READINGS IN ORGANIZATIONAL ECONOMICS

Robert Gibbons

MIT

February 2011

DADT I.	FOUNDATIONS	
PART I:	FUUNDATIONS	

- 1. Agency Theory for Organizational Economics
 - 1.1 Formal Incentive Contracts
 - 1.2 Relational Incentive Contracts
 - 1.3 No Incentive Contracts ("Career Concerns")
- 2. Elemental Theories of the Firm
 - 2.1 Incentive Systems
 - 2.2 Adaptation
 - 2.3 Property Rights
 - 2.4 Rent Seeking

PART II: WITHIN FIRMS

- 3. Decision-Making in Organizations
 - 3.1 Team Theory and Garbage Cans
 - 3.2 Authority and Power
 - Allocation of Authority
 - Implementing Authority
 - 3.3 Politics and Influence
 - Committees
 - 3.4 Social Relations
 - Peer Effects
 - 3.5 Culture and Language
 - 3.6 Leadership
- 4. Employment in Organizations
 - 4.1 Pay for Performance
 - Basic Theory and Evidence
 - Gaming
 - CEO Pay
 - Tournaments
 - Subjectivity
 - Career Concerns
 - The Ratchet Effect
 - Intrinsic Motivation and Reciprocity
 - 4.2 Job Assignments & Job Design
 - 4.3 Skill Development
 - 4.4 Networks and Demography
 - 4.5 Employment Systems
 - 4.6 Careers in Organizations
- 5. Structures and Processes in Organizations
 - 5.1 Models of Hierarchy

- Information Processing
- Resource Allocation
- Monitoring
- Problem Solving
- Decision Rights
- 5.2 Delegation
- 5.3 Organizational Design
 - Partnerships
 - Contingencies and Complementarities
- 5.4 Routines, Production, and Capabilities
- 5.5 Knowledge Management and Product Development
- 5.6 Growth and Change

PART III: BETWEEN FIRMS?

- 6. The Boundary of the Firm Revisited
 - 6.1 Vertical Integration: Classic Evidence and Commentary
 - 6.2 Vertical Integration: Recent Theory and Evidence
 - 6.3 Formal Contracts Between Firms
 - Franchising
 - 6.4 Relational Contracts Between Firms
 - 6.5 Organizations and Industry Structure
- 7. Corporate Strategy
 - 7.1 Divisionalization and Conglomerates
 - 7.2 Beyond Divisionalization: Matrix, Network, and Other Organizational Forms
 - 7.3 Resource Allocation and Transfer Pricing
 - 7.4 Joint Ventures, Alliances, and Other Hybrids
 - Hybrids and Innovation
 - 7.5 Multinational Corporations, International Trade, and FDI
 - 7.6 Organizations and Industry Dynamics

PART IV: BEYOND FIRMS

- 8. Institutions
 - 8.1 Communities
 - 8.2 Agencies
 - 8.3 States

1. AGENCY THEORY FOR ORGANIZATIONAL ECONOMICS

Overviews

Bolton, Patrick and Mathias Dewatripont. 2005. *Contract Theory*. Cambridge, MA: MIT Press. Chapters 4, 8, and 10.

Gibbons, Robert. 2005. "Incentives Between Firms (and Within)." *Management Science* 51: 2-17 (Sections 1-4).

Gibbons, Robert and John Roberts. 2012. "Incentives in Organizations." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Malcomson, James. 2012. "Relational Incentive Contracts." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

1.1 Formal Incentive Contracts

Multi-task Models

Holmstrom, Bengt and Paul Milgrom. 1991. "Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design." *Journal of Law, Economics and Organization* 7: 24-52.

Baker, George. 1992. "Incentive Contracts and Performance Measurement." *Journal of Political Economy* 100: 598-614.

Feltham, Gerald and Jim Xie. 1994. "Performance Measure Congruity and Diversity in Multi-Task Principal/Agent Relations." *The Accounting Review* 69: 429-53.

Datar, Srikant, Susan Kulp, and Richard Lambert. 2001. "Balancing Performance Measures." *Journal of Accounting Research* 39: 75-92.

Baker, George. 2002. "Distortion and Risk in Optimal Incentive Contracts." *Journal of Human Resources* 37: 728-751.

Risk Aversion

Mirrlees, James. 1975. "The Theory of Moral Hazard and Unobservable Behaviour: Part I." Unpublished manuscript, Oxford University. Published in *Review of Economic Studies* 66 (1999): 3-21.

Holmstrom, Bengt. 1979. "Moral Hazard and Observability," *Bell Journal of Economics*, 10: 74-91.

Grossman, Sanford and Oliver Hart. 1983. "An Analysis of the Principal-Agent Problem," *Econometrica* 51: 7-45.

Multi-agent Models

Holmstrom, Bengt. 1982. "Moral Hazard in Teams." Bell Journal of Economics 13: 324-340.

Lazear, Edward and Shewin Rosen. 1981. "Rank-Order Tournaments as Optimal Labor Contracts." *Journal of Political Economy* 89: 841-64.

Mookherjee, Dilip. 1984. "Optimal Incentive Schemes with Many Agents." *Review of Economic Studies* 51: 433-46.

Itoh, Hideshi. 1991. "Incentives to Help in Multi-Agent Situations." Econometrica 59: 611-36.

1.2 Relational Incentive Contracts

Bull, Clive. 1987. "The Existence of Self-Enforcing Implicit Contracts," *Quarterly Journal of Economics* 102: 147-59.

MacLeod, Bentley and James Malcomson. 1989. "Implicit Contracts, Incentive Compatibility, and Involuntary Unemployment." *Econometrica* 57: 447-80.

Levin, Jonathan. 2003. "Relational Incentive Contracts." American Economic Review 93: 835-57.

Fuchs, William. 2007. "Contracting with Repeated Moral Hazard and Private Evaluations." *American Economic Review* 97: 1432-48.

MacLeod, Bentley. 2007. "Reputations, Relationships, and Contract Enforcement." *Journal of Economic Literature* 45: 595-628.

1.3 No Incentive Contracts ("Career Concerns")

Holmstrom, Bengt. 1982. "Managerial Incentive Problems—A Dynamic Perspective." In *Essays in Economics and Management in Honor of Lars Wahlbeck*. Helsinki: Swedish School of Economics. Republished in *Review of Economic Studies* 66 (1999): 169-82.

Meyer, Margaret and John Vickers. 1997. "Performance Comparisons and Dynamic Incentives." *Journal of Political Economy* 105: 547-581.

Dewatripont, Mathias, Ian Jewitt and Jean Tirole. 1999. "The Economics of Career Concerns, Part I: Comparing Information Structures." *The Review of Economic Studies* 66: 183-98.

Dewatripont, Mathias, Ian Jewitt and Jean Tirole. 1999. "The Economics of Career Concerns, Part II: Application to Missions and Accountability of Government Agencies." *The Review of Economic Studies* 66: 199-217.

Prendergast, Canice. 2009. "Contracts and Conflict in Organizations." Unpublished manuscript, University of Chicago.

2. ELEMENTAL THEORIES OF THE FIRM

Overviews and Classics

Bolton, Patrick and Mathias Dewatripont. 2005. *Contract Theory*. Cambridge, MA: MIT Press, Chapters 11 and 12.

Gibbons, Robert. 2005. "Four Formal(izable) Theories of the Firm?" *Journal of Economic Behavior and Organization* 58: 202-247 (Sections 1-3).

Segal, Ilya and Michael Whinston. 2012. "Property Rights." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Tadelis, Steven and Oliver Williamson. 2012. "Transaction-Cost Economics." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Coase, Ronald. 1937. "The Nature of the Firm." Economica, 4: 386-405.

Williamson, Oliver 1971. "The Vertical Integration of Production: Market Failure Considerations." *American Economic Review*, 61: 112-23.

Alchian, Armen and Harold Demsetz. 1972. "Production, Information Costs, and Economic Organization." *American Economic Review*, 62: 316-25.

2.1 Incentive Systems

Holmstrom, Bengt and Paul Milgrom. 1994. "The Firm as an Incentive System." *American Economic Review* 84: 972-91.

Holmstrom, Bengt and John Roberts. 1998. "The Boundaries of the Firm Revisited." *Journal of Economic Perspectives* 12: 73-94.

Holmstrom, Bengt. 1999. "The Firm as a Subeconomy." *Journal of Law Economics and Organizations* 15: 74-102.

2.2 Adaptation

Simon, Herbert. 1951. "A Formal Theory of the Employment Relationship." *Econometrica* 19: 293-305.

Williamson, Oliver 1975. *Markets and Hierarchies: Analysis and Antitrust Implications*. New York, NY: Free Press, Chapters 4 and 5.

Williamson, Oliver. 1991. "Comparative Economic Organization: The Analysis of Discrete Structural Alternatives." *Administrative Science Quarterly* 36: 269-96.

Tadelis, Steven. 2002. "Complexity, Flexibility, and the Make-or-Buy Decision." *American Economic Review* 92: 433-37.

2.3 Property Rights

Grossman, Sanford and Oliver Hart. 1986. "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration." *Journal of Political Economy*, 94: 2, 691-719.

Hart, Oliver and John Moore. 1990. "Property Rights and the Nature of the Firm." *Journal of Political Economy* 98: 1119-58.

Hart, Oliver. 1995. Firms, Contracts, and Financial Structure, Oxford: Clarendon Press, Chapter 2.

2.4 Rent Seeking

Klein, Benjamin, Robert Crawford, and Armen Alchian. 1978. "Vertical Integration, Appropriable Rents and the Competitive Contracting Process." *Journal of Law and Economics* 21: 297-326.

Williamson, Oliver. 1979. "Transaction Cost Economics: The Governance of Contractual Relations." *Journal of Law and Economics* 22: 233-61.

3. DECISION-MAKING IN ORGANIZATIONS

Overviews and Classics

Gibbons, Robert. 2003. "Team Theory, Garbage Cans, and Real Organizations: Some History and Prospects of Economic Research on Decision-Making in Organizations." *Industrial and Corporate Change* 12: 753-87.

Bolton, Patrick and Mathias Dewatripont. 2012. "Authority in Organizations." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Camerer, Colin and Roberto Weber. 2012. "Experimental Organizational Economics." Forthcoming in R. Gibbons and J. Roberts (eds.), *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press. (Sections V and VI)

Hermalin, Benjamin. 2012a. "Leadership and Corporate Culture." Forthcoming in R. Gibbons and J. Roberts (eds.), *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

March, James and Herbert Simon. 1958. Organizations. New York, NY: John Wiley & Sons.

Cyert, Richard and James March. 1963. A Behavioral Theory of the Firm. Englewood Cliffs, NJ: Prentice-Hall.

Arrow, Kenneth. 1974. The Limits of Organization. New York: W.W. Norton & Co.

3.1 Team Theory and Garbage Cans

Marschak, Jacob and Roy Radner. 1972. *Economic Theory of Teams*. New Haven, CT: Yale University Press.

