



ECONOMICS 488  
Fall 2021  
HAL 305  
W: 6:30-9:00pm

### **ECON 488: Seminar in Organizational Economics**

*"Micro-microeconomics has never become an established field."*  
~ Harvey Leibenstein (1979)

**PROFESSOR:** Dr. Caleb S. Fuller

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**OFFICE HOURS:** M: 8-11am; W: 9-11am; F: 10-11am; T/TR: 11:30am-12:30pm.

This syllabus is a contract between us. Both parties should work hard to uphold the guidelines outlined here. I reserve the right to make changes if necessary.

### **REQUIRED TEXTS**

Selected readings.

### **PREREQUISITES**

ECON 101 and ECON 301. Knowledge of microeconomics will be assumed.

### **COURSE DESCRIPTION**

This course will examine the economic logic of organizations. Why do they exist? What problems do they solve? And which do they confront? Why is there so much variation? Why have they evolved the ways they have?

When we encounter persistent organizational forms, our task will be to provide an *economic* rationale for such persistence. However, we will also be sensitive to placing such explanations in evolutionary context—how and why did that form come to prevail?

A secondary goal of our course is to produce a research-level paper in economics. To that end, most class sessions will include a thorough discussion of research, writing, and presentation in economics.

This course is intended to bridge the gap between undergraduate and graduate studies (in economics, business, law, and public policy). Accordingly, I will assume that students will conduct themselves like scholars in training. This means they will diligently complete the heavy reading load and come to class prepared to discuss these readings. Above all, students should seek to

cultivate intellectual humility. As with any seminar-style class, there may be as many questions, as there are answers. *Docendo discimus.*

**LEARNING OUTCOMES:**

This course is intended to equip students to:

1. Understand and critique the major arguments in organizational economics. This will be assessed by weekly quizzes and a final exam.
2. Improve their critical assessment of peer-reviewed papers in organizational economics. This will be assessed by weekly quizzes.
3. Develop, refine, and execute a research paper in organizational economics. This will be assessed by a first draft of a paper and a finalized version that incorporates peer and instructor feedback.

**TENTATIVE SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS**

<u>DATE</u>	<u>TOPIC</u>	<u>READING</u>
Aug 25	Method, Production, the Firm	<a href="#">Leeson: “Economics is Not Statistics (and Vice Versa)”</a>  <a href="#">Langlois: “The Institutional Approach to Economic History: Connecting the Two Strands”</a>  <a href="#">Coase: “The Nature of the Firm”</a>  <a href="#">Allen: “Transaction Costs”</a>
Sept 1	Transaction Cost Economics	<a href="#">Klein et al.: “Vertical Integration, Appropriable Rents, and the Competitive Contracting Process”</a>  <a href="#">Klein and Shelanski: “Empirical Research in Transaction Cost Economics: A Review and Assessment” (optional)</a>
Sept 8	Measurement  <b>PAPER TOPIC DUE</b>	<a href="#">Barzel: “Measurement Costs and the Organization of Markets”</a>  <a href="#">Alchian and Demsetz: “Production, Information Costs, and Economic Organization” (optional)</a>

Sept 15	Agency	<p><a href="#">Manne: “Mergers and the Market for Corporate Control”</a></p> <p><a href="#">Silverman and Ingram: “Asset Ownership and Incentives in Early Shareholder Capitalism: Liverpool Shipping in the Eighteenth Century”</a></p>
Sept 22	Labor Contracts	<a href="#">Chisholm: “Profit-Sharing versus Fixed-Payment Contracts: Evidence from the Motion Pictures Industry”</a>
Sept 29	Ownership  If time permits: Austrian Perspectives on the Firm	<p><a href="#">Hansmann: “Ownership of the Firm”</a></p> <p><a href="#">Klein: “Economic Calculation and the Limits of Organization” (optional)</a></p> <p><a href="#">Piano and Rouanet: “Economic Calculation and the Organization of Markets” (optional—on mygcc)</a></p> <p><a href="#">Foss and Klein: “Entrepreneurship and the Economic Theory of the Firm: Any Gains from Trade?” (optional—on mygcc)</a></p>
Oct 6	Hybrids  <b>GUEST SCHOLAR PRESENTATION</b>	<p><a href="#">Dnes: “A Case-Study Analysis of Franchise Contracts”</a></p> <p><a href="#">Menard: “The Economics of Hybrid Organizations” (optional)</a></p>
Oct 13	Contracts, Brands, Quality  <b>FIRST DRAFT DUE</b>  <b>GUEST SCHOLAR PRESENTATION</b>	<p><a href="#">Klein and Leffler: “The Role of Market Forces in Assuring Contractual Performance”</a></p> <p><a href="#">Png and Reitman: “Why are some Products Branded and Others Not?”</a></p>

