

University of Toronto
Department of Economics

ECO380 – Markets, Competition, and Strategy

Course Outline: Fall 2016
Updated September 22, 2016

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Office: 344 Max Gluskin House
Course Website on Blackboard (www.portal.utoronto.ca)

About the course:

This is a course in microeconomics concerned with the functioning of markets and the strategic behavior of firms, drawing on the fields of industrial organization and market design. Particular attention is paid to the strategic interactions between firms, both competitive and cooperative, and to the challenges of designing and structuring new markets.

Course Prerequisites:

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

Students who have not met the course prerequisites will be removed from the course – the instructor has no control over enrolment in the course, and is not authorized to waive requirements.

Course Website:

This course will use the Blackboard website as a means of posting announcements and supplementary course materials.

Required Textbook:

[PRN]: Pepall, L., Richards, D., & Norman, G. (2014). *Industrial Organization: Contemporary Theory and Empirical Applications*.

Although the lecture content will typically follow PRN, there will be frequent departures – some topics will follow the text more closely than others. When studying for this course, content covered in lecture notes should take priority, and then the content of the text. Additional readings may be assigned during the course of the class, particularly for later topics.

Office Hours:

My office hours will be Wednesdays, from 2:30-4:00 in my office at 344 Gluskin, and by appointment. TA office hours will be held on Thursdays from 3:00-4:00 in 40 Gluskin. Additional office hours will be held in the week prior to the midterm and the final examination – specifics about those additional resources will be announced in class and posted to the course website.

Email Protocols:

In order to make communication via email as effective as possible, please adhere to the following email protocols:

- Include “ECO380” in the subject line of your email.
- If possible, use your utoronto.ca email address. This is not a requirement, but it will go a long way to ensuring that your email does not get flagged as spam.
- Before emailing me regarding administrative details, first check the course website. Pertinent information about the course will be posted to the website, so that should be your first resource for administrative information (tutorial times, test locations, availability of office hours, etc.).
- Questions regarding content are best asked during office hours – that is the purpose of holding office hours, and in many cases it is simply impractical to respond fully to questions via text in email. If you are unable to attend my office hours and TA office hours because you have a scheduling conflict, then please contact me about scheduling an appointment to discuss your questions.

Assessments and Dates:

The marks for this course will be assessed as follows:

Problem Set 1	Due October 18, 2016	10%
Midterm Examination	October 25, 2016	35%
Problem Set 2	November 22, 2016	10%
Final Examination	Finals week - TBD	45%

Marks for this course will be assigned based on three major components: two problem sets worth 10% each, the midterm examination which is worth 35%, and the final exam which is worth 45%. The final exam will be held during the final examination week – once the date has been assigned, an announcement will be made in class, and posted to the class website.

Appeal of Test Grades:

If you believe an error has been made in the grading of your test, you may submit to me a written request for your test to be regraded.

- This request should be handed in to me in my office hours – if you are unable to attend my office hours due to scheduling conflicts with other courses, please contact me to make other arrangements.
- This request must be made within one week of the date on which your test was returned.
- This request must identify which section of the test you believed was marked incorrectly, plus justification of why your score should have been different.
- If your argument is persuasive, the entire test will be regraded. Please note that this means your overall score may go either up or down, it is not guaranteed to increase, even in the event of a regrade.

Missed Tests:

You should make every effort not to miss the midterm test. Students who miss the midterm test for a certified medical reason will write a *comprehensive* make-up exam at the end of the term. Per university policy, there will be no make-up test for the make-up test. Tests missed without a certified medical reason will receive a score of zero. If you miss the midterm for a medical reason, you must provide documentation that you were too ill to take the test, in person, to me, within one week of the test date. The appropriate documentation of such an illness can be found at:

www.illnessverification.utoronto.ca

Acceptable medical notes must be completed by a qualified medical doctor, which must include that doctor's OHP registration number. The note must clearly state that on the date of the missed test, the student was too ill to write the test.

Problem Sets:

There are two problem sets due over the course of the term. You are encouraged to collaborate with your classmates on problem sets, but **each student must write and submit individual answers to the problem sets**, and acknowledge the help received on the front page of the problem sets. You are strongly encouraged to type your problem sets, but hand-written work will be accepted if it is cleanly presented. Be sure to put your name on the front page of your problem sets. Problem sets must be handed in, in physical form, to the instructor by the end of class on the date on which they are due. Late problem sets will not be accepted.

Should a student fail to submit a problem set on time for a valid medical reason, they may email the instructor within 36 hours of the due date, and make arrangements to submit the problem set along with an acceptable medical note within 72 hours of the due date. Acceptable medical reasons are similar to those for a missed test, and must be similarly accompanied by an acceptable medical note from a doctor that clearly states that on the day the assignment was due the student was too ill to work on the problem set. At most one of the two problem sets may be allotted such an extension, if both problem sets are missed, the second will receive a grade of zero.

Academic Integrity:

As a member of the University of Toronto, you will be held to the standards of academic integrity established by the University. The University is committed to upholding these standards, and accordingly takes these policies very seriously – be aware that violation of these standards will result in disciplinary action taken in accordance with university policy.

More information on the University of Toronto's policy on academic integrity can be found at:

<http://www.artsci.utoronto.ca/osai/The-rules/what-is-academic-misconduct>

Content:

Time permitting, we will cover the following material related to the structure of market, the strategic decisions firms make, strategic interaction between firms, and the design of functional markets.

- Introduction
- Perfect Competition
- Monopoly, Market Power and Market Concentration
- Monopoly Pricing
- Game Theory and Competitive Strategy
- Duopoly: Cournot competition, Bertrand competition, differentiated products
- Dynamic games: Stackleberg competition
- Collusion and Repeated Games
- Entry, Exit, and Predation
- Mergers
- Auctions
- Matching markets