Radner, Roy. 1972. "Teams" in C.B McGwire and R. Radner (eds) Decision Making and Organization.

Sah, Raj and Joseph Stiglitz. 1986. "The Architecture of Economic Systems: Hierarchies and Polyarchies." *American Economic Review* 76:716-27.

Cohen, Michael, James March, and Johan Olsen. 1972. "A Garbage Can Model of Organizational Choice." *Administrative Science Quarterly* 17:1-25.

Feldman, Martha and James March. 1981. "Information in Organizations as Signal and Symbol." *Administrative Science Quarterly* 26:171-86.

3.2 Authority and Power

Allocation of Authority

Jensen, Michael and William Meckling. 1999. "Specific Knowledge and Divisional Performance Measurement." *Journal of Applied Corporate Finance* 12: 8-17.

Hart, Oliver and John Moore. 2008. "Contracts as Reference Points." Quarterly Journal of Economics 123: 1-48.

Hickson, D., C. Hinings, C. Lee, R. Schneck, and J. Pennings. 1971. "A Strategic Contingencies Theory of Intraorganizational Power." *Administrative Science Quarterly* 16:216-29.

Hinings, C., D. Hickson, J. Pennings, and R. Schneck. 1974. "Structural Conditions and Intraorganizational Power." *Administrative Science Quarterly* 19:22-44.

Rotemberg, Julio. 1993. "Power in Profit-Maximizing Organizations." *Journal of Economics & Management Strategy* 2:165-98.

Rajan, Raghuram and Luigi Zingales. 1998. "Power in a Theory of the Firm." *Quarterly Journal of Economics* 113: 387-432.

Van den Steen, Eric. 2009. "Disagreement and the Allocation of Control." Forthcoming, *Journal of Law, Economics, and Organization*.

Pfeffer, Jeffrey. 1981. "Sources of Power in Organizations." Chapter 4 in *Power in Organizations*. Marshfield, MA: Pitman.

Implementation of Authority

Aguilar, Francis and Arvind Bhambri. 1983. "Johnson & Johnson (A), (B)." Harvard Business School Case #384-053 and -054.

Aghion, Philippe and Jean Tirole. 1997. "Formal and Real Authority in Organizations." *Journal of Political Economy* 105:1-29.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 1999. "Informal Authority in Organizations." *Journal of Law, Economics, and Organization* 15: 56-73.

Landier, Augustin, David Sraer, and David Thesmar. 2009. "Optimal Dissent in Organizations." *Review Economic Studies* 76: 761-94.

Marino, Anthony, John Matsusaka, and Ján Zábojnik. 2009. "Disobedience and Authority." *Journal of Law, Economics, and Organization* xx: yy-zz.

Van den Steen, Eric. 2010. "Interpersonal Authority in a Theory of the Firm." *American Economic Review* 100: 466-90.

Crozier, Michel. 1964. The Bureaucratic Phenomenon. Chicago: University of Chicago Press.

3.3 Politics and Influence

March, James. 1962. "The Business Firm as a Political Coalition." Journal of Politics 24: 662-78.

Skaperdas, Stergios. 1992. "Cooperation, Conflict, and Power in the Absence of Property Rights." *American Economic Review* 82: 720-39.

Prendergast, Canice. 1993. "A Theory of 'Yes Men." American Economic Review 83: 757-70.

Rajan, Raghuram and Luigi Zingales. 2000. "The Tyranny of Inequality." *Journal of Public Economics* 76: 521-58.

Rotemberg, Julio and Garth Saloner. 1995. "Overt interfunctional conflict (and its reduction through business strategy)." *Rand Journal of Economics* 26: 630-53.

Milgrom, Paul and John Roberts. 1988. "An Economic Approach to Influence Activities in Organizations." *American Journal of Sociology* 94: S154-S179.

Dessein, Wouter. 2002. "Authority and Communication in Organizations." *Review of Economic Studies* 69: 811-38.

Mitusch, Kay and Roland Strausz. 2005. "Mediation in Situations of Conflict and Limited Commitment." *Journal of Law, Economics, and Organization* 21: 467-500.

Dewatripont, Mathias and Jean Tirole. 2005. "Modes of Communication." *Journal of Political Economy* 113: 1217-38.

Friebel, Guido and Michael Raith. 2004. "Abuse of Authority and Hierarchical Communication." *Rand Journal of Economics* 35: 224-44.

Kramer, Roderick. 2001. "Organizational Paranoia: Origins and Dynamics." *Research in Organizational Behavior* 23: 1-42.

Machiavelli, Niccolo. 1988. *The Prince*. Q. Skinner and R. Price (eds.). New York: Cambridge University Press.

Riker, William. 1986. The Art of Political Manipulation. New Haven, CT: Yale University Press.

Committees

Sah, Raj and Joseph Stiglitz. 1988. "Committees, Hierarchies, and Polyarchies." *Economic Journal* 98: 2817-38.

Feddersen, Timothy, and Wolfgang Pesendorfer. 1998. "Convicting the Innocent: The Inferiority of Unanimous Jury Verdicts under Strategic Voting." *American Political Science Review* 92: 23-35

Li, Hao, Sherwin Rosen, and Wing Suen. 2001. "Conflict and Common Interests in Committees." *American Economic Review* 91: 1478-97.

Persico, Nicola. 2004. "Committee Design with Endogenous Information." *Review of Economic Studies* 71: 165-91.

Casella, Alessandra. 2005. "Storable votes." Games and Economic Behavior 51: 391-419.

Levy, Gilat. 2007. "Decision Making in Committees: Transparency, Reputation, and Voting Rules." *American Economic Review* 97: 150-68.

Visser, Bauke and Otto Swank. 2007. "On Committees of Experts." *Quarterly Journal of Economics* 122: 337-72.

Wernerfelt, Birger. 2007. "Delegation, Committees, and Managers." *Journal of Economics and Management Strategy* 16: 35-51.

Dessein, Wouter. 2007. "Why a Group Needs a Leader: Decision-making and Debate in Committees." Unpublished manuscript, University of Chicago.

3.4 Social Relations

Miller, Gary. 1992. "Horizontal Cooperation." In Ch. 9 of *Managerial Dilemmas: The Political Economy of Hierarchy*. Cambridge: Cambridge University Press.

Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2006. "The Evolution of Cooperative Norms: Evidence from a Natural Field Experiment." *Advances in Economic Analysis & Policy* 6: Issue 2, Article 4.

Tirole, Jean. 1986. "Hierarchies and Bureaucracies: On the Role of Collusion in Organizations." *Journal of Law, Economics, and Organization* 2:181-214.

Battaglini, Marco, Roland Bénabou, and Jean Tirole. 2005. "Self-control in peer groups." *Journal of Economic Theory* 123: 105-34.

Jones, Stephen. 1990. "Worker Interdependence and Output: The Hawthorne Studies Reevaluated." *American Sociological Review* 55:176-90.

Charness, Gary, Luca Rigotti, and Aldo Rustichini. 2007. "Individual Behavior and Group Membership." *American Economic Review* 97: 1340-52.

Prendergast, Canice and Robert Topel. 1996. "Favoritism in Organizations." *Journal of Political Economy* 104:958-78.

Garicano, Luis, Ignacio Palacios, and Canice Prendergast. 2005. "Favoritism Under Social Pressure." *Review of Economics and Statistics* 87: 208-16.

Kandel, Eugene and Edward Lazear. 1992. "Peer Pressure and Partnership." *Journal of Political Economy* 100: 801-17.

Barron, John and Kathy Paulson Gjerde. 1997. "Peer Pressure in an Agency Relationship." *Journal of Labor Economics* 15: 234-54.

Peer Effects

Ichino, Andrea and Giovanni Maggi. 2000. "Work Environment and Individual Background: Explaining Regional Shirking Differentials in a Large Italian Firm." *Quarterly Journal of Economics* 115: 1057-90.

Falk, Armin and Andrea Ichino. 2005. "Clean Evidence on Peer Effects." *Journal of Labor Economics* 24: 39-57.

Mas, Alex and Enrico Moretti. 2007. "Peers at Work." American Economic Review 99: 112-45.

Mohnen, Alwine, Kathrin Pokorny, and Dirk Sliwka. 2008. "Transparency, Inequity Aversion, and the Dynamics of Peer Pressure in Teams: Theory and Evidence." *Journal of Labor Economics* 26: 693-720.

Kato, Takao and Pian Shu. 2007. "Performance Spillovers and Social Network in the Workplace: Evidence from Rural and Urban Weaves in a Chinese Textile Firm." Unpublished manuscript, Colgate University.

Guryan, Jonathan, Kory Kroft, and Matt Notowidigdo. 2007. "Peer Effects in the Workplace: Evidence from Random Groupings in Professional Golf Tournaments." Unpublished manuscript, MIT.

3.5 Culture and Language

Kaftan, Colleen and Louis Barnes. 1991. "Sun Hydraulics Corporation (A and B) and (C)." Harvard Business School Cases #9-491-119 and 9-491-125.

Kreps, David. 1990. "Corporate Culture and Economic Theory." In J. Alt and K. Shepsle, eds. *Perspectives on Positive Political Economy*. Cambridge University Press.

Schein, Edgar. 1991. "What is culture?" In P. Frost, L. Moore, M. Louis, C. Lundberg, and J. Martin (eds.), *Reframing organizational culture*. Newbury Park, CA: Sage Publications.

Crémer, Jacques. 1993. "Corporate Culture and Shared Knowledge." *Industrial and Corporate Change* 2:351-86.

Rob, Rafael, and Peter Zemsky. 2002. "Social Capital, Corporate Culture, and Incentive Intensity." *Rand Journal of Economics* 33: 243-57

Weber, Roberto and Colin Camerer. 2003. "Cultural Conflict and Merger Failure: An Experimental Approach." *Management Science* 49: 400-15.

Van den Steen, Eric. 2005. "On the Origin of Shared Beliefs (and Corporate Culture)." Unpublished manuscript, HBS.

Carrillo, Juan and Denis Gromb. 2006. "Cultural Inertia and Uniformity in Organizations." *Journal of Law, Economics, and Organization* 23: 743-71.

Weber, Roberto. 2006. "Managing growth to achieve efficient coordination in large groups." *American Economic Review* 96:1, 114-126.

Cremer, Jacques, Luis Garicano, Andrea Prat. 2007. "Language and the Theory of the Firm." *Quarterly Journal of Economics* 122: 373-407.

Selten, Reinhard and Massimo Warglien. 2007. "The emergence of simple languages in an experimental coordination game." *Proceedings of the National Academy of Sciences* 104: 7361-66

Colin Camerer and Roberto Weber. 2008. "Growing organizational culture in the laboratory." In *Handbook of Experimental Economics Results*, eds. Charles R. Plott and Vernon L. Smith. Amsterdam, The Netherlands: Elsevier.

Bénabou, Roland. 2008. "Groupthink: Collective Delusions in Organizations and Markets." Unpublished manuscript, Princeton University.

Van den Steen, Eric. 2009. "Culture Clash: The Costs and Benefits of Homogeneity." Unpublished manuscript, HBS.

