

ORGANIZATIONAL ECONOMICS

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This course will provide an introduction to economic theories of organizations and business firms in particular. Special emphasis will be given to recent developments and unresolved research questions.

The course will be held partly in the form of formal lectures and partly in the form of students' presentation and joint discussion of some of the papers in the list below.

READING LIST

General introduction:

- Arrow, K., 1974, *The Limits of Organization*, New York, Norton.
- Holmstrom, B. and J. Tirole 1989, "The Theory of the Firm", in R. Schmalensee and R. Willig, *Handbook of Industrial Organization*, Amsterdam, North Holland.
- March, J. and H. Simon 1993, *Organisations*, New York, Wiley, (2nd ed.).
- Milgrom, P. and J. Roberts 1992, *Economics, Organization and Management*, Englewood Cliffs, NJ, Prentice Hall.
- Putterman, L., 1986, *The Economic Nature of the Firm: A reader*, Cambridge, Cambridge University Press, (a collection of some of the most significant "classic" papers).

Transaction costs:

- Coase, R.H. 1937, "The nature of the firm", *Economica*, vol. 4, pp. 386-405.
- Klein, Benjamin, Robert Crawford, and Armen Alchian. 1978. "Vertical Integration, Appropriable Rents and the Competitive Contracting Process." *Journal of Law and Economics* XXI: 297-326.
- Williamson, Oliver. 1979. "Transaction Cost Economics: The Governance of Contractual Relations." *Journal of Law and Economics* 22: 233-61.
- Klein, Benjamin. 1988. "Vertical Integration as Organizational Ownership: The Fisher Body-General Motors Relationship Revisited." *Journal of Law, Economics, and Organization* 4: 199-213.
- Coase, Ronald. 2000. "The Acquisition of Fisher Body by General Motors." *Journal of Law and Economics* 43: 15-31.
- Langlois, R. and P. Robertson. 1989. "Explaining Vertical Integration: Lessons from the American Automobile Industry." *Journal of Economic History* XLIX: 361-75.
- North, D.C: 1990, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press.
- Williamson, O.E. 1985, *The Economic Institutions of Capitalism*, New York, The Free Press.

Agency and incentives and control:

- Alchian A.A. and H. Demsetz 1972, "Production, information costs, and economic organization", *American Economic Review*, vol. 62, pp. 777-795.
- Campbell, D., *Incentives*, Cambridge, Cambridge University Press, 1995.

- Fama, E., 1980, "Agency problems and the theory of the firm", *Journal of Political Economy*, vol. 88, pp. 288-307.
- Fehr, E. and U. Fischbacher (2002), Why social preferences matter: The impact of non-selfish motives on competition, cooperation and incentives, *Economic Journal*, vol. 112, pp. C1-C33.
- Frey, B.S. and F. Oberholzer-Gee (1997), The costs of price incentives: An empirical analysis of motivation crowding-out, *American Economic Review*, vol. 87, pp. 746-755.
- Gibbons, R. (1997), Incentives and careers in organizations, in D. Kreps and K. Wallis (eds.), *Advances in economics and econometrics: theory and applications. Seventh world congress, vol. II*, Cambridge, Cambridge University Press.
- Prendergast, C., 1999, "The provision of incentives in firms", *Journal of Economic Literature*, vol. 37, pp. 7-63.

Authority, power and property rights:

