BUSINESS ECONOMICS II

This course, in continuation with Business Economics I, aims at understanding the new reality that organizations face. In particular, our focus and standpoint will be, mostly, economic. This course represents an economic reading of several organization features and, for this purpose, modern economic analysis tools will be presented, discussed and widely used.

The course is organized with a combination of theory, case discussion, and exercises.

FIRST PART. TOOLS AND PRELIMINARIES

1. Decision Theory
   Decision making under uncertainty, the value of information

2. Game Theory
   Normal-form games, Nash equilibrium, sequential-form games, subgame perfect Nash equilibrium

SECOND PART. FIRM BOUNDARIES

3. Horizontal boundaries
Economies of scale and scope, sources of economies of scale, learning curve, strategic use of the learning curve

4. Vertical Boundaries
“Make-vs-buy” dilemma, benefits and costs of using the market, the “Hold-up” problem, integration, networks

THIRD PART. MARKETS AND FIRMS

5. Market structure and competition
Competitors and competition, measures of concentration, conditions for price competition, entry and exit analysis, monopoly, oligopoly (Cournot and Bertrand), horizontal differentiation, price discrimination

6. Strategic Commitment
The commitment-flexibility trade-off, determinants of commitment, option value

THIRD PART. TOPICS

7. Topics
Innovation and productivity as a response to globalization.

BIBLIOGRAPHY

• Regular reading of *The Economist* magazine
BUSINESS ECONOMICS II

GRADING POLICY

The course grade will be determined on the following basis:

Assignments and class work: 30%
Team Project Presentation: 30%
Final Exam: 40%

Notes:

The failure to attend to exams, present assignments or any other of the grading criteria without justified and properly accredited cause entails that “0” points will be given for that criterion. The failure to attend the final exam, without justified and properly accredited cause, entails a final mark of “Not attended”.

In September, the mark will be granted on the basis of:

September exam: 70%
Team Presentation Project: 30%