O'Reilly, Charles and Jennifer Chatman. 1996. "Culture as social control: Corporations, cults, and commitment." In B. Staw and L. Cummings (eds.), *Research in Organizational Behavior*. 18: 157-200.

Schein, Edgar. 1992. Organizational Culture and Leadership. San Francisco: Jossey-Bass Publishers.

Kunda, Gideon. 1992. Engineering Culture: Control and Commitment in a High-Tech Corporation. Philadelphia, PA: Temple University Press.

3.6 Leadership

Rogers, Gregory and Michael Beer. 1995. "Human Resources at Hewlett-Packard (A) and (B)." Harvard Business School Cases #9-495-051 and 9-495-052.

Rotemberg, Julio and Garth Saloner. 1993. "Leadership Style and Incentives." *Management Science* 39: 1299-1318.

Hermalin, Benjamin. 1998. "Toward an Economic Theory of Leadership: Leading By Example." *American Economic Review* 88: 1188-1206.

Weber, R. Rottenstreich, Y., Camerer, C. and Knez, M. 2001. "The Illusion of Leadership: Misattribution of Cause in Coordination Games." *Organizational Science* 12:582-98.

Bertrand, Marianne and Antoinette Schoar. 2003. "Managing with Style: The Effect of Managers on Firm Policies." *Quarterly Journal of Economics* 118: 1169-1208.

Van den Steen, Eric. 2005. "Organizational Beliefs and Managerial Vision." *Journal of Law, Economics, and Organization* 21: 256-83.

Caillaud, Bernard and Jean Tirole. 2007. "Consensus Building: How to Persuade a Group." *American Economic Review* 97: 1877-1900.

Brocas, Isabelle and Juan Carrillo. 2007. "Influence through ignorance." *Rand Journal of Economics* 38: 931-47.

Dewan, Torun and David Myatt. 2008. "The Qualities of Leadership: Direction, Communication, and Obfuscation." *American Political Science Review* 102: 351-68.

Ganz, Marshall. 2008. "Leading Change: Leadership, Organization, and Social Movements." Unpublished manuscript, Harvard University.

Zald, Mayer and Michael Berger. 1978. "Social Movements in Organizations: Coup d'Etat, Insurgency, and Mass Movements." *American Journal of Sociology* 83: 823-61.

Selznick, Philip. 1957. Leadership in Administration. New York: Harper & Row.

4. EMPLOYMENT IN ORGANIZATIONS

Overviews

Gibbons, Robert and Michael Waldman. 1999. "Careers in Organizations: Theory and Evidence." Chapter 36 in Volume 3B of O. Ashenfelter and D. Card (eds.), *Handbook of Labor Economics*, North Holland.

Baron, James and David Kreps. 2012. "Employment as an Economic **and** a Social Relationship." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Ichniowski, Casey and Kathryn Shaw. 2012. "Insider Econometrics: A Roadmap to Estimating Empirical Models of Organizational Performance." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Lazear, Edward and Paul Oyer. 2012. "Personnel Economics." Forthcoming in R. Gibbons and J. Roberts (eds.), *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Waldman, Michael. 2012. "Theory and Evidence on Internal Labor Markets." Forthcoming in R. Gibbons and J. Roberts (eds.), *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

4.1 Pay for Performance

Basic Theory and Evidence

Lazear, Edward. 2000. "Performance Pay and Productivity." *American Economic Review* 90: 1346-61.

Ferrall, Christopher and Bruce Shearer. 1999. "Incentives and Transactions Costs Within the Firm: Estimating an Agency Model Using Payroll Records." *Review of Economic Studies* 66: 309-38.

Shearer, Bruce. 2004. "Piece Rates, Fixed Wages and Incentives: Evidence from a Field Experiment." *Review of Economic Studies* 71: 513-34.

Knez, Marc and Duncan Simester. 2001. "Firm-Wide Incentives and Mutual Monitoring at Continental Airlines." *Journal of Labor Economics* 19: 743-72.

Hamilton, Barton, Jack Nickerson, and Hideo Owan. 2003. "Team Incentives and Worker Heterogeneity: An Empirical Analysis of the Impact of Teams on Productivity and Participation." *Journal of Political Economy* 111: 465-97.

Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2007. "Incentives for Managers and Inequality Among Workers: Evidence from a Firm Level Experiment." *Quarterly Journal of Economics* 122: 729-73.

Boning, Brent, Casey Ichniowski, and Kathryn Shaw. 2007. "Opportunity Counts: Teams and the Effectiveness of Production Incentives." *Journal of Labor Economics* 25: 613-50.

Alston, Lee, and Robert Higgs. 1982. "Contractual Mix in Southern Agriculture since the Civil War: Facts, Hypotheses, and Test." *Journal of Economic History* 42:327-53.

Burtis, Andrew and John Gabarro. 1996. "Brainard, Bennis & Farrell." Harvard Business School Case #9-485-037.

Gaming

Kerr, Steven. 1975. "On the Folly of Rewarding A, While Hoping for B." Academy of Management Journal 18:769-83.

Healy, Paul. 1985. "The Effect of Bonus Schemes on Accounting Decisions," *Journal of Accounting and Economics* 7: 85-107.

Anderson, Kathryn, Richard Burkhauser, and Jennie Raymond. 1993. "The Effect of Creaming on Placement Rates under the Job Training Partnership Act." *Industrial and Labor Relations Review* 46: 613-24.

Cragg, Michael. 1997. "Performance Incentives in the Public Sector: Evidence from the Job Training Partnership Act." *Journal of Law, Economics, and Organization* 13: 147-68.

Brown, Keith, W. Harlow, and Laura Starks. 1996. "Of Tournaments and Temptations: An Analysis of Managerial Incentives in the Mutual Fund Industry." *Journal of Finance* 51:85-110.

Chevalier, Judith and Glen Ellison. 1997. "Risk Taking by Mutual Funds as a Response to Incentives." *Journal of Political Economy* 105:1167-1200.

Oyer, Paul. 1998. "Fiscal Year Ends and Nonlinear Incentive Contracts: The Effect on Business Seasonality." *Quarterly Journal of Economics* 113:149-85.

Dranove, David, Daniel Kessler, Mark McClellan, and Mark Satterthwaite. 2003. "Is More Information Better? The Effects of 'Report Cards' on Health Care Providers." *Journal of Political Economy* 111: 555-88.

Courty, Pascal, and Gerald Marschke. 2004. "An Empirical Investigation of Gaming Responses to Explicit Performance Incentives." *Journal of Labor Economics* 22: 23-56.

Larkin, Ian. 2007. "The Cost of High-Powered Incentives: Employee Gaming in Enterprise Software Sales." Unpublished manuscript, Harvard Business School.

CEO Pay

Aggarwal, Rajesh and Andrew Samwick. 1999. "The Other Side of the Tradeoff: The Impact of Risk on Executive Compensation." *Journal of Political Economy* 107: 65-105.

Murphy, Kevin J. 1999. "Executive Compensation." Chapter 38 in Volume 3B of O. Ashenfelter and D. Card (eds.), *Handbook of Labor Economics*, North Holland.

Bertrand, Marianne, and Sendhil Mullainathan. 2001. "Do CEOs Set Their Own Pay? The Ones Without Principals Do." *Quarterly Journal of Economics* 116: 901-32.

Bertrand, Marianne, and Sendhil Mullainathan. 2002. "Enjoying the Quiet Life? Corporate Governance and Managerial Preferences." *Journal of Political Economy* 111: 1043-75.

Gabaix, Xavier and Augustin Landier. 2008. "Why Has CEO Pay Increased So Much?." *Quarterly Journal of Economics* 123: zz-ww.

Tervio, Marko. 2008. "The Difference that CEOs Make: An Assignment Model Approach." Forthcoming in *American Economic Reivew* 98: xx-yy.

Tournaments

Lazear, Edward, and Sherwin Rosen. 1981. "Rank-Order Tournaments as Optimum Labor Contracts." *Journal of Political Economy* 89: 841-864.

Murphy, Kevin J. 1985. "Corporate Performance and Managerial Remuneration: An Empirical Analysis." *Journal of Accounting and Economics* 7:11-42.

Eriksson, Tor. 1999. "Executive Compensation and Tournament Theory: Empirical Tests on Danish Data." *Journal of Labor Economics* 17: 262-80.

Lazear, Edward. 1989. "Pay Equality and Industrial Politics." *Journal of Political Economy* 97:561-80.

Meyer, Margaret. 1991. "Learning from Coarse Information: Biased Contests and Career Profiles." *Review of Economic Studies* 58: 15-42.

Audas, Rick, Tim Barmby, and John Treble. 2004. "Luck, Effort, and Reward in an Organizational Hierarchy." *Journal of Labor Economics* 22: 379-95.

Subjectivity

Fast, Norman, and Norman Berg. 1975. "The Lincoln Electric Company." Harvard Business School Case #376-028.

Stewart, James. 1993. "Taking the Dare." The New Yorker, July 26, 1993: 34-39.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 1994. "Subjective Performance Measures in Optimal Incentive Contracts." *Quarterly Journal of Economics* 109:1125-56.

Hayes, Rachel and Scott Schaefer. 2000. "Implicit contracts and the Explanatory Power of Top Executive Compensation for Future Performance." *RAND Journal of Economics* 31: 273-93.

Che, Yeon-Koo, and Seung-Weon Yoo. 2001. "Optimal Incentives for Teams." *American Economic Review* 91: 525-41.

Levin, Jonathan. 2002. "Multilateral Contracting and the Employment Relationship." *Quarterly Journal of Economics* 117: 1075-1103.

MacLeod, Bentley. 2003. "Optimal Contracting with Subjective Evaluation." *American Economic Review* 93: 216-40.

Kvaløy, Ola and Trond Olsen. 2006. "Team Incentives in Relational Employment Contracts." *Journal of Labor Economics* 24: 139-69.

Rayo, Luis. 2007. "Relational Incentives and Moral Hazard in Teams." *Review of Economic Studies* 74: 937-63.

Career Concerns

MacLeod, W. Bentley, and James Malcomson. 1988. "Reputation and Hierarchy in Dynamic Models of Employment." *Journal of Political Economy* 96: 832-854.

Stein, Jeremy. 1989. "Efficient Capital Markets, Inefficient Firms: A Model of Myopic Corporate Behavior." *Quarterly Journal of Economics* 104: 655-69.

Gibbons, Robert, and Kevin J. Murphy. 1992. "Optimal Incentive Contracts in the Presence of Career Concerns: Theory and Evidence." *Journal of Political Economy* 100: 468-505.

Jeon, Seonghoon. 1996. "Moral hazard and reputational concerns in teams: Implications for organizational choice." *International Journal of Industrial Organization* 14: 297-315.

Chevalier, Judith and Glenn Ellison. 1999. "Career Concerns of Mutual Fund Managers." *Quarterly Journal of Economics* 114: 389-432.

Morris, Stephen. 2001. "Political Correctness." Journal of Political Economy 109: 231-65.

