Success or failure in business depends critically on the positioning of a company and the management of its resources. Through the lens of economics, students will learn to think systematically and strategically about achieving competitive advantage through the management of the firm’s resources. This course is very different from standard undergraduate microeconomics, with an emphasis on fully understanding and being able to apply a relatively small number of general economic principles to managerial decision-making.

Outline of Schedule

<table>
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<tr>
<th>Date</th>
<th>Topics</th>
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<td><strong>SECTION I: PROFITABILITY AND PRICING</strong></td>
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<tr>
<td>10/5</td>
<td>Block 1: Consumer Demand, and Introduction to Costs</td>
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<td>10/11</td>
<td>Block 2: Pricing and production decisions</td>
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<td>10/12</td>
<td>Block 3: Group based pricing and market segmentation</td>
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<td><strong>SECTION II: COMPETITIVE INDUSTRIES</strong></td>
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<td>10/25</td>
<td>Block 4: Supply and Demand</td>
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<td>11/8</td>
<td>Block 5: Market equilibrium, and markets with asymmetric information</td>
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<td><strong>SECTION III: STRATEGIC DECISIONS</strong></td>
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<td>11/23</td>
<td>Block 6: The strategy of price-setting and capacity choice</td>
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<td>January</td>
<td>Block 7: Strategic decisions and cooperation</td>
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<td>Block</td>
<td>Block 8: Market design</td>
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<td>Week</td>
<td>Block 9: Incentive design</td>
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Evaluation

Forced Curve. Grading for all core classes at Columbia Business School is determined by a forced curve: 20-25% H; 60-70% HP; 10-15% P or below. In this course, grade determinants and their relative weights are as follows:

Class Participation (15%): In-class discussions are an integral part of the course, and students are expected to contribute to the learning experience of the class by asking relevant questions and offering insights into the topic at hand. Quality of contribution matters (much) more than quantity. However, students should feel free—indeed obliged—to ask clarifying questions when they are not following what is happening in lecture. Particularly important to the participation grade will be students’ participation during days when we analyze case studies.

Homework (15%): Every weekend is accompanied by a brief problem set, to be completed in time for the next. These exercises are largely to provide an opportunity for self-assessment of whether you are following the material. They may be discussed with your classmates, but ultimately each student must hand in his or her own assignment for evaluation. Submissions will be graded on a three-point scale (excellent/pass/fail).

Midterm Test (45%): A three-hour exam is scheduled for December 7, 8:30am-11:30am and will cover material from the first 5 blocks (i.e., the first two sections of the course). The exam is open book and computers may be used for calculations. No outside materials may be accessed during the tests (i.e., though you may use your computers, you may not access the internet). The exam will include a combination of quantitative and qualitative components, like the practice questions that will be seen in class and posted for practice throughout the semester.

Final Take-Home Exam (25%). A three-hour take-home exam, covering blocks 6 through 9, will be scheduled after the Residential Block Week in January. The exam is strictly individual and should not be discussed with other people. It is to be completed in a single block of three hours. The exam can be taken anytime between Saturday, January 26 and Sunday, February 3.

Course Materials

Cases: We will discuss three Columbia Caseworks cases during the semester: General Motors: Relevant Costs of Production (Block 2), Airline Pricing on Shuttle Routes (Block 3), and AMAX Corporation (Block 5). All cases are available online via Canvas.

Handouts: At the start of each session students will be provided with a handout which accompanies slide presentations. These handouts do not contain all presented material, and students will find it useful to bring a notebook or other materials on which to take notes. Copies of the handout, slide presentations, and any other relevant materials from class will be posted on Canvas on the day after class.

Teaching Assistant

TBA

There will be review sessions run by the TA to cover homework solutions and answer additional questions. The dates and locations of review sessions are in Canvas

Columbia Core Culture

The purpose of the Columbia Core Culture is to promote a consistent classroom environment of mutual respect, preparation and engagement. Our expectation of you in class is to be:

Present: Your success depends on being on time and present for the entire class every session. Attendance will be part of your grade for class participation and students are expected to sit in their assigned seats.

Prepared: Bring your nameplate, clicker, and complete any pre-work needed for class discussion. Expect the professor to cold call in class.

Participating: Active participation calls for no electronic devices such as laptops, smartphones, or tablet computers during class.

Corresponding Chapters from the Textbook (optional)

Part 1: Profitability and Pricing
   Costs: 3, 5, and 7
   Marginal Analysis: 4 and 6
   Market Segmentation: 13 and 14

Part 2: Competitive Markets
   Supply and Demand: 8
   Asymmetric Information: 19

Part 3: Strategic Decisions
   Strategy: 10
   Repeated Games: 15
   Market Design: 18
   Incentive Design: 21