

## **ECON3123**

### **Organisational Economics**

### **Course Outline**

### **Semester 2, 2017**

## **Course-Specific Information**

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

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# 1 STAFF CONTACT DETAILS

**Lecturer-in-charge:** Dr Hongyi Li  
**Location:** Room 415 UNSW Business School  
**Phone:** 9385 3386  
**Email:** [hongyi@unsw.edu.au](mailto:hongyi@unsw.edu.au)  
**Consultation Times:** Thursday 2-4pm

**Tutors:** TBC

## 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:  
Tuesday 10:00 - 12:00, TETB G16

Tutorials start in Week 2 (to Week 13). The groups and times are:

Tuesday 12:00 - 13:00, Blockhouse G15  
Tuesday 13:00 - 14:00, Blockhouse G15  
Tuesday 14:00 - 15:00, Blockhouse G15  
Tuesday 16:00 - 17:00, Law 301  
Tuesday 17:00 - 18:00, Law 301

## 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 Program Learning Goals and Outcomes, see the School's Course Outlines Policies webpage available at

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>.

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

Program Learning Goals and Outcomes		Course Learning Outcomes	Course Assessment Item
<i>This course helps you to achieve the following learning goals</i>		<i>On successful completion of the course, you should be able to:</i>	<i>This learning outcome will be assessed in the following items:</i>
1	Knowledge	Understand the various sources of incentive problems within organisations. Understand how different aspect of organisational design may solve these problems: compensation schemes, promotion systems, and governance structures.	<ul style="list-style-type: none"><li>• Problem sets</li><li>• Oral presentation</li><li>• Midsession exam</li><li>• Final Exam (AOL)</li></ul>
2	Critical thinking and problem solving	Evaluate the costs and benefits of compensation schemes, promotion systems, and governance structures within organizations.	<ul style="list-style-type: none"><li>• Problem sets</li><li>• Oral presentation</li><li>• Midsession exam</li><li>• Final Exam (AOL)</li></ul>
3a	Written communication	Construct written work that is logically and professionally presented.	<ul style="list-style-type: none"><li>• Final Exam</li></ul>
3b	Oral communication	Communicate ideas in a succinct and clear manner.	<ul style="list-style-type: none"><li>• Oral presentation (AOL)</li></ul>
4	Teamwork	Work collaboratively to complete a task.	<ul style="list-style-type: none"><li>• Group Assignment (AOL)</li></ul>
5a.	Ethical, environmental and sustainability considerations	Identify and assess ethical considerations in problems in organizational economics.	<ul style="list-style-type: none"><li>• Final Exam (AOL)</li></ul>

5b.	Social and cultural awareness	Formulate economic and organisational interactions in analytical terms and analyse them using tools provided by the theory.	<ul style="list-style-type: none"> <li>Not specifically assessed.</li> </ul>
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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](http://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

### 4.0 You must complete the “Working with Academic Integrity” module on your Moodle site, before you hand in any written work.

- You MUST complete the ‘Working with Academic Integrity’ module AND THE MODULE’S QUIZ, found on your course Moodle site, BEFORE YOU ARE ALLOWED TO SUBMIT ANY WRITTEN ASSESSMENT.
- If your submission is delayed because you did not complete the module and the quiz, you may be liable to late penalties as specified in your course outline.
- Failing to comply with the University rules of Academic integrity may result in serious consequences:
  - All cases of plagiarism (regardless of their severity) ARE recorded with the University Integrity Office University register.
  - Depending on the level of the plagiarism/misconduct, the penalties may include a FAIL grade for the assessment piece, a FAIL grade for the course, or being expelled for serious/repeat offences.

Any misconduct, including plagiarism, is recorded on your Conduct Record. If you have only one academic misconduct at the lowest level (level A) in your career, then the record is wiped clear when you graduate. Otherwise it remains there permanently. *Many professions, such as accounting and law, require access to the student’s Conduct Record.*

### 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

Assessment Task	Weighting	Length	Due Date
Oral Presentation + 4 Problem Sets (WK#3, WK#5, WK#9, WK#12)	25% (5% each)	See 4.4 below	See course website  Problem set is due one week after problem set handed out
Group Assignment	5%	See 4.4 below	See course website
Midsession exam	30%	100 min	Week 6
Final Exam	40%	2 hours	University Exam Period
	100%		

### 4.3 Midsession Exam

There will be a mid-session exam in week 6. The exam will be 100 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. For information on Special Consideration please refer to the Business School's [Course Outlines Policies webpage](#).

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 out of a maximum of five points for each problem set. Partial credit will be given for incomplete answers that show some understanding of the material.

### 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 Protocol for viewing final exam scripts

The UNSW Business School has set a protocol under which students may view their final exam script. Please check the protocol [here](#).

#### 4.9 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 myExperience Survey Tool 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.

LECTURE SCHEDULE	
Week	Topic
Week 1 24 July	Principal-Agent Model
Week 2 31 July	Perverse Incentives
Week 3 7 August	Game Theory
Week 4 14 August	Repeated Games
Week 5 21 August	Relative Performance Evaluation
Week 6 28 August	MIDSESSION EXAM
Week 7 4 September	Human Capital
Week 8 11 September	Careers and Promotions
Week 9 18 September	Authority
Mid-semester break: 23 September – 2 October inclusive (2 Oct = Labour Day Public Holiday)	
Week 10 3 October	Information Economics
Week 11 9 October	Property Rights
Week 12 16 October	Organizational Form
Week 13 23 October	NO LECTURES

### 7.2 Tutorial Schedule

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