Ortega, Jaime. 2003. "Power in the Firm and Managerial Career Concerns." *Journal of Economics and Management Strategy* 12: 1-29.

Ottaviani, Marco and Peter Sorensen. 2006. "Professional Advice." *Journal of Economic Theory* 126: 120-42.

Bar-Isaac, Heski. 2007. "Something to Prove: Reputation in Teams." *RAND Journal of Economics* 38: 495-511.

Hertzberg, Andrew, Jose Maria Liberti, and Daniel Paravisini. 2008. "Information and Incentives Inside the Firm: Evidence from Loan Officer Rotation." Unpublished manuscript, Columbia University.

The Ratchet Effect

Roy, Donald. 1952. "Quota Restriction and Goldbricking in a Machine Shop," *American Journal of Sociology* 57:427-42.

Lazear, Edward. 1986. "Salaries and Piece Rates." Journal of Business 59:405-431.

Gibbons, Robert. 1987. "Piece-Rate Incentive Schemes." Journal of Labor Economics 5:413-29.

Kanemoto, Yoshitsugu, and Bentley MacLeod. 1991. "The Ratchet Effect and the Market for Secondhand Workers." *Journal of Labor Economics* 10:85-98.

Carmichael, Lorne, and Bentley MacLeod. 2000. "Worker Cooperation and the Ratchet Effect." *Journal of Labor Economics* 18: 1-19.

Kaarbøe, Oddvar and Trond Olsen. 2008. "Distorted Performance Measures and Dynamic Incentives." *Journal of Economics and Management Strategy* 17: 149-83.

Intrinsic Motivation and Reciprocity

Pfeffer, Jeffrey. 1990. "Incentives in Organizations: The Importance of Social Relations." In O.E. Williamson (ed.), *Organization Theory: From Chester Barnard to the Present and Beyond*. New York: Oxford University Press.

Frey, Bruno and F. Oberholzer-Gee. 1997. "The Cost of Price Incentives: An Empirical Analysis of Motivation Crowding-Out." *American Economic Review* 87: 746-55.

Kreps, David. 1997. "Intrinsic vs. Extrinsic Motivation." American Economic Review 87: 359-64.

Gneezy, Uri and Aldo Rustichini. 2000. "Pay Enough or Don't Pay at All." *Quarterly Journal of Economics* 115: 791-810.

Nagin, Daniel, James Rebitzer, Seth Sanders, and Lowell Taylor. 2002. "Monitoring, Motivation, and Management: The Determinants of Opportunistic Behavior in a Field Experiment." *American Economic Review* 92: 850-73.

Rotemberg, Julio. 1994. "Human Relations in the Workplace." *Journal of Political Economy* 102:684-717.

Rotemberg, Julio. 2003. "Altruism, Reciprocity and Cooperation in the Workplace." Forthcoming in L.-A. Gerard-Varet, S.-C. Kolm, and J.M. Ythier, *Handbook on the Economics of Giving, Reciprocity and Altrusim*. Amsterdam: North Holland.

Fehr, Ernst and Armin Falk. 2002. "Psychological foundations of incentives." *European Economic Review* 46: 687-724.

Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2005. "Social Preferences and the Response to Incentives: Evidence from Personnel Data." *Quarterly Journal of Economics* 120: 917-62.

Bénabou, Roland and Jean Tirole. 2006. "Incentives and Prosocial Behavior." *American Economic Review* 96: 1652-78.

4.2 Job Assignment and Job Design

Job Assignment

Brüderl, Josef, Andreas Diekmann, and Peter Preisendörfer. 1991. "Patterns of Intraorganizational Mobility: Tournament Models, Path Dependency, and Early Promotion Effects." *Social Science Research* 20:197-216.

Chiappori, Pierre-André, Bernard Salanié, and Julie Valentin. 1999. "Early Starters versus Late Beginners." *Journal of Political Economy* 107: 731-60.

Waldman, Michael. 1984. "Job Assignment, Signaling, and Efficiency." RAND Journal of Economics 15:255-87.

Murphy, Kevin. 1986. "Incentives, learning, and compensation: a theoretical and empirical investigation of managerial labor contracts." *Rand Journal of Economics* 17:59-76.

Milgrom, Paul, and Sharon Oster. 1987. "Job Discrimination, Market Forces, and the Invisibility Hypothesis." *Quarterly Journal of Economics* 102: 453-76.

Ricart i Costa, Joan. 1988. "Managerial Task Assignments and Promotions." *Econometrica* 56: 449-66.

Bernhardt, Dan, and David Scoones. 1993. "Promotion, Turnover, and Preemptive Wage Offers." *American Economic Review* 84: 771-91.

Meyer, Margaret. 1994. "The dynamics of learning with team production: Implications for task assignment." *Quarterly Journal of Economics* 109: 1157-84.

Lazear, Edward. 2004. "The Peter Principle: A Theory of Decline." *Journal of Political Economy* 112: S141-63.

Gibbons, Robert, Lawrence Katz, Thomas Lemieux, and Daniel Parent. 2005. "Comparative Advantage, Learning, and Sectoral Wage Determination." *Journal of Labor Economics* 23: 681-723.

Golan, Limor. 2005. "Counteroffers and Efficiency in Labor Markets with Asymmetric Information." *Journal of Labor Economics* 23: 373-93.

Job Design

Itoh, Hideshi. 1994. "Job Design, Delegation, and Cooperation: A Principal-Agent Analysis." *European Economic Review* 38: 691-700.

Hemmer, Thomas. 1995. "On the interrelation between production technology, job design, and incentives." *Journal of Accounting and Economics* 19: 209-45.

Prendergast, Canice. 1996. "A Theory of Responsibility in Organizations." *Journal of Labor Economics* 13: 387-400.

Meyer, Margaret, Trond Olsen, and Gaute Torsvik. 1996. "Limited Intertemporal Commitment and Job Design." *Journal of Economic Behavior and Organization* 31: 401-17.

Valsecchi, I. 1996. "Policing team production through job design." *Journal of Law, Economics, and Organization* 12: 361-75.

Hemmer, Thomas. 1998. "Performance measurement systems, incentives, and the optimal allocation of responsibilities." *Journal of Accounting and Economics* 25: 321-47.

Dewatripont, Mathias and Jean Tirole. 1999. "Advocates." *Journal of Political Economy* 107: 1-39.

Olsen, Trond, and Gaute Torsvik. 2000. "Discretion and incentives in organizations." *Journal of Labor Economics* 18: 377-404.

Itoh, Hideshi. 2001. "Job design and incentives in hierarchies with team production." *Hitotsubashi Journal of Commerce and Management* 36: 1-17.

Harstad, Bård. 2007. "Organizational Form and the Market for Talent." *Journal of Labor Economics* 25: 581-611.

Schöttner, Anja. 2007. "Relational Contracts, Multitasking, and Job Design." *Journal of Law, Economics, and Organization* 23: yy-zz.

4.3 Skill Development

Wiggenhorn, William. 1990. "Motorola U: When Training Becomes an Education." *Harvard Business Review* July-August, 71-83.

Prendergast, Canice. 1993. "The Role of Promotion in Inducing Specific Human Capital Acquisition." *Quarterly Journal of Economics* 108:523-34.

Kahn, Charles, and Gur Huberman. 1988. "Two-sided Uncertainty and 'Up-or-Out' Contracts." *Journal of Labor Economics*. 6:423-44.

Waldman, Michael. 1990. "Up-or-Out Contracts: A Signaling Perspective," *Journal of Labor Economics* 8: 230-50.

Prendergast, Canice. 1992. "Career Development and Specific Human Capital Collection." *Journal of the Japanese and International Economies* 6: 207-27.

Chang, Chun, and Yijiang Wang. 1995. "A Framework for Understanding Differences in Labor Turnover and Human Capital Investment." *Journal of Economic Behavior and Organization* 28: 91-105.

Chang, Chun, and Yijiang Wang. 1996. "Human Capital Investment under Asymmetric Information: The Pigovian Conjecture Revisited." *Journal of Labor Economics* 14: 505-19.

Acemoglu, Daron, and J. Stephen Pischke. 1998. "Why Do Firms Train? Theory and Evidence." *Quarterly Journal of Economics* 113:79-119.

Athey, Susan, Christopher Avery, and Peter Zemsky. 2000. "Mentoring and Diversity." *American Economic Review* 90: 765-86.

Autor, David. 2001. "Why Do Temporary Help Firms Provide Free General Skills Training?" *Quarterly Journal of Economics* 116: 1409-48.

Owan, Hideo. 2004. "Promotion, Turnover, Earnings, and Firm-Sponsored Training." *Journal of Labor Economics* 22: 955-78.

Bernhardt, Dan, Eric Hughson, and Edward Kutsoati. 2006. "The Evolution of Managerial Expertise: How Corporate Culture Can Run Amok." *American Economic Review* 96: 195-221.

4.4 Networks and Demography

Networks and Employment

Granovetter, Mark. 1974. Getting a Job: A Study of Contacts and Careers. Cambridge: Harvard University Press.

Montgomery, James. 1991. "Social Networks and Labor-Market Outcomes: Toward an Economic Analysis." *American Economic Review* 81: 1408-18.

Podolny, Joel, and James Baron. 1997. "Resources and Relationships: Social Networks and Mobility in the Workplace." *American Sociological Review* 62: 673-93.

Fernandez, Roberto, and Nancy Weinberg. 1997. "Sifting and Sorting: Personal Contacts and Hiring in a Retail Bank." *American Sociological Review* 62: 883-902.

Fernandez, Roberto, Emilio Castilla, and Paul Moore. 1999. "Social Capital at Work: Networks and Employment at a Phone Center." *American Journal of Sociology* 105: 1288-356.

Organizational Demography

Pfeffer, Jeffrey. 1983. "Organizational Demography." In L. Cummings and B. Staw (eds.), *Research in Organizational Behavior*. Greenwich, CT: JAI Press.

O'Reilly, Charles, David Caldwell, and William Barnett. 1989. "Work Group Demography, Social Integration, and Turnover." *Administrative Science Quarterly* 34: 21-37.

Sorensen, Jesper. 2000. "Changes in Group Composition and Turnover: A Longitudinal Study." *American Sociological Review* 65: 298-310.

Williams, Katherine, and Charles O'Reilly. 1998. "Demography and Diversity in Organizations: A Review of 40 Years of Research." *Research in Organizational Behavior* 20: 77-140.

4.5 Employment Systems

Brown, Claire, and Michael Reich. 1989. "When Does Union-Management Cooperation Work? A Look at NUMMI and GM-Van Nuys." *California Management Review* Summer, 26-44.

Adler, Paul. 1992. "The 'Learning Bureaucracy': New United Motor Manufacturing, Inc." Research in Organizational Behavior 15: 111-94.

Holland, Philip, and Michael Beer. 1993. "People Express Airlines: Rise and Decline." Harvard Business School Case #9-490-012.

Osterman, Paul. 1994. "How Common is Workplace Transformation and Who Adopts It?" *Industrial and Labor Relations Review* 47: 173-88.

