

CEU Business School



BUSI 5101 **Business Economics I.: Microeconomics** **(1,5 credits)** **Fall Trimester 2016** **Executive MBA program**

Instructor:	dr Maria FINDRIK PhD (See last page for bio)
Class meets:	October 14, 18:00-21:00; October 15, 8:30-11:15; November 4, 18:00-21:00; November 5, 8:30-11:15; November 25, 18.00-21:00, November 26, 8:30-11:15
Classroom:	Room TBA
Office:	
Tel:	36-1/887 5056
E-mail:	findrikm@business.ceu.edu
Office hours:	every Monday 16.00-17.00 p.m.
Program Coordinator:	Zsuzsanna Kis (kiszs@business.ceu.edu)

1. PREREQUISITIES

None

2. POLICY ON ADMITTING NON-MBA STUDENTS

It is the general policy of the Business School to admit students from other units of CEU, provided that the prospective student meets the course prerequisites stated above. In the unlikely case that the number of non-MBAs registering for this course exceeds the maximum number, priorities will be:

1. Length and type of work experience
2. Whether the course is highly useful for the MA or Ph.D. thesis or specialization
3. In the order in which students have registered

2. REQUIRED TEXT AND READINGS

Basic readings:

- **Robert Frank – Ben Bernanke: Principles of Economics. McGraw – Hill Irwin. /5th edition/ -e-Book**
- **One additional reading from the book: Fischer - Dornbusch - Rudiger: Economics. McGraw Hill International (copy of chapter provided online)**

Additional readings:

- Economic and financial press (The Financial Times, The Economist, the Wall Street Journal, Newsweek) - online
- Online sources (www.businessweek.com, www.worldbank.org, www.oecd.org)

Cases:

- **Galloping oil prices: supply-demand dynamics – IBS Research Center, Ref. No: 208-103-1 (copy of case study will be provided online)**
- **Perfect Competition under eBay: A Fact or a Factoid? – IBS Research Center Ref. No: ME0017**
- **OPEC: The Economics of a Cartel (C) – IBS Research Center Ref. No: 208-068-1**

4. COURSE OBJECTIVES

This is a core and introductory course for MBA students at all distinguished schools. The main goal of the course is to introduce students to the economic and business environment in which economic players make decisions about what, how and for whom to produce and how to distribute economic wealth.

Business Economics consists of two parts: microeconomics analyses the market and how the different players can achieve their objectives in a market economy. Therefore we introduce participants to the theory of consumers' behavior and the theory of the firm in order to help answer what the most rationale decisions are. We will also learn what the economic consequences of the different market structures are on the individuals and on the society as a whole. Then we will discuss the factor market, the demand and supply for capital, labor and land. Finally we will highlight the conflicts between economic and social efficiency.

- Business Economics helps you understand the economic environment within which businesses operate.

- It helps you not only understand but apply knowledge, information and techniques to analyze the real world.
- Helps you develop a useful analytical and statistical method that will enable you to tackle business strategy issues
- In all, you will understand how economists think and why can be more than one sensible answer to the same question.

5. MAIN TOPICS

- Introduction. The main economic players and their objectives. Economic efficiency and Pareto optimality.
- The model of the market economy: demand, supply and the price. Elasticity. The market equilibrium and its criteria. The market's functions and disfunctions (market failure). The role of the government.
- The consumers' behavior.
- The theory of the firm. The basic concept of production. Cost, revenue and profit maximization.
- Market structures: perfect market and the monopoly.
- Factor markets: land, labor, capital.
- Economic and social efficiency

6. INTENDED LEARNING OUTCOMES

<i>Core Learning Area</i>	<i>Learning Outcome</i>
<i>Interpersonal Communication Skills.</i>	Students will be able to express and supplement their own analysis and conclusions in economic terms, the common business language.
<i>Technology Skills</i>	Students will understand and be encouraged to use specialist analytical tools
<i>Cultural Sensitivity and Diversity</i>	Students will have increased understanding and acceptance of diversities of viewpoints
<i>Quantitative Reasoning</i>	Students will learn how to apply mathematical and statistical models to define the best solution
<i>Critical Thinking</i>	Students will be encouraged to question the applicability of conventional prescriptions, as well as the impact of non-quantitative

	information.
<i>Ethics and Responsibility</i>	Students will be motivated to consider the ethical limitations of profit maximization
<i>Management Knowledge and Skills</i>	Non-specialist managers will have basic knowledge and skills to critically appraise the contributions and limitations of Economics

7. HOW THE CLASS SESSIONS WILL BE CONDUCTED

Classes will be conducted in an informal and open manner, meaning that the instructor will present the topic inviting comments and questions from the students. After the instructor's presentation students will be required to present a case study or a workout example on the topics of the previous session. It will be followed by a brief discussion. Students are welcome for consultations. Our philosophy is: lessons and consultations are the time to ask and control yourselves.

