

BUSN 7206 Microeconomics

page 1 of 2

Week 6 Case E 1) Holland Sweetener / Monsanto 2) RJR Nabisco / Adelphia

Holland Sweetener page 302 RJR page 313 500 word minimum per question

1 Explain fully “game theory” and analyze the payoffs. Construct the strategic payoff matrix for the Holland Sweetener strategic pricing problem. Explain in detail the payoff matrix for Holland Sweetener. Find the Nash equilibrium and explain fully.

2 Discuss in great detail simultaneous-move, sequential interactions, and first-mover advantage. Explain how Monsanto had “first mover” advantages. Explain fully what it means if we assume that the interaction is sequential where Holland Sweetener chooses to enter and if so they face the pricing problem in the second stage. Discuss fully the reasons Holland Sweetener should or should not enter. Discuss why you think Holland Sweetener entered and the issues influencing their decision.

3 Explain in detail the reasons Pepsi and Coke began deemphasizing the NutraSweet label on their packaging prior to Holland Sweetener’s entry into the U.S. market. Discuss the related issues and concepts that influenced their decision. Explain the reasons Pepsi and Coke benefitted significantly.

4 Explain incentive conflicts within firms and controlling incentive problems with contracting. We assumed that managers always maximize profits, but at RJR and Adelphia that is apparently not the true. Explain in detail the material conflicts of interest can exist between owners and managers. Discuss fully how to maximize productivity despite these conflicts and the reasons shareholders might allow managers to engage in dysfunctional behavior. Describe in detail the relevance of implicit contracts and reputational concerns at RJR. Explain fully the relevance of pre-contractual information problems at RJR.

5 Video Lectures 10 & 11 (the more detailed the report the better the grade). The videos are on our course website www.mylesbassell.com

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In analyzing the case study you must:

- + demonstrate your understanding of the chapter concepts,
- + explain the relevant concepts accurately,
- + draw conclusions,
- + demonstrate superior critical thinking skills,
- + apply the chapter concepts to the case correctly, and
- + include facts from the case to support your position.

You can do it! Yes you can!

Let me know what I can do to help you be successful.

Best wishes,

Prof Bassell

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