

Eco 422H1-F: Special Topics in Economics: Topics in Business Economics

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Motivation

In April 2017 a passenger was forcibly dragged off a United Airlines airplane. Fellow passengers filmed the incident and the video went viral within hours. The resulting worldwide outrage caused a decline in UA stock by 1.3%. The settlement with the unfortunate passenger was speculated to be at least 1 Mill USD.

To many this incident was foremost a PR disaster. But more importantly, it was an organizational failure: United Airline employees had followed the company's rules and procedures, a UA spokesperson emphasized. In other words, the incident could have been prevented if United Airlines had had a different set of rules and *procedures*, if individual employees had had the *authority* to overrule the procedures according to their own judgement, or if there had been a *culture* of "passengers first" *decision-making*.

In this course we develop tools to describe such organizational aspects. We will use mathematical model and in-depth company case studies (ICCS) to study the circumstances that lead firms to adopt a particular *culture*, allocate *authority* with employees or not, delegate or centralize *decision making*. We will also see how the "second best nature" of these choices almost always allow firms to fail in the right kind of wrong circumstance.

Audience

The class will be relevant to students who are interested in starting or running a company one day, students who are interested in attending graduate school, and/or students who have a strong interest in mathematical modeling and would like to learn more how to apply it to economics.

Objectives

At the end of this course students will be able to

- Recognize organizational choices in real-world examples;
- Apply organizational economic models to analyze these choices, to explain behavior of and dynamics within organizations.
- Understand the economic relevance of "second best outcomes," derive a second best outcome mathematically, and give real-world examples.
- Professionally and concisely communicate insights of applied theory papers and their real-world relevance, formally and informally, orally and in writing.

Prerequisites

(i) Eco200Y1/Eco204Y1/Eco206Y1

(ii) At least one FCE in Eco at the 300 level or higher

Recommended: At least one of Eco316, Eco326, Eco338, Eco380, or Eco381

The course will involve thorough discussions of applied theory papers. You should thus be (willing to become) comfortable reading research papers that use extensive mathematical modeling. You should have a good understanding of utility and profit maximization, pure and mixed strategy Nash equilibria, and backward induction.

Content

In this class we will study the economics *inside* a firm. In particular, we will answer the following questions:

Week 1: Why should we care about the economics *inside* a firm?

Week 2 - 5: *Foundations*. We discuss *Agency inside the firm*: What's special about a firm that it deserves economic study? Answers come from issues with multi-tasking, risk-aversion, and caring about the future. We also analyze *The Make-or-Buy decision*: Should a firm make (own) an asset (factor in production) or buy (rent) it? This is known as the Make-Or-Buy Decision and we will study common explanations for why a firm might own an asset: Adaptation, Rent-seeking, Property rights, Incentives, Hold-Up

Week 6-8: *Structures and Processes inside the firm*: Who in the firm should work on what, with whom, why and how? As the manager, when should you handle a client yourself, when is it ok to delegate an account to someone less experienced, and when should you bring the senior partner in on it? Should designers report to engineers, engineers to designers, or both to some general manager? Should the firm cross-train people or ask them to specialize?

Week 8-10: *Decision Making inside the firm*: Who in the firm should make which decision, why and how? Thinking about the military as one extreme and your favorite start-up as another, you already know that there are different approaches to decision making based on the style of Leadership, Authority and Power, Culture and Language ... Are the circumstances between start-ups and the military so different that each has their "optimal" decision making process? Or is one of them getting it wrong? Or both?

Week 11 & 12: Is that all?

Hint: Of course not. For example, should firms maintain or change their answers to the previous three questions as they mature from start-up to stock-listed company? If so, how? Does the way firms organize affect economic growth? Does it affect or interact with industry structure? Does it affect the survival rate of the company, its ability to change and adapt? Does it affect the way people invest in their training and learning? How?

We will answer these questions with mathematical models (which we learn from applied theory papers) and with real-world examples (which we find in in-depth company case studies (ICCS)).

Please note that we will not touch upon questions of who should be hired, how a firm should address career concerns, how to motivate workers, or how career concerns of managers might inadvertently affect a firm's capabilities. Those questions are addressed in Eco381.

