COURSE OUTLINE

RSM 3003
Course Name: Strategy and Economics
Instructor: Prof. Alberto Galasso
Fall 2017, Wednesdays 9-12, RT 470 (in RT 7024 on 20 Sept, 27 Sept and 4 Oct).

Course Scope and Mission

The course emphasizes both seminal research and recent developments in the application of economics to strategic management. We will explore theoretical analyses and empirical studies that address fundamental questions in strategy research: What are the sources of differential firm performance? What are the appropriate boundaries of the firm? What economic forces drive entrepreneurship, knowledge flows and cooperation between firms?

The overarching objectives of the course are:
1. To familiarize you with the core questions in the economics literature with relevance for strategy research;
2. To help you hone the skills required to model economic trade-offs and to use micro-economics tools to develop empirically testable predictions;
3. To broaden your exposure to empirical economics and strategy research, and to develop presentation skills required for an effective research seminar.

Required Texts

There is no required text for this course. All articles are available for download in the library portal.

Evaluation and Grades

Grades are based on the following

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<tr>
<th>COMPONENT</th>
<th>Weight</th>
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<tr>
<td>Presentations</td>
<td>20%</td>
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<tr>
<td>Participation</td>
<td>10%</td>
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<tr>
<td>Term paper and presentation</td>
<td>40%</td>
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<tr>
<td>Theoretical Model</td>
<td>30%</td>
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**Presentations:** Each student will present one (or two) articles. Presentations will last one hour and resemble a standard research seminar. The only difference is that you will not present your own research but a top publication in the strategy and economics literature. You will be evaluated on the base of the clarity of the presentation, your understanding of the material and the way you address the questions and comments of the audience.

**Participation in class discussion:** Prior to the class you must read the paper(s) that will be presented by your classmates and think about questions to ask (as if it was a regular seminar presentation). You will be judged on the quality of your contribution to our collective effort of evaluating and understanding the presented research.

**Term paper:** each student should choose a topic area at the intersection between Economics and Strategy and provide a directed survey of core readings in that area. This can be one of the core areas discussed in our lectures or something that we have not covered. Additional relevant topics can be found in the strategy reader [http://strategyresearchinitiative.wikispaces.com](http://strategyresearchinitiative.wikispaces.com)

which was developed by SRI an informal organization of mid-career strategy scholars to which several Rotman faculty belong. While comprehensive, this list is not complete and each student should meet with me to agree on the topic and the structure of the survey.

The survey should be comprehensive (not cover only a handful of articles). You may browse articles in the Journal of Economic Literature ([https://www.aeaweb.org/journals/jel/issues](https://www.aeaweb.org/journals/jel/issues)) or in one of the Elsevier Handbooks ([http://www.sciencedirect.com/science/handbooks/22108807](http://www.sciencedirect.com/science/handbooks/22108807)) to get some guidance on how to provide a complete survey of the literature. You should discuss what the main research questions in the area are, the approached used to address them, what has been discovered so far and what are the avenues for future research. The survey should provide an overview both of the relevant economics literature as well as of the strategic management literature in the area (i.e. consulted journals should include AER, QJE, JPE,... as well as Management Science, SMJ, Organization Science, Academy of Management Journal etc.).

The paper is due at the end of the course and will be presented by each student in the last class.

**Modeling exercise:** Each student should write a simple theoretical model building on the theoretical component of the classes. The topic and question to model should be chosen by the student and related to the topic area of the survey. I will provide additional information (and guidance) on how to conduct the modeling exercise in class.
OUTLINE

1. Introduction to the course - Modeling ownership and firm boundaries (Sept 13 – RT 470)

2. Empirical analysis of horizontal and vertical integration (Sept 20 – RT 7024)

3. Modeling competitive advantage and dynamic industry interaction (Sept 27 – RT 7024)
4. Empirical analysis of firm performance and industry profitability (Oct 4 – RT 7024)

5. Modeling regional clusters and knowledge spillovers (Oct 11 – RT 470)

6. Empirical analysis of regional ecosystems (Oct 18 – RT 470)

7. Modeling entrepreneurship and spin-outs (Oct 25 – RT 470)

8. Empirical analysis of entrepreneurship (Nov 1 – RT 470)

9. Cooperative strategy: theoretical tools and empirical evidence (Nov 8 – RT 470)

10. **CEOs, Managers and career concerns: theoretical tools and empirical evidence**  (Nov 15 – RT470)
   a. Aghion, Philippe, John Van Reenen, and Luigi Zingales. "Innovation and institutional
   c. Bloom, Nicholas, Carol Propper, Stephan Seiler, and John Van Reenen. "The impact of
   competition on management quality: evidence from public hospitals." *The Review of Economic
   Studies* (2015)

11. **Innovation: theoretical tools and empirical evidence**  (Nov 22 –RT470)
   b. Moser, Petra, and Alessandra Voena. "Compulsory licensing: Evidence from the trading with the
   c. Finkelstein, Amy. "Static and Dynamic Effects of Health Policy: Evidence from the Vaccine
   d. Acemoglu, Daron, and Joshua Linn. "Market Size in Innovation: Theory and Evidence from the
   e. Budish, Eric, Benjamin N. Roin, and Heidi Williams. "Do Firms Underinvest in Long-Term
   2044-2085.
   f. Arora, Ashish, Andrea Fosfuri, and Alfonso Gambardella. "Markets for technology and their
   g. Ziedonis, Rosemarie Ham. "Don't fence me in: Fragmented markets for technology and the patent

12. **Student Presentations of Term Papers**  (Nov 29 –RT470)