Osterman, Paul. 2000. "Work Reorganization in an Era of Restructuring: Trends in Diffusion and Effects on Employee Welfare." *Industrial and Labor Relations Review* 53: 179-96.

Ichniowski, Casey, Kathryn Shaw, and Giovanna Prennushi. 1997. "The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines." *American Economic Review* 87: 291-313.

Baron, James, Diane Burton, and Michael Hannan. 1999. "Engineering Bureaucracy: The Genesis of Formal Policies, Positions, and Structures in High-Technology Firms." *Journal of Law, Economics, and Organization* 15: 1-41.

Baron, James, and Michael Hannan. 2002. "Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies." *California Management Review* 44: 8-36.

Moriguchi, Chiaki. 2003. "Implicit Contracts, the Great Depression, and Institutional Change: A Comparative Analysis of U.S. and Japanese Employment Relations, 1920-1940." *Journal of Economic History* 63: 625-65.

Moriguchi, Chiaki. 2005. "Did American Welfare Capitalists Breach Their Implicit Contracts? Preliminary Findings from Company-level Data." *Industrial and Labor Relations Review* 59: 51-81.

4.6 Careers in Organizations

Medoff, James, and Katharine Abraham. 1980. "Experience, Performance, and Earnings." *Quarterly Journal of Economics* 95:703-36.

Medoff, James, and Katharine Abraham. 1981. "Are Those Paid More Really More Productive?" *Journal of Human Resources* 16:186-216.

Baker, George, Michael Gibbs, and Bengt Holmstrom. 1994. "The Internal Economics of the Firm: Evidence from Personnel Data." *Quarterly Journal of Economics* 109:881-919.

Baker, George, Michael Gibbs, and Bengt Holmstrom. 1994. "The Wage Policy of a Firm." *Quarterly Journal of Economics* 109:921-55.

Treble, John, Edwin van Gameren, Sarah Bridges, and Tim Barmby. 2001. "The internal economics of the firm: further evidence from personnel data." *Labour Economics* 8: 531-52.

Flabbi, Luca, and Andrea Ichino. 2001. "Productivity, seniority and wages: new evidence from personnel data." *Labour Economics* 8: 359-87.

Demougin, Dominique, and Aloysius Siow. 1994. "Careers in Ongoing Hierarchies." *American Economic Review* 84:1261-77.

Gibbons, Robert, and Michael Waldman. 1999. "A Theory of Wage and Promotion Dynamics Inside a Firm." *Quarterly Journal of Economics* 114: 1321-58.

Fairburn, James, and James Malcomson. 2001. "Performance, Promotion, and the Peter Principle." *Review of Economic Studies* 68: 45-66.

Lluis, Stéphanie. 2005. "The Role of Comparative Advantage and Learning in Wage Dynamics and Intrafirm Mobility: Evidence from Germany." *Journal of Labor Economics* 23: 725-67.

Gibbons, Robert and Michael Waldman. 2006. "Enriching a Theory of Wage and Promotion Dynamics inside Firms." *Journal of Labor Economics* 24: 59-107.

Hunnes, Arngrim. 2007. "Testing the Role of Comparative Advantage and Learning in Wage and Promotion Dynamics." Unpublished manuscript, Norwegian School of Economics and Business Administration.

Cabrales, Antonio, Antonio Calvó-Armengol, and Nicola Pavoni. 2008. "Social Preferences, Skill Segregation, and Wage Dynamics." *Review of Economic Studies* 75: 65-98.

5. STRUCTURES AND PROCESSES IN ORGANIZATIONS

Overviews

Brynjolfsson, Erik and Paul Milgrom. 2012. "Complementarity in Organizations." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Garicano, Luis and Timothy Van Zandt. 2012. "Hierarchies and the Division of Labor." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Gertner, Robert and David Scharfstein. 2012. "Resource Allocation within Firms." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Gibbons, Robert and Rebecca Henderson. 2012. "Relational Contracts, Managerial Practices and Organizational Capabilities." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Hermalin, Benjamin. 2012b. "Economic Models of Corporate Governance." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Mookherjee, Dilip. 2012. "Incentives in Hierarchies." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

5.1 Five Models of Hierarchy

Hierarchical Information Processing

Radner, Roy. 1992. "Hierarchy: The Economics of Managing." *Journal of Economic Literature* 30: 1382-1415.

Radner, Roy. 1993. "The Organization of Decentralized Information Processing." *Econometrica* 61:1109-46.

Bolton, Patrick and Mathias Dewatripont. 1994. "The Firm as a Communication Network." *Quarterly Journal of Economics* 109:809-39.

Van Zandt, Timothy. (1998). "Decentralized information processing in the theory of organizations." In M. Sertel (Ed.), Economic Design and Behavior, Proceedings of the XIth World Congress of the International Economic Association, volume IV. London: Macmillan Press Ltd.

Van Zandt, Timothy. 1998. "Real-time decentralized information processing as a model of organizations with boundedly rational agents." *Review of Economic Studies* 66: 633-58.

Hierarchical Resource Allocation

Crémer, Jacques. 1980. "A Partial Theory of the Optimal Organization of a Bureaucracy." *The Bell Journal of Economics* 11: 683-93.

Geanakoplos, John and Paul Milgrom. 1991. "A Theory of Hierarchies Based on Limited Managerial Attention." *Journal of the Japanese and International Economies* 5:205-25.

Van Zandt, Timothy. 2003. "Real-Time Hierarchical Resource Allocation." Unpublished manuscript, INSEAD.

Mookherjee, Dilip and Stefan Reichelstein. 1997. "Budgeting and Hierarchical Control." *Journal of Accounting Research* 35: 129-55.

Hierarchical Monitoring

Williamson, Oliver. 1967. "Hierarchical Control and Optimal Firm Size." *Journal of Political Economy* 75: 123-38.

Calvo, Guillermo and Stanislaw Wellisz. 1978. "Supervision, Loss of Control, and the Optimum Size of the Firm." *Journal of Political Economy* 86: 943-52.

Calvo, Guillermo and Stanislaw Wellisz. 1979. "Supervision, Loss of Control, and the Optimum Size of the Firm." *Journal of Political Economy* 86: 943-52.

Qian, Yingyi. 1994. "Incentives and Loss of Control in an Optimal Hierarchy." *Review of Economic Studies* 61: 527-44.

Maskin, Eric, Yingyi Qian, and Chenggang Xu. 2000. "Incentives, Information, and Organizational Form." *Review of Economic Studies* 67: 359-78.

Qian, Yingyi, Gérard Roland, and Chenggang Xu: Coordination and Experimentation in M-Form and U-Form Organizations." *Journal of Political Economy* 114: 366-402.

Melumad, Nahum, Dilip Mookherjee, and Stefan Reichelstein. 1995. "Hierarchical decentralization of incentive contracts." *Rand Journal of Economics* 26: 654-72.

Hierarchical Problem Solving

Garicano, Luis. 2000. "Hierarchies and the Organization of Knowledge in Production." *Journal of Political Economy* 108: 874-904.

Hierarchical Decision Rights

Hart, Oliver and John Moore. 2005. "On the Design of Hierarchies: Coordination Versus Specialization." *Journal of Political Economy* 113: 675-702.

Marglin, Stephen. 1974. "What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production." *Journal of Radical Political Economy* 6:60-112.

Dow, Gregory. 1987. "The Function of Authority in Transaction Cost Economics." *Journal of Economic Behavior and Organization* 8:13-38.

5.2 Delegation

Melumad, Nahum, Dilip Mookherjee, and Stefan Reichelstein. 1992. "A Theory of Responsibility Centers." *Journal of Accounting and Economics* 15: 445-84.

Melumad, Nahum, Dilip Mookherjee, and Stefan Reichelstein. 1997. "Contract Complexity, Incentives, and the Value of Delegation." *Journal of Economics and Management Strategy* 6: 257-89.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 2001. "Bringing the Market Inside the Firm?" *American Economic Review Papers and Proceedings* 91: 212-18.

Colombo, M. and M. Delmastro. 2004. "Delegation of Authority in Business Organizations: An Empirical Test." *Journal of Industrial Economics* 52: 53-80.

Mookerherjee, Dilip. 2006. "Decentralization, Hierarchies, and Incentives: A Mechanism Design Perspective." *Journal of Economic Literture* 44: 367-90.

Alonso, Ricardo and Niko Matouschek. 2007. "Relational Delegation." Rand Journal of Economics 38: 1070-89.

Acemoglu, Daron, Philippe Aghion, Claire Lelarge, John Van Reenen, and Fabrizio Zilibotti. 2007. "Technology, Information and the Decentralization of the Firm." *Quarterly Journal of Economics* 122: 1758-99.

Bloom, Nicholas, Raffaella Sadun, and John Van Reenen. 2009. "The Organization of Firms Across Countries." Unpublished manuscript, Stanford University.

5.3 Organizational Design

Mintzberg, Henry. 1981. "Organization Design: Fashion or Fit?" *Harvard Business Review* January-February (Reprint 81106).

Aoki, Masahiko. 1986. "Horizontal vs. Vertical Information Structure of the Firm." *American Economic Review* 76: 970-83.

Drucker, Peter. 1988. "The Coming of the New Organization." *Harvard Business Review January-February*, 45-53 (Reprint 88105).

Salancik, Gerald and Huseyin Leblebici. 1988. "Variety and Form in Organizing Transactions: A Generative Grammar of Organization." *Research in the Sociology of Organizations* 6:1-31.

Bolton, Patrick and Joseph Farrell. 1990. "Decentralization, Duplication, and Delay." *Journal of Political Economy* 98:803-26.

Eccles, Robert, and Nitin Nohria. 1992. "On Structure and Structuring." Chapter x in R. Eccles and N. Nohria (eds.), *Beyond the Hype: Rediscovering the Essence of Management*. Boston: Harvard University Press.

Rotemberg, Julio and Garth Saloner. 1994. "Benefits of Narrow Business Strategies." *American Economic Review* 84: 1330-49.

Rotemberg, Julio. 1999. "Process- versus Function-Based Hierarchies." *Journal of Economics & Management Strategy* 8: 453-87.

Kamps, Jaap and László Pólos. 1999. "Reducing Uncertainty: A Formal Theory of *Organizations in Action.*" *American Journal of Sociology* 104: 1774-1810.

O'Leary, Michael, Wanda Orlikowski, and JoAnne Yates. 2002. "Distributed Work over the Centuries: Trust and Control in the Hudson's Bay Company, 1670-1826." Chapter 2 in P. Hinds and S. Kiesler (eds.), *Distributed Work*. Cambridge, MA: MIT Press.

Foss, Nicolai. 2003. "Selective Intervention and Internal Hybrids: Interpreting and Learning from the Rise and Decline of the Oticon Spaghetti Organization." *Organization Science* 14: 331-49.

Rajan, Raghuram and Julie Wulf. 2006. "The Flattening Firm: Evidence from Panel Data on the Changing Nature of Corporate Hierarchies." *Review of Economics and Statistics* 88: 759-73.