Class Format

The class meets once a week for 3h. In-class activities include lecturing, peer-to-peer activities, in-class writing, and a lot of in-class discussion. The class room is a place for friendly and intense discussions furthering all our understanding of the material. Your active participation in these discussions is required. Come prepared. To better foster face-to-face interactions in class, no electronic devices will be allowed. To the extent that I lecture, I will use the black- or white board.

Out-of-class activities consist mostly of reading and writing. The writing will require frequent revisions and the reading is extensive. Make sure to schedule both throughout the week. Every week. The more you put in the more you *and your classmates* get out.

Marking

You can earn up to 100 points in this class. Your grade will be equally based on the following four components. They are described in detail below.

Class participation	25 points = 25%
Class presentation & Handout	25 points
Term paper(White Paper)	30 points
24h project	20 points

These components encourage you to work toward and eventually demonstrate your mastery of the course objectives. Their respective alignment with the course objectives is as follows:

	Course Objective					
	Recognize organizational choices in real-world examples; Apply org. economic models to analyze.		Understand economic relevance of “second best outcomes,” derive a second best outcome mathematically, give real-world examples.		Professionally and concisely communicate insights of applied theory papers and their real-world relevance, in writing and orally.	
	Practice	Demonstrate	Practice	Demonstrate	Practice	Demonstrate
Class participation	X		X		x	
Class presentation & Handout				x		X
Term paper (White Paper)	X	x			x	
24h project		x		x		X

Class Participation (25 points).

Every week your participation will be scored. Your score will be based on the (1) quality (relevance, insight added), (2) quantity (not too much, not too little), and (3) conciseness (making good use of everybody’s time) of your contributions. Listening carefully to your classmates’ contributions is essential. Questions that spark or further class discussion or that help us clarify understanding can be significant contributions, too. In making this assessment, I am answering the question “how different would the class have been if that student would not have been present?” Your score will be with 0 (absent, silent, non-relevant), 1 (ok), 2 (good), or 3 (outstanding) points. No more than 25 points can be earned over the course of the term.

Class Presentation (25 points).

Every student will give a 20 minutes in-class presentation about an assigned paper. Papers will be assigned in week 2. You should submit your paper preferences, a first-read translation (1 point), a toy model (2 points) capturing insights of your paper, and a handout draft (2 points) before lectures two, three, four, and five, respectively. (Please see schedule below for all deadlines.) The final version of your handout is due Saturday noon before your presentation. Presentations will be given in weeks 7-12.

The paper presentation should convey the motivating question, its relevance to managers and/or policy makers, and the paper’s main insight. It should also place the question and insight in the context of the in-depth company case studies as appropriate and address potential short-comings or caveats.

Presenting students must utilize the blackboard or white board. No digital presentations allowed.

Presenters must prepare a hand-out according to the template available on Quercus. Handout (10 points)

and presentation (10 points) are judged based on (1) accurately conveying the idea and content of the paper, (2) explaining the relevance of the paper's insights, e.g., in the context of the in-depth-company case studies, (3) making good use of space/ time, (4) satisfying the format requirements and being of professional quality.

Preparing a paper for presentation takes a significant amount of effort and time. Start early and allow time for revisions. Plan to come to office hours or make an appointment at least once before submitting your handout draft and once before your presentation.

White Paper (30 points).

Every student must prepare a white paper. In that white paper you must explain the insight from a paper of the reading list (cannot be a starred paper) to an interested managerial or policy-related audience. The white paper must use at least one example from the in-depth company studies (see reading list) and at least one other real-world example as context to explain the insight. The white paper should contain (1) an introduction that describes the insight in broad strokes, why it is relevant to managers and/or policy makers, and how it relates to at least two other papers, (2) a semi-formal sketch of the model leading to the insight and its implication so that it is understandable to non-economists, (3) discussion, (4) conclusion, and (5) bibliography. The paper should not exceed 8 pages (1in margin, 11 pt setting, 1.3 spacing) and the formatting should be that of a professional white paper (see in-class discussion).

Note: You can use the paper you are presenting as the starting point for your white paper.

Writing a white paper consists of researching the content (30% of time), writing (20% of time), editing and polishing the white paper (50% of time). To stay on track, you should submit your problem proposal (week 4), an outline in complete sentences (week 5), a first 8-12 page draft (week 7), a draft revised for evidence (week 8), a sketch-layout (week 8), a pre-final version (week 9), and the final submission (week 11). Each of these six intermediate submissions is worth 1-2 points.