8. POLICY ON THE AVAILABILITY OF LECTURE NOTES

All the instructor's slides, additional material will be available via Moodle.

9. POLICY ON CLASS ATTENDANCE

Regular and punctual attendance at every class session is a requirement of all degree programs at CEU Business School. Each class covers material not found in the readings. Furthermore, participation in class discussions is an important part of the learning experience for all students as well as a factor in grading. Any absence may affect your grade. If illness or another unusual circumstance requires missing a class, please do your best to inform me (or, if I cannot be reached, the Program Coordinator) in advance. A grade of "AF" (Administrative Fail) may be assigned for failure to regularly attend a course, to drop the course in time, or to complete requirements on time. This is a general CEU regulation that the Business School also follows. The "AF" grade earns no credit, 0 points, and affects your GPA in the same way as a regular "F" grade. Lateness will not be tolerated—it is disruptive and disrespectful to the class. Therefore, the requirement for punctuality is 100% and the consequences of disregarding this policy is after two lateness's, the course grade is reduced by 10 percent.

10. CLASS PARTICIPATION

Each student is asked to take part actively in and contribute to class discussions. Class participation grade will take into account the quantity and quality of in class comments, presentation skills, class attendance, observing assignment deadlines and contribution to the team effort.

11. GRADING

The final grade consists of:

- 25% class participation (HWs, presentations)
- 25% written Problem solving
- 50% final written exam

12. ACADEMIC INTEGRITY

The Business School expects all students to adhere to the fundamental principles of academic integrity in any and all behaviours associated with their course work and otherwise, as stated in the CEU Honor Code. (See Student Handbook). Attempted cheating of all forms is treated extremely seriously and can result in dismissal from the School and University.

13. LIBRARY AND INTERNET LIBRARY RESOURCES

The CEU Library, at Nador St. 9, has the largest collection of English-language materials in the social sciences and humanities in Central Europe: 180,000 monographs and 30,000 volumes of periodicals, working papers, dissertations and so on. CEU faculty and students have access to 30,000 electronic journals, searchable via the Journal Search tool on the library catalogue page (<http://goya.ceu.hu/>; the icon is in the upper right corner).

CEU Business School core faculty, students and staff are automatically eligible for full membership in the Library, after registering at the Circulation Desk. (To use the Library, adjunct faculty should first obtain a pass at the B School Academic Office Rm 311.)

The CEU Library has 5,000 business-related titles, supplemented by leading electronic databases, accessible through <http://www.library.ceu.hu/databases.html> (Click on the icons and then click on the tag next to “connect to”.) The Ebsco Host Business Source Complete contains 3,700 periodicals in full text, many monographs, some case studies, and videos of the Harvard Faculty Seminar Series. *Emerald Management Journals* collection has a portfolio of 175 journals in management, marketing, econ and finance.

New business databases include *OneSource*, the most comprehensive company & executive information. *Global Market Information Database* has comprehensive data and reports across industries, countries and type of consumers. *Thomson One*

Banker provides data on internationally quoted companies, international stock exchange indices, private equity, and financial deals. *Science Direct* is an extensive full-text database covering authoritative titles from the core scientific literature. *The Company Dossier* in Lexis Nexis Academic allows users to browse in-depth company profiles and industry reports. Core statistical databases include IFS, GFS Online, OECD Main Economic Indicators, National Accounts Statistics, and Tax Statistics. *Econlit* at the CSA/Proquest platform provides bibliographic coverage of a wide range of economics-related literature.

Business dailies and weeklies can be accessed through the library. **Business Eastern Europe** by EIU is a weekly briefing on operating a business in Eastern Europe. **Country Reports** also by EIU provide in-depth economic, political and business analysis and short-term market outlooks. Electronic versions of *The WSJ* are in PressDisplay. *The Economist* is included by EbscoHost. For *The Fin. Times online*, see Journal Search.

News on economic and social developments in the Caucasus and Central Asia can be downloaded directly (not via the CEU Library): <http://www.icegec.hu/eng/index.htm>.

Help with Case Studies and Research Projects

Available on CEU Library reserve is a reference work that students preparing case-study assignments or undertaking individual or team research projects should find helpful, *Business Case Studies: Preparation, Teaching and Learning* (compiled, with contributions, by Susan Harmeling, Lead Case Writer, Harvard Business School, and Paul Marer, Professor, CEU Business School). This work, whose reference code is CM-GSB, can be found on the shelf marked Business School Readers, right behind the Circulation Desk, at the CEU Library on Nador utca.