Garicano, Luis and Thomas Hubbard. 2008. "Managerial Leverage is Limited by the Extent of the Market: Hierarchies, Specialization and the Utilization of Lawyers' Human Capital", *Journal of Law and Economics*, forthcoming.

Nadler, David and Michael Tushman. 1997. *Competing by Design: The Power of Organizational Architecture*. New York: Oxford University Press.

Thompson, James D. 1967. Organizations in Action. New York: McGraw-Hill.

Stinchcombe, Arthur. 2001. When Formality Works: Authority and Abstraction in Law and Organizations. Chicago: University of Chicago Press.

Partnerships

Hansmann, Henry. 1988. "Ownership of the Firm," *Journal of Law, Economics, and Organization* 4: 267-304.

Gaynor, Martin and Paul J. Gertler. 1995. "Moral Hazard and Risk Spreading in Partnerships," *Rand Journal of Economics* 26(4): 591–613.

Pirrong, Craig. 2000. "A Theory of Financial Exchange Organization," *Journal of Law and Economics* xx: yy-zz.

Morrison, Alan and William Wilhelm, Jr. 2004. "Partnership Firms, Reputation, and Human Capital." *American Economic Review* 94: 1682-92.

Levin, Jonathan and Steven Tadelis. 2005. "Profit Sharing and the Role of Professional Partnerships." *Quarterly Journal of Economics* 120: 131-71.

Doornik, Katherine. 2006. "Relational Contracting in Partnerships." *Journal of Economics and Management Strategy* 15: 517-48.

Contingency and Complementarities

Ghemawat, Pankaj. 1995. "Competitive Advantage and Internal Organization: Nucor Revisited." *Journal of Economics & Management Strategy* 3:685-717.

Milgrom, Paul, and John Roberts. 1995. "Complementarities and Fit: Strategy, structure, and organizational change in manufacturing." *Journal of Accounting and Economics* 19:179-208.

Thesmar, David and Mathias Thoenig. 2000. "Creative Destruction and Firm Organization Choice." *Quarterly Journal of Economics* 115: 1201-37.

Caroli, Eve and John van Reenen. 2001. "Skill-Biased Organizational Change? Evidence from a Panel of British and French Establishments." *Quarterly Journal of Economics* 116: 1449-92.

Bresnahan, Timothy, Erik Brynjolfsson, and Lorin Hitt. 2002. "Information Technology, workplace Organization and the Demand for Skilled Labor: Firm-Level Evidence." *Quarterly Journal of Economics* 117: 339-76.

Lawrence, Paul and Jay Lorsch. 1967. Organization and Environment: Managing Differentiation and Integration. Boston, MA: Harvard Business School Press.

Baldwin, Carliss and Kim Clark. 2000. Design Rules: The Power of Modularity. Cambridge, MA: MIT Press.

5.4 Routines, Production, and Capabilities

Sonnenfeld, Jeffrey, and Meredith Lazo. 1992. "United Parcel Service (A) and (B)." Harvard Business School Case #9-488-016 and -017.

Nelson, Richard, and Sidney Winter. 1982. "Organizational Capabilities and Behavior." Chapter 5 in *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.

Winter, Sidney. 1988. "On Coase, Competency, and the Corporation." *Journal of Law, Economics, and Organization* 4: 179-95.

Nelson, Richard. 1991. "Why Do Firms Differ, and How Does It Matter?" *Strategic Management Journal* 12: 61-74.

March, James. 1991. "Exploration and Exploitation in Organizational Learning." *Organization Science* 2: 71-87.

Cohen, Michael and Paul Bacdayan. 1994. "Organizational routines are stored as procedural memory." *Organization Science* 5: 554-68.

Teece, David, Gary Pisano, and Amy Shuen. 1997. "Dynamic Capabilities and Strategic Management." *Strategic Management Journal* 18: 509-33.

Langlois, Richard and Nicolai Foss. 1999. "Capabilities and Governance: The Rebirth of Production in the Theory of Economic Organization." *Kyklos* 52: 201-18.

Kellogg, Katherine, Wanda Orlikowski, and JoAnne Yates. 2006. "Life in the Trading Zone: Structuring Coordination Across Boundaries in Postbureaucratic Organizations." *Organization Science* 17: 22-44.

Gibbons, Robert. 2006. "What the Folk Theorem Doesn't Tell Us." *Industrial and Corporate Change* 15: 381-86.

Bartel, Ann, Casey Ichniowski, and Kathryn Shaw. 2007. "How Does Information Technology Affect Productivity? Plant-Level Comparisons of Product Innovation, Process Improvement, and Worker Skills." *Quarterly Journal of Economics* 122: 1721-58.

Bloom, Nicholas and John Van Reenen. 2007. "Measuring and Explaining Management Practices Across Firms and Countries. *Quarterly Journal of Economics* 122: 1351-408.

Polanyi, Michael. 1966. The Tacit Dimension. New York: Anchor Day Books.

Leibenstein, Harvey. 1987. *Inside the Firm: The Inefficiencies of Hierarchy*. Cambridge, MA: Harvard University Press.

5.5 Knowledge Management and Product Development

Henderson, Rebecca and Kim Clark. 1990. "Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms." *Administrative Science Quarterly* 35: 9-30.

Cohen, Wesley and Daniel Levinthal. 1990. "Absorptive Capacity: A New Perspective on Learning and Innovation." *Administrative Science Quarterly* 35: 128-52.

Henderson, Rebecca. 1993. "Underinvestment and incompetence as responses to radical innovation: evidence from the photolithographic alignment equipment industry." *Rand Journal of Economis* 24:248-70.

Sorensen, Jesper and Toby Stuart. 2000. "Aging, Obsolescence and Organizational Innovation." *Administrative Science Quarterly* 45: 81-112.

Repenning, Nelson. 2001. "Understanding fire fighting in new product development." *Journal of Product Innovation Management* 18:285-300.

Orlikowski, Wanda. 2002. "Knowing in Practice: Enacting a Collective Capability in Distributed Organizing." *Organization Science* 13:249-73.

Nonaka, Ikujiro and Hirotaka Takeuchi. 1995. *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation*. New York: Oxford University Press.

5.6 Growth and Change

Nanda, Ashish. 2002. "Family Feud: Andersen v. Andersen (A&B)."Harvard Business School Cases #9-800-264 & -210.

Prescott, Edward, and Michael Visscher. 1980. "Organization Capital." *Journal of Political Economy* 88: 446-61.

March, James. 1981. "Footnotes to Organizational Change." *Administrative Science Quarterly* 26: 563-77.

Hannan, Michael and John Freeman. 1984. "Structural Inertia and Organizational Change." *American Sociological Review* 49: 149-64.

Meyer, Margaret, Paul Milgrom, and John Roberts. 1992. "Organizational Prospects, Influence costs, and Ownership Changes." *Journal of Economics and Management Strategy* 1: 9-35.

Schaefer, Scott. 1998. "Influence Costs, Structural Inertia, and Organizational Change." *Journal of Economics & Management Strategy* 7: 237-63.

Orlikowski, Wanda. 1996. "Improvising Organizational Transformation Over Time: A Situated Change Perspective." *Information Systems Research* 7: 63-92.

Rajan, Raghuram and Luigi Zingales. 2001. "The Firm as a Dedicated Hierarchy: A Theory of the Origins and Growth of Firms." *Quarterly Journal of Economics* 116: 805-51.

Siggelkow, Nicolaj. 2001. "Change in the presence of fit: The rise, the fall, and the renaissance of Liz Claiborne." *Academy of Management Journal* 44: 836-57.

Siggelkow, Nicolaj. 2002. "Evolution toward Fit." Administrative Science Quarterly 47: 125-59.

Repenning, Nelson and John Sterman. 2002. "Capability Traps and Self-Confirming Attribution Errors in the Dynamics of Process Improvement." *Administrative Science Quarterly* 47: 265-95.

Rajan, Raghuram and Luigi Zingales. 2005. "Creating Constituencies for Reform." Unpublished manuscript, University of Chicago.

Penrose, Edith. 1959. The Theory of the Growth of the Firm. New York: Wiley.

6. THE BOUNDARY OF THE FIRM REVISITED

Overviews

Gibbons, Robert. 2005. "Four Formal(izable) Theories of the Firm?" *Journal of Economic Behavior and Organization* 58: 202-247 (Sections 4 and 5).

Lafontaine, Francine and Margaret Slade. 2007. "Vertical Integration and Firm Boundaries: The Evidence." *Journal of Economic Literature* 45: 629-85.

Bresnahan, Timothy and Jonathan Levin. 2012. "Vertical Integration and Market Structure." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Hansmann, Henry. 2012. "Ownership and Organizational Form." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Kornhauser, Lewis and Bentley MacLeod. 2012. "Contracts Between Legal Persons." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Lafontaine, Francine and Margaret Slade. 2012. "Contracting Between Firms: Evidence." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Macher, Jeffrey and Barak Richman. 2008. "Transaction Cost Economics: An Assessment of Empirical Research in the Social Sciences." *Business and Politics* 10: 1-63.

David, Robert and Shin-Kap Han. 2004. "A Systematic Assessment of the Empirical Support for Transaction Cost Economics." *Strategic Management Journal* 25: 39-58.

Gibbons, Robert. 2010. "Transaction-Cost Economics: Past, Present, and Future?" *Scandinavian Journal of Economics* 112: 263-88.

6.1 Vertical Integration: Classic Evidence and Commentary

Monteverde, Kirk and David Teece. 1982. "Supplier Switching Costs and Vertical Integration in the Automobile Industry." *Bell Journal of Economics* 13:206-13.

Anderson, Erin and David Schmittlein. 1984. "Integration of the Sales Force: An Empirical Examination." *Rand Journal of Economics* 15: 385-95.

Masten, Scott. 1984. "The Organization of Production: Evidence from the Aerospace Industry." *Journal of Law and Economics* 27: 403-17.

Joskow, Paul. 1985. "Vertical Integration and Long-Term Contracts: The Case of Coal-Burning Electric Generation Plants." *Journal of Law, Economics, and Organization* 1: 33-80.

Masten, Scott, James Meehan, and Edward Snyder. 1991. "The Costs of Organization." *Journal of Law, Economics, and Organization* 7: 1-25.

Klein, Benjamin. 1988. "Vertical Integration as Organizational Ownership: The Fisher Body-General Motors Relationship Revisited." *Journal of Law, Economics, and Organization* 4: 199-213.

Coase, Ronald. 2000. "The Acquisition of Fisher Body by General Motors." *Journal of Law and Economics* 43: 15-31.

Klein, Benjamin. 2000. "Fisher-General Motors and the Nature of the Firm." *Journal of Law and Economics* 43: 105-41.

Helper, Susan, John Paul MacDuffie, and Charles Sabel. 2000. "Pragmatic Collaborations: Advancing Knowledge While Controlling Opportunism." *Industrial and Corporate Change* 9: 443-88.

