

ECO380H1F -- Markets, Competition, and Strategy

Section L0101 (Tuesday 2 pm – 5 pm)

Section L5101 (Tuesday 5 pm – 8 pm)

Instructor: Yao Luo

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Office hours: Wednesday 9:30 am – 11:30 am, or by appointment

Teaching assistant:

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Section L5101: Zhe Yuan, Email: z.yuan@mail.utoronto.ca

TA office hours: Thursday 4:00 pm – 5:00 pm, Location: GE313

Objectives

This course in applied microeconomics is concerned with the functioning of markets and the strategic behavior of firms. The focus is on strategic relationships between organizations, including competitive and cooperative relationships among firms. The first unit will cover basic model of imperfect competition and the impact of market structure. The second unit will focus on pricing strategies. The final unit will examine elements of firm competition that are not covered in the basic models.

Prerequisite: ECO200Y1/ECO204Y1/ECO206Y1; ECO220Y1/ECO227Y1/(STA220H1,STA255H1)/(STA257H1, STA261H1)

The Department of Economics checks whether students have the course prerequisites, and students are removed if they do not have them. It is the students' responsibility to read the calendar. The instructor cannot waive prerequisites.

Grading

There will be three problem sets, one term test and a final exam. Each problem set counts for 5%. The term test counts for 35%. The final exam counts for 50%. Collaboration on the problem sets is encouraged. But students should write and submit the answer individually, and acknowledge the help received in the front page.

You are encouraged to type your homework, but hand-written work will be accepted if it is cleanly presented. Make sure to put your name and student number in the front page. Students can either hand in the problem set to the instructor by the end of the lecture on the due date, or hand in it to the receptionist of the economics department at least one day before the due date. No late problem sets will be accepted.

Students who fail to submit problem sets on time or miss the term test for medical reasons may seek special consideration by emailing the instructor AND submitting an *acceptable* medical note within a week after the due date. Petitions based on travel, employment or personal plans will not be considered. Students who miss the final exam for reasonable reasons may initiate petitions to the Faculty of the Art and Science. See the website for details.

Only if the instructor accepts students' medical notes, their marks for the missed problem sets will be calculated as follows:

1. If you miss one problem set, your mark for the missed problem set is equal to the lowest mark for the other two problem sets.
2. If you miss two problem sets, you will get zero for the second missed problem set. Your mark for the first missed problem set is equal to the mark for the submitted problem set.
3. You will get zero for all your problem sets if you miss all the problem sets.

Only if the instructor accepts students' medical notes, their marks for the missed term test will be based on their marks of the makeup term test:

1. The makeup term test will be held on Nov 12th, 4:10 pm - 6:10 pm, location TBA.
2. Consistent with university policy, there will be no "makeup" test for the makeup term test. No medical excuses will be accepted, and a grade of zero will be applied if the students fail to write the makeup test.
3. The makeup test will include all the materials covered right up to the lecture before the makeup exam.

Acceptable Medical Notes

The only acceptable medical note is a fully completed University of Toronto Verification of Student Illness or Injury form. It must be original and completed by a qualified medical doctor or nurse practitioner (e.g., not an acupuncturist, chiropractor, or other health care professional). The doctor's OHIP registration number must be provided on the note.

When you miss a problem set, the note must clearly state that either on the due date of the problem set or one day before the due date, the student was too ill to work on the problem set. When you miss a term test, the note must clearly state the on the date of the term test, the student was too ill to write the test.

Textbooks

The main textbooks for this course are:

- [PRN, required] Pepall, L., Richards, D. J., & Norman, G. (2008). *Industrial Organization: Contemporary Theory and Empirical Applications*.
- McAfee, R. P. (2009). *Competitive solutions: the strategist's toolkit*. Princeton University Press.
- Brandenburger, A. M., & Nalebuff, B. J. (2011). *Co-opetition*.

Although the lectures will generally follow PRN, they will depart frequently. The most priority should be on lecture slides and then the text. Additional readings may be assigned during the course of the class.

Important Dates

1. Homework due dates: Sep 30, 2014 (HW1), Oct 28, 2014 (HW2), Nov 25, 2014 (HW3)
2. Term Test: Oct 21, 2014, location TBA
3. Final Exam: TBA

Academic Misconduct

Students should note that I do not tolerate any form of academic misconduct. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

Email policy

I will respond to email within 24 hours on a week day, 48 hours on a weekend, according to these policies:

- a) I only respond to emails posing questions that can be answered in 1-3 sentences. For detailed questions, please come to my office hours.
- b) I do not respond to emails that request information that can be found on the website or the syllabus.
- c) Questions regarding homework and the results of the graded materials should be reviewed initially with the Teaching Assistant. If you have additional questions once you have contacted the Teaching Assistant, contact the instructor.

Test score appeals

- a) Please write a short paragraph explaining why you should obtain additional points. Turn in a hard copy of this by the end of the week following the week in which exams are first handed back. This holds regardless of whether you are in class when exams are returned.
- b) Conditional on this argument found persuasive by me, the entire exam will be re-graded. Your score may go up or down.

Course Outline

1. Introduction
2. Monopoly and Perfect Competition (PRN Ch.2)
3. Game Theory and Competitive Strategy (PRN Ch. 9)
4. Cournot and Bertrand Competition (PRN Ch. 9 and 10)
5. Stackelberg Competition (PRN Ch. 11)
6. Collusion and Repeated Games (PRN Ch. 14)
7. Pricing (PRN Ch. 5, 6, 7 and 8)
8. Entry, Exit and Predation (PRN Ch. 12 and 13)
9. Nonprice Competition: Advertising and R&D (PRN Ch. 20, 21, 22, and 23)
10. Auctions (PRN Ch. 25)