



**MANAGERIAL ECONOMICS:
ORGANIZATIONS, MARKETS AND MANAGEMENT
MBA 812
READING LIST**

**Masters of Business Administration Program
Max M. Fisher College of Business
The Ohio State University**

Professor Karen H. Wruck
Autumn 2005

Session 1 HOW INDIVIDUALS MAKE DECISIONS

WEDNESDAY,
SEPT. 21, 2005

“To Each According to His Needs: Flexible Benefits Plans Gain Favor,” Larry Reibstein, *The Wall Street Journal*, 9/16/86.

“Why do Americans Work More than Europeans?” Edward C. Prescott, *The Wall Street Journal*, 10/21/04.

Textbook reading: Chapter 1, “Introduction,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004 pp. 2-12.

Chapter 2, “Economist’s View of Behavior,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 14-first half of 34 (skip the rest of the chapter).

Session 2 SUPPLY, DEMAND AND EQUILIBRIUM

MONDAY,
SEPT. 26, 2005

“The Outlook: US Farmers Are Hurt by Asian Crises, Too,” Bernard Wysocki Jr., *The Wall Street Journal*, 7/20/98.

“How Uncle Sam Could Ease the Shortage,” Gary S. Becker, *Business Week*, 1/20/97.

“Lessons from a Hurricane: It Pays Not To Gouge,” Steve Lohr, *The New York Times*, Sept. 22, 1992, p. D1, column 3.

Textbook reading: Chapter 3, “Markets, Organizations and the Role of Knowledge,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 42-first half of 53.

Chapter 4, “Demand,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 74-101.

Session 3 GOVERNMENT REGULATION OF MARKETS: THE BASICS

WEDNESDAY,
SEPT. 28, 2005

“Discussion Problem: Nigeria’s New “Economic Shock Therapy.”

“Discussion Problem: The California Electricity Market: A Simplified but True Story,” Karen H. Wruck.

“Big Sugar May Be About to Take its Lumps,” Mary Beth Regan, *Business Week*, 5/15/95.

Textbook reading: Chapter 6, “Supply, Demand and Government Policies,” *Principles of Microeconomics*, N. Greg Mankiw, Harcourt, 2001, pp. 117-137. (In your course package.)

Session 4 SUPPLY, DEMAND AND INDUSTRY STRUCTURE

MONDAY,
OCT. 3, 2005

“The Offshore Drilling Industry,” Kenneth S. Corts, Harvard Business School Case 9-799-111.

Session 5 COMPETITION, MONOPOLY AND MARKET POWER

WEDNESDAY,
OCT. 5, 2005

“Discussion problem: ‘Relaxing’ Bayer’s Patent on Cipro,” Karen H. Wruck

“Discussion problem: Pharmaceutical Pricing in the U.S. and Canada,” Karen H. Wruck

Textbook reading:

Chapter 5, “Production and Cost,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 106-first half of 107, skim rest of 107- first half of 117, read second half of 117-132.

Chapter 6, “Market Structure,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. pp. 136-first half of 148, skim rest of 148-156, read chapter summary on 157.

Session 6 MARKET POWER AND INDUSTRY STRUCTURE

MONDAY,
OCT. 10, 2005

“De Beers Consolidated Mines Ltd. (A),” Pankaj Ghemawat and Toby Lenk, Harvard Business School Case 9-391-076.

Session 7 SUPPLY, DEMAND AND INVESTMENT DECISIONS UNDER UNCERTAINTY

WEDNESDAY,
OCT. 12, 2005

“The Aluminum Industry in 1994,” Kenneth S. Corts, Harvard Business School Case 9-799-129.

“Aluminum Smelting in South Africa: Alusaf’s Hillside Project,” Kenneth S. Corts, Harvard Business School Case 9-799-130.

Instruction sheet for supply curve construction for group assignment (see assignment document).

Session 8 EXTERNALITIES, MARKET FAILURE AND THE COASE THEOREM

MONDAY,
OCT. 17, 2005

“Discussion Problem: Buckeye Egg Farms,” Karen H. Wruck.

“Discussion Problem: Down the Tubes in London.”

“Discussion Problem: Prices Rise for Flu Shots,” Jay Dial and Karen H. Wruck

“Money to Burn?” *The Economist*, 12/6/97.

“It’s Immoral to Buy the Right to Pollute,” Michael J. Sandel, *The Boston Globe*, 12/15/97.

“Schools Brief: State and Market,” *The Economist*, February 17, 1996.

Textbook reading: Chapter 10, “Externalities,” *Principles of Microeconomics*, N. Greg Mankiw, Harcourt, 2001, pp. 205-224. (In your course package.)

Session 9 PROPERTY RIGHTS, ECONOMIC DEVELOPMENT AND PRIVATIZATION

WEDNESDAY,
OCT. 19, 2005

Chapters 1, 2, 3 and 5 from *The Mystery of Capital*, Hernando de Soto, 2000, Basic Books, New York.

“The Missing Ingredient,” Hernando de Soto, *The Economist*, August 23, 1993, pp. 8-10.

“It’s tough being a tiddler: Credit where credit is due,” *The Economist*, March 20, 1999, p. 9.