- Bowles, S., 1985, "The production process in a competitive economy: Walrasian, Neo-Hobbesian and Marxian models", *American Economic Review*, vol. 75, pp. 16-36.
- Bowles, S. and H. Gintis, 1993, "The revenge of homo economicus: Contested exchange and the revival of political economy", *Journal of Economic Perspectives*, vol. 7, pp. 83-102.
- Grossman S.J. and O.D. Hart 1986, "The costs and benefits of ownership", *Journal of Political Economy*, vol. 94, pp. 691-719.
- Hart, O. and J. Moore. 1990 "Property rights and the nature of the firm", *Journal of Political Economy*, vol. 98, pp. 1119-1158.
- Jensen, M.C. and W.H. Meckling 1992, "Specific and general knowledge and organizational structure", in L. Werin and H. Wijkander (eds.), *Contract Economics*, Oxford, Blackwell.
- Marglin S. 1974, "What do bosses do?", *Review of Radical Political Economics*, vol. 6, pp. 60-112.
- Rajan, R.G. and L. Zingales, 1998, "Power in a theory of the firm", *Quarterly Journal of Economics*, vol. 113, pp. 387-432.
- Rajan, R.G. and L. Zingales, 2001, "The firm as a dedicated hierarchy: A theory of the origins and growth of firms", *Quarterly Journal of Economics*, vol. 116, pp. 805-851.
- Shapiro, C. and J.E. Stiglitz, 1987, "Unemployment as a worker discipline device", *American Economic Review*, vol. 74, pp. 433-444.

Decision making and competencies: behavioural and evolutionary views:

- Cyert, R.M. and J.G. March (1963), *A Behavioral Theory of the Firm*, Oxford: Blackwell.
- Dosi, G., L. Marengo and M. Faillo, 2003, "Organizational capabilities, patterns of knowledge accumulation and governance structures in business firms: An introduction", LEM – Scuola Superiore S. Anna, WP 2003-11. Download at: <http://www.lem.sssup.it/WPLem/files/2003-11.pdf>
- Kogut, B. and U. Zander, 1992, "Knowledge of the firm, combinative capabilities and the replication of technology", *Organization Science*, vol. 3, pp. 383-397.
- March, J., *A Primer on Decision Making. How decisions happen*, New York, Free Press, 1994.
- Nelson, R. and S. Winter, *An Evolutionary Theory of Economic Change*, Cambridge MA, Harvard University Press.
- Penrose, E., 1959, *The Theory of the Growth of the Firm*, New York, Wiley.
- Richardson, G., 1972, "The organization of industry", *Economic Journal*, vol. 82, pp. 883-896.
- Rumelt R.P. 1982, 'Diversification Strategy and Profitability', *Strategic Management Journal*, 3, 359-369.
- Simon, H., *The Sciences of the Artificial*, Cambridge MA, MIT Press, 1981 (2nd ed.).

Teece, D.J., G. Pisano and A. Shuen 1997, 'Dynamic capabilities and strategic management', *Strategic Management Journal*, 18, 509-33; a revised version is published in G. Dosi, R. Nelson and S.G. Winter (eds) (2000), *The Nature and Dynamic of Organizational Capabilities*, Oxford/New York: Oxford University Press.

Organizational learning and organizational structure:

Cohen, W.M. and D.A. Levinthal, 1989, "Innovation and Learning: the Two Faces of R and D", *The Economic Journal*, vol. 99, pp. 569-596.

Crémer, J., 1980, A Partial Theory of Optimal Organization of a Bureaucracy, *Bell Journal of Economics*, vol. 11, pp. 683-93.

Langlois, R.N. 2002, "Modularity in technology and organization", *Journal of Economic Behavior and Organization*, vol. 49, pp. 19-37.

Levitt, B. and J.G. March, 1988, "Organizational learning", *American Review of Sociology*, vol. 14, pp. 319-340.

March, J.G. 1991, "Exploration and Exploitation in Organizational Learning", *Organization Science*, 2, 71-87.

Marengo, L. and G. Dosi, 2005 "Division of Labor, Organizational Coordination and Market Mechanisms in Collective Problem-Solving", *Journal of Economic Behavior and Organization*, vol. 58, pp. 303-326.

Radner, R. 1986, "The Internal Economy of Large Firms", *Economic Journal*, vol. 96 (supplement), pp. 1-22.

Rumelt R.P. 1995, 'Inertia and Transformation' in C.A. Montgomery (ed.), *Resource-Based and Evolutionary Theories of the Firm: Towards a Synthesis*, Boston: Kluwer Academic Publishers.