TOPICS IN CONTRACTS AND ORGANIZATIONS

Instructor: Andy Newman  
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Office Hours: Real Mondays 2:00-3:45 or by appointment  
Lectures: Wednesdays 5:45-8:30

This portion of the course highlights three topics: (1) moral hazard beyond the basic principal-agent models, including multi-sided models, multi-tasking and the related topic of “gaming” of incentive systems, and (time permitting) multi-period models; (2) incomplete contracts and the theory of the firm; and (3) organizations and their interaction with markets. While some papers are “old,” they remain highly relevant and directly inform the more recent ones.

A recommended text that covers parts of these topics is Patrick Bolton and Mathias Dewatripont, Contract Theory (MIT Press), to which chapter references refer. (Two other helpful texts are Jean-Jacques Laffont and David Martimort, The Theory of Incentives: The Principal-Agent Model [Princeton] and Bernard Salanié's The Economics of Contracts, [MIT Press].)

There is one integrated set of requirements for the entire course. These are (1) a written original research proposal (think of this as a second-year paper proposal); and (2) an oral presentation (about 1 hour) of a paper (or possibly papers) from the reading list that is not covered in lecture. For the proposal, you will have to provide some background on the relevant literature as well as say what you propose to do. The topic may be theoretical or empirical but must be broadly related to the themes of the course. For the presentation, given the number of students, you will work in pairs. Scheduling of these presentation is to be arranged; all students are expected to attend all presentations, as your contribution both as presenter and audience member will figure in your evaluation.

The proposal may related to one part and the presentation to the other, or both may relate to one (or indeed both). We will endeavor to allocate proposals and presentation across parts evenly, most likely on a first-come-first-served basis.

In addition, some problem sets may be handed out and (optionally) discussed in a problem session or two.

Academic Conduct: You are expected to know and understand the provisions of the CAS Academic Conduct Code. Cases of suspected academic misconduct will be referred to the Dean’s Office.
Readings

0. Tools

Lattice Entertain You


Matching


1. Topics in Moral Hazard

Teams


Multitasking and Complementarities

Bolton and Dewatripont, Ch. 6.2, 10.5


Gaming and Learning - Empiris

Management


Economics:


_Gaming and Learning - Theory_


Implicit Incentives: Career Concerns


2. Incomplete Contracts and Ownership

Theory of the Firm: Overviews


Incomplete Contracts and...

Ownership


Finance


Delegation


Relational Contracting and Property Rights


Organizational Politics


“Behavioral” Approaches


It’s not just about firms...


3. Organizational Industrial Organization (“OIO”)

An Overview

Foreclosure


Competition and Managerial Compensation


Collusion and Managerial Compensation


Markets and ...

Monitoring


Contractible Internal Power Structures


Firm Boundaries


Delegation


Relational Contracts

Powell, M. (2016), "Productivity and Credibility in Industry Equilibrium"

Universities

Evidence


Delegated Price Setting


Leisten, M. “Information, Managerial Incentives, and Scale: Evidence from Hotel Pricing”