FIRMS AND MARKETS

David Backus

- Grew up in Pittsburgh
- Ph.D. Economics, Yale, 1981
- Vice Dean of Faculty
- Fields of research: international macroeconomics, fixed income and currency derivatives, emerging market crises
- Other interests:
  - Paul (10) and Melanie (6)
  - Basketball, biking, beer

Course materials

- Things to buy: none
- Syllabus and assignments (now)
- Notes and cases (half now, half >midterm)
- Slides (weekly)
- Course website: http://www.stern.nyu.edu/~dbackus/1303

Grades

- Class participation: 10%
- Group assignments (3): 15%
- Individual assignments (2): “check”
- Group presentation: 10%
- Midterm exam: 25%
- Final exam: 40%

Help

- David Backus
  - Email: dbackus@stern.nyu.edu
  - Office: KMC 11-55
  - Office hours: Tue 3-4, Thur 5-6, appt
- Allison Schreter (TA)
  - Email: abs256@stern.nyu.edu
  - Office hours: Tue and Thur, 4:30-6

What’s this course about?

- Why some firms make more than others
- What you should charge for a unique product with unknown demand
- How firms decide size, range of activities
- How you sell information
- Why price wars occur
- Why electricity prices went crazy in California
- When it makes sense to cooperate with your competitors, and how
What's this course about?

- How Monsanto raised profit by lowering price
- How Dell uses cost information
- Why the GE/Honeywell deal was killed
- Why Ericsson outsourced handset production
- How Betamax won the battle but lost the war
- Whether Microsoft should be broken up
- And many more

Role of theory

- This course is a blend of business situations and economic theory
- Theory provides:
  - Tool for thinking logically
  - Summary of lessons from the past
  - Guide to new situations
  - A map...

Finding your way around NYU. Which map is more stylized? Which map has more information? Which map is more useful?