Commentary

Demsetz, Harold. 1988. "The Theory of the Firm Revisited." *Journal of Law, Economics and Organization* 4: 141-61.

Williamson, Oliver. 2002. "The Theory of the Firm as Governance Structure: From Choice to Contract." *Journal of Economic Perspectives* 16: 171-95.

Whinston, Michael. 2003. "On the Transaction Cost Determinants of Vertical Integration." *Journal of Law, Economics, and Organization* 19: 1-23.

Baker, George and Ricard Gil. 2012. "Clinical Papers in Organizational Economics." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

6.2 Vertical Integration: Recent Theory and Evidence

Weber, Katherine Seger, and Linda Hill. 1995. "Rudi Gassner and the Executive Committee of BMG International (A)." Harvard Business School Case #9-494-055.

Magnani, Dianna, and Cynthia Montgomery. 2001. "PepsiCo's Restaurants." Harvard Business School Case #9-794-078.

Langlois, Richard, and Paul Robertson. 1989. "Explaining Vertical Integration: Lessons from the American Automobile Industry." *Journal of Economic History* XLIX: 361-75.

Bolton, Patrick, and Michael Whinston. 1993. "Incomplete Contracts, Vertical Integration, and Supply Assurance." *Review of Economic Studies* 60: 121-48.

Argyres, Nicholas. 1996. "Evidence on the Role of Firm Capabilities in Vertical Integration Decisions." *Strategic Management Journal* 17: 129-150.

Mullin, Joseph, and Wallace Mullin. 1997. "United States Steel's Acquisition of Great Northern Ore Properties: Vertical Foreclosure or Efficient Contractual Governance?" *Journal of Law, Economics, and Organization* 13:74-100.

Poppo, Laura and Todd Zenger. 1998. "Testing Alternative Theories of the Firm: Transaction Cost, Knowledge-Based, and Measurement Explanations for Make-or-Buy Decisions in Information Services." *Strategic Management Journal* 19: 853-77.

González-Díaz, Manuel, Benito Arruñada, and Alberto Fernández. 2000. "Causes of subcontracting: evidence from panel data on construction firms." *Journal of Economic Behavior and Organization* 42: 167-87.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 2002. "Relational Contracts and the Theory of the Firm." *Quarterly Journal of Economics* 117: 39-83.

Woodruff, Christopher. 2002. "Non-contractible Investment and Vertical Integration in the Mexican Footwear Industry." *International Journal of Industrial Organization* 20: 1197-1224.

Baker, George and Thomas Hubbard. 2003. "Make Versus Buy in Trucking: Asset Ownership, Job Design, and Information." *American Economic Review* 93: 551-572.

Nickerson, Jackson and Brian Silverman. 2003. "Why Aren't All Truck Drivers Owner-Operators? Asset Ownership and the Employment Relation in Interstate for-Hire Trucking." *Journal of Economics and Management Strategy* 12: 91-118.

Nickerson, Jackson and Brian Silverman. 2003. "Why Firms Want to Organize Efficiently and What Keeps Them from Doing So: Inappropriate Governance, Performance, and Adaptation in a Deregulated Industry." *Administrative Science Quarterly* 48: 433-65.

Baker, George and Thomas Hubbard. 2004. "Contractibility and Asset Ownership: On-Board Computers and Governance in U.S. Trucking." *Quarterly Journal of Economics* 119: 1443-79.

Matouschek, Niko. 2004. "Ex Post Inefficiencies in a Property Rights Theory of the Firm." *Journal of Law, Economics, and Organization* 20: 125-47.

Azoulay, Pierre. 2004. "Capturing Knowledge Within and Across Firm Boundaries: Evidence from Clinical Development." *American Economic Review* 94: 1591-1612.

Andrabi, Tahir, Maitreesh Ghatak, and Asim Ijaz Khwaja. 2006. "Subcontractors for tractors: Theory and evidence on flexible specialization, supplier selection, and contracting." *Journal of Development Economics* 79: 273-302.

Gil, Ricard. 2007. "'Make-or-Buy' in Movies: Integration and Ex-post Renegotiation." *International Journal of Industrial Organization* 25: 643-56.

Baldwin, Carliss. 2008. "Where do transactions come from? Modularity, transactions, and the boundaries of firms." *Industrial and Corporate Change* 17: 155-95.

Gil, Ricard. 2009. "Revenue Sharing Distortions and Vertical Integration in the Movie Industry." *Journal of Law, Economics, and Organization* 25: 579-610.

Forbes, Silke and Mara Lederman. 2009. "Adaptation and Vertical Integration in the Airline Industry." *American Economic Review* 99: 1831-49.

Novak, Sharon and Scott Stern. 2009. "Complementarity Among Vertical Integration Decisions: Evidence from Automobile Product Development." *Management Science* 75: 1257-85.

Forbes, Silke and Mara Lederman. 2010. "Does Vertical Integration Affect Firm Performance? Evidence from the Airline Industry." Forthcoming, *Rand Journal of Economics*.

Levin, Jonathan and Steven Tadelis. 2010. "Contracting for Government Services: Theory and Evidence from U.S. Cities." Forthcoming, *Journal of Industrial Economics*.

6.3 Formal Contracts Between Firms

Theory

* Williamson, Oliver. 1983. "Credible Commitments: Using Hostages to Support Exchange." American Economic Review 73: 519-40.

Stinchcombe, Arthur. 1985. "Contracts as Hierarchical Documents." Chapter 2 in A. Stinchcombe and C. Heimer, *Organization Theory and Project Management*. Oslo: Norwegian University Press. Reprinted as Chapter 6 in A. Stinchcombe (1990), *Information and Organizations*. Berkeley: University of California Press.

Masten, Scott. 1988. "Equity, Opportunism, and the Design of Contractual Relations." *Journal of Institutional and Theoretical Economics* 144: 180-95.

Aghion, Philippe and Patrick Bolton. 1992. "An Incomplete Contracts Approach to Financial Contracting." *Review of Economic Studies* 59: 473-94.

Aghion, Philippe and Jean Tirole. 1994. "On the Management of Innovation." *Quarterly Journal of Economics* 109: 1185-1207.

Klein, Benjamin. 2000. "The Role of Incomplete Contracts in Self-Enforcing Relationships." *Revue D'Économie Industrielle* 92: 67-80.

Bajari, Patrick and Steven Tadelis. 2001. "Incentives versus transaction costs: a theory of procurement contracts." *RAND Journal of Economics* 32: 387-407.

Battigalli, Pierpaolo and Giovanni Maggi. 2002. "Rigidity, Discretion, and the Costs of Writing Contracts." *American Economic Review* 92: 798-817.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 2010. "s Happens: Relational Adaptation in Contracts, Firms, and Other Governance Structures." MIT Working Paper.

Early Evidence from Transaction-Cost Economics

Masten, Scott and Keith Crocker. 1985. "Efficient Adaptation in Long-Term Contracts: Take-or-Pay Provisions for Natural Gas." *American Economic Review* 75: 1083-93.

Goldberg, Victor and John Erickson. 1987. "Quantity and Price Adjustment in Long-Term Contracts: A Case Study of Petroleum Coke." *Journal of Law and Economics* XXX: 369-98.

Joskow, Paul. 1987. "Contract Duration and Relationship-Specific Investment: Empirical Evidence from Coal Markets." *American Economic Review* 77:168-85.

Joskow, Paul. 1988. "Price Adjustment in Long-Term Contracts: The Case of Coal." *Journal of Law and Economics* 31: 47-83.

Crocker, Keith and Scott Masten. 1988. "Mitigating Contractual Hazard: Unilateral Options and Contract Length." *Rand Journal of Economics* 19: 327-43.

Joskow, Paul. 1990. "The performance of long-term contracts: further evidence from coal markets." *Rand Journal of Economics* 21: 251-74.

Crocker, Keith and Scott Masten. 1991. "Pretia ex Machina?: Prices and Process in Long Term Contracts." *Journal of Law and Economics* 34: 69-99.

Leffler, Keith and Randal Rucker. 1991. "Transaction Costs and the Efficient Organization of Production: A Study of Timber-Harvesting Contracts." *Journal of Political Economy* 99: 1060-87.

Crocker, Keith, and Kenneth Reynolds. 1993. "The efficiency of incomplete contracts: an empirical analysis of air force engine procurement." *RAND Journal of Economics* 24: 126-46.

Pirrong, Craig. 1993. "Contracting Practices in Bulk Shipping Markets: A Transactions Cost Explanation." *Journal of Law and Economics* 36: 937-76.

Masten, Scott and Stéphane Saussier. 2000. "Econometrics of Contracts: An Assessment of Developments in the Empirical Literature on Contracting." *Revue d'Économie Industrielle* 92: 215-36.

Recent Evidence

Lerner, Josh and Robert Merges. 1998. "The Control of Technology Alliances: An Empirical Analysis of the Biotechnology Industry." *Journal of Industrial Economics* 46: 125-56

Anand, Bharat and Tarun Khanna. 2000. "The Structure of Licensing Contracts." *Journal of Industrial Economics* 48: 103-35.

Banerjee, Abhijit and Esther Duflo. 2000. "Reputation Effects and the Limits of Contracting: A Study of the Indian Software Industry." *Quarterly Journal of Economics* 115: 989-1017.

Arruñada, Benito, Luis Garicano, and Luis Vázquez. 2001. "Contractual Allocation of Decision Rights and Incentives: The Case of Automobile Distribution." *Journal of Law, Economics, and Organization* 17: 257-84.

Kaplan, Steven and Per Strömberg. 2003. "Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts." *Review of Economic Studies* 70: 281-315.

Elfenbein, Daniel and Josh Lerner. 2003. "Ownership and control rights in Internet portal alliances, 1995-1999." *RAND Journal of Economics* 34: 356-69.

Corts, Kenneth and Jasjit Singh. 2004. "The Effect of Repeated Interaction on Contract Choice: Evidence from Offshore Drilling." *Journal of Law, Economics, and Organization* 20: 230-60.

Kalnins, Arturs and Kyle Mayer. 2004. "Relationships and Hybrid Contracts: An Analysis of Contract Choice in Information Technology." *Journal of Law, Economics, and Organization* 20: 207-29.

Mazeo, Michael. 2004. "Retail Contracting and Organizational Form: Alternatives to Chain Affiliation in the Motel Industry." *Journal of Economics and Management Strategy* 13: 599-615.

Lerner, Josh and Antoinette Schoar. 2005. "Does Legal Enforcement Affect Financial Transactions? The Contractual Channel in Private Equity." *Quarterly Journal of Economics* 120: 223-46.

Robinson, David and Toby Stuart. 2007. "Financial Contracting in Biotech Strategic Alliances." *Journal of Law and Economics* 50: 559-96.

Tirole, Jean. 2009. "Cognition and Incomplete Contracts." *American Economic Review* 99: 265-94.

Ryall, Michael and Rachelle Sampson. 2009. "Formal Contracts in the Presence of Relational Enforcement Mechanisms: Evidence from Technology Development Projects." *Management Science* 55: 906-25.

