BUSEC 503: Economic Environment of Business

3 Credits/Maximum of 999

Demand & supply; price and output determination in different markets; determination of income, employment, interest rates, and inflation; stabilization policy. The course consists of two main segments: Microeconomics and Macroeconomics. The course begins with basic economic principles of price and output determination in markets. Students will get an understanding of cost structures of firms in the short and long run, and how firms choose to operate. With this foundation, students will proceed to examine market structure, which is the nature of competition among firms, ranging from perfect competition (many non-dominant suppliers) to monopoly (one dominant market supplier). While studying firms in different market structures, most of the focus will be on business firms which have some market power: monopolistic competition and oligopolies (a small number of inter-dependent suppliers). Strategic behaviors of firms and different oligopoly models will be studied in detail. Business firms operate within an economic environment that provides opportunities, constraints, and threats. The second part of the course focuses on the economic environment over time, generally described as the business cycle. The course will begin considering business cycles by looking first at main indicators such as growth of real GDP (Gross Domestic Product), unemployment rates, and inflation rates. Students will employ simple models of the business cycle to explain recessions, inflation, and other environmental conditions. Financial markets are important in determining economic conditions. Students will learn about the role of financial markets in determining availability and costs of funds. Economic policy is the effort of government to change the economic environment. An important part of the course is the study of these policies. Fiscal policy consists of the use of taxation and government spending to shape the environment. Monetary policy is the effort to influence credit conditions and interest rates for the purpose of achieving a specific environmental change. Domestic economic conditions are increasingly shaped by global conditions. Therefore, a significant part of the course is devoted to analysis of foreign exchange rates, interest rates, and monetary policies of other nations. In addition, students will analyze the impacts of barriers to international trade (primarily quotas and tariffs and foreign exchange controls) and investment. The course concludes with examination of government regulation and its effect on business. Many regulations are designed to counter-act negative external effects of decisions made by private profit-pursuing firms, especially with regard to pollution of the natural environment. Anti-trust policies, patent and copyright laws. These regulations provide constraints and opportunities for business managers. Students demonstrate achievement through completion of short cases, class discussions, and an examination.

Prerequisite: admission to the MBA program or the MSIS program.

Class discussions will include consideration of appropriate managerial decisions under each of a variety of these conditions. Financial markets are important in determining economic conditions. Students learn how the interest rate yield curve and other financial market indicators give insight into expectations about credit conditions and economic change. Financial markets also play important roles in determining availability and costs of funds. Economic policy is the effort of government to change the economic environment. An important part of the course is the study of these policies. Fiscal policies consist of the use of taxation and government spending to shape the environment. Monetary policy is the effort to influence credit conditions and interest rates for the purpose of achieving a specific environmental change. Domestic economic conditions are increasingly shaped by global conditions. Therefore, a significant part of the course is devoted to analysis of foreign exchange rates, interest rates, and monetary policies of other nations. In addition, students will analyze the impacts of barriers to international trade (primarily quotas and tariffs and foreign exchange controls) and investment. The course concludes with examination of government regulation and its effect on business. Many regulations are designed to counter-act negative external effects of decisions made by private profit-pursuing firms, especially with regard to pollution of the natural environment. Anti-trust policies, patent and copyright laws. These regulations provide constraints and opportunities for business managers. Students demonstrate achievement through completion of short cases, class discussions, and an examination.

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