What activities does the organization engage in? How is the organization structured? How are members motivated to work on behalf of the organization? We will consider these questions by primarily relying on economic analysis but also take up some of the issues from the vantage of other social sciences.

Our emphasis will be on for-profit firms, but much of what we cover will also apply to not-for-profit organizations, such as the university students in this class are attending. In intermediate microeconomics the student is confronted with a theory of the firm that is totally symmetric with the theory of the consumer. In that theory the firm is a decision maker whose objective is to maximize profit. The theory is meant to apply equally well to a small proprietorship (where the theory may be a good approximation of reality) and to a very large corporation (where the theory abstracts entirely from many interesting economic issues of the goings on inside the firm that will be of concern in this course).

Even in a small family run business or a modestly sized partnership, there are multiple decision makers whose preferences need not agree. How do those preferences get aggregated into a coherent preference for the entire organization? One possible way of doing this is to make one person the dictator, in which case that person’s preferences matter for the organization while none of the other organization members’ preferences matter. Recognizing that dictatorship produces coherent decision making, it certainly doesn’t accommodate the interests of other stakeholders. Arrow’s Impossibility Theorem tells us that apart from dictatorship there is no “rule” to do this that accounts for the preferences of all organization members. Organizations must find a process, imperfect though it may be, to accommodate preferences of the various stakeholders, since their collective decision making can’t be derived from rules.

This observation is intimately tied to the next point. Each member of the organization brings talents, resources, and information that other members of the organization do not possess. The organization must motivate members to participate in a way that provides for the good of the organization as a whole.
and to share information in a way that is jointly profitable. Thus the organization’s dual goals are to
provide coherence to the decision making and to motivate members to act on behalf of the organization.
These goals are pursued in an environment that is sufficiently complex where it is far from transparent to
identify the best organizational behavior, even when the evaluation is done by well-informed insiders.

The economics approach to the organization abstracts from much of the complexity, treats the
distribution of preferences, production capabilities, and information as exogenous, and then identifies
efficient structures and contract forms for achieving the goals within that setting. The virtue of the
economics approach is in establishing a framework for thinking about what might be possible for the
organization and in producing well-reasoned conclusions about what efficient structures look like. This
framework is the focus of the course.

However, economists are not the only ones who think hard about organizational issues. Indeed, these
questions are often thought to be what gives management its purpose and sometimes, apart from
management, the same issues are addressed by the leadership of organizations members, where this
means leadership from not just those at the top. Thus organization issues are part and parcel of
management education and quite often are part of leadership training as well. One would like to know
how these other approaches to organization compare with the economics approach. Some of the course
will be devoted to addressing that.

A couple of excellent readings that bridge the different approaches are (1) Herbert Simon’s Nobel Prize
Lecture and (2) George Akerlof’s paper on Labor Contracts As Partial Gift Exchange. Both pieces make an
appeal to move away from the standard neoclassical model (the subject of intermediate microeconomics)
and take a fundamentally interdisciplinary approach to the issues. Students are encouraged to read these
papers on their own to get a better sense of why an interdisciplinary approach is needed.

In the course, however, rather than read individual articles on the subject for which the students might
not have the appropriate background, we will follow a textbook that proceeds starting from the
neoclassical model and then gradually moves away from it in different ways, with the first such step a
discussion of “transfer pricing” that begins in chapter 3. Pedagogically, the idea is to start with ideas
familiar from intermediate microeconomics and then introduce the unfamiliar new ideas in small doses.
Each subsequent chapter adds a different piece to the puzzle. We will cover the textbook at a pace that
fits the class. Where the content is difficult we will slow down. Better to learn what we do cover than to
be exhaustive but superficial in the treatment. Do note, however, that we definitely will not cover the
chapters on Finance, as these are suitable to be learned in other courses.

Regarding the math modeling in the textbook do note that the way it is presented depends on the
intended audience - MBA students. So much of the math in the book is done via examples rather than by
general models and in some cases rather dramatic simplifying assumptions are made to facilitate the
In some cases we will follow the book exactly. In other cases we will depart from the book a bit to look at the approach in greater generality. To get exposure to non-economic approaches we will also read another textbook that is often used in leadership training, as a way to get multiple perspectives on the organization. Students will likely find this second book "lighter fare," far less analytical and more anecdotal in its approach, and therefore a contrast with the primary text. We will cover this other book except for its last section, which has an emphasis on leadership. Students are encouraged to read that after the course has concluded, as they likely will have intrinsic interest in the subject.

