EW MBA 201A: Competitive Strategy
Fall 2011
Instructor: Gregory La Blanc

The Basics

Instructor Office F434

Instructor Office Hrs during break and by appointment

Instructor email: lablanc@haas.berkeley.edu

GSI Juan Manuel de los Rios Wakeham

GSI email juan_delosrios@mba.berkeley.edu

Class Time: Blue: Mondays 6:05-9:30 F320 Koret Auditorium
Gold: Tuesdays 6:05-9:30 F320 Koret Auditorium

GSI Section Saturday 9-11

Class Rep Each Section must choose a class rep who will communicate with me about any class concerns. Please do not hesitate to contact him or her with any comments, criticisms, ideas for improving the class, and feedback about what is working or not working.

Course Requirements:

Text: Robert Frank, Microeconomics

The textbook readings listed in the syllabus are not required, but understanding the course material is, and you may find the textbook helpful in accomplishing this. In particular, you may find that reading the textbook does not add that much for material that you understand, but it is likely to be helpful when you are confused by, need elaboration on, or would like a second pass at material you don’t understand.
You should use the textbook in whatever way is most useful to you. Some students prefer to read the textbook before class, in order to preview the material that will be covered, many prefer to read it after class.

**Materials:** Lecture Notes and some additional reading (marked +) will be made available through bSpace. Other readings and the cases are available through study.net.

**Grading:**

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<th>Component</th>
<th>Weight</th>
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<tr>
<td>Class Participation +/- 20%</td>
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<td>Midterm</td>
<td>30%</td>
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<td>Final</td>
<td>45%</td>
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<td>Written Assignments</td>
<td>25%</td>
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**Ethics:** The cases discussed in this class are well known to many MBA students and solutions to the homeworks no doubt can be found. While I encourage you to seek knowledge wherever you find it, do not take unethical shortcuts in preparing your work. For the cases, no outside research is required or encouraged.

**Section:** There is no required section. However, the GSI for the class will hold sections on weekends. There will be no new material introduced in section for which you are responsible. Rather, the GSI will go over key concepts from the course in a more detailed fashion. All sections will be available through WebEx if you cannot attend.

**Course Schedule:**

This schedule is provisional. Check back frequently for updates and revisions.

**M/T AUG 8/9**

1. **Introduction to the Problem Solving and Decision Making**
   Basics of Supply and Demand
   Reading: Frank, Chapters 1, 2
   Assignment: None

**M/T AUG 15/16**

2. **Decision Making Under Uncertainty**
   Basics of Consumer Demand
   Reading: Frank, Chapters 3,4 (skim), 155-162
   Frank, Chapter 18 (posted)
   Assignment: Freemark Abbey Winery (for discussion)
   Homework # 1

**M/T AUG 22/23**

3. **Introduction to Costs**
   Accounting for Costs
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<tr>
<th>Date</th>
<th>Assignment</th>
<th>Reading</th>
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<tbody>
<tr>
<td>M/T AUG 29/30</td>
<td><strong>4. Perfect Competition</strong></td>
<td>Frank, Chapters 9, 10</td>
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<tr>
<td>M SEP 5</td>
<td><strong>NO CLASS</strong></td>
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<td>T SEP 6</td>
<td><strong>MIDTERM</strong></td>
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<td>M/T SEP 12/13</td>
<td><strong>6. Monopoly Pricing</strong></td>
<td>Frank, Chapter 11.</td>
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<td>M/T SEP 19/20</td>
<td><strong>7. Monopoly, the Supply Chain, and Inefficiency</strong></td>
<td>Frank, p. 144-7, 397-407</td>
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<td>T/TH SEP 28/29</td>
<td><strong>8. Advanced Pricing</strong></td>
<td>Pindyck and Rubinfeld, Chapter 11, Frank, 389-397</td>
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<td>M/T OCT 3/4</td>
<td><strong>9. Game Theory and Oligopoly</strong></td>
<td>Frank, Chapter 13, pp 413-26; 426-35 (skim)</td>
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Evaluation

Class Participation and Attendance:

You are responsible for being familiar with each of the cases. I will cold call students to get things going, but you should also volunteer to participate. For participation, quality is what matters, not quantity. Do not speak if you have nothing to say! Be concise, thoughtful, and ready to engage other participants. Originality and persuasiveness matter. Helpful hints for participation:

1. Are your points relevant to the discussion of the case?
2. Do you connect your points with the points of others in the class?
3. Do you advance the discussion or simply repeat what has come before?
4. Do you have a comprehensive view of the case or just a few random observations?
5. Do your points help in understanding the central issues of the case?
6. Can you challenge others in a constructive way?
7. Can you take positions for the sake of argument, to see where they lead?
8. Can you take the risk of being wrong?

Before coming to class, familiarize yourself with the case and discuss it with others in the class. You do not need to research the specifics of the case outside of the assigned readings, but you should think about other situation that might shed light on the case. Try to answer any prep questions that are provided but do not limit yourself to them: you might find other more relevant questions that are not asked.

If you can not come to class prepared, please let me know. You will not get any participation credit if you do not attend!