Oct 20	Non-Profits  <b>GUEST SCHOLAR PRESENTATION</b>	<a href="#">Hansmann: “Economic Theories of Nonprofit Organization” (pp. 28-37)</a>  <a href="#">Allen: “Order in the Church: A Property Rights Perspective”</a>
Oct 27	Clubs  <b>GUEST SCHOLAR PRESENTATION</b>	<a href="#">Leeson: “Governments, Clubs, and Constitutions”</a>  <a href="#">Barzel and Sass: “The Allocation of Resources by Voting”</a>  <a href="#">Greif: “The Fundamental Problem of Exchange” (pp. 265-272)</a>
Nov 3	Criminal Organizations  <b>PAPER PRESENTATIONS</b>	<a href="#">Leeson: “An-<i>arrgh</i>-chy: The Law and Economics of Pirate Organization”</a>  <a href="#">Leeson and Rogers: “Organizing Crime”</a>
Nov 10	Bureaucracies  <b>PAPER PRESENTATIONS</b>	<a href="#">Mises: <i>Bureaucracy</i> (pp. 40-56)</a>  <a href="#">Coyne: “<i>The Politics of Bureaucracy</i> and the Failure of Post-War Reconstruction”</a>
Nov 17	Families  <b>PAPER PRESENTATIONS</b>	<a href="#">Bringig: “Rings and Promises”</a>  <a href="#">Bring and Crafton: “Marriage and Opportunism”</a>
Nov 24	<b>THANKSGIVING BREAK</b>	
Dec 1	Miscellaneous Topics  <b>PAPER PRESENTATIONS</b>	<a href="#">Piano: “Organizing High-End Restaurants” (on mygcc)</a>  <a href="#">Wernerfelt and Simester: “Determinants of Asset Ownership: A Study of the Carpentry Trade”</a>  <a href="#">Brown: “University Governance and Academic</a>

		<a href="#">Tenure: A Property Rights Explanation”</a>
Dec 8	<b>FINAL EXAM</b> <b>FINAL PAPER DUE</b>	

### **COURSE REQUIREMENTS, EVALUATION, GRADING**

Final grades are based on weekly quizzes, a first paper draft, a final paper draft, and a take-home final.

The final grade is calculated as follows:

Weekly quizzes: 15%  
 Midterm draft: 20%  
 Final draft: 50%  
 Take-home final: 15%

#### Grading Scale:

**A:** 93-100    **A-:** 90-92.9    **B+:**87-89.9    **B:** 83-86.9    **B-:**80-82.9    **C+:**77-79.9  
**C:** 73-76.9    **C-:** 70-72.9    **D+:** 67-69.9    **D:** 63-66.9    **D-:** 60-62.9    **F:** <60

If a you must miss an exam, please discuss it with me prior to the exam. In the event of an emergency, you should email me as soon as possible. If you miss an exam for an unexcused reason, a grade of “0” will be given. **If the absence is excused, you have two options.** You may elect to take a make-up examination. Alternatively, you may elect to add the weight of the missed assignment to the next comparable assignment (i.e. choosing this option for missing quiz 1 causes quiz 2 to be worth 4% of your grade).

The final exam must be taken at the scheduled time. One exception: students who have three or more finals scheduled for the same day may discuss with me an alternative time to take the final.

