MECS 449-2: Economics of Organization

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Th 9-12
Leverone 619

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Overview:

This course provides an introduction to the Economics of Organization. We will discuss the classic papers and some recent research in organizational economics. The purpose of covering these papers is to help you build up your toolbox as an applied researcher. One goal is that by the end of the class, when faced with an empirical phenomenon, you can quickly write down a model to explain it by using or extending the models covered.

To reach this goal, we will focus the lecture more on the model’s key assumptions than its mechanics. (Of course, you should make sure to have read the paper and understand the details of the model yourself!) This will help you better understand the applicabilities of the models. To get more out of the class, you should ask yourself what are the key assumptions of the model? How reasonable are these assumptions? What will happen to the model when these assumptions are modified? Thinking through these questions help you identify future research questions and transform from a class-taker to a scholar.

The topics of the class are roughly organized into the following modules:

Module 1: Static, Explicit Contracts (Week 1-2)
Module 2: Dynamic and Relational Contracts (Week 3-5)
Module 3: Information and Matching (Week 6-9)

Requirements

Each class session will cover two to three journal articles. To make sure you have read them, you are expected to come to class with a one-page write-up of one of the articles required for that day. An article write-up should cover the paper’s main motivation and results. You are also encouraged to write down your extra thoughts of the paper: its strength and weakness, possible extensions of the model, alternative models that can explain similar phenomenon (and empirical tests to sort them out).
You are also required to submit a 10-15 pp. paper by Monday of examination week. This paper is on the topic of your choice. Use this paper to get started on your own research agenda. At a minimum, it should contain a clear statement of your research question(s), why it is important, and how you intend to go about answering it. You should then use the rest of the paper to summarize what the existing literature has to say about your research question and describe the data or theory you intend to apply. This does not have to be a complete paper (although if it is, that is wonderful). But it should be focused enough so that it provides you a strong foundation from which to build.

We will require a 2-3 page abstract of your paper midway through the course (4/28). You are welcome (and encouraged) to discuss with me about your ideas earlier. Finally, you will give a presentation on 6/2 about a paper of your choice. A suggested list is included at the end of the syllabus.

Your grades will by based 50% on your paper and 50% on your performance in class.

Week 1: Static Contracts: Single Agent (3/31)


Week 2: Static Contracts: Multiple Agents (4/7)


Week 3: Dynamic Contracts and Recursive Representation (4/14)


Week 4: Dynamics in Relational Contracts (4/21)


* Fong and Li “Relational Contracts, Efficiency Wages, and Employment Dynamics.” (2010), mimeo.


Week 5: Relational Contracts: Additional Topics (4/28)


* Fong and Li (2009). “Information and Intertemporal Signal Garbling in Relational Contracts,” Mimeo

Week 6: Learning (5/4)

DeGroot: Optimal Statistical Decisions, Chapter 9


**Week 7: Career Concern (5/11)**


**Week 8: Matching (5/18)**


**Week 9: Asymmetric Information and Training (5/25)**


**Week 10: Student Presentation (6/2)**


Chassang (Forthcoming AER). “Building Routines: Learning, Cooperation, and the Dynamics of Incomplete Relational Contracts.”