Tentative Class Format

Once we get up to speed, certainly by the third week of the semester, we will take a dual approach into the subject. One aspect will be a narrative/story telling approach. The other aspect will be a math/problem solving approach. Roughly speaking, the first class session of the week will be for the narrative story/telling and the second class session of the week will be for the math modeling and problem solving. Time permitting we'll also critique the models or give talkie discussions about how the models might be extended, so there will be narrative story/telling in that.

There is also a goal to create a cycle between the out of class work that students are assigned and our in class activities. Students will do two different sorts of homework, (1) blogging and (2) math model exercises done in Excel. The blogging will mainly be reflections on the readings, particularly as it pertains to the student's own experience, according to a prompt I provide. This will be followed up later by class discussion on the same topic, so in that sense the blogging will be a getting ready exercise for what happens in class. To make the ideas part of your own world view you must first get familiar with the ideas by using them in context and second you must establish connections between the ideas and other things you already know. The blogging is there to help with both of those.

NOTE: Students have the option of choosing their own theme other than the prompt, as long as they can tie what they write about into the flow of the class. So if there is some subject matter which you wish to explore further with your blogging, you are free to do so.

To motivate the blogging more I plan to comment on each of your posts and then use some of them in class discussion to incorporate points brought up by students in their blog posts. I will not grade individual posts. Rather, I will use a portfolio approach to the blogging, giving one grade at mid semester on the first half of your posts and a second grade near the end of the course. At around the time of the mid semester evaluation, I would like to meet with you each individually outside of regular class hours to discuss your blogging and how the course is going for you, perhaps to offer pointers on how to improve your performance. I will announce when I’m ready to have those meetings. After that I will expect you to

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http://econoforganizationsfall2014.blogspot.com/p/syllabus.html
attendance, I am surprised with myself that I actually came to every lecture. In previous semesters, especially freshmen and...

1 month ago

Joan Robinson Econ490 Alias | arsenal4ever
Class Review - Honestly, at the beginning, I register this class because I don’t have any other options. Deciding to declare another major in statistics at the end of last...

1 month ago

Carl Shapiro ECON490 Fall2014
Review and Feedback - Before taking this class, I didn’t have taken any classes in a similar discipline so my understanding for Organizations is more from my extra-curricular ex...

1 month ago

Donald Patinkin Econ 490 Fall 2014
Lessons Learned - Economics of the Organizations has been a very interesting course. I wasn’t really sure what to expect when I register for this class. I had not gotten any...

1 month ago

Ben Bernanke blog
Final Post - Final Post Having some prior experience with an Econ 490 course, I expected this class to be almost all theory. To my surprise, Econ of Orga...

1 month ago

Dale Jorgenson Econ 490 Fall 2014
My Economics Organization Experience - What’s really new to me in this class is the lectures we covered with Insurance. I am an econ major student but with most of my classes I barely have the ch...

1 month ago

Dale Mortensen Econ 490 Fall 2014
Lessons Learned - The Economics of Organizations turned out to be a very rewarding course. I had no idea what to expect going into this class, just contact me to set up a meeting time.

There will be specific instructions for setting up your blog given in class. When you’ve done so and made your first post, please email me with the url to that. I will have a gadget on the class site that provides snippets from the most current posts by students.

Posts should be between 600 and 1000 words. They are meant to demonstrate your thinking and should take some time to compose. Students who are new to writing blog posts (and who don’t write frequently in general) should understand that there needs to be some time before you go to the keyboard, just to organize your thoughts and to give you a general sense of what you want to say. That is called pre-writing. It is quite important. If you do that, you’ll find the time composing text enjoyable. If you don’t, you’ll likely get writer’s block and find the blogging requirement drudge work.

The approach with the math modeling is different. The homework will be auto-graded (built into Excel) and the expectation is that you will do it till it’s all correct. So the grade on that will only be a participation grade for having completed the assignment correctly (and that you submit the result by the deadline). If you have difficulties completing the homework you can post queries to the class site before the deadline. I or other students in the class will offer up some response. My goal is that all students submit complete assignments on time. The in-class time is meant for me to play the role of TA and review the problems so you understand them at a deeper level or for you to work in small groups on related problems to solve. In other words, math modeling in the homework is meant as preparation for the live class. As incentive for taking this work seriously, the bulk of the exam questions will be of the math modeling sort and will be tweaks on the homework problems.

After a couple of weeks of this we will do some evaluation to see how it is working. I’m a big believer in early feedback from students influencing the approach taken thereafter. So we’ll surely tweak the approach based on that and on my impressions of how the course is going.

Note that the questions in this early evaluation will parallel questions about organizations:

• What are the organization’s goals?

• How is coherence (alignment) achieved so that members of the organization have their individual efforts come together in productive organization function?

