Economics of Firm Strategy
CRN 10991 - ECON 413
Pascal Courty
University of Victoria

Tuesday-Wednesday-Friday: 10.30-11.20 Cornett Building B129
Office hours: By appointment, email me at pcourty@uvic.ca
Course material will be posted on CourseSpaces

Course Description: This course covers fundamental concepts you will need to analyze a firm's competitive environment, perform a comprehensive analysis of its position and enunciate sound business strategies. We use simple economic principles and game theory concepts to analyze specific business situations. The course is mostly applied and covers many economic ideas in business strategy. Toward the end of the course we will discuss recent topics such as corporate social responsibilities, conscious capitalism and strategy for non-profit organization, to name a few examples.

We will use two books: a textbook 'Economics of Strategy' by Besanko et al. and a popular book 'The Lords of Strategy' by Walter Kiechel III. We will complement these books with relevant and insightful research articles.

Course Objectives: You will learn how to use modern tools in industrial organization to analyze business strategies and frame policy issues. The course will cover important ideas, empirical applications, and real-world case studies. Students will acquire a language and an ability to structure problems that is necessary to address practical questions related to firm strategies and market conduct as well as their implications to industrial and competition policy.

Prerequisites: 313 or permission of deartment.

Evaluation: Your final grade will be determined as follows:

Reading notes	40%
Midterm	15%
Presentation	10%
Essay	25%
Participation	10%
	100%

These assessments will be graded on a percentage scale, weighted as above into a numerical score that will be converted to a letter grade as follows:

A+	A	A-	B+	B	B-	C+	C	D	F
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	50-59	0-49

Expectations: When I evaluate your contributions to the class (reading notes, midterm, essay, presentation and participation) I will ask myself the following question: Have you tried to use the course concepts and frameworks to tackle the problem at hand? Most concepts and framework for this course are covered in the textbook 'The Economics of

Strategy' and will be reviewed in this class. You will be evaluated on the basis of your ability to find the appropriate economics concepts and to apply them adequately.

Reading notes: Each week I will ask questions for the following week. There will be 20 reading notes and you are expected to answer at least 14. If you answer more, we will select the highest 14 grades. You are expected to post brief notes on CourseSpaces prior to class. The questions are to help you understand the material and encourage you to contribute to a stimulating classroom discussion. Some of the questions may be analytical and ask you to solve a problem. Be prepared to discuss your notes in class. Your reading notes should be written in full sentences and be grammatically correct. Plagiarism is not acceptable. Be sure to quote and cite material where appropriate. In case of doubt, consult http://library.uvic.ca/site/lib/instruction/cite/plagiarism.html

Participation: You are encouraged to ask questions and contribute to our discussions. During the course, I will also ask you to post comments or responses in discussion on CourseSpaces (minimum 2). Your grade will depend on the quality and quantity of your classroom and online contributions.

Presentation and group project: You will write an essay for the class and you will present your main results the last two weeks of class. (More on that later.)

Course Policies: The course policies regarding academic integrity(plagiarism and cheating), attendance, grading, academic concessions, travel plans, students with a disability, and inclusivity and diversity may be found at:
http://web.uvic.ca/econ/undergraduate/course_policies.php
http://library.uvic.ca/site/lib/instruction/cite/plagiarism.html

Textbooks and reading material

The course will use two books:

- The textbook "Economics of Strategy." (2013, 6th Edition by Besanko, Dranove, Shanley and Schaefer, Wiley Press.
- In addition, we will read the popular book "The Lords of Strategy" by Walter Kiechel III, Harvard Business Press.

You may also want to consult the following sources: Economics, Organization and Management by Paul Milgrom and John Roberts. Prentice Hall, 1992. Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life by Avinash K. Dixit. W. W. Norton & Company, 1993. Strategic Management by Garth Saloner, Andrea Shepard, and Joel Podolny. Wiley, 2001.

Important Date:

-Course midterm: Wednesday October 22nd

Reading list

Competition and Business Strategy in Historical Perspective. Pankaj Ghemawat. The Business History Review, Vol. 76, No. 1 (Spring, 2002), pp. 37-74

Part I. Incentives, Firms, and Markets

- Brian Hall and Jeffrey Liebman 'Are CEOs really paid like bureaucrats?' QJE 1998, p. 653-690 http://www.hks.harvard.edu/jeffreyliebman/hall_liebman_qje.pdf
- Does management matter? Evidence from India. Nicholas Bloom, Benn Eifert, Aprajit Mahajan, David McKenzie and John Roberts. Mimeo 2011.
- Performance Pay and Top-Management Incentives. Michael C. Jensen and Kevin J. Murphy. Journal of Political Economy, 98. 225-264

Part II. Markets and Competitive Analysis

- How Much Does Industry Matter, Really? by Anita M McGAHAN, Michael E Porter. Strategic Management Journal (1997) Volume: 18, Issue: S1, Publisher: John Wiley \& Sons, Pages: 15-30
- Commitment to a Process Innovation: Nucor, USX, and Thin-Slab Casting. Pankaj Ghemawat. Journal of Economics & Management Strategy Volume 2, Issue 1, pages 135–161, March 1993.
- Klepper, S., and K. Simons, "The Making of an Oligopoly: Survival and Technological Change in the Evolution of the U.S. Tire Industry," Journal of Political Economy 108 (2000), 728-760.
- What do we know about entry? P. A. Geroski International Journal of Industrial Organization. Volume 13, Issue 4, December 1995, Pages 421-440

Part III. Competitive Advantage and Industry Dynamics

- Managing with Style: The Effect of Managers on Firm Policies. Marianne Bertrand and Antoinette Schoar. Quarrterly Journal of Economics, Nov 2003, vol 143. Page 1169 of 1169-1208
- Measuring and Explaining Management Practices Across Firms and Countries. Nick Bloom and John Van Reenen. Quarterly Journal of Economics, November 2007.
- Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. Rebecca M. Henderson and Kim B. Clark. Administrative science quarterly, 1990, 35, 9-30.
- Measuring Competence? Exploring Firm Effects in Pharmaceutical Research. Rebecca Henderson and Iain Cockburn. Strategic Management Journal. 1994, vol 15, 63-84.