

# Teaching Plan

## 1. Descriptive information

- *Course name: Economic Institutions and Markets*
- *Academic year: 2014-2015      Year of study: Second      Quarter: Second*
- *Program: IBE*
- *Course code: 21130*
- *Number of credits: ECTS5*
- *Hours: 125*
- *Teaching language: English*
- *Teachers: Benito Arruñada and Joan Tubau*

## 2. Introduction

"Economic Institutions and Markets" examines the main concepts and theories of Organizational Economics at an intermediate level within an integrated framework. Its goal is to give students a set of tools to help them analyze business problems, take business decisions (especially those related to human resource management), and better understand the business environment.

The course is organized into three blocks:

- Individual behavior in business and markets.
- The structure and management of individual and divisional incentives.
- The interaction between organizations and their environment, not only economic but also political and institutional.

In order to follow the course, students should have mastered the content of the first year courses "Business Economics", "Microeconomics 1", "Introduction to Economics" and "Introduction to Game Theory". In addition, some Spanish language readings will be assigned.

The course is intended to develop students' independent analytical capacity. It is therefore crucial to study the required readings thoroughly before coming to class, to prepare the cases and exercises, and to participate actively in class discussions. Seeking out additional information on day-to-day economic and business activities and relating it to cases will also count positively in a student's final evaluation.

### 3. Skills that the course develops

#### General skills

1. To understand and interpret academic texts in an appropriate and reasoned manner.
2. To be able to justify positions with consistent arguments, as well as to defend them publically.
3. To be able to communicate proficiently, both orally and in writing, in either of the two official languages of Catalonia (Catalan and Spanish) to expert and non-expert audiences.
4. To be able to use English in all areas of work (reading, writing and speaking at a high level).
5. To be able to work in teams, actively participating in tasks and negotiating until reaching a consensus.
6. To develop the capacity to reason critically about controversial subjects.
7. To accept different points of view as a fundamental part of academic life and contemporary society, and to be able to put forth views while respecting other divergent opinions.
8. Consolidate habits of self-discipline, self-commitment and rigor in the conduct of academic work, its organization and its proper timing.
9. To have a proactive attitude in exploring often ignored matters, a fundamental skill in education and professional life.
10. To be able to apply acquired knowledge flexibly and creatively to new contexts and situations.
11. To show a sufficient level of knowledge required for professional performance.
12. To use appropriate information in the formulation of proposals and the resolution of problems.
13. To apply economic reasoning to decision-making and to take decisions in high risk situations.
14. To apply knowledge and appropriate procedures to a range of complex situations.
15. To identify the key factors of a problem.
16. To demonstrate a critical perspective when faced with diverse situations.

\* These skills are the literal translation of general skills G1, G2, G3, G4, G6, G7, G8, G9, G10, G11, G13, G16, G17, G18, G19 and G20 specified in the "Memoria para la solicitud de verificación de títulos oficiales". They are included here only to comply with administrative regulations.

**Specific skills**

1. The course will enable students to develop their analytical skills to analyze organizational decision-making.
2. The course will enable students to identify the environmental factors of the firm, which determine organizational design decisions.
3. The course will provide methodological tools for the study of organizations, in particular of the information economy.
4. Students will combine case-study methods with reading articles, and rigorous empirical analyses.

\* These skills are the literal translation of specific skills specified in the "Memoria para la solicitud de verificación de títulos oficiales".

**4. Course contents****Block 1. Individual behavior**

Topic 1. New cognitive perspectives

Topic 2. Business implications of Evolutionary Psychology

**Block 2. Economic organization**

Topic 3. Incentive management

Topic 4. Delegation and divisionalization

**Block 3. Institutional environment**

Topic 5. Markets and politics

Topic 6. Institutional support of private contracting

Topic 7. Role of business firms in society

## 5. Evaluation

The course is based on continuous student evaluation with an important weight on the acquisition of knowledge and skills.

1. The seminar evaluation will account for 30% of the total grade, while the exam will account for 60%.
2. For 10% of the total grade each student will write an essay of a maximum of 250 words in which a concept, tool or theory studied in the course is applied to analyze a real and current situation (an issue related, e.g., to some recent news, business story, regulatory problem, new law, scientific report or social conflict).
3. To pass the course, each one of the grades of the exam and the seminars must be at least a "Pass" (5 out of 10).
4. The seminar and the essay grades cannot be made up.
5. Students who pass the seminar but fail to pass the final exam can make the latter up. The make up will be in May and will also account for 60% of the total grade. The date of the make-up will be announced during the course.
6. Passing grades from either seminar, essay or exams will not carry over into future academic years.
7. There will be no exceptions to these rules.

