

BUSINESS ECONOMICS

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Course Description

This course aims to (1) deepen your understanding of business organizations, (2) provide you with additional tools for analyzing and managing business and policy problems, (3) suggest research projects to which you can productively relate, and (4) engage your curiosity about the real world. It emphasizes positive analysis of real cases, managerial applications and the methodological difficulties faced by the scientific inquiry in this field. Class participation is welcome and expected.

1. Human nature and Organizational Analysis: Rationality and Cooperation

1. Cosmides and Tooby (2003).
2. Pinker, 1997, 2002.
3. Ridley, 1996.
4. Gigerenzer, Todd, and the ABC Research Group (1999).
5. BSZ, 2007, Ch. 2, pp. 14-54 or (better) Jensen & Meckling, 1994.
6. Nicholson (2000).
7. Williamson, 1985, Ch. 2, pp. 43-67
8. Frank, 2007, Chs. 7 & 8.
9. Fehr and Falk (2002).

2. Incentives.

1. Fama & Jensen, 1983a.
2. Alchian & Demsetz, 1972.
3. BSZ, 2007, Chs. 11 & 13, pp. 304-325 & 356-380.
4. M&R, Ch. 7.
5. Baker *et al.*, 1988.
6. Rubin, Ch. 3, pp. 47-69.
7. Lazear, 1991.
8. Gibbons, 1998.
9. Ichniowski and Shaw (2003).

3. Organizational structure and divisionalization
 1. Jensen & Meckling (1998)
 2. Rubin, Chs. 6 & 7, pp. 117-144
 3. BSZ, 2007, Chs. 11-13 & 17, pp. 304-380 & 477-508
 4. Waldman (2003).
 5. Dnes, 1996.

4. Specialization and Exchange: Markets and Politics
 1. Coase, 1937.
 2. Jensen and Meckling, 1976.
 3. Jensen, 1983.
 4. Holmstrom and Roberts, 1998.
 5. Hayek, 1945 and 1989.

5. The Institutional Support of Business Activity
 1. Arruñada (2001).
 2. BSZ, 2007, Ch. 3, pp. 55-95 and Ch. 10, pp. 280-303.
 3. Williamson, Ch. 1, pp. 15-42.
 4. North, 1991.
 5. Arruñada (2000a); Arruñada, Garicano and Vázquez (2001).
 6. Frey (1988).

6. Vertical integration
 1. Carlton and Perloff (1994).
 2. Perry (1989: 183-255, sp. 185-190 & 212-229)

7. Contracting capital
 1. Rubin, Chs. 4 & 5, pp. 71-114.
 2. Fama & Jensen, 1983b.
 3. Jensen & Meckling, 1979.
 4. Easterbrook & Fischel, 1991, Ch. 9, pp. 228-252.

8. Quality assurance
 1. Rubin, Ch. 8, pp. 145-161.
 2. Akerlof, 1970, sp. section 4 & 5.
 3. Carlton & Perloff, 1994, Chs. 14-15 in 1994 ed. (17-18 in 1990 ed.).
 4. Klein & Leffler, 1981.
 5. Tirole, 1988, 2.1, 2.2 (except 2.2.1.1.) and 2.3 and, sp., 2.3.2 and 2.6.
 6. Arruñada (2000b).
 7. Kenney & Klein, 1983.
 8. Shapiro, 1983.

9. Firms and society

1. Introduction: Rubin (1990: 3-22).
2. Klein et al. (1978)
3. Holmstrom and Tirole (1989: sp. 64-73) or Grossman & Hart (1986). Compare to Klein *et al.* 1978.
4. Williamson, Chs. 4-6, skim pp. 85-162, focusing on comments to Grossman & Hart 1986 paper.
5. González, Arruñada and Fernández (1998, 2000).
6. Peltzman, 1989, and comments and discussion (pp. 42-59)
7. Hirshleifer, 1994.

Practice sessions

Keep in mind that the purpose of most exercises is to apply the analytical framework of each topic, not to ‘solve’ the problem or go into a general discussion of the issues involved.

General References

1. BRICKLEY, J. A., C.W. SMITH, Jr., and J.L. ZIMMERMAN, *Managerial Economics and Organizational Architecture*, 4th ed., McGraw-Hill, Boston, 2007. (BSZ, 2007)
2. RUBIN, P. H., *Managing Business Transactions: Controlling the Cost of Coordinating, Communicating, and Decision Making*, The Free Press, New York, 1990.
3. WILLIAMSON, O. E., *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*, The Free Press, New York, 1985.

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