The final white paper is due on Sunday, December 2nd, noon. Your submission (20 points) will be judged based on (1) relevance and comprehensiveness of the analysis, (2) clarity and quality of the writing, and (3) satisfaction of the stated formal requirements.

I encourage you to familiarize yourself with the type setting program Latex (ask me if you need help getting started) to write your white paper.

24h Project (20 points).

On Wednesday, December 5th at 10 am you will receive a prompt in the form of an organizational problem or observation. You then have 24h to prepare an analysis and discussion of the problem or observation. Your analysis should entail a discussion of specific issues that may arise, the extent to which first-best solutions may or may not be possible, and possible approaches to mitigating or solving the issues. In preparing this analysis, you should draw heavily on all assigned reading to provide context, supporting or contrasting evidence. Your submission should at least contain an introduction, a conclusion, and a bibliography. Other sections will be appropriate depending on the prompt.

Your submission will be judged based on the (1) demonstrated understanding of the issue, (2) demonstrated understanding of the related literature, (3) relevance and comprehensiveness of the analysis, and (4) quality and professionalism of the exposition.

Workload expectations

I expect an average student needs to spend about 8 hours a week *on average* on this course to obtain a good mark. (A full load of 5 course at 8h would result in the full-time work equivalent of 40h).

Over our 12 week term, this means spending 96 hours on this course. Of these, I expect students will spend approximately 36h in lecture, 10h on reading the two in-depth company studies, 20h on reading 9-10 papers, 15h reading the assigned paper, preparing the handout and the presentation, and 15h writing and revising the white paper. The quality of in-class discussion, presentations, and writing submissions should reflect this substantial time investment. If you find that the time you need to complete the assignments varies significantly from these estimates, please let me know.

The workload distribution in this class is front-load heavy: You should expect to spend more time on this class in first the half of the course than in the second half.

Schedule

As you can see, the schedule for the first half of the class is fairly intense. To ensure you stay on track and are getting started on time, please attend class and log-on to Quercus for updates and reminders regularly.

For your convenience, the next page shows a condensed overview over the whole course.

Accessibility Needs

Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health consideration that may require accommodations, please feel free to approach me and/or Accessibility Services at (416) 978 8060; accessibility.utoronto.ca.

Policies

Email Etiquette

Email is usually not an effective way to discuss economics; instead in-person communications are more appropriate. Please talk to me before/ after class, come to office hours, or make an appointment. Please reserve email communication for brief administrative questions. I will strive to reply to e-mail within 24 hours, except on weekends. Please do not send attachments unless requested, please do include Eco422 in the subject line, and please be as specific as possible. Emails between instructors and students constitute professional communication; please treat them as such.

Late Submission Penalties

Written work submitted past the deadline will incur an automatic deduction of two marks per started 24h late period, with the following two exceptions: (1) No white paper/ model-development essay will be accepted past Monday noon of the last week of classes. (2) Late submission of the 24h project incurs an automatic deduction of two marks per started one hour period.

Lecture Notes

Most class time will be spend on discussions and other interactive activities. When I lecture I will use the black/ white board. It is up to you to take notes (by hand, see below). If you miss a class, it is your responsibility to catch up and obtain notes from one of your classmates. For student presentations, the prepared handouts will be made available. Please note that readings and class attendance are complements in this course, not substitutes.

Condensed Term Overview of due dates, class content, readings, and assignments.

