Eco380: Managerial Economics I
Competitive Strategy
Monday 1-3, Spring 2005
http://www.economics.utoronto.ca/board/teaching.html

Professor: Simon Board.
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Office Hours: Monday 11.00–1.00 or by appointment.
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Description
This course will examine what determines the competitive advantage of a firm and develop practical tools of business strategy. It will take a practical approach, utilising game theory to build a toolkit of strategic concepts adaptable for different purposes in different situations.

Prerequisites:
- ECO200Y5 or ECO206Y5
- ECO220Y5 or ECO227Y5 or (STA250H1 and STA257H5) or (STA257H5 and STA261H5)

Exclusions:
- ECO310Y5

Grading
There will be two term tests (25% each) and one final (50%). Exams will be open book. Requests for regrades will need to be in writing within one week of the exam being returned. To ensure consistency, I will regrade the entire test, not just a single question.

I will hand out three problem sets, however these will not be collected or graded: students are responsible for their own mastery of the solutions. Collaboration on problem sets is encouraged.
Topics

The main textbooks for this course will be:

- McAfee (2002), *Competitive Solutions*.

Other interesting books are:

- Dixit and Nalebuff (1991), *Thinking Strategically*.
- Porter (1980), *Competitive Strategy*.

Week 1: Introduction and Industry Analysis

McAfee ch. 1 and 2.
BN ch. 1 and 2.
Cabral. Measuring market power ch. 9.1.

Week 2: Bargaining and Negotiation

BN. ch. 3 and p. 215–221.

Week 3: Sources of Competitive Advantage

McAfee ch. 3 and 4.
BN ch. 5.
Cabral. Differentiation ch. 12.
Week 4: The Product Life Cycle

Term test I.
McAfee ch. 5.

Week 5: Static Pricing

Cabral. Monopoly pricing ch. 5.1. Price discrimination and bundling ch. 10.

Week 6: Dynamic Pricing

McAfee p. 278–288.
BN. Durability p. 180–182.
Tirole. Durable goods pricing and experimentation p. 72–75, 80–87.

Week 7: Entry


Week 8: Bidding for Contracts

McAfee ch. 12.

Week 9: Vertical Relations

Term Test II
Cabral ch. 11.
Tirole p. 169–186.
Week 10: Cooperation
McAfee ch. 6.
Cabral ch. 8.
Tirole p. 245–253.
Kreps ch. 22.

Week 11: Signaling
McAfee ch. 13
BN p. 198–211.

Week 12: Organisational Scope
McAfee. Organizational scope ch. 7.

Week 13: Incentives
McAfee. Incentives ch. 8.
Milgrom and Roberts. Incentives ch. 6 and 7.