ECON3123 / ECON5323
Organisational Economics

Course Outline
Semester 2, 2015

Part A: Course-Specific Information

Students are also expected to have read and be familiar with Part B Supplement to All Undergraduate Course Outlines. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the BUSINESS SCHOOL PROGRAM LEARNING GOALS.
Table of Contents

1 STAFF CONTACT DETAILS 1
  1.1 Communications with staff 1

2 COURSE DETAILS 1
  2.1 Teaching Times and Locations 1
  2.2 Units of Credit 1
  2.3 Summary of Course 1
  2.4 Aims and Relationship to Other Courses 221
  2.5 Student Learning Outcomes 2

3 LEARNING AND TEACHING ACTIVITIES 3
  3.1 Approach to Learning and Teaching in the Course 3
  3.2 Learning Activities and Teaching Strategies 3

4 ASSESSMENT 554
  4.1 Formal Requirements 554
  4.2 Assessment Details 554
  4.3 Midsession Exam 554
  4.4 Problem Set Assessment, Oral Presentation, and Group Assignment 665
  4.5 Problem Set Submission Procedure 665
  4.6 Late Submission of Problem Sets 665
  4.7 Final Exam Format 665
  4.8 Quality Assurance 665

5 COURSE EVALUATION AND DEVELOPMENT 665

6 COURSE RESOURCES 776

7 COURSE SCHEDULE 776
  7.1 Lecture Schedule 776
  7.2 Tutorial Schedule 887
1  STAFF CONTACT DETAILS

Lecturer-in-charge: Dr Hongyi Li  
Room: BUSINESS SCHOOL 415  
Email: hongyi@unsw.edu.au  
Consultation Times – Thursday 2-4pm

Tutor: Jennifer Wu  
Email: jjwu@unsw.edu.au

1.1 Communications with staff

You should feel free to contact your instructor(s) about any academic matter. However, I strongly encourage, for efficiency, all enquiries about the subject material be made at lectures or tutorials or during consultation time. Discussion of course subject material will not be entered into via lengthy emails.

Email correspondence on administrative matters (e.g. advising inability to attend tutorial) will be responded to within 48 hours, but not over weekends. Please note that the instructor has no advance notice of the date and time of the exam [the subject of many emails].

2  COURSE DETAILS

2.1 Teaching Times and Locations

Lectures start in Week 1 (to Week 12): The time(s) and location(s) is/are:
Mon 13:00 – 15:00, Colombo Theatre B (B16)

Tutorials start in Week 2 (to Week 13). The groups and times are:
Monday 15:00 – 16:00, Quad G052  
Monday 17:00 – 18:00, Col LG01  
Monday 18:00 – 19:00, Col LG01  
Tuesday 17:00 – 18:00, Mech Eng G01  
Tuesday 18:00 – 19:00, Mech Eng G01

2.2 Units of Credit

The course is worth 6 units of credit.

2.3 Summary of Course

This course studies the internal organisation of firms and other organisations. It provides a rigorous introduction to foundational theories, and then discusses applications to real-world managerial problems. How should incentives be designed in organisations? How should conflict within an organisation be resolved? When should organisations outsource and when should they produce internally? Why do organisations arise in market economies? Tools from game theory, information economics and contract theory are introduced and applied to analyse these (and other) questions.
2.4 Aims and Relationship to Other Courses

This course is offered as part of the economics stream in the B.Com and B.Ec degrees. A prerequisite for this course is ECON2101. It aims to build on basic theories and knowledge learnt in ECON2101. This course has two main objectives. First, you should have a good understanding of how to analyze incentive problems and conflict using game-theoretic models. Second, you should be able to apply these models to explain observed compensation patterns and decision-making outcomes in organisations.

