

# ECON 4727 Economics of Organizations

Fall 2024

**Instructor:** Yangwei Song

**Office Hours:** T 10:30 - 11:30 AM (ECON 14A)

**Pre-requisites:** microeconomic theory, calculus, and statistics

**Final:** Wednesday, Dec. 18, 4:30–7 p.m.

## **Course Description:**

Economics of Organizations involves the use of economic logic and methods to understand the existence, design, and performance of organizations. We apply methods from contract theory and game theory to study fundamental incentive problems in organizations and the boundaries of organizations. The course content will emphasize theory and analysis.

## **Grading Policy:**

Attendance 5% + Homework 20% + Two Midterms 40% + Final Exam 35%

The participation/attendance is based on iclicker.

There are six problem sets in total, constituting 20% of the overall grade. All exams are open-book, take-home assessments. There will be no make-up exams or extra-credit assignments. If you miss an exam due to a medical or personal reason (with prior notification required), the weight of the missed exam will be redistributed among the remaining exams.

## **Readings:**

- Economics of Strategy, 7th Edition, Besanko, Dranove, Shanley, Schaefer, John Wiley & Sons, 2017.
- The Theory of Incentives, Laffont and Martimort, Princeton University Press, 2002.
- Supplementary readings (lecture notes and some scholarly articles) will be available on Canvas.

## **Course Content:**

1. Introduction to economics of organization
2. Contract design with adverse selection
  - Reading: The Theory of Incentives Chapter 2
3. Contract design with moral hazard

- Reading: The Theory of Incentives Chapter 4

### **Midterm 1 (October 8th)**

#### 4. Imperfect performance measurement

- Reading: Economics of Strategy Chapter 12

#### 5. Relational contract

- Reading: Gibbons lecture note 2

#### 6. Relative performance evaluation: tournament

- Reading: Rank-Order Tournaments as Optimum Labor Contracts, Edward P. Lazear, Sherwin Rosen, Journal of Political Economy, 1981

### **Midterm 2 (November 14th)**

#### 7. Incentives in teams

- Reading: Economics of Strategy Chapter 12

#### 8. Horizontal boundaries of firms

- Reading: Economics of Strategy Chapter 2

#### 9. Vertical boundaries of firms

- Reading: Economics of Strategy Chapter 3

#### 10. Market structure and competition

- Reading: Economics of Strategy Chapter 5

### **Final (December 18th)**

# SYLLABUS STATEMENTS

## CLASSROOM BEHAVIOR

Students and faculty are responsible for maintaining an appropriate learning environment in all instructional settings, whether in person, remote, or online. Failure to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with race, color, national origin, sex, pregnancy, age, disability, creed, religion, sexual orientation, gender identity, gender expression, veteran status, political affiliation, or political philosophy.

For more information, see the [classroom behavior policy](#), the [Student Code of Conduct](#), and the [Office of Institutional Equity and Compliance](#).

## REQUIREMENTS FOR INFECTIOUS DISEASES

Members of the CU Boulder community and visitors to campus must follow university, department, and building health and safety requirements and all public health orders to reduce the risk of spreading infectious diseases.

The CU Boulder campus is currently mask optional. However, if masks are again required in classrooms, students who fail to adhere to masking requirements will be asked to leave class. Students who do not leave class when asked or who refuse to comply with these requirements will be referred to Student Conduct & Conflict Resolution. Students who require accommodation because a disability prevents them from fulfilling safety measures related to infectious disease will be asked to follow the steps in the “Accommodation for Disabilities” statement on this syllabus.

For those who feel ill and think you might have COVID-19 or if you have tested positive for COVID-19, please stay home and follow the [further guidance of the Public Health Office](#). For those who have been in close contact with someone who has COVID-19 but do not have any symptoms and have not tested positive for COVID-19, you do not need to stay home.

## Accommodation for Disabilities, Temporary Medical Conditions, and Medical Isolation

[Disability Services](#) determines accommodations based on documented disabilities in the academic environment. If you qualify for accommodations because of a disability, submit your accommodation letter from Disability Services to your faculty member in a timely manner so your needs can be addressed. Contact Disability Services at 303-492-8671 or [dsinfo@colorado.edu](mailto:dsinfo@colorado.edu) for further assistance.

If you have a temporary medical condition or required medical isolation for which you require accommodation, send me an email. Also see [Temporary Medical Conditions](#) on the Disability Services website.

## PREFERRED STUDENT NAMES AND PRONOUNS

CU Boulder recognizes that students' legal information doesn't always align with how they identify. Students may update their preferred names and pronouns via the student portal; those preferred names and pronouns are listed on instructors' class rosters. In the absence of such updates, the name that appears on the class roster is the student's legal name.

## HONOR CODE

All students enrolled in a University of Colorado Boulder course are responsible for knowing and adhering to the [Honor Code](#). Violations of the Honor Code may include but are not limited to: plagiarism (including use of paper writing services or technology [such as essay bots]), cheating, fabrication, lying, bribery, threat, unauthorized access to academic materials, clicker fraud, submitting the same or similar work in more than one course without permission from all course instructors involved, and aiding academic dishonesty.

All incidents of academic misconduct will be reported to Student Conduct & Conflict Resolution: [honor@colorado.edu](mailto:honor@colorado.edu), 303-492-5550. Students found responsible for violating the [Honor Code](#) will be assigned resolution outcomes from the Student Conduct & Conflict Resolution as well as be subject to academic sanctions from the faculty member. Visit [Honor Code](#) for more information on the academic integrity policy.

## SEXUAL MISCONDUCT, DISCRIMINATION, HARASSMENT AND/OR RELATED RETALIATION

CU Boulder is committed to fostering an inclusive and welcoming learning, working, and living environment. University policy prohibits [protected-class](#) discrimination and harassment, sexual misconduct (harassment, exploitation, and assault), intimate partner violence (dating or domestic violence), stalking, and related retaliation by or against members of our community on- and off-campus. These behaviors harm individuals and our community. The Office of Institutional Equity and Compliance (OIEC) addresses these concerns, and individuals who believe they have been subjected to misconduct can contact OIEC at 303-492-2127 or email [cureport@colorado.edu](mailto:cureport@colorado.edu). Information about university policies, [reporting options](#), and support resources can be found on the [OIEC website](#).

Please know that faculty and graduate instructors have a responsibility to inform OIEC when they are made aware of incidents related to these policies regardless of when or where something occurred. This is to ensure that individuals impacted receive an outreach from OIEC about their options for addressing a concern and the support resources available. To learn more about reporting and support resources for a variety of issues, visit [Don't Ignore It](#).

## RELIGIOUS HOLIDAYS

Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. See the [campus policy regarding religious observances](#) for full details.