230991 : Organizational Economics (CentER)

Fall 2016

Jens Prüfer
Office: K 311, 466-3250
j.prufer@uvt.nl.

Instruction language: English
Type of Instruction: interactive lectures, discussion of journal articles
Type of exams: Assignments, class participation, research proposal
Level: Research Master Economics, 2nd year
Course load: 3 ECTS; 6 x 180 minutes

Goal and Scope of the course:

The course delivers an introduction to theories of organizations (about 2/3) and institutions (about 1/3) that rely on economic thinking. The goal is to familiarize students with theoretical approaches, to guide them to the research frontier in selected topics, and to let them explore open and interesting research questions, both theoretical, empirical, and experimental, on their own.

We study relationships within firms (authority, incentives, the role of managers), between firms (formal and informal contracting, vertical and horizontal integration, strategic alliances, firm networks and groups), and beyond firms (organizations and institutions). We review the main economic theories that explain the existence, scale, and scope of firms (transaction costs economics, property rights theory, and agency theory), study contracting options and the impact of an organization's form (for-profit, nonprofit, public, cooperative, or member-owned) on its decisions. In the institutional economics part, we study how different institutions, both by private and public ordering, solve economic governance problems such as collective actions, contract enforcement, and property rights protection.

Course format:

Course format: Each 180 minute session consists of the presentation of four papers. Some will be presented by the lecturer, some by students; all will be discussed jointly.
Students will have to read papers and send 2 questions on each paper before the respective lecture.
Students write a research proposal (5-10 pages) on a topic related to the course. After a short presentation of the key papers related to the student's research question, major emphasis will be put on the resulting research design and on the description of the potential contributions of follow-up work.
The literature used consists of research in economics but many papers take an interdisciplinary perspective, e.g. combining economics with law, history, management or political science. Similarly, the class in this course typically consists of students both from economics and from business.
Grading:

Assignments and Class Participation (questions and presentations): 20%
Research proposal: 80%

Reading list
Readings by category: (* are core readings and will be discussed in class)

Lecture 1: Foundations of Organizational Economics

Transaction Cost Theory

- Hennart, Jean-Francois. 1993. “Explaining the swollen middle: why most transactions are a mix of “market” and “hierarchy””. Organizational science, 4 (4): 529-547

Property Rights Theory:


Lecture 2: Incentives, Ownership, and Contracts

Incentives:

Optimal Ownership:


Methods: Clinical Studies:


Formal Contracts between Firms:


Lecture 3: Managers and Authority

Informal Contracts and the Role of Managers:


Authority and Decision Making Within Firms:

Lecture 4: Alternative Organizational Forms

Nonprofits:


Network Forms of Organization:


Public Organizations:


Member-owned Organizations:


Lecture 5: Institutions and Economic Governance

Overviews and Classification:


Solving the Credibility Problem in Historical Perspective

Lecture 6: The Credibility Problem and the Clarity Problem

Private vs. Public Ordering:


A Behavioral Approach to the Credibility Problem: Endogenous Social Norms


Solving the Clarity Problem: