

University of California, Irvine
Winter 2011

Instructor: Priya Ranjan
Room # 3265 (SSPB)

Office Hours: Wednesday 10:30-12:30 p.m.

Econ 147B

The Economics of Strategy

The textbook for the course is

Economics of Strategy, 4th or 5th edition, by D. Besanko, D. Dranove, M. Shanley, and S. Schaefer. John Wiley and Sons [BDSS hereafter]

This course deals with the Economics of Business Strategy. It will use the tools of Economics, game theory in particular, to develop an understanding of business decision making. It will deal with questions such as how the firm decides what kind of businesses to be in, how large should it be, whether to produce inputs itself or buy it from an independent supplier, how should it position itself to compete, how firms compete in different markets, why some industries are profitable and some are not, how an incumbent firm can influence the entry process, how it decides on an appropriate response when faced with the prospect of entry etc.

The grade for the course will be based on 4 problem sets (each having a weight of 5%), a mid-term (weight of 30%) and a final exam (weight of 50%). The date for the mid-term examination is the **3rd of February**. The date for the final examination is **Tuesday, Mar 15**, 10:30-12:30 p.m. It will be held in the same room as the lectures. **The final exam will be cumulative.**

I will be posting incomplete lecture notes on the web with some gaps to be filled in the class. The notes should be available one day in advance. I will send an email once the notes have been posted. In addition, I will be doing a lot of mathematical derivations on the whiteboard in the classroom. They will not be posted online. Problem sets will also be posted on the class website. Please check the website frequently. The URL for the course website is <https://eee.uci.edu/11w/62410/>

The TA for the course is **Jonathan Cook** who will hold weekly discussion sections and office hours. There will be **no discussions** in the first week of classes. Discussion sections will start from the second week.

The add/drop policy for the course adheres to the Economics department add/drop policy explained at the following website: <http://www.economics.uci.edu/index.php?p=40>

I will **NOT** be signing any add/drop cards under any circumstance.

The syllabus for the course is as follows.

I. Introduction to game theory: Nash Equilibrium, Subgame Perfect Equilibrium

BDSS, 4th edition (Primer), 5th edition (chapter 1)

II. Market Structure: Perfect Competition, Monopoly, Monopolistic Competition, Oligopoly

BDSS, 4th edition (primer, chapter 6), 5th edition (chapter 9)

III. Strategic Commitment: Commitment vs Flexibility

BDSS, 4th edition (chapter 7), 5th edition (chapter 9)

IV. Dynamics of Oligopoly Pricing

BDSS, 4th edition (chapter 8), 5th edition (chapter 10)

V. Entry-Deterring and Exit-Promoting Strategies

BDSS, 4th edition (chapter 9), 5th edition (chapter 11)

VI. Horizontal Boundaries of the Firm: Economies of Scale and Scope

BDSS, 4th edition (chapter 2), 5th edition (chapter 2)

VII. Vertical Boundaries of the Firm: Make vs Buy decision

BDSS, 4th edition (chapter 3), 5th edition (chapter 5)

VIII. Industry Analysis: Porter's 5-force analysis and Bradenberger and Nalebuff's *Cooepitition*

BDSS, 4th edition (chapter 10), 5th edition (chapter 12)

IX. Sustaining Economic Profits in the Face of Competition

BDSS, 4th edition (chapter 12), 5th edition (chapter 14)