

# Profits in Equilibrium

## Competitive Strategy, Lecture 1

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# Overview of Today

- Logistics
  - Details on Canvas, especially in the syllabus
- Course Philosophy
- Profits in Equilibrium (Live Exercise Test)

# Materials, TA, and Office Hours

- Materials

- No textbook
- All materials on Canvas, or online for free/cheap (coffee test)

- TA

- Jordan Rosenthal-Kay: [jrosenthalkay@uchicago.edu](mailto:jrosenthalkay@uchicago.edu)
- Email to both of us, BUSN 20900 in title, URGENT if... urgent?

- Office hours

- Just email me and we'll talk via Zoom
- If you feel lost at any point, do so ASAP!

# Weekly Assignments

- Case memos (30%, each week)
  - Choose one of the study questions, 300-400 words response
  - Most of your writeup should answer \*why\*, not just \*what\*
  - Due by 09:00 CT (not 09:40 CT) on Thursdays
- Case discussion participation (30%, each week)
  - Big class, so we'll have a randomly-selected panel each week
  - Summary, then study questions
  - Good discussion is collaborative – you will both learn and teach!

# Other Assignments, Instead of Exams...

- Course blog (20%, weeks 4-6)
  - Share and comment (300-400 words) on articles related to the course
  - Comment on two distinct articles posted by classmates
  - Extra credit if you generate good discussion
- Group presentations (20%, weeks 7-9)
  - Hosted during class, randomly-assigned
  - Similar to blog, you'll present for about 10-20 min on a course concept
  - More details around weeks 4-6

# Course Philosophy

- Relative to other econ fields, CS is much more complex and ambiguous
  - Big picture goal is to develop toolkit to structure hard problems
  - Analogous to modeling theory
  - Mix of quantitative and qualitative reasoning
- In practice, this setting mirrors...
  - Academia (try sitting in a UChicago econ seminar...)
  - Executive boardrooms
  - Consulting

# Course Style

- Practice communicating economic concepts
  - Intuition and reasoning (though math can help)
- Motivating examples
  - Explain to a boss
  - Argue with a colleague
  - Sell to a client
- Encouraged to support or challenge others!

# OK, So What is Competitive Strategy?

- Industrial Organization is the microeconomics of firm behavior
  - Point of view from researchers or policymakers
  - How do firms behave? Why?
- Competitive Strategy is IO from the practitioner's POV
  - How should firms behave (to juice profits)? Why?
  - More generally applicable (examples?)



# Example Questions

- Why are some industries and/or firms so profitable?
- How do strategic decisions fit together?
- When should the firm “buy or build”, e.g. fast “last mile” delivery?
- How do we deter entrants? Not disturb large incumbents?
- How do we cooperate with rivals and avoid jail, e.g. fare codes?
- Why are so many recent “unicorn” startups exploiting network effects? How can we solve the chicken-and-egg problem?

# The Chicago Approach

- Becker/Stigler (the micro school)
  - Individuals optimize given constraints
  - Preferences/technology are stable
  - Markets tend towards equilibrium\*
- CS is a deep dive on the last part – the world is dynamic!