



FACULTY OF ECONOMICS AND BUSINESS ACADEMIC ECONOMICS PROGRAM

I. INFORMATIVE DATA

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|------------|----------------------------|
| Subject | ECONOMICS OF ORGANIZATION |
| Initials | E1EDO9 |
| Section | A |
| N° credits | 5.0 |
| Semester | 2016-II |
| Professor | Martínez-Carrasco, Miguel. |

II. DESCRIPTION

In this course students will be able to use the econometric and microeconomic tools learned in previous courses in order to answer relevant questions related to business management and human resources. This will help the students to have a broad view of the economic principles involved in every organization and to understand how in many cases these principles can be measured to shed light on possible improvements in the organization.

III. OBJETIVES

1. Know the most relevant questions in Economics of Organizations.
2. Understand the use of economic tools in the analysis thereof.
3. Use their own tools for evaluate the hypothesis of the course.

IV. TOPICS

Unit 1: Firm Theory

- 1.1 Revenue Model Search
- 1.2 Model Property Rights
- 1.3 The Firm as Incentive System
- 1.4 Adaptation Theory

Bibliography

- Gibbons, Robert. 2005. "Four Formal(izable) Theories of the Firm?" *Journal of Economic Behavior and Organization* 58: 202-247

Unit 2: Decision Making on the firm

- 2.1 Allocation Authority
- 2.2 Communication and Languages
- 2.3 Corporate Culture
- 2.4 Leadership

Bibliography

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- Hermalin, Benjamin. 1998. "Toward an Economic Theory of Leadership: Leading By Example." *American Economic Review* 88: 1188-1206.
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- Dewatripont, Mathias and Jean Tirole. 2005. "Modes of Communication." *Journal of Political Economy* 113: 1217-38.
- Cremer, Jacques, Luis Garicano, Andrea Prat. 2007. "Language and the Theory of the Firm." *Quarterly Journal of Economics* 122: 373-407
- Weber, Roberto. 2006. "Managing growth to achieve efficient coordination in large groups." *American Economic Review* 96:1, 114-126.
- Weber, Roberto and Colin Camerer. 2003. "Cultural Conflict and Merger Failure: An Experimental Approach." *Management Science* 49: 400-15

Unit 3: Incentives and Contract Design

- 3.1 Extrinsic Incentives
- 3.2 Gaming
- 3.3 Subjective measures
- 3.4 Intrinsic Incentives

Bibliography

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- Shearer, Bruce. 2004. "Piece Rates, Fixed Wages and Incentives: Evidence from a Field Experiment." *Review of Economic Studies* 71: 513-34.
- Boning, Brent, Casey Ichniowski, and Kathryn Shaw. 2007. "Opportunity Counts: Teams and the Effectiveness of Production Incentives." *Journal of Labor Economics* 25: 613-50.
- Courty, Pascal, and Gerald Marschke. 2004. "An Empirical Investigation of Gaming Responses to Explicit Performance Incentives." *Journal of Labor Economics* 22: 23-56.
- Oyer, Paul. 1998. "Fiscal Year Ends and Nonlinear Incentive Contracts: The Effect on Business Seasonality." *Quarterly Journal of Economics* 113:149-85.
- Baker, George, Robert Gibbons, and Kevin J. Murphy. 1994. "Subjective Performance Measures in Optimal Incentive Contracts." *Quarterly Journal of Economics* 109:1125-56.
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Review 93: 216-40.

- Kreps, David. 1997. "Intrinsic vs. Extrinsic Motivation." *American Economic Review* 87: 359-64.
- Gneezy, Uri and Aldo Rustichini. 2000. "Pay Enough or Don't Pay at All." *Quarterly Journal of Economics* 115: 791-810.
- Fehr, Ernst and Armin Falk. 2002. "Psychological foundations of incentives." *European Economic Review* 46: 687-724.
- Bénabou, Roland and Jean Tirole. 2006. "Incentives and Prosocial Behavior." *American Economic Review* 96: 1652-78.

Unit 4: Social Relationships and Peer Effects

4.1 Social Preference

4.2 Peer Effects

4.3 Incentives based on teams

Bibliography

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- Bandiera, Oriana, Iwan Barankay, and Imran Rasul (2005): "Social Preferences and the Response to Incentives: Evidence from Personnel Data," *The Quarterly Journal of Economics*, 120(3), 917–962.
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- Hjort, J. (2014): "Ethnic Divisions and Production in Firms," *The Quarterly Journal of Economics*, 129(4), 1899–1946.
- Hamilton, Barton, Jack Nickerson, and Hideo Owan. 2003. "Team Incentives and Worker Heterogeneity: An Empirical Analysis of the Impact of Teams on Productivity and Participation." *Journal of Political Economy* 111: 465-97.

Unit 5: Structures and Processes in Organizations

5.1 Hierachy model

5.2 Hierarchies: An empirical analysis

Bibliography

- Van Zandt, Timothy. 1998. "Real-time decentralized information processing as a model of organizations with boundedly rational agents." *Review of Economic Studies* 66: 633-58.
- Mookherjee, Dilip and Stefan Reichelstein. 1997. "Budgeting and Hierarchical Control." *Journal of Accounting Research* 35: 129-55.
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- Acemoglu, Daron, Philippe Aghion, Claire Lelarge, John Van Reenen, and Fabrizio Zilibotti. 2007. "Technology, Information and the Decentralization of the Firm." *Quarterly Journal of Economics* 122: 1758-99.
- Bloom, Nicholas, Raffaella Sadun, and John Van Reenen. 2009. "The Organization of Firms Across Countries." Unpublished manuscript, Stanford University.
- Rajan, Raghuram and Julie Wulf. 2006. "The Flattening Firm: Evidence from Panel Data on the Changing Nature of Corporate Hierarchies." *Review of Economics and Statistics* 88: 759-73.
- Bloom, Nicholas, Garicano, Luis, Sadun Rafaella and Van Reenen, John, 2009, "The Distinct Effects of Information Technology and Communication Technology on Firm Organization" CEP discussion paper.

Unit 6: Entrepreneurship

- 6.1 Origin of entrepreneurs
- 6.2 What does the entrepreneurs do?
- 6.3 Entrepreneurs restrictions
- 6.4 Ideas Market

Bibliography

- Bhidé, Amar, 2000, *The Origin and Evolution of New Business*, New York: Oxford University Press. Chapter 1.
- Kaplan, Steven, Berk Sensoy, and Per Stromberg, 2009, Should Investors Bet on the Jockey or the Horse? Evidence from the Evolution of Firms from Early Business Plans to Public Companies, *Journal of Finance* 64:1, 75-115.
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- Hellmann, Thomas, and Enrico Perotti. 2011. "The Circulation of Ideas in Firms and Markets." *Management Science*.

V. METHODOLOGICAL STRATEGIES

1. Problem-based learning / Project-based learning
2. Presentation
3. Question techniques

VI. GRADING

Coursework will be weighted as follows:

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|-------------------------|---|
| Reading control (RC): | 2 |
| Presentation (P): | 2 |
| Literature Review (LR): | 3 |
| Research Proposal (RP): | 3 |

The student only approve the course if the final average (FA) is greater than or equal to 10.50. This final average (FA) is then calculated as follows: $FA = (2*RC + 2*P + 3*LR + 3*RP)/10$