

Syllabus

Economics 4650 – John L. Turner – Fall 2009

Office: 513 Brooks Hall

Telephone: 542-3682

Electronic Mail: jltturner@terry.uga.edu

Office Hours: Mondays 3:00 – 5:00 p.m.

Course Description: Decision making within firms and public organizations, using standard microeconomic tools. Transaction costs and the size of the firm, the compensation and motivation of workers, mergers and corporate control, team production, and the theory of bureaucracy. Offered every year.

Pre-Requisites: ECON 4010

Course Objectives: After completing this course, you will be able to think like an economist in evaluating the importance of organization and management for economic performance.

Text: Milgrom, Paul and John Roberts. “Economics, Organization and Management,” Prentice-Hall. This is a challenging book, making it imperative that you keep up with the readings.

Readings: Most of the material in class will reflect readings from the text. I will lecture occasionally on material taken from outside readings. These readings are listed on the syllabus. Those marked with JSTOR are available through the JSTOR database, at www.jstor.org. *NOTE: You must be on the UGA network to have access to this database.*

Attendance and Class Participation: I will take attendance daily. I will also frequently pose questions to the class. Answering questions and posing interesting questions will earn you points for class participation. Your attendance and class participation record will come in to play if your grade is a reasonably close call.

Homework: There will be four problem sets that you should work. They will be posted to the class web page: <http://www.terry.uga.edu/~jltturner/4650/>. These will not be graded and I will post answers to the website around two weeks after passing out the problems. These problems represent the type of questions I will ask on the exams, so in working them you should be able to determine how prepared you are.

Grading: There will be two short (maximum 500 word) essays, two in-class exams and a cumulative final exam. These will count for 15%, 15%, 20%, 20% and 30% (respectively) of your raw score. Along with your attendance and class participation, these are the ONLY items I will consider in assigning grades. I consider your GPA and scholarship/eligibility status to be irrelevant and I will not discuss them with you. To bring these things up with me will serve only to highlight the fact that you did not pay attention to this syllabus or to the opening day of class. Grades of 90%+ will receive A, grades of 80-89% will receive B, grades of 70-79% will receive C. However, the instructor reserves the right to change the letter grade cutoffs.

Essays: The two short essays have simple instructions. Discover an ostensibly puzzling economic phenomenon easily observable in everyday life, and explain the phenomenon using the tools introduced in this course. These essays are designed to facilitate your ability to think like an economist.

Final Exam Schedule: The final exam for this class is Monday, December 14 at 12:00 noon. If you have a conflict with this date and time, you should not take this class.

Miscellaneous: The most important material for you to learn is the material that I cover in class. Some of this material *may not be covered* in the readings. You should therefore try to keep very detailed class notes. Do not write down only what I put on the board. If you miss class, getting the notes from a classmate is your responsibility. I will not spend time in office hours covering material missed due to absence.

University Honor Code & Academic Honesty Policy

As a University of Georgia student, you have agreed to abide by the University's academic honesty policy, "A Culture of Honesty," and the Student Honor Code. All academic work must meet the standards described in "A Culture of Honesty" found at: www.uga.edu/honesty. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

Changes to the Syllabus:

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

Course Topics :

THE PROBLEM OF ECONOMIC ORGANIZATION

1. Organizations matter, 2-18.
2. Economic Organization and Efficiency, 19-53.

Coase, Ronald. "The Nature of the Firm," *Economica*, 1937, pp. 386-405 (JSTOR)

Coase, Ronald. "The Problem of Social Cost," *Journal of Law and Economics*, 1960, pp. 1-44 (JSTOR).

Williamson, Oliver. The Economic Institutions of Capitalism. The Free Press, McMillan, New York. Chapter 2, pp. 15-42 (handout).

COORDINATION: MARKETS AND MANAGEMENT

3. Using Prices for Coordination and Motivation, 56-87.

Hayek, F.A. "The Use of Knowledge in Society," *American Economic Review* 35 (4), 1945, pp. 519-530 (JSTOR).

MOTIVATION: CONTRACTS, INFORMATION AND INCENTIVES

5. Bounded Rationality and Private Information, 126-165.

Akerlof, George A. "The Market for 'Lemons': Quality, Uncertainty and the Market Mechanism," *Quarterly Journal of Economics* 84 (3), 1970, pp. 488-500 (JSTOR).

6. Moral Hazard and Performance Incentives, 166-199.

EFFICIENT INCENTIVES: CONTRACTS AND OWNERSHIP

7. Risk Sharing and Incentive Contracts. 206-247.
8. Rents and Efficiency. 248-287.