Lerner, Josh and Ulrike Malmendier. 2010. "Contractibility and the Design of Research Agreements." *American Economic Review* 100: 214-46.

Franchising

Lafontaine, Francine. 1992. "Agency Theory and Franchising: Some Empirical Results." *Rand Journal of Economics* 23: 263-83.

Lafontaine, Francine. 1993. "Contractual Arrangements as Signaling Devices: Evidence from Franchising." *Journal of Law, Economics, and Organizations* 9: 256-89.

Bhattacharyya, Sugato and Francine Lafontaine. 1995. "Double-Sided Moral Hazard and the Nature of Share Contracts." *Rand Journal of Economics* 26: 761-81

Lafontaine, Francine and Kathryn Shaw. 1999. "The Dynamics of Franchise Contracting: Evidence from Panel Data." *Journal of Political Economy* 107: 1041-80.

Brickley, James. 1999. "Incentive conflicts and contractual restraints: Evidence from franchising." *Journal of Law and Economics* XLII: 745-74.

Brickley, James. 2002. "Royalty Rates and Upfront Fees in Share Contracts: Evidence from Franchising." *Journal of Law, Economics, and Organization* 18: 511-35.

Lafontaine, Francine and Kathryn Shaw. 2005. "Targeting Managerial Control: Evidence from Franchising." *RAND Journal of Economics* 36: 131-50.

6.4 Relational Contracts Between Firms

Freeze, Karen and Gary Pisano. Gary. 1991. "Crown Equipment Corporation: Design Services Strategy." Harvard Business School Case #9-991-031.

Dyer, Jeffrey. 1996. "How Chrysler Created an American Keiretsu." *Harvard Business Review* July-August, 32-46.

Macaulay, Stewart. 1963. "Non Contractual Relations in Business: A Preliminary Study." *American Sociological Review*. 28: 55-67.

Macneil, Ian. 1978. "Contracts: Adjustments of long-term economic relations under classical, neoclassical, and relational contract law." *Northwestern University Law Review*. 192: 854-906.

Dore, Ronald. 1983. "Goodwill and the Spirit of Market Capitalism." *British Journal of Sociology* 34: 459-82.

Palay, Thomas. 1984. "Comparative Institutional Economics: The Governance of Rail Freight Contracting." *Journal of Legal Studies* 13:265-87.

Klein, Benjamin. 1996. "Why Hold-ups Occur: The Self-Enforcing Range of Contractual Relationships." *Economic Inquiry* 34: 444-63.

Klein, Benjamin and Kevin M. Murphy. 1988. "Vertical Restraints as Contract Enforcement Mechanisms." *Journal of Law and Economics* 31: 265-97.

Klein, Benjamin and Kevin M. Murphy. 1997. "Vertical Integration as a Self-Enforcing Contractual Arrangement." *American Economic Review* 87: 415-20.

Kenney, Roy and Benjamin Klein. 2000. "How Block Booking Facilitated Self-Enforcing Film Contracts." *Journal of Law and Economics* 43: 427-36.

Klein, Benjamin. 2000. "The Role of Incomplete Contracts in Self-Enforcing Relationships." *Revue D'Économie Industrielle* 92: 67-80.

Libecap, Gary and James Smith. 1999. "The Self-Enforcing Provisions of Oil and Gas Unit Operating Agreements: Theory and Evidence." *Journal of Law, Economics, and Organization* 15: 526-48.

McMillan, John, and Christopher Woodruff. 1999. "Dispute Prevention Without Courts in Vietnam." *Journal of Law, Economics, and Organization* 15: 637-58.

McMillan, John and Christopher Woodruff. 1999. "Interfirm Relationships and Informal Credit in Vietnam." *Quarterly Journal of Economics* 114: 1285-1320.

Johnson, Simon, John McMillan, and Christopher Woodruff. 2002. "Courts and Relational Contracts." *Journal of Law, Economics, and Organization* 18: 221-77.

Kranton, Rachel. 1996. "The Formation of Cooperative Relationships." *Journal of Law, Economics, and Organization* 12: 214-33.

Brown, Martin, Armin Falk, and Ernst Fehr. 2004. "Relational Contracts and the Nature of Market Interactions." *Econometrica* 72: 747-80.

Tunca, Tunay and Stefanos Zenios. 2006. "Supply Auctions and Relational Contracts for Procurement." *Management & Service Operations Management* 8: 43-67.

Battigalli, Pierpaolo and Giovanni Maggi. 2008. "Costly contracting in a long-term relationship." *RAND Journal of Economics* 39: 352-77.

Fehr, Ernst, Martin Brown, and Christian Zehnder. 2009. "On Reputation: A Microfoundation of Contract Enforcement and Price Rigidity." *Economic Journal* 119: 333-53.

Chassang, Sylvain. 2010. "Building Routines: Learning, Cooperation, and the Dynamics of Incomplete Relational Contracts." *American Economic Review* 100: 448-65.

McAdams, David. 2010. "Performance and Turnover in a Stochastic Partnership." Unpublished manuscript, Duke University.

6.5 Organizations and Industry Structure

Stigler, George. 1951. "The Division of Labor is Limited by the Extent of the Market." *Journal of Political Economy* 59: 195-93.

Lucas, Robert. 1978. "On the Size Distribution of Business Firms." *Bell Journal of Economics* 9: 508-23.

Rosen, Sherwin. 1982. "Authority, Control, and the Distribution of Earnings." *Bell Journal of Economics* 13:311-23.

Becker, Gary and Kevin M. Murphy. 1992. "The Division of Labor, Coordination Costs, and Knowledge." *Quarterly Journal of Economics* 107: 1137-60.

Kremer, Michael. 1993. "The O-Ring Theory of Economic Development." *Quarterly Journal of Economics* 108: 551-75.

Grossman, Gene and Elhanan Helpman. 2002. "Integration versus Outsourcing in Industry Equilibrium." *Quarterly Journal of Economics* 117: 85-120.

Garicano, Luis and Esteban Rossi-Hansberg. 2004. "Inequality and the Organization of Knowledge." *American Economic Review* 94: 197-202.

Garicano, Luis and Esteban Rossi-Hansberg. 2006. "Organization and Inequality in a Knowledge Economy." *Quarterly Journal of Economics* 121: 1383-1435.

Zame, William. 2007. "Incentives, Contracts, and Markets: A General Equilibrium Theory of Firms." *Econometrica* 75: 1453-1500.

Garicano, Luis and Thomas Hubbard. 2008. "Specialization, Firms, and Markets: The Division of Labor Within and Between Law Firms." *Journal of Law, Economics, and Organization*, forthcoming.

7. CORPORATE STRATEGY

Overviews

Aoki, Masahiko. 1988. *Information, Incentives and Bargaining in the Japanese Economy*. New York, NY: Cambridge University Press.

Roberts, John. 2004. *The Modern Firm: Organizational Design for Performance and Growth*. Oxford: Oxford University Press, Chapters 5 and 6.

Azoulay, Pierre and Josh Lerner. 2012. "Technological Innovation and Organizations." Forthcoming in R. Gibbons and J. Roberts (eds.), *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Menard, Claude. 2012. "Hybrid Modes of Organization: Alliances, Joint Ventures, Networks, and other 'strange' animals." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Roberts, John and Garth Saloner. 2012. "Strategy and Organization." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

7.1 Divisionalization and Conglomerates

Baker, George. 1992. "Beatrice: A Study in the Creation and Destruction of Value." *Journal of Finance* 47: 1081-1119.

Rukstad, Michael and David Collis. 2001. "The Walt Disney Company: The Entertainment King." Harvard Business School Case #9-701-035.

Williamson, Oliver. 1985. "The Modern Corporation." Chapter 11 from *The Economic Institutions of Capitalism*. New York: The Free Press.

Freeland, Robert. 1996. "The Myth of the M-Form? Governance, Consent, and Organizational Change." *American Journal of Sociology* 102: 483-526.

Argyres, Nicholas. 1995. "Technology strategy, governance structure and interdivisional coordination." *Journal of Economic Behavior and Organization* 28: 337-58.

Schoar, Antoinette. 2002. "Effects of Corporate Diversification on Productivity." *Journal of Finance* 57: 2379-2403.

Villalonga, Belén. 2004. "Diversification Discount or Premium? New Evidence from Business Information Tracking Series Establishment-Level Data." *Journal of Finance* 59: 475-502.

Villalonga, Belén. 2004. "Does Diversification Cause the 'Diversification Discount'?" *Financial Management* 33: 5-27.

Baldenius, Tim. 2006. "Ownership, incentives, and the hold-up problem." RAND Journal of Economics 37: 276-99.

Dessein, Wouter and Tano Santos. 2006. "Adaptive Organizations." *Journal of Political Economy* 114: 956-95.

Alonso, Ricardo, Wouter Dessein, and Niko Matouschek. 2008. "When Does Coordination Require Centralization?" *American Economic Review* 98: 145-79.

Rantakari, Heikki. 2008. "Governing Adaptation." Review of Economic Studies 75: 1257-85.

McElheran, Kristina Steffenson. 2008. "Delegation in Multi-Divisional Firms: Determinants of the Organizational Structure of I.T. Purchasing Authority." Working paper, HBS.

Dessein, Wouter, Luis Garicano, and Robert Gertner. 2008. "Organizing for Synergies: Allocating Control to Manage the Coordination-Incentives Tradeoff." Unpublished manuscript, University of Chicago.

Chandler, Alfred. 1962. Strategy and Structure. Cambridge, MA: MIT Press.

7.2 Beyond Divisionalization: Matrix, Network, and Other Organizational Forms

Miles, Raymond, and Charles Snow. 1992. "Causes of Failure in Network Organizations." *California Management Review* 34: 53-72.

Holland, Philip and Robert Eccles. 1989. "Jacobs Suchard: Reorganizing for 1992." Harvard Business School Case #9-489-106.

Bartlett, Christopher. 1993. "ABB's Relays Business: Building and Managing a Global Matrix." Harvard Business School Case #9-394-016.

Rothbard, Nancy and John Kotter. 1993. "Kyocera Corporation." Harvard Business School Case #9-491-078.

Bartlett, Christopher and Sumantra Ghoshal. 1993. "Beyond the M-Form: Toward a Managerial Theory of the Firm." *Strategic Management Journal* 14: 23-46.

7.3 Resource Allocation and Transfer Pricing

Bolton, Patrick and David Scharfstein. 1998. "Corporate Finance, the Theory of the Firm, and Organizations." *Journal of Economic Perspectives* 12: 95-114.

Jensen, Michael and William Meckling. 1999. "Specific Knowledge and Divisional Performance Measurement." *Journal of Applied Corporate Finance* 12:8-17.

Zingales, Luigi. 2000. "In Search of New Foundations." Journal of Finance 55:1623-53.

Stein, Jeremy. 2003. "Agency, Information, and Corporate Investment." Chapter 2 in G. Constantinides, M. Harris, and R. Stulz (eds.), *Handbook of the Economics of Finance*. Amsterdam: North Holland. (Part Two)

Freeman, John