Assignments:

There are six problem sets due during the semester. The problem sets are crucial to your doing well in the course. Given the course’s once a week format, it is very important that you do the problem sets each week. They will be challenging, and will ask you both to demonstrate your ability to use the analytical tools from class and to show a deeper understanding of the concepts. As a result, you are strongly encouraged to start the problem sets early in the week. The problem sets are an important component of your learning and make a significant contribution to your performance on the exams.

The problem sets will be posted in the Assignments section of the course’s bspace website. The problem sets, and a case assignments described below, count for 25% of
your final grade. The grading will reward good faith effort as well as getting the final answer correct. However, systematically doing poorly on problem sets or not turning in a problem set at all will likely have an adverse effect on your final grade.

Problem sets should be done in groups. You may either type or neatly hand write your problem sets. Solutions need not be more than about five pages. Problem sets are due at the beginning of class. Hard copies must be handed in unless you have made a prior arrangement with me.

Examinations

There are two exams. There will be a midterm exam at the beginning of class on Tuesday September 6th and a final exam on Friday, October 7th. The midterm accounts for 30% of your course grade, and the final for 45%. The midterm will be a short exam during the first ninety minutes of class. The final exam will be three hours. Because later course material builds on earlier material, the final exam will cover the entire course, although it will emphasize the second half.

Cases:

We will be discussing two business cases in class during the semester. They are available on Study.Net. Preparation questions for the cases will be posted on the course’s bspace website. Two of the cases are the bases for case writeups due in class on weeks 3 and 4, which will count as part of your problem set grade.

Studying

My experience has shown that the single biggest success factor for this class is keeping up with the material. This is largely a function of the effort you put in outside class. The best things you can do are to start the problem sets early so you are not rushing at the last minute, to review your notes carefully between classes, and to resolve confusions about the material as early as possible with the help of a professor, the textbook, a tutor or a classmate or study group. There are also ungraded practice problems that will be posted on the website as the semester progresses, if there are topics on which you would like additional problem solving practice.

Note that “reviewing your notes” doesn’t mean skimming over them to see if you recognize what is there. What you need to do is reconstruct your notes. Redraw the graphs (without peeking) to make sure you understand how they work. Rework the problems. Imagine yourself explaining the notes to a classmate who wasn’t in class. If you can explain them to yourself, you understand. For each day, the syllabus lists a set of questions to help you in reviewing your notes.

You are expected to form study groups to study material, to work on problem sets and cases, and to prepare for exams. Note the guidelines for group work on problem sets in the last section of this syllabus. Study groups may not contain more than five people.
After that point, the group should break into two. Experience in this class shows that groups larger than this become counterproductive and a poor use of time.

Absences

Most of the topics we will cover in microeconomics are cumulative, meaning that new topics build on previous topics. As a result, you should avoid missing class if at all possible. If you must miss class, you should arrange to turn in your problem set on time, either by sending it to class with a classmate or by emailing it to the appropriate professor. If you must miss class, the EWMBA program office can arrange to have the class videotaped, although you should realize that what is written on the board or displayed overhead sometimes does not come out well on videotape. As a result, you may want to arrange also to copy a classmate’s notes.

Website and Contact Information

The course website is located on bspace. (Login at https://bspace.berkeley.edu and click on the EWMBA 201A tab.) The website will have PDF versions of all the materials handed out in class (including syllabus, class overheads, and in-class exercises), as well as assignments, practice problems, and sample exams. Practice problems emphasize the basic mechanics of solving economics problems. These are entirely optional. Problems from previous years’ exams on the website to give you a sense for what to expect on exams.
COURSE DESCRIPTION

There are two ways in which microeconomics is useful to business students. The first is that economics helps you understand how markets work. Wherever you are headed after business school, you will almost surely spend a lot of time thinking about markets: markets for consumer goods, long-term contractual markets for input supplies, markets for stocks and other financial instruments, labor markets, markets for new goods, and on and on. Even if you go into the nonprofit or public sector, you will have to think about how your activities affect and are affected by related market activities.

This aspect of economics is called the positive aspect, meaning that it is descriptive or predictive. It describes what outcomes one should expect given a set of economic conditions, and how changes in those conditions will change the expected market outcomes. For a business student, this aspect of economics is the tool that helps you understand your context and environment.

A second aspect of economics addresses what the best way is to achieve a particular goal. In a business school context, this goal is usually maximizing profits. Specific examples economics can help answer are: How should a firm set prices to maximize profits? What is the right way to consider costs when calculating the profitability of different actions? How should a firm decide whether to enter a new market? How should a firm respond to the strategic actions of its competitors?

This aspect of economics is called the normative aspect. This is the aspect of economics that recommends what one ought to do, given what positive economics has to say about what is then likely to happen as a result. In this sense, understanding positive economics is necessary to being able to make the normative decisions that managers, strategists, marketers, financiers, and entrepreneurs face every day.

Having both sets of tools is necessary for making good business decisions. The aim of this course is to equip you with both these sets of tools.

While the course will cover specific issues, the main emphasis of the course is developing an approach to thinking about economic problems. Like learning to ride a bicycle, learning to think like an economist takes practice. Merely observing how problems are approached in lectures or readings will not enable you to solve similar problems yourself. The only way to become proficient at solving economic problems is to do them yourself. The course will provide you many opportunities to do so, including cases, problem sets, and class discussions.