		week 1	week 2	week 3	week 4	week 5	week 6	week 7	week 8	week 9	week 10	week 11	week 12
Due this week	Due (Saturday noon)		3 choices for paper presentations	Translation	Toy-model	Draft Handout Two problems (WP)	Outline (WP)		First draft (WP) (no feedback)	Evidence-revision (WP) Lay-out sketch (WP)	Pre-final submission (WP)	Final submission (WP)	Wed: 24h project
Class Topics	Class Content	Economics inside the firm	Make-or-Buy decision Agency inside the firm				Structures and Processes			Decision Making		Culture, Innovation, Growth, Technological Change, ...	
	Skill Focus	Reading an applied theory paper.	Building toy-models.	Toy-model practice; Understanding second-best.	Prototyping a presentation.	Understanding white papers (audience and objective)	Creating and revising an outline.	Un-constrained writing.	Revise your paper (as needed); Preparing for 24h project.				
Readings	ICCS	Read ICCS; take notes on examples			Use ICCS as context for models, paper presentation and white paper/ essay.								
	Papers	Read syllabus	Read abstracts	Read assigned paper	Read starred papers before class. Try to relate to ICCS. Bring questions to class.								
Marking component	Class Participation	get to know classmates & instructor; introduce yourself		Come to class with assigned reading complete; be part of friendly group of students interested in understanding inner workings of a firm, from research and from managerial perspective. Bring your reflections, observations, and questions. Engage, listen, probe, contribute.									
	Class Presentation	skim potential papers; indicate preferences; assignments announced		Read paper carefully; work out toy model	Revise toy model	Write and submit handout		Revise handout; prepare and give presentation.					
	White Paper	Collect observations from ICCS; Interesting papers from skimming/ paper assignment				Read Stelzner (2006), chapter 1-3; Who is your audience?	Read Graham (2013), chapter 9; What problem do you address?	Create and submit a full-sentence outline.	Create and submit a (rough) first draft.	Review comments received on draft; revise draft; submit; repeat.			
	24h project		Prepare by making sure you understand (1) modelling approaches used, (2) structure of expositions seen, (3) insights from papers discussed, and (4) their application to real-world context. Use class discussion to clarify questions and to deepen your understanding.										Demonstrate mastery

Turn-It-in

All written work must be submitted on Quercus as well as on Turn-It-In.com.

“Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.”

If you want to opt out of TI, you must inform me with a signed document by September 22nd that you plan to opt out of TI; otherwise you are committed to submitting to TI. Once committed, failure to submit to TI results in a score of 0 on the assignment. If you choose to opt out of TI, there will be alternate requirements, including but not limited to a list of every source you consulted, the passages in each source that are relevant to your assignment, and an in-person meeting with me to discuss your assignment.

No Electronics

Studies have shown that the presence of electronic devices distracts more than it helps. So no laptops, tablets, phones, etc. will be allowed. We'll have better discussion and better learning outcomes.

Academic Integrity and Plagiarism:

As a fourth-year undergrad at one of the top universities in the world, you have the right to participate in academic discourse. As a participant you are expected to uphold the standard of respect and academic integrity essential to the pursuit of learning and scholarship.

If you need a reminder on what constitutes plagiarism, please consult one of the writing centres or <http://www.writing.utoronto.ca/advice/using-sources/how-not-to-plagiarize> . As you know, the **University treats cases of cheating and plagiarism very seriously**. The University of Toronto's Code of Behaviour on Academic Matters (www.governingcouncil.utoronto.ca/policies/behaveac.htm) outlines the behaviours that constitute academic dishonesty and the processes for addressing academic offences. If I suspect academic dishonesty, I am required to report it.

If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, please consult with me or seek additional information from institutional resources (see www.utoronto.ca/academicintegrity/resourcesforstudents.html).

Readings

There is no textbook for this course. Instead, you have to read two in-depth company case studies (ICCS) and economic papers listed below. Throughout the course we will tie the rich details of the ICCS in with the mathematical models, finding context for the models in the ICCS and seeking to explain observations from the ICCS with models. Papers marked with a (*) are obligatory; all other papers are supplementary.

In-depth company case studies (ICCS)

Based on the survey in the first class, this term we will be using

Jacque McNish and Sean Silcoff: "Losing the Signal: The Untold Story Behind the Extraordinary Rise and Spectacular Fall of BlackBerry"

Gina Keating: "Netflixd: The Epic Battle for America's Eyeballs"

Week 1: Motivation and Introduction

Rita Gunther McGrath. 2015. *15 years later, lessons from the failed AOL-Time Warner merger*. Fortune. <http://fortune.com/2015/01/10/15-years-later-lessons-from-the-failed-aol-time-warner-merger/>

Chris Ciaccia. 2017. *Amazon and Whole Foods: What Experts Think Will Happen*. Nasdaq. <http://www.nasdaq.com/article/amazon-and-whole-foods-what-experts-think-will-happen-cm814048>

Alex Morrell. 2017. *7 potential bidders, a call to Amazon, and an ultimatum: How the Whole Foods deal went down*. Business Insider. <http://www.businessinsider.de/amazon-tough-negotiations-how-the-whole-foods-deal-went-down-2017-7?r=US&IR=T>

Garicano, Luis and Richard A. Posner. 2005. *Intelligence Failures: An Organizational Economics Perspective*. Journal of Economic Perspectives. Vol 19, Nr 4: 151–170.

