

Understanding real world organizations

Course title - Intitulé du cours	Understanding real world organizations
Level / Semester - Niveau /semestre	M1 / S1
School - Composante	Ecole d'Economie de Toulouse
Teacher - Enseignant responsable	SEABRIGHT PAUL
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
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Other teacher(s) - Autre(s) enseignant(s)	
Lecture Hours - Volume Horaire CM	15
TA Hours - Volume horaire TD	
TP Hours - Volume horaire TP	0
Course Language - Langue du cours	Anglais
TA and/or TP Language - Langue des TD et/ou TP	Anglais

Teaching staff contacts - Coordonnées de l'équipe pédagogique :

The course will be taught by Paul Seabright, whose email address is Paul.Seabright@tse-fr.eu

My office is ME 507.3; I do not hold office hours but I can meet students by prior appointment requested by email. If you have questions about your understanding of the class material, please ask them during the class (there will be many opportunities and often your question will be helpful for other students too). For any other questions please see me at the end of the class, if the question is short; otherwise write me an email explaining your question. I will either reply by email or suggest an appointment time.

Course's Objectives - Objectifs du cours :

This course explores the use of simple economic modeling to help understand the way organizations shape economic outcomes. Much of modern life relies on exchange of goods and services, some of which takes place through the institution of markets, some through firms and a great variety of non-market institutions. The course is in three parts. The first (weeks 1-3) introduces Ronald Coase's idea of markets and non-market organizations as alternative ways of organizing exchange, and of understanding the relative advantages of each form in terms of transactions costs. It surveys briefly the historical development of markets and non-market institutions. The second part of the course (weeks 4-8) looks at the specificities of certain types of non-market institutions: first firms and then various other institutions. In particular it introduces the idea of platforms as a way of understanding the function and operation of many types of firms as well as non-firm institutions. The third part of the course (weeks 9 and 10) takes the form of an informal interactive workshop in which students submit suggestions for using simple economic modeling to understand modern economic phenomena. Examples could include: financial crashes, the response to natural disasters, civil wars and guerrilla insurgencies, philanthropic institutions, environmental degradation, the economics of innovation, healthcare, digital platforms, illegal activity including migration, drugs and prostitution; political institutions including elections and referenda. The course is suitable for those wanting a) to understand

how institutions shape economic interactions (why should a given exchange between two individuals yield a different outcome when mediated by markets rather than by non-market institutions?) or b) to learn to use simple microeconomic modeling techniques (basically applied game theory) to understand real world institutions. It is particularly recommended for those wanting to go on to do theoretically informed empirical research in IO, finance, economic development or the economics of organizations.

Prerequisites - Pré requis :

There are no formal requirements for the course. The level of mathematics required is no higher than for the core microeconomics and game theory classes.

Practical information about the sessions - Modalités pratiques de gestion du cours :

Laptops and tablets are accepted in class. Students are expected to participate actively in discussion. This is not a class for passive learners! I understand that occasional late arrival may happen; however, students who persistently arrive late will be asked to leave the course.

Grading system - Modalités d'évaluation :

The course is examined by a 1 hour final written exam. A copy of the previous year's exam will be made available to students, together with an explanation of expected answers and the grading policy. A teaching assistant will lead two sessions during the semester for students with questions about the relation between the course material and the exam. The course will take place on Wednesdays from 14.00 to 15.30 beginning on 5th September, in classroom MC 202. There will be NO class on 24th October; a replacement class will take place on 21st November.

Bibliography/references - Bibliographie/références :

There is no textbook for the course but you will be encouraged to read very widely, in politics, history and current affairs as well as in economics. Here are a few readings to get you started; these are all books that take a "big picture" approach to their respective topics, and contain many other useful references, including specialized ones.

Other readings will be suggested as the course proceeds. Within topic the books are listed in alphabetical order:

1) The development of markets

Kay, John (2004): *The Truth About Markets*, Penguin.

Kling, Arnold and Nick Shultz (2011): *Invisible Wealth: The Hidden Story of How Markets Work*, Encounter Books.

McMillan, John (2003): *Reinventing the Bazaar: A Natural History of Markets*, Norton.

Seabright, Paul (2010): *The Company of Strangers: A Natural History of Economic Life*, Princeton University Press, 2nd edition.

2) Non-market organizations and organizational design

Brickley, James, Jerrold Zimmerman and Clifford Smith (2008): *Managerial Economics and Organizational Architecture*, McGraw-Hill.

3) The economic approach to human institutions

Harford, Tim (2006): *The Undercover Economist*,

Abacus. Harford, Tim (2011): *Adapt: Why Success Always Starts with Failure*, Little Brown.

9) Institutions and Human Development in Historical Perspective

Acemoglu, Daron and James Robinson (2013): *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Crown Business.

Morris, Ian (2010): *Why the West Rules – For Now*, Farrar, Straus and Giroux.

Harari, Yuval Noah (2014): *Sapiens: A Brief History of Humankind*, Harvill Secker.

Websites: A post on my website will contain updated copies of this syllabus as well as of the slides of the lectures, as well as any other handouts. The URL is here: <http://paulseabright.com/?p=544>

News websites: We shall devote a certain amount of time in class to discussing current economic events, so I shall expect you to be up to date. Good websites where you can obtain economic news are: www.economist.com www.ft.com www.guardian.co.uk www.lemonde.fr www.liberation.fr www.nytimes.com www.wsj.com

In addition you can find high quality discussion of economics issues on a number of blogs (alphabetical order by title): Chris Blattman *The Conscience of a Liberal* (Paul Krugman) *Grasping Reality with Both Invisible Hands* (Brad DeLong) Greg Mankiw's blog *Library of Economics and Liberty* (Bryan Caplan, Arnold Kling, David Henderson) *Marginal Revolution* (Tyler Cowen and Alex Tabarrok) *Overcoming Bias* (Robin Hanson) *Vox* (Richard Baldwin/CEPR)

Session planning - Planification des séances :

There will be no prior reading required for the sessions. However, the interactive sessions in weeks 9 and 10 will require students to read and submit suggestions by the Monday before class.

Additional information - Autres informations :

Economics as we will study it here is more like playing jazz than like playing classical music: it is about improvisation based on an understanding of underlying patterns in nature, not about reproducing existing compositions by others. It is about trying out different ways of understanding our social world in a collaborative team discussion. I find the course a lot of fun to teach and my hope is that most students will also find it fun to attend.