All assignments must be hard-copy and stapled; they are due at the beginning of class. Unexcused late assignments will receive a zero. The ability to meet deadlines is a skill that will serve you well in every potential opportunity after you graduate. **As a result, (unexcused) late assignments will receive a grade of zero.**

### **IN-CLASS EXPECTATIONS**

The use of phones and laptops is prohibited in class. Many elite institutions, including law schools, have chosen to ban electronics from the classroom on the same grounds that I do so: studies have repeatedly demonstrated that laptop usage exerts a statistically significant, negative effect on classroom outcomes. For example, a recent study of Principles of Economics classes at West Point found that when laptops were banned, students scored, on average, .18 standard deviations higher than their peers in laptop-using classrooms.<sup>1</sup> Several studies also demonstrate that taking notes by

<sup>1</sup> See here: <http://educationnext.org/should-professors-ban-laptops-classroom-computer-use-affects-student-learning-study/>.

hand is, on average, superior for learning and retention than is taking notes by electronic device.<sup>2</sup> However, the strongest argument for a laptop ban comes from recent studies indicating that laptop usage harms the performance of non-laptop-using students in a laptop-using classroom.<sup>3</sup> When someone's activity imposes costs on someone else, economists call it a "negative externality." My policy of banning electronics is an attempt to mitigate negative externalities in the classroom.

Consistent with the College's goal of fostering a collegial academic environment and a community founded on the Christian ethic, all members of this class will treat each other respectfully, even when disagreeing with a viewpoint expressed by a classmate or the professor. *Ad hominem*, derogatory, or demeaning comments directed at individuals in or outside of our classroom do nothing to facilitate our pursuit of truth, undermine the nature of our Christian community, and will not be tolerated.

### **ECON 488 PAPER**

Each student will complete a 10-12 page paper that contains a well-developed *germ* of an idea which could be developed into a publishable paper. The first part of the semester will be split between analysis of published papers and discussion of how to do scholarly research in economics. The first draft of the paper is due October 13<sup>th</sup>. In the second half of the semester, students will present their first drafts to receive constructive critique from the class members and instructor.

The paper will be an "applied theory" paper that explains either the function or evolution of some organizational form—whether contemporaneously or historically. The first part of our semester will examine how to approach this task.

Paper Resources:

1. Paper topic suggestions
2. ["Writing Tips for Ph.D. Students" – John Cochrane](#)
3. ["Writing Tips for Economics Research Papers"—Plamen Nikolov](#)
4. ["A Guide to Writing in Economics"—Paul Dudenhefer](#)

### **COLLEGE REGULATIONS**

This course complies with the Attendance Expectations and Academic Integrity policies of the College as described in the Grove City College Bulletin. Attendance at all classes for which a student is registered is essential to the satisfactory completion of the course. If an absence is incurred for any reason, it is the obligation of the student to ascertain from the instructor what is to be done to maintain his/her standing in the course.

A student may have unexcused absences which total less than or equal to the number of times the class meets per week. In other words, classes meeting four times per week allow four unexcused absences; three times per week allow three unexcused absences, etc. Absences are excused for

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<sup>2</sup> See here: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/> or here: <https://sites.udel.edu/victorp/files/2010/11/Psychological-Science-2014-Mueller-0956797614524581-1u0h0yu.pdf>.

<sup>3</sup> See here: <http://www.sciencedirect.com/science/article/pii/S0360131512002254?via%3Dihub>.

authorized GCC activities, loss of immediate family member, and Zerbe-certified illness or injury. Please consult the College Bulletin (pgs. 53-54) for more details on college attendance policy.

## **Academic Integrity:**

### **Preamble**

Grove City College is deeply invested in upholding academic integrity and honesty. Three of the college's five core values, faithfulness, excellence, and community, directly relate to academic integrity because any violation of academic integrity is a form of theft and deceit that affects the one stolen from, as well as the community of students and faculty at the college. In addition, cheating is a violation of three of the Ten Commandments: the prohibitions against stealing, lying, and coveting. However, as the Ten Commandments and the totality of Scripture demonstrate to us, we are fallen creatures who at times do what we ought not do.

