

North Carolina State University
Department of Economics
ECG 491 Fall 2011, Economics of Business Strategy
2403 Nelson Hall, TR 11:45-1:00

Instructor:

Dr. Thayer Morrill
Office: 4148 Nelson Hall
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Office Hours:

Office hours are by appointment, but I encourage you to come. Feel free to stop in whenever I am in the office, or send me an email to schedule a specific time.

Textbook:

Dixit and Nalebuff, *Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life*

Prerequisite:

The only formal prerequisite is Intermediate Microeconomics. Even this is not strictly necessary. Students are expected to have an active and inquisitive mind.

Grading

As this is a business capstone class, there will be an emphasis on presentation. All presentations must be prepared in PowerPoint. Each presentation will be judged based on both content and professionalism.

- Capstone Project (35%):

You will receive a handout explaining the capstone project in greater detail. Groups will be formed October 25th. A project proposal is due to me by November 8th. Groups will present their projects the last two weeks of class. Broadly speaking, we will study strategic situations falling under the categories of simultaneous games, sequential move games, mixed strategies, and repeated games. These apply directly to businesses such as Ebay or Stubhub. They apply indirectly to bargaining, commitment strategies, and nearly anything where you have private information. This will be a group project. We will discuss the specifics of the project about a third of the way through the semester, but the object is to identify, research and discuss something in day to day life where strategy plays a critical rule. Possible ideas include but are not limited to:

- A pricing war. For example, why are the kindle, Ipad, and nook priced the way they are?
- How does google, a search engine, make money?

- Why does Ebay run auctions instead of posting a price?

Be creative!!!! This project should be fun and interesting. Each group will be required to submit a proposal half-way through the semester and then present their project at the end of the course.

- Critique of capstone projects (10%):
You will be responsible for providing me with a written critique of each capstone presentation. Your critique will not affect the grade of the group, but you will be graded on your critique.
- Newspaper Reports (10%):
The book we are using presents a large number of real world examples of where game theory is used or even more often, when game theory is not used and leads to unintended consequences. You are responsible for finding two newspaper articles of your own describing how someone did not anticipate that people will react strategically. Examples include government policies, a company's pricing or promotion, a decision by a school principal, etc. Twice a semester, we will have in class presentations. Each person is responsible for explaining the back story, explaining the policy, explaining the unintended consequences, and explaining how this relates to material we have covered in class. To avoid duplication of stories, when you have found an article, email the courses listserve "claiming" the article. The first person to send a message gets the article. You may release your claim on an article if you find a different article that you prefer more.
- Test + Homework (15%):
We will have two classes on basic game theory at the start of the semester. There will be a homework set due and an in-class exam testing you on the concepts covered.
- Small Group Projects (20%):
There will be four small group projects during the course of the semester. Each project will present a business scenario related to a game theory topic we have discussed in class. For each projects, the group is responsible for writing a memo to their boss recommending a course of action. Grades will be determined based on the soundness of advice and professionalism of the memo.
- In class participation (10%):
We will often play games and have discussions in class. This portion of the grade will be based on how engaged I felt you were in classroom activities.
- Attendance:
This class emphasizes classroom discussion and presentation. You are expected to be an active participant in the class. I will take attendance each class period. Each student may miss three class periods with no questions asked. However, for each additional absence, your grade will be docked a half letter grade. You will not be penalized

for University approved excuses exceeding three periods. For example, if you miss 5 days but have University excused absences for all of them, you will not be penalized. However, if you miss 5 days and only have University excused absences for 4 days, you will be docked a half letter grade.

Course Web Page

The course's web page is:

<http://thayermorrill.com/courses/ECG491/>

All course materials will be stored here. Lectures and exams will be in a password protected area. The username and password are:

Username: EC491
Password: PineNeedles