*Prendergast, Canice. 1993. *A Theory of "Yes Men"*. American Economic Review, 83(4): 757-770.

Week 2 & 3: Agency within the Firm

Multi-tasking

Holmstrom, Bengt and Paul Milgrom. 1991. *Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design*. The Journal of Law, Economics, and Organization, 7(Special Issue): 24-52.

Baker, George. 1992. *Incentive Contracts and Performance Measurement*. Journal of Political Economy 100: 598-614.

Baker, George. 2002. *Distortion and Risk in Optimal Incentive Contracts*. The Journal of Human Resources, 37(4): 728-751.

Risk-aversion

Holmstrom, Bengt. 1979. *Moral Hazard and Observability*. The Bell Journal of Economics, 1(1): 74-91.

Relational contracts

Malcomson, James. 2013. *Relational Incentive Contracts*. In *The Handbook of Organizational Economics*, eds. Robert Gibbons and John Roberts. Princeton, NJ: Princeton University Press.

Career concerns

Holmstrom, Bengt. 1999. *Managerial Incentive Problems—A Dynamic Perspective*. Review of Economic Studies, 66(1); 169-182.

Week 4 & 5: The Make-Or-Buy Decision

* Stelzner, Michael. 2006. *Writing White Papers: How to Capture Readers and Keep Them Engaged*. Chapters 1-3, Whitepapersource Publishing.

* (4 & 5) Gibbons, Robert. 2005. *Four Formal(izable) Theories of the Firm?* Journal of Economic Behavior and Organization, 58(2): 200-245.

Coase, Ronald. 1937. *The Nature of the Firm*. *Economica*, 4(16): 386-405.

Adaptation

Forbes, Silke and Mara Lederman. 2009. *Adaptation and Vertical Integration in the Airline Industry*. The American Economic Review, 99(5): 1831-1849.

Rent-seeking

Klein, Benjamin, Robert Crawford, and Armen Alchian. 1978. *Vertical Integration, Appropriable Rents and the Competitive Contracting Process*. Journal of Law and Economics 21: 297-326.

Property Rights

Hart, Oliver. 1995. *Firms, Contracts, and Financial Structure*. New York: Oxford University Press (Chapter 2).

Baker, George and Thomas Hubbard. 2003. *Make versus Buy in Trucking: Asset Ownership, Job Design, and Information*. The American Economic Review, 93(3): 551-572.

Incentive Systems

Holmstrom, Bengt and Paul Milgrom. 1994. *The Firm as an Incentive System*. The American Economic Review, 84(4): 972-991.

Hold-Up

Edlin, Aaron S. and Stefan Reichelstein. 1996. *Holdups, Standard Breach Remedies, and Optimal Investment*. American Economic Review, 86: 478-501.

Maskin, Eric and Jean Tirole. 1999. *Unforeseen Contingencies and Incomplete Contracts*. Review of Economic Studies, 66: 83-114.

Hart, Oliver D. and John Moore. 1999. *Foundations of Incomplete Contracts*. Review of Economic Studies, 66: 115-138.

Transaction Cost Economics

Tadelis, Steven and Oliver Williamson. 2013. *Transaction Cost Economics*. In *The Handbook of Organizational Economics*, eds. Robert Gibbons and John Roberts. Princeton, NJ: Princeton University Press.

Whinston, Michael. 2003. *On the Transaction Cost Determinants of Vertical Integration*. The Journal of Law, Economics, and Organization, 19(1): 1-23.

Week 6-8: Structures and Processes in Firms

* Graham, Gordon. 2013. *Whiter Papers for Dummies*. Chapter 9. For Dummies.

Hierarchies

*(6) Garicano, Luis. 2000. *Hierarchies and the Organization of Knowledge in Production*. The Journal of Political Economy, 108(5): 874-904.

Delegation

Alonso, Ricardo and Niko Matouschek. 2008. *Optimal Delegation*. The Review of Economic Studies, 75(1): 259-293.

