

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	Paul SEABRIGHT
Other teacher(s) – Autre(s) enseignant(s)	
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Lecture Hours – Volume Horaire CM	15
TA Hours – Volume horaire TD	
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	

Teaching staff contacts – Coordonnées de l'équipe pédagogique :

Email: Paul.Seabright@tse-fr.eu All students who wish to contact me should do so by email.

Course Objectives – Objectifs du cours :

This course aims to explore 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 take place through the institution of markets, others 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.

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 :

Students should connect by laptop or desktop computer and should have ready access to a smartphone. They will be expected to participate in discussions. Students connecting late face the risk of not being admitted to the Zoom session for some time.

Grading system – Modalités d'évaluation :

The course is examined by a 1 hour 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.

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.

Session planning – Planification des séances :

The topics covered will be as follows:

Part 1: The Coase question: the fluctuating frontiers of market and non-market exchange:

Week 1: Ronald Coase and the nature of the firm (I).

Week 2: Ronald Coase and the nature of the firm (II).

Week 3. The development of markets throughout history.

Week 4: The development of non-market institutions throughout history.

Part 2: Firms and other non-market organizations:

Week 5: What's special about firms (I)?

Week 6: What's special about firms (II)?

Week 7: Platforms and platform competition

Week 8: Non-market institutions I: churches, religions and charities.

Week 9: Non-market institutions II: bandits, armies and insurgent groups.

Part 3: The Improvisation Workshop

Week 10: The theme for the week will be decided by the previous Monday morning.

Distance learning – Enseignement à distance :

Classes will take place on Zoom until further notice. Because of the challenges of doing this course over Zoom, each week's session will contain a short Quiz either at the beginning of the session or at the end. The quiz will be conducted either on the website www.kahoot.it (students may either connect using a smartphone or download the Kahoot application) or on www.wooclap.com.