Accordingly, the college has created a policy both to define what cheating is and to describe our process for dealing with allegations of cheating in order to discourage cheating and provide an opportunity for meaningful repentance and restoration when students do cheat.

### **Pledge**

As a student of Grove City College, I pledge to do my work faithfully with honesty in accordance with my calling as a student working for Christ's glory.

Cheating and Plagiarism may be present in many areas, including (but not limited to) the following:

1. **Doing Papers, Outside Work.** Work done out of class, which a student submits as his/her own work to a professor, should be his/her own and should not contain that which has been obtained from another, other than properly credited references, sources, and citations.
2. **Taking Exams, Tests, Quizzes.** Work done on a test, exam, or quiz, which a student submits to a professor, should be his/her own and should not contain that which has been knowingly obtained from another. By default, no resources are permitted unless explicitly allowed by the instructor.
3. **Preparing for Exams.** A student should not seek to gain an advantage on an exam he/she is about to take by obtaining advanced access to particular questions or advance copies of a professor's exam, or by giving access to other students. This includes access to exams from prior semesters.
4. **Group Work.** In courses where group work or teamwork is allowed, the members of the group may collaborate and share resources among themselves, but not with other groups or prior and subsequent classes.
5. A student should not cooperate with, aid, or encourage another student's violation of the above rules, even though he or she receives no direct benefit. Any student who does so is also guilty of cheating, and can have their grade from current or past semesters (if relevant) reduced.
6. **Instructor-Imposed Limitations.** Faculty may add (via syllabus, assignment instructions, or verbal instructions) additional rules and limitations pertaining to cheating in their particular discipline, class, and assignment.

Special Note: Plagiarism includes

1. Any direct quotation of another's words, from simple phrasing to longer passages, without using quotation marks and properly citing the source of those words.
2. Any summary or paraphrase of another's ideas without properly citing the source of those ideas.
3. Any information that is not common knowledge—including facts, statistics, graphics, drawings—without proper citation of sources.
4. Any cutting and pasting of verbal or graphic materials from another source and representing as one's own work—including books, databases, web sites, journals, newspapers, etc.—without the proper citation for each of the sources of those materials; this includes any copyrighted artwork, graphics, or photography downloaded from the Internet without proper citation.
5. Any wholesale “borrowing,” theft, or purchasing of another's work and presenting it as one's own, whether from the Internet or from another source.
6. Any presentation of “ghost-written” work including—whether paid for or not—as one's own original work, including papers, computer code, visual artwork, and other forms of written and non-written work.
7. Making one's work available for copying by others, as well as copying work posted on the Internet or otherwise made available by another.
8. Self-citation: you cannot submit the same work for two different classes. If you use part of an earlier work, or ideas from an earlier work, you should reference it, as with any other source.

**Accessibility & Accommodations:** If you anticipate physical or academic barriers based on a disability, please let me know immediately so that we may discuss options. You may also contact the disability services office to establish accommodations. The Disability Services Coordinator may be reached at (724)-264-4673 or [disabilityservices@gcc.edu](mailto:disabilityservices@gcc.edu).

**COVID Policy:** Grove City College continues to monitor the COVID-19 outbreak, and we are committed to maintaining a safe and healthy campus community. In order to care for each other, please exercise responsible caution in all academic buildings including in all classrooms, labs, studios, hallways, and restrooms. Additionally, Students showing any symptoms related to COVID-19 (outlined in the Campus Health and Safety Plan) must not attend class. Instead, they should report their condition through the College's COVID-19 portal, work closely with the Office of Student Life and Learning, and not return to class in-person until cleared to do so. During this time, every effort will be made to provide remote learning opportunities. If a student's name does not appear in the COVID-19 portal, faculty are not required to record their lectures or make any other accommodation to make up missed classes or labs. It is recommended that unvaccinated students wear a mask while attending class. These policies may be modified depending on the pandemic's severity.