Li, Jin, Niko Matouschek, and Michael Powell. 2016. *Power Dynamics in Organizations*. American Economic Journal: Microeconomics.

Routines and Capabilities

*(7) Bloom, Nicholas and John Van Reenen. 2007. *Measuring and Explaining Management Practices Across Firms and Countries*. Quarterly Journal of Economics 122: 1351-408.

Bartel, Ann, Casey Ichniowski, and Kathryn Shaw. 2007. *How Does Information Technology Affect Productivity? Plant-Level Comparisons of Product Innovation, Process Improvement, and Worker Skills*. Quarterly Journal of Economics 122: 1721-58.

Week 8-10: Decision Making Inside the Firm

Authority and Power

*(8) Aghion, Philippe and Jean Tirole. 1997. *Formal and Real Authority in Organizations*. The Journal of Political Economy, 105(1): 1-29.

Culture and Language

*(9) Cremer, Jacques, Luis Garicano, Andrea Prat. 2007. *Language and the Theory of the Firm*. Quarterly Journal of Economics 122: 373-407.

Leadership

*(10) Hermalin, Benjamin. 2013. *Leadership and Corporate Culture*. In Handbook of Organizational Economics, eds. Robert Gibbons and John Roberts. Princeton, NJ: Princeton University Press.

Hermalin, Benjamin. 1998. *Toward an Economic Theory of Leadership: Leading By Example*. American Economic Review 88: 1188-1206.

Eric Van den Steen. 2005. *Organizational Beliefs and Managerial Vision*. Journal of Law, Economics and Organization, Oxford University Press, vol. 21(1), pages 256-283, April.

Week 11-12: Additional Topics: Organizations and ... Wage inequality, Trade, Innovation, ...

Wage Inequality

*(12) Garicano, Luis and Rossi-Hansberg, Esteban. 2006. *Organization and Inequality in a Knowledge Economy*. Quarterly Journal of Economics

Caliendo L, Monte F, Rossi-Hansberg E. 2014. *The Anatomy of French Production Hierarchies*. Journal of Political Economy

Possible papers for in-class presentations

Organizational Design

Rajan, Raghuram, and Luigi Zingales. 2001. *The Firm as a Dedicated Hierarchy: A Theory of the Origins and Growth of Firms*. Quarterly Journal of Economics

Harris, Milton, and Artur Raviv. 2002. *Organizational Design*. Management Science 48(7):852-865.

Geanakoplos, John and Paul Milgrom. 1991. *A Theory of Hierarchies Based on Limited Managerial Attention*. Journal of the Japanese and International Economies 5:205-25.

Williamson, Oliver. 1967. *Hierarchical Control and Optimal Firm Size*. Journal of Political Economy 75: 123-38.

Alonso, Ricardo and Niko Matouschek. 2008. *Optimal Delegation*. The Review of Economic Studies, 75(1): 259-293.

Stein, Jeremy. 2002. *Information Production and Capital Allocation: Decentralized versus Hierarchical Firms*. Journal of Finance. Volume 57, Issue 5, p. 1891–1921.

Li, Jin, Niko Matouschek, and Michael Powell. 2016. *Power Dynamics in Organizations*. American Economic Journal: Microeconomics.*

Alonso, Ricardo and Niko Matouschek. 2007. *Relational Delegation*. Rand Journal of Economics 38: 1070-89.

Alonso, Ricardo, Wouter Dessein, and Niko Matouschek. 2008. *When Does Coordination Require Centralization?* American Economic Review.

Rantakari, Heikki. 2008. *Governing Adaptation*. Review of Economic Studies, 75, 1257–1285

Athey, Susan, and John Roberts. 2001. *Organizational Design: Decision Rights and Incentive Contracts*. American Economic Review.

Baker, George, Robert Gibbons, and Kevin J Murphy. 2002. *Relational Contracts and the Theory of the Firm*. Quarterly Journal of Economics

Decision Making – Authority

Dessein, Wouter. 2002. *Authority and Communication in Organizations*. The Review of Economic Studies, 69(4): 811-838.

Hart, Oliver, and Bengt Holmstrom. 2010. *A Theory of Firm Scope*. Quarterly Journal of Economics.*

Rajan, Raghuram and Luigi Zingales. 1998. *Power in a Theory of the Firm*. Quarterly Journal of Economic 113: 387-432.

