PhD Course in Organizational Economics
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Winter Quarter: Wednesday, 4:00-6:50 pm
Room: UCLA Anderson, C-303
Webpage: https://ccle.ucla.edu/course/view/11W-MGMT298A-1

Overview

This is primarily a second year PhD course in organizational economics. It contains a mixture of foundational theories and applications to fields such as labor economics, industrial organization, corporate finance, political economy and international trade as well as empirical and experimental studies.

The prerequisite for this course is a commensurate basic understanding of choice under uncertainty, adverse selection and moral hazard. The requirements for the course are three problem sets and a final presentation.

The structure of the course follows below. The reading list is very long. It is intended to be on the comprehensive side. I will indicate required readings as starred when we move through the course. We will cover papers in Sections 1-5 and occasionally also draw on papers in other sections.

Structure

PART I: FOUNDATIONS
1. Agency Theory for Organizational Economics
   1.1 Formal Incentive Contracts
   1.2 Relational Incentive Contracts
   1.3 No Incentive Contracts (“Career Concerns”)
2. Elemental Theories (and Empirics) of the Firm
   2.1 Incentive Systems
   2.2 Adaptation
   2.3 Property Rights
   2.4 Hold-up and Contractual Incompleteness
3. Delegation and Communication
   3.1 Delegation
   3.2 Disclosure
   3.3 Communication

PART II: WITHIN FIRMS
4. Decision-Making in Organizations
   4.1 Team Theory
   4.2 Authority and Power
      4.2.1 Allocation of Authority
      4.2.2 Implementing Authority
   4.3 Politics and Influence
      4.3.1 Committees
   4.4 Social Relations
      4.4.1 Peer Effects
   4.5 Culture and Language
   4.6 Leadership
5. Employment in Organizations
   5.1 Pay for Performance
      5.1.1 Basic Theory and Evidence
5.1.2 Gaming
5.1.3 CEO Pay
5.1.4 Tournaments
5.1.5 Subjectivity
5.1.6 Career Concerns
5.1.7 The Ratchet Effect
5.1.8 Intrinsic Motivation and Reciprocity

5.2 Job Assignments & Job Design
5.3 Skill Development
5.4 Employment Systems
5.5 Careers in Organizations

6. Structures and Processes in Organizations
   6.1 Models of Hierarchy
      6.1.1 Information Processing
      6.1.2 Resource Allocation
      6.1.3 Monitoring
      6.1.4 Problem Solving
      6.1.5 Decision Rights
   6.2 Delegation
   6.3 Organizational Design
   6.4 Growth and Change

PART III: BETWEEN FIRMS
7. The Boundary of the Firm Revisited
   7.1 Vertical Integration: Classic Evidence and Commentary
   7.2 Vertical Integration: Recent Theory and Evidence
   7.3 Formal Contracts Between Firms
      7.3.1 Franchising
   7.4 Relational Contracts Between Firms
   7.5 Organizations and Industry Structure

8. Corporate Strategy
   8.1 Divisionalization and Conglomerates
   8.2 Beyond Divisionalization: Matrix, Network, and Other Organizational Forms
   8.3 Resource Allocation and Transfer Pricing
   8.4 Joint Ventures, Alliances, and Other Hybrids
      8.4.1 Hybrids and Innovation
   8.5 Multinational Corporations, International Trade, and FDI
   8.6 Organizations and Industry Dynamics

PART IV: BEYOND FIRMS
9. Institutions
   9.1 Communities
   9.2 Agencies
1. AGENCY THEORY FOR ORGANIZATIONAL ECONOMICS

Overviews


1.1 Formal Incentive Contracts

1.1.1 Risk Aversion


1.1.2 Multi-task Models


1.1.3 Multi-agent Models


1.2 Relational Incentive Contracts


1.3 No Incentive Contracts (“Career Concerns”)


2. ELEMENTAL THEORIES (AND EMPIRICS) OF THE FIRM

*Overviews and Classics*


2.1 Incentive Systems


2.2 Adaptation


2.3 Property Rights


2.4 Hold-up and Contractual Incompleteness


3. DELEGATION AND COMMUNICATION

3.1 Delegation


3.2 Disclosure


### 3.3 Communication


### 4. DECISION-MAKING IN ORGANIZATIONS


#### 4.1 Team Theory


#### 4.2 Authority and Power

#### 4.2.1 Allocation of Authority


### 4.2.2 Implementation of Authority


### 4.3 Politics and Influence


#### 4.3.1 Committees


4.4 Social Relations


4.4.1 Peer Effects


4.5 Culture and Language


4.6 Leadership


### 5. EMPLOYMENT IN ORGANIZATIONS

*Overviews*


### 5.1 Pay for Performance

*5.1.1 Basic Theory and Evidence*


5.1.2 Gaming


5.1.3 CEO Pay


5.1.4 Tournaments


5.1.5 Subjectivity


5.1.6 Career Concerns


5.1.7 The Ratchet Effect


5.1.8 Intrinsic Motivation and Reciprocity


5.2 Job Assignment and Job Design

5.2.1 Job Assignment


5.2.2 Job Design


5.3 Skill Development


5.4 Employment Systems


5.5 Careers in Organizations


### 6. STRUCTURES AND PROCESSES IN ORGANIZATIONS

**Overviews**


6.1 Five Models of Hierarchy

6.1.1 Hierarchical Information Processing


6.1.2 Hierarchical Resource Allocation


6.1.3 Hierarchical Monitoring


Qian, Yingyi, Gérard Roland, and Chenggang Xu: Coordination and Experimentation in M-Form and U-Form Organizations.” *Journal of Political Economy* 114: 366-402.


### 6.1.4 Hierarchical Problem Solving


### 6.1.5 Hierarchical Decision Rights


### 6.2 Delegation


### 6.3 Organizational Design


### 6.4 Growth and Change


### 7. THE BOUNDARY OF THE FIRM REVISITED

**Overviews**


#### 7.1 Vertical Integration: Classic Evidence and Commentary


7.1.1 Commentary


7.2 Vertical Integration: Recent Theory and Evidence


7.3 Formal Contracts Between Firms


### 7.3.1 Franchising


7.4 Relational Contracts Between Firms


7.5 Organizations and Industry Structure


8. CORPORATE STRATEGY

Overview


8.1 Divisionalization and Conglomerates


### 8.2 Beyond Divisionalization: Matrix, Network, and Other Organizational Forms


### 8.3 Resource Allocation and Transfer Pricing


8.4 Joint Ventures, Alliances, and Other Hybrids


8.4.1 Hybrids and Innovation


8.5 Multinational Corporations, International Trade, and FDI


8.6 Organizations and Industry Dynamics


9. INSTITUTIONS

Overviews


9.1 Communities


9.2 Agencies