Session 10
MONDAY,
OCT. 24, 2005

*First test. To be given during class time.
Covers materials through session 8.*

Session 11 WEDNESDAY, OCT. 26, 2005	LIFE, DEATH AND PROPERTY RIGHTS “Life, Death and Property Rights: The Pharmaceutical Industry Faces AIDS in Africa,” Nicholas Bartlett and Debora Spar, Harvard Business School Case 9-702-049.
Session 12 MONDAY, OCT. 31, 2005	AGENCY COSTS, INCENTIVES AND CONTRACTS “Discussion Problem: Agency Problems and Corporate Jets,” George P. Baker. “How Tyco Pushed ADT Dealers Into Poor Areas to Boost Growth,” Daniel Golden, Mark Maremont and David Armstrong, <i>The Wall Street Journal</i> , November 15, 2002. Textbook reading: Chapter 10, “Incentive Conflicts and Contracts,” <i>Managerial Economics and Organizational Architecture</i> , James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 255-276.
Session 13 WEDNESDAY, NOV. 2, 2005	CONTRACTS, VERTICAL INTEGRATION AND THE PROBLEM OF SPECIFIC ASSETS “Discussion Problem: The Printing Press,” Karen H. Wruck. “Discussion Problems: Contracts, Vertical Integration and the Problem of Specific Assets,” Michael C. Jensen and William H. Meckling. “Small Kentucky Railroad is Suing CSX in Rate Fight,” Bill Paul, <i>The Wall Street Journal</i> , May 5, 1983. “GE Plans to Sell Call-Center Unit Based in India,” Kathryn Kranhold, Henny Sender and Eric Bellman, <i>The Wall Street Journal</i> , 9/17/04. Textbook reading: Chapter 19, “Vertical Integration and Outsourcing,” <i>Managerial Economics and Organizational Architecture</i> , James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 514-first half of 535, skim second half of 535-541 (Contracts with Distributors), read middle of 541 (Recent Trends in Outsourcing)-544, skip appendix.
Session 14 MONDAY, NOV. 7, 2005	VERTICAL INTEGRATION AND OUTSOURCING: THE “MAKE-OR-BUY” DECISION “Benetton S.p.A.,” Howard H. Stevenson, Jon I. Martinez and J. Carlos Jarillo, Harvard Business School Case 9-389-074. “When and When Not to Vertically Integrate,” “John Stuckey & David White, <i>Sloan Management Review</i> , Spring 1993.
Session 15, WEDNESDAY NOV. 9, 2005	ORGANIZATIONAL ARCHITECTURE “The O.M. Scott & Sons Company,” George P. Baker and Karen H. Wruck, Harvard Business School Case 9-190-148. “The Case for Managing by the Numbers,” Harold Geneen, <i>Fortune</i> , October 1, 1984, pp. 78-81. Textbook reading: Chapter 11, “Organizational Architecture,” <i>Managerial Economics and Organizational Architecture</i> , James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 280-300.

Session 16 **DIVISIONAL PERFORMANCE MEASUREMENT, TRANSFER PRICING AND THE THEORY OF BUREAUCRACY**

MONDAY,
NOV. 14, 2005

“Discussion Problem: Mr. Hustle (A1).”

“Transfer Pricing at Timkin,” Nicole Bastin and Stefan Reichelstein, Stanford Graduate School of Business Case, A-190.

Textbook reading: Chapter 17, “Divisional Performance Evaluation,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 450-477.

Session 17 **THE LEVEL OF PAY: ATTRACTING AND RETAINING QUALIFIED EMPLOYEES**

WEDNESDAY,
NOV. 16, 2005

“Paying for Performance: The Case of Salomon Brothers” *The Economist*, 9/5/92, p. 73.

“The Arb Boys Ride Again,” *Business Week*, Leah Nathans Spiro, 9/13/93, p. 80.

Japanese Starting to Link Pay To Performance, Not Tenure,” Andrew Pollack, *The New York Times*, 1/2/93.

Textbook reading: Chapter 14, “Attracting and Retaining Qualified Employees,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 358-384.

Session 18 **THE RELATION BETWEEN PAY AND PERFORMANCE**

MONDAY,
NOV. 21, 2005

“Quota Restriction and Goldbricking in a Machine Shop,” Donald Roy, *American Journal of Sociology* (57), 1952, pp. 427-442.

“Compensation at Lexerd Systems,” Michael C. Jensen and Kevin J. Murphy, Harvard Business School Case 1-494-066.

Textbook reading: Chapter 15, “Incentive Compensation,” *Managerial Economics and Organizational Architecture*, James A. Brickley, Clifford W. Smith, Jr. and Jerold L. Zimmerman, Irwin/McGraw-Hill, 2004, pp. 388-411 (skip the appendix).

Session 19 **COMPENSATION, STRATEGY, AND EMPLOYMENT**

WEDNESDAY,
NOV. 23, 2005

“General Dynamics: Compensation and Strategy (A),” Kevin J. Murphy and Jay Dial, Harvard Business School Case 9-494-048.

“Discussion Problem: Employment and Social Welfare,” George P. Baker.

Session 20 **INTEGRATED CASE DISCUSSION AND PRESENTATION: MANAGERIAL ECONOMICS AND ACCOUNTING**

MONDAY,
NOV. 28, 2005

“Molson Brewing: Facing Global Competition,” Rick Johnston, Fisher College of Business Case.

Session 21 **WRAP UP AND DISCUSSION**

WEDNESDAY,
NOV. 30, 2005

Readings to be handed out prior to class.