Landier, Augustin, David Sraer, and David Thesmar. 2009. *Optimal Dissent in Organizations*. Review Economic Studies 76: 761-94.

Van den Steen, Eric. 2008. *Disagreement and the Allocation of Control*. Journal of Law, Economics, and Organization.

Che, Yeon-Koo, and Navin Kartik. 2009. *Opinions as Incentives*. Journal of Political Economy, vol. 117, no. 5

Baker, George, Robert Gibbons, and Kevin J. Murphy. 1999. *Informal Authority in Organizations*. Journal of Law, Economics, and Organization 15: 56-73.

Dessein, Wouter. 2002. *Authority and Communication in Organizations*. Review of Economic Studies, 69, 811-838

Marino, Anthony, John Matsusaka, and Ján Zábajník. 2009. *Disobedience and Authority*. Journal of Law, Economics, and Organization.

Acharya, Viral, Stewart Myers, and Raghuram G Rajan. 2011. *The Internal Governance of Firms*. Journal of Finance.

Aghion, Philippe, Mathias Dewatripont, and Patrick Rey. 2014. *Transferable Control*. Journal of the European Economic Association

Decision Making – Culture and Language

Crémer, Jacques. 1993. *Corporate Culture and Shared Knowledge*. Industrial and Corporate Change 2:351-86.

Rob, Rafael, and Peter Zemsky. 2002. *Social Capital, Corporate Culture, and Incentive Intensity*. Rand Journal of Economics 33: 243-57

Carlin, Bruce and Simon Gervais. 2009. *Work Ethic, Employment Contracts, and Firm Value*. Journal of Finance 64:2, 785-821

Carrillo, Juan and Denis Gromb. 2006. *Cultural Inertia and Uniformity in Organizations*. Journal of Law, Economics, and Organization 23: 743-71.

Weber, Roberto. 2006. *Managing growth to achieve efficient coordination in large groups*. American Economic Review 96:1, 114-126.#

Van den Steen, Eric. 2010. *On the origin of shared belief (and corporate culture)s*. RAND Journal of Economics, Vol. 41, No. 4, pp. 617–648

Weber, Roberto and Colin Camerer. 2003. *Cultural Conflict and Merger Failure: An Experimental Approach*. Management Science 49: 400-15.#

Benabou, Roland. 2013. *Groupthink: Collective Delusions in Organizations and Markets*. Review of Economic Studies 80, 429–462

Decision Making – Leadership

Hermalin, Benjamin. 1998. *Toward an Economic Theory of Leadership: Leading By Example*. American Economic Review 88: 1188-1206.

Hermalin, Benjamin. 2007. *Leading for the long term*. Journal of Economic Behavior and Organization

Eric Van den Steen. 2005. *Organizational Beliefs and Managerial Vision*. Journal of Law, Economics and Organization, Oxford University Press, vol. 21(1), pages 256-283, April.

Rotemberg, Julio J, and Garth Saloner. 2000. *Visionaries, Managers, and Strategic Direction*. RAND Journal of Economics, Vol. 31, No. 4.

Rotemberg, Julio and Garth Saloner. 1993. *Leadership Style and Incentives*. Management Science 39: 1299-1318.

Bolton, Patrick, Markus K Brunnermeier, and Laura Veldkamp. 2013. *Leadership, Coordination, and Corporate Culture*. Review of Economic Studies, 80, 512–537

Weber, R. Rottenstreich, Y., Camerer, C. and Knez, M. 2001. *The Illusion of Leadership: Misattribution of Cause in Coordination Games*. Organizational Science 12:582-98.#

Levy, David M., Kail Padgitta, Sandra J. Peart, Daniel Houser, and Erte Xiaoc. 2011. *Leadership, cheap talk and really cheap talk*. Journal of Economic Behavior & Organization, 77, 40–52.

Bertrand, Marianne and Antoinette Schoar. 2003. *Managing with Style: The Effect of Managers on Firm Policies*. Quarterly Journal of Economics 118: 1169-1208.#

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* Marks papers that are particularly technical. Take a look at the models before selecting on of these to ensure you are comfortable with them.

Marks empirical papers. If you are presenting an empirical paper you must develop a toy model to highlight ex-ante expectations and the experiments' or empirical observations' surprising insight.