## 6. Bibliography and teaching resources

- ARROW, J.K. (1973), "Social Responsibility and Economic Efficiency," *Public Policy*, 21, 1973, 301-317.
- ARRUÑADA, B. (2001), "The Role of Institutions in the Contractual Process," in B. Deffains and T. Kirat, eds., *Law and Economics in Civil Law Countries*, Elsevier Science, Amsterdam, 177-196.
- ARRUÑADA, B. (2008), "Human Nature and Institutions", in Eric Brousseau and Jean-Michel Glachant, eds., *New Institutional Economics: A Guidebook*, Cambridge: Cambridge University Press, pp. 81-99.
- ARRUÑADA, B. (2013), *Empresa, Mercado e Instituciones*. Cizur Menor: Thomson Reuters.
- ARRUÑADA, B. (2013), "Markets for Public Services: Strong Incentives in the Liberal State Vs. Comprehensive Planning in the Welfare State?," March 26.
- BRICKLEY, J. A., C. W. SMITH Jr., & J. L. ZIMMERMAN (2007), *Organizational Architecture. A Managerial Economics Approach*. 4<sup>th</sup> ed. Chicago: Irwin.
- COASE, R. H. (1960), "The Problem of Social Cost", *Journal of Law and Economics*, 3(octubre), 1-44.
- COOTER, R. & T. ULEN (2008), *Law and Economics*, Pearson International, Boston, MA, pp. 302-304.

- COWEN, T. (2007), *Discover Your Inner Economist*, New York, NY: Dutton.
- CROOK, C. (2005), "The Good Company", *The Economist*, 20 January.
- FEHR, E., & A. FALK (2002), "Psychological Foundations of Incentives", *European Economic Review*, 46(4-5), 687-724.
- FRANKLIN, D. (2008), "Just Good Business", *The Economist*, 17 January.
- FRIEDMAN, M. (1970), "The Social Responsibility of Business is to Increase its Profits", *New York Times Magazine*, 13 September.
- HAYEK, F.A. (1945), "The Use of Knowledge in Society", *The American Economic Review*, 35(4), 519-530.
- JENSEN, M.C., & W.C. MECKLING (2009), "Specific Knowledge and Divisional Performance Measurement", *Journal of Applied Corporate Finance* 21(2), 49-57.
- NICHOLSON, N. (1998), "How Hardwired Is Human Behavior?", *Harvard Business Review*, 76(4), 134-147.
- "Irrationality: Rethinking thinking", *The Economist*, 18 December 1999, pp. 69-71.

● Teaching resources:

- The relevant extracts from the readings will be available in a dossier in OCE, along with other potentially relevant chapters and excerpts.
- Additional materials for each group will be available through Moodle and other means

## 7. Methodology

The methodology of the course is based on the autonomy of the student, the role of the professor as mentor, and systematic and continued work.

Specifically, students should:

1. Study the corresponding reading for each topic *before* it is covered for the first time. (See activity schedule below.)
2. Read and think about the readings before the classes.
3. Make a special effort to identify and synthesize the most important aspects of each reading.
4. Ask the professor questions before, during, or after class, not by email.
5. Attend all classes.
6. Refrain from using all types of electronic devices, including laptops, during classes, and put their mobile phones into silent mode before classes start.
7. Answer the professors' questions during lectures and seminars.
8. Turn in all assigned class exercises before the seminar in which you are going to discuss them.

9. Except in specific circumstances in which you have been told otherwise, students should not send emails to professors.
10. Students shall not enter the classroom once the class has started.

For their part, professors will:

1. Go over the main points of each topic in class and resolve doubts and questions.
2. Evaluate the level of understanding and familiarity with the material, asking questions in each class to randomly chosen students about readings and cases.
3. Illustrate the application of the theoretical material via exercises and cases.
4. Indicate in class any additional materials for seminars, and post them on Moodle.

## 8. Activity schedule (tentative with respect to topic scheduling)

Week	Classroom activity
	Session number / type of activity
Week 1	Session 1: Introduction Session 2: Topic 1
Week 2	Session 1: Topic 1 Session 2: Topic 1
Week 3	Session 1: Topic 2 Session 2: Topic 2
Week 4	Session 1: Topic 3 Session 2: Topic 3 Session 3: Seminar
Week 5	Session 1: Topic 3 Session 2: Topic 4 Session 3: Seminar
Week 6	Session 1: Topic 4 Session 2: Topic 4
Week 7	Session 1: Topic 5 Session 2: Topic 5 Session 3: Seminar
Week 8	Session 1: Topic 5 Session 2: Topic 6 Session 3: Seminar
Week 9	Session 1: Topic 6 Session 2: Topic 6 Session 3: Seminar
Week 10	Session 1: Topic 7 Session 2: Final issues and questions Session 3: Seminar

### Reminders

1. Students must thoroughly study the reading corresponding to each topic *before* the first session in which it will be discussed.
2. Students must make a special effort to select and synthesize the most important ideas from each reading.
3. Each professor will indicate in class and distribute by different means any additional materials for seminars.