• How are individuals motivated to deliver their best effort?

• This question is sometimes broken up into the role of extrinsic motivation (pay for employees, grades for students) and the role of intrinsic motivation (the work itself as an object of engagement and satisfaction).
Treating Students as Adults, Class Attendance, and Senioritis

Eighty percent of success is showing up.
Woody Allen

I hope that students enjoy this class and that they come because they find the subject matter interesting and that the approach we take engages them. But we are creatures of habit. My experience is that students come regularly or not very much at all.

One of the themes of the course is that in many instances one can elicit greater effort from individuals in a trust setting than where there is pay for performance, especially when the work is complex and output not readily quantified, because individuals will tend to slack on components of the work that are not well measured or not measured at all and will focus only on the components that are directly rewarded, while in a trust setting effort is put forth out of a sense of obligation and loyalty to co-workers independent of direct compensation. In that spirit I will not take attendance nor make attendance part of the grade. I’ve tried it in the past and it backfired, for the reasons mentioned here.

I do recognize that there is a tendency to start thinking about the finish line, especially if you are graduating in December. That said please also understand that you communicate by your actions. Showing up demonstrates some personal commitment. Not doing so without communicating about your absence in advance of class demonstrates the opposite.

Deadlines for Homework/A Word About Deadlines

Most weeks of the semester there will be a blog post due. There will be a prompt in the calendar the week before. Except for the very first post, where I want you to follow the prompt, you have the freedom to post about a topic of your own choosing, as long as you feel the topic is relevant to the course. If you do this, part of the post should show the connection. If you choose to follow the prompt, part of the post should be on why the prompt is relevant to the larger class discussion.

The Deadline for Blog Posts is Friday at noon. (Getting them done sooner is perfectly okay.) I will read them and comment on them over the weekend. Likewise, students will put in their comments over the weekend or on the following Monday at the latest. If you get the post in later on Friday, it will be hit or miss for you as to an interest in how organi...
The Economics of Organizations - Fall 2014: Syllabus

whether I read and comment on it. If it is a miss, you won’t get credit for that post.

There will be Math Exercises in Excel some weeks, but not all weeks. You will be clearly alerted when one is due. The deadline for completion of these exercises is Wednesday evening at 11 PM. I will check the submission form Thursday morning before class. All the same caveats apply about getting credit.

Blogging and Privacy

Each student in the class will have a blog. Students will use the blog to write weekly reflective pieces. As you might gather from this course site, I like to use Blogger. You are free to use that or any other commercial blogging software.

Experience suggests that students may be reluctant to have their course work viewed by potential future employers. To address this legitimate concern, each student will receive an assigned alias. I expect each student to blog under their alias (typically the name of a famous economist concatenated with Econ_of_Org_Semester#). If you use Blogger or most other commercial blogging software, they have a place for your profile. In your profile you get a display name. One significant purpose of your assigned alias is to use that for your display name. This approach with display name should be sufficient that potential employers can’t track your blog.

I've used this approach in the past and it has worked well. However, if you feel it inadequately protects your privacy, then you can use Moodle as an alternative. Using Moodle offers even more privacy, because only members of the class will be able to see your posts. It is somewhat less convenient, however. For example, individual posts don’t get a permalink, so can’t readily be referenced in the posts of others. Also, those posts can’t be seen from the class blogroll. Ultimately, it is your choice which to use.

Commenting on the Posts of Other Students

Some commenting is also required. I will put you in groups of three or four. I suggest that you make one comment on a post of somebody in your group and another comment on a post outside your group, so you can peruse the blogs of other class members. A short paragraph is fine. The idea is that each writer likes to get feedback, so this way the feedback is built into the process and not all of the feedback is from me. It is good to learn from your peers. After you have received comments from others, please also do write some response yourself and post that as an additional comment. This will show you’ve given some thought to the comments you’ve received.

The comments will be tracked - did you do them? You will get a participation credit for commenting, but otherwise I will not grade quality of comments. I hope the following will work as motivation for
comments. You will begin to find that you like to receive good comments. You yourself then provide good comments as a way to keep up your end of the bargain.

**Grading**

**Composition of Grades**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Blogging</td>
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<tr>
<td>Comments</td>
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<tr>
<td>Excel Homework</td>
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<td>Midterm 2</td>
<td>15%</td>
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<tr>
<td>Final</td>
<td>30%</td>
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</tbody>
</table>

**Final Course Grades**

A = 90% and above  
B = 80% - 89%  
C = 70% - 79%  
F = Below 70% (I don't give out D's.)

No comments:  
Post a Comment