The VPN access makes it easy to reach from outside of the CEU network the full version of UIS and all CEU Library databases and journals. (Visit <https://vpn.ceu.hu>, accept the security-certificate, and enter: **User name:** ceubs **Password:** Ceubusi987. The password is case sensitive, and to enter it, only the virtual keyboard appearing on the screen can be used. Once logged in, the "built in" browser can be used to access the respective sites: UIS: <https://infosys.ceu.hu>.

14. COURSE OUTLINE AND SESSION ASSIGNMENTS

Microeconomics is a 1,5 credit course. The course is structured into 6 times 3 hours sessions, see below.

Pre - session reading:

Session 1: INTRODUCTION. ECONOMIC ACTORS AND THEIR OBJECTIVES. THE MARKET: DEMAND AND SUPPLY. ELASTICITY: MARKET EQUILIBRIUM.

- The circular flow of economic activities
- The main economic players: households, firms and the state
- The main objectives of the economic players and how they can be achieved
- Possible economic coordination among the players
- Economic model
- The model of the market economy.
- Demand and its factors.
- Supply and its factors.
- Elasticity and the indexes.
- Market equilibrium.
- Functions and distortions of the market.
- The law of unintended consequences.
- The state intervention and the mixed economy.

Reading: ch 3, 4, 5

Session 2: THE CONSUMER'S BEHAVIOR

- The individual demand.
- The market demand.
- Utility: total, average and marginal utility.
- The budget constraint of the consumer.
- How to maximize Total Utility of consumption.
- The law of demand.

Reading: printed copy (Fischer – Dornbusch – Rudiger: Economics:(Rational Behavior of the Households) – copy provided

Session 3: THE FIRM AND HOW TO MAXIMIZE PROFIT

- The main objectives of the firms.
- Production: revenue, cost and profitability.
- Profit maximization, cost minimization.
- The bank as a company.
- Interest rate, inflation.
- Future value and present value.
- Investment decisions.

Reading: ch 6, 7

Session 4: THE MARKET STRUCTURE: THE TWO EXTREMES: PERFECT AND IMPERFECT MARKET.

- Perfect competition.
- Imperfect competition: the monopoly and the oligopoly.
- Natural monopolies.
- Strategic behaviour of the firms.
- Price discrimination
- Economic efficiency and market distortions.
- Economic efficiency and social equality.
- Externalities and public goods.
- The role of the market: to contribute to stability, resource allocation, and social equity
- The welfare economics

Reading: ch 7, 8, 9 and

- **Perfect Competition under eBay: A Fact or a Factoid? – IBS Research Center**
Ref. No: ME0017
- **OPEC: The Economics of a Cartel (C) – IBS Research Center**
Ref. No: 208-068-1

Session 5: ECONOMIC AND SOCIAL EFFICIENCY IN MARKET ECONOMIES. MARKET FAILURE AND GOVERNMENT.

- Prices and Incomes in competitive factor markets.
- Labor market. Equilibrium in the labor market.
- Capital market.
- Natural Resource Market. Public goods and taxes
- Externalities
- Inequilibrium and crisis.
- The role of the government to maintain the market failure. Regulation.
- Why the market at last?

Reading: ch 11, ch 12, ch 14

Session6: WRAP UP

FINAL ONLINE WRITTEN EXAM: NOVEMBER 29, 2016. See exam information under Topic 6. on Moodle.

15. BRIEF BIO OF THE INSTRUCTOR

She graduated at the Budapest University of Economic Sciences and Public Administration. Since then has been teaching Macro- Micro – Comparative and Business Economics at different universities for graduate and postgraduate students. Her PhD dissertation earned from the Hungarian Academy of Sciences was entitled: The privatisation of the natural monopolies – the British case.

Her main research interest is: competitiveness and its key factors. She published about 50 articles and 3 books on international competitiveness. From 1996-2001 she was the program director for executive MBA programs at Budapest University of Economic Sciences. At CEU Business School Maria is the faculty director of the IMM (International Master in Management) Global Executive MBA program run by the consortium of leading Bi Schools from all over the world and has been ranked among the best international executive MBAs by The Financial Times and the Economist. In 2006, 2007 and 2008 Fall she was invited to teach as an adjunct at Columbia University, New York. As of January 2011 Maria is adjunct faculty at Purdue University School of Economics and Management. Just recently she has joined the MOC (Microeconomics of Competitiveness) Affiliate Network led by Harvard Business School and which is a distinguished platform for teaching, research and networking.