

Module Specification

Managerial Economics

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Module Code	W.SRIFC42.08	
Principles and Aims	<p>The main idea of the module "Managerial Economics" is strategic economic thinking. Strategic thinking is omnipresent in business, economics as well as everyday life. Each interaction between two or more human beings is potentially characterised by strategic thinking and strategic behaviour of the involved individuals. Thereby, success and failure does not only depend upon a single strategy but rather upon the interaction of the different strategies.</p> <p>Within this module students will be enabled to describe, analyse and assess the strategic interactions between individuals, firms or countries. Consistent with the target graduate profile the focus lies on the interaction between and within firms. With this knowledge on economics and strategic thinking students should be capable of successfully holding their positions in business and in everyday life.</p> <p>To accomplish this, the module "Managerial Economics" is tripartite. The course Game Theory provides the students with the necessary (formal) concepts of strategic thinking and behaviour. The topic of the course Industrial Economics is the strategic positioning of firms within imperfect markets and the role of the government as a regulator. Finally, strategic interactions within a firm or in markets with imperfect information and opportunistic agents are dealt with in the course Transaction Costs Economics.</p>	
Programme	Business Administration with International Management & Economics	
Course	Bachelor	
Type of Module	C (core module)	
Level of Module	Intermediate	
ECTS Credits	6 credits	
Submodules	<ol style="list-style-type: none"> 1. Game Theory 2. Transaction Cost Economics 3. Industrial Economics 	<p>2 credits</p> <p>2 credits</p> <p>2 credits</p>
Pre-requisites	<p>W.IGMGT01.08 (Management I: Strategy, Structures, Processes)</p> <p>W.IGMAT01.08 (Mathematics for Management and Economics)</p> <p>W.IGEVM02.08 (Corporate Environment I: Markets)</p>	

Submodule 1: Game Theory

Intended Learning Outcomes

Students

1. are familiar with the basic game-theoretic concepts as well as with the popular instruments of game theory;

2. are able to approach economic problems with game theoretical approaches and to judge possible strategies of the involved players;
3. are capable of transferring the concepts and the way of thinking of game theory to everyday situations and problems.

Objectives

Knowledge

Skills

Subject-specific knowledge

Subject-specific skills

- Basic terms, definitions and concepts of game theory:
 - static versus dynamic games
 - games with complete and incomplete information
 - strictly dominated strategies
 - pure and mixed strategies
 - Nash equilibrium, subgame-perfect Nash equilibrium

- Students
 - understand the fundamentals of game theory and are able to apply them;
 - are capable of transferring game theoretical approaches to other disciplines and to everyday life.

Methodological knowledge

Methodological skills

Thinking in game theoretical concepts and models

- Students
 - are able to work with game theoretical concepts and models;
 - are capable of developing successful strategies for a given situation.

Knowledge about communication and social relationships

Social skills

Deepened understanding of strategic thinking

Students are able to think strategically.

Syllabus Plan and Content

- Game Theory: A Lexicon for Strategic Interaction
- Eliminating Dominated Strategies
- Pure Strategy Nash Equilibria
- Mixed Strategy Nash Equilibria
- Subgames, incredible threats and trembling hands
- Repeated games, trigger strategies and tacit collusion

Teaching and Learning subject-based

Methods

Activities

Aims and Objectives

Directed Study

Problem sets to be solved with the assistance of the lecturer

Private Study

Reading of textbook passages, deepening of selected topics, solving of problem sets

Workload per semester	ECTS Credits	Contact Lessons	Contact Hours	Directed Study (lessons)	Directed Study (hours)	Private Study (hours)	Total study time (hours)
Workload	2	21	15.8	6	4.5	39.8	60
Percentage			26.3%		7.5%	66.3%	100%

Tuition Language	English
Assignments and Assessment	Written exam
Reading List	<p>Dixit, Avinash K. and Barry J. Nalebuff (1993). Thinking Strategically. The Competitive Edge in Business, Politics, and Everyday Life. London: W.W. Norton & Company Ltd.</p> <p>Gardner, Roy (1995). Games for Business and Economics. New York: John Wiley & Sons Inc.</p> <p>Gibbons, Robert (1992). A Primer in Game Theory. London: Harvester Wheatsheaf.</p>

Submodule 2: Transaction Cost Economics

Intended Learning Outcomes

Students

1. comprehend the importance of transaction costs in markets with imperfect information and opportunity costs;
2. understand applicable models of transaction cost economics;
3. can explain and forecast managerial cases and behaviour by using models of transaction cost economics.

Objectives

Knowledge	Skills
<i>Subject-specific knowledge</i>	<i>Subject-specific skills</i>
Knowledge of some of the most applicable models of transaction cost economics	Ability to explain and forecast managerial cases and behaviour by using models of transaction cost economics
<i>Methodological knowledge</i>	<i>Methodological skills</i>
Transaction cost economics as an analytic tool	Application of transaction cost models in managerial decision cases
<i>Knowledge about communication and social relationships</i>	<i>Social skills</i>
Deepened understanding of driving economic forces behind business relations	Ability to argue in controversial discussions and support arguments with models of transaction cost economics

Syllabus Plan and Content

- Transaction costs and property rights economics
- Rent seeking and opportunism
- Sunk costs, lock-in-effect and specific investments
- Principal-agent problem: Adverse selection
- Principal-agent problem: Moral hazard
- Signalling and market screening
- Asymmetric information and the lemon principle
- Search, experience and credence goods

Teaching and Learning subject-based and case-based

Methods							
Activities				Aims and Objectives			
Directed Study				Guided (controversial) discussions			
Private Study				Reading assignments			
Workload per semester	ECTS Credits	Contact Lessons	Contact Hours	Directed Study (lessons)	Directed Study (hours)	Private Study (hours)	Total study time (hours)
Workload	2	17	12.8	7	5.3	42.0	60
Percentage			21.3%		8.8%	70.0%	100%
Tuition Language							
English							
Assignments and Assessment							
Submission of a practical case and initiation of a corresponding discussion Written exam (subject based and case based questions)							
Reading List							
Furubotn Eirik G. & Richter Rudolf. Institutions and Economic Theory							

Submodule 3: Industrial Economics

Intended Learning Outcomes

Students

1. are familiar with the main objects of investigation, terms and the methods of Industrial Economics;
2. know why the organisational form of firms is predominant in modern economics, i.e. the advantages and limits and boundaries of firms;
3. know how firms interact and compete in a situation of imperfect competition, e.g. dynamic price setting, entry and exit of firms, achieving and sustaining competitive advantages;
4. know the possibilities, limits and effects of governmental regulations in a situation of imperfect markets.

Objectives

Knowledge	Skills
<i>Subject-specific knowledge</i>	<i>Subject-specific skills</i>
<ul style="list-style-type: none"> ▪ Main concepts of Industrial Economics: <ul style="list-style-type: none"> - the theory of the firm - market forms of imperfect competition (monopoly, oligopoly) - strategic behaviour of firms within imperfect markets - governmental regulations and their effects on welfare 	<p>Students</p> <ul style="list-style-type: none"> ▪ are familiar with the objects of investigation of industrial economics; ▪ are able to describe, analyse and assess the strategic behaviour of firms in a situation of imperfect competition; ▪ know the motives and possibilities of governmental regulations and are capable of assessing governmental interventions.
<i>Methodological knowledge</i>	<i>Methodological skills</i>
Game theoretical concepts and methods in the framework of industrial economics	<p>Students</p> <ul style="list-style-type: none"> ▪ are able to combine the concept of game theory and industrial economics;

