketplace? What are the primary factors that influence a consumer's willingness to pay? When is a demand curve an adequate representation of consumer preferences and when do we need to go a little deeper?
- The mechanics of supply: What is the decision process behind the supply curve? How do technology and factor prices influence a firm's decision process? How does market structure influence a firm's decision process?
- Market equilibrium and markets prices: What happens when consumers and firms interact in the marketplace? How are prices determined?

Finally, the main goal of the class is to teach you to think analytically about economic problems. Most of the time, it’s not the final answer to a question that counts, its how you arrived at that answer.

Primary Sources:

- The Wall Street Journal
- The Economist
Other Sources:

- McGuigan, James, Charles Moyer, and Fredrick Harris, Managerial Economics; Applications, Strategy and Tactics, 10th Edition, Thomson-Southwestern, 2005
- Brickley, James, Clifford Smith and Jerold Zimmerman, Managerial economics and Organizational Architecture, 3rd Edition, McGraw – Hill/ Irwin, 2004

Grading: There will be three non-cumulative exams given during the course as well as weekly quizzes. The quiz questions will look very similar to the problem set questions available on the web site. The final grade will be computed as follows:

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<table>
<thead>
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<tr>
<td>Highest two midterms</td>
<td>= 200</td>
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<tr>
<td>Quizzes</td>
<td>= 100</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
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There is also the possibility of random, unannounced quizzes, so attending class and keeping up with the material is very important. Bonus points will be awarded for exceptional class participation.

The median score (out of 300 points) will receive a ‘B’ for the course. The ranges for other grades will be at intervals around the median based on the class variance. For example, if the median score for the class is 230 (this is what I'm shooting), a typical grade distribution might be as follows:

- 280 - 300: A
- 260 - 280: A-
- 240 - 260: B+
- 220 - 240: B
Honor Code:  This course, like all other courses at Notre Dame, is subject to the Academic Code of Honor. Please read the Handbook to refresh your understanding of the code.

(Note: The books/articles listed below are NOT required reading. They are only intended to offer additional sources of information in case you would like to learn more about a particular subject)

Part I: The Basics: Supply, Demand, and Equilibrium

- Allen, Chapter 1

Part II: Mathematical Preliminaries and Optimization Theory

- Allen, Chapters 2

Part III: Consumer Demand Analysis

- Allen, Chapters 3,4,5,6
- Varian, H., 1982a, The Non-Parametric Approach to Demand Analysis”, Econometrica, 50, 945-973

Part IV: Technology, Costs and Pricing

- Allen, Chapters 8 - 12


• Graham, John and Beverly Robson, 2000, Prescription Drug Prices in Canada and the US – Part I, A Comparative Price Survey, Fraser Institute, *Public Policy Sources No. 42*


**Part V: The Basics of Game Theory**

- **Allen, Chapter 14**

**Part VI: Strategic Interaction**

- **Allen, Chapters 13**

**Part VII: Anti-competitive Strategies, Collusion, and Non-Price Competition**

• **Allen, Chapter 13**
• Bolton, P., J. Brodley, and M. Riordan, 2000, “Predatory Pricing; Strategic Theory and Legal Policy”, *Georgetown Law Review*, 88

**Part IX: Risk, Uncertainty and Information Economics**

• Allen, Chapters 15, 17, 18
• Ross, S., 1976, A Simple Approach to the Valuation of Risky Streams”, *Journal of Business*, 51, 453-475

**Part X: Optimal Mechanism Design and Auction Theory**

• *Allen, Chapter 16*
• Crampton, P. and J.A. Schwartz, 2000, “Collusive Bidding; Lessons from FCC Spectrum Auctions”, *Journal of Regulatory Economics*, 17, 229-52