2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate coursework students in the BUSINESS SCHOOL. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Undergraduate Program Learning Goals and Outcomes, see Part B of the course outline.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

<table>
<thead>
<tr>
<th>Program Learning Goals and Outcomes</th>
<th>Course Learning Outcomes</th>
<th>Course Assessment Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>This course helps you to achieve the following learning goals</td>
<td>On successful completion of the course, you should be able to:</td>
<td>This learning outcome will be assessed in the following items:</td>
</tr>
<tr>
<td>1 Knowledge</td>
<td>Understand how conflicts of interest arise within organisations.</td>
<td>• Problem sets</td>
</tr>
<tr>
<td></td>
<td>Demonstrate understanding of how decision making authority is allocated within an organisation; and how private information gets revealed in a labour market.</td>
<td>• Midsession exam</td>
</tr>
<tr>
<td>2 Critical thinking and problem solving</td>
<td>Evaluate the role of different incentive schemes, monetary and non-monetary in resolving conflicts of interest within an organisation.</td>
<td></td>
</tr>
<tr>
<td>3a Written communication</td>
<td>Demonstrate understanding of how decision making authority is allocated within an organisation and how private information gets revealed in a labour market.</td>
<td></td>
</tr>
<tr>
<td>3b Oral communication</td>
<td>Communicate ideas in a succinct and clear manner.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Teamwork</td>
<td>Work collaboratively to complete a task.</td>
</tr>
<tr>
<td>---</td>
<td>----------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>5a.</td>
<td>Ethical, environmental and sustainability considerations</td>
<td>Identify and assess ethical considerations in problems in economics and business.</td>
</tr>
<tr>
<td>5b.</td>
<td>Social and cultural awareness</td>
<td>Formulate economic and organizational interactions in analytical terms and analyse them using tools provided by the theory.</td>
</tr>
</tbody>
</table>

The course assessments indicated with (AOL) are used to assess the Program Learning Goals and Outcomes according to the Assurance of Learning (AOL) processes of the UNSW Business School. At least some components of the AOL assessments will be marked according to the AOL rubric for the assessment criteria. The AOL rubric relevant for your course will be posted on the course Moodle site.

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course
The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers and tutors aim to provide meaningful and timely feedback to students to improve learning outcome.

3.2 Learning Activities and Teaching Strategies
The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

Lectures
The purpose of Lectures is to provide a logical structure for the topics that make up the course; to emphasize the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied.

Tutorials
Tutorials begin in Week 2 and are an integral part of the subject. Tutorial problems will build on the material discussed in class with the lecturer.

Out-of-Class Study
While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An “ideal” strategy (on which the provision of the course materials is based) might include:
• Reading of relevant materials **before the lecture.** This will give you a general idea of the topic area.

• Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.

• Attending tutorials and attempting the tutorial questions.
4 ASSESSMENT

4.1 Formal Requirements
In order to pass this course, you must:
- achieve a composite mark of at least 50 out of 100; and
- make a satisfactory attempt at ALL assessment tasks (see below).

4.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting</th>
<th>Length</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Presentation</td>
<td>5%</td>
<td>See 4.4 below</td>
<td>See course website</td>
</tr>
<tr>
<td>4 Problem Sets (WK#3, WK#5, WK#9, WK#12)</td>
<td>20%</td>
<td>See 4.4 below</td>
<td>Due one week after problem set handed out</td>
</tr>
<tr>
<td>Group Assignment</td>
<td>5%</td>
<td>See 4.4 below</td>
<td>See course website</td>
</tr>
<tr>
<td>Midsession exam</td>
<td>30%</td>
<td>2 hours</td>
<td>Week 6</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40%</td>
<td>2 hours</td>
<td>University Exam Period</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3 Midsession Exam
There will be a mid-session exam in week 6. The exam will be 120 minutes in length. The exam will cover material from week 1 to week 5. Details of the time and place of the exam will be announced on the course website and in class.

There will be NO supplementary tests offered for the mid-session exam. You should make every effort to take the mid-session exam. Students who fail to attend the examination will need to apply for Special Consideration.

In cases of serious illness, students will need full and convincing documentation of that illness. Students who are found to be genuinely too ill to have attended the exam will have their mark in the final exam re-weighted to include the mark reserved for the missed test. In all other cases of non-attendance students will receive a grade of zero. Employment obligations or holiday plans of any kind are not acceptable reasons for absence from any test/examination.

Applications for special consideration must be lodged online through myUNSW within 3 working days of the assessment (Log into myUNSW and go to My Student Profile tab > My Student Services channel > Online Services > Special Consideration). Then submit the originals or certified copies of your supporting documentation and a completed Professional Authority form (pdf - download here) to Student Central.
4.4 Problem Set Assessment, Oral Presentation, and Group Assignment

There are four problem sets which you will be assessed on. These problem sets give you the opportunity to: (i) practise the techniques demonstrated in class, (ii) extend the analysis by deriving new results and/or by considering different situations, and (iii) evaluate the existing approaches on the basis of the associated empirical and theoretical literatures. The problem sets will be provided for each week's tutorials via Moodle.

For the first problem set, you will be asked to make an oral presentation, to be submitted in the form of a video. Details of the assignment and submission procedure will be made available on Moodle.

In addition, you will also be assessed on a group assignment; it will be due in week 11. Details about the assignment, as well as the marking criteria, will be distributed later in the course.

4.5 Problem Set Submission Procedure

Submission details for problem sets will be provided in class. Problem sets should be submitted at the beginning of the lecture in which they are due. Problem sets should include your full name and student number. It is your responsibility to keep an extra copy of the problem sets in case the original is lost or damaged.

Assessment will be one of three grades for each problem set: maximum credit (5%), partial credit (2.5%), or no credit (0%).

4.6 Late Submission of Problem Sets

Late problems sets are not acceptable and zero credit will be given.

4.7 Final Exam Format

The final exam will consist of several short-answer questions and 2-3 problems. These problems will be based on the lectures and problem sets. As outlined in 3.2 above all material covered in the lectures and tutorial program is examinable.

4.8 Quality Assurance

The BUSINESS SCHOOL is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of BUSINESS SCHOOL programs. All material used for such processes will be treated as confidential and will not be related to course grades.

5 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.
6 COURSE RESOURCES
The website for this course is on UNSW Moodle at: http://moodle.telt.unsw.edu.au

There is no assigned textbook for this course; lecture notes will be provided. However, students who are interested in further reading on the topic may refer to the following textbooks:

- *Personnel Economics in Practice* by Edward Lazear and Michael Gibbs
- *Economics, Organization and Management* by Paul Milgrom and John Roberts
- *Contract Theory* by Patrick Bolton and Mathias Dewatripont.

7 COURSE SCHEDULE

7.1 Lecture Schedule
Lectures start in Week 1 and finish in Week 12.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>Incentives</td>
</tr>
<tr>
<td>27 July</td>
<td></td>
</tr>
<tr>
<td>Week 2</td>
<td>Perverse Incentives</td>
</tr>
<tr>
<td>3 August</td>
<td></td>
</tr>
<tr>
<td>Week 3</td>
<td>Game Theory</td>
</tr>
<tr>
<td>10 August</td>
<td></td>
</tr>
<tr>
<td>Week 4</td>
<td>Repeated Games</td>
</tr>
<tr>
<td>17 August</td>
<td></td>
</tr>
<tr>
<td>Week 5</td>
<td>Relative Performance Evaluation</td>
</tr>
<tr>
<td>24 August</td>
<td></td>
</tr>
<tr>
<td>Week 6</td>
<td>MIDSESSION EXAM</td>
</tr>
<tr>
<td>31 August</td>
<td></td>
</tr>
<tr>
<td>Week 7</td>
<td>Human Capital</td>
</tr>
<tr>
<td>7 September</td>
<td></td>
</tr>
<tr>
<td>Week 8</td>
<td>Careers and Promotions</td>
</tr>
<tr>
<td>14 September</td>
<td></td>
</tr>
<tr>
<td>Week 9</td>
<td>Authority</td>
</tr>
<tr>
<td>21 September</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mid-semester break: Saturday 26 September - Monday 5 October inclusive</td>
</tr>
<tr>
<td>Week 10</td>
<td><em>(Monday 5 Oct is a public holiday)</em></td>
</tr>
<tr>
<td>5 October</td>
<td></td>
</tr>
<tr>
<td>Week 11</td>
<td>Property Rights</td>
</tr>
<tr>
<td>12 October</td>
<td></td>
</tr>
<tr>
<td>Week 12</td>
<td>Organizational Form</td>
</tr>
<tr>
<td>19 October</td>
<td></td>
</tr>
<tr>
<td>Week 13</td>
<td>NO LECTURES</td>
</tr>
<tr>
<td>26 October</td>
<td></td>
</tr>
</tbody>
</table>
7.2 Tutorial Schedule

Tutorials start in Week 2 and finish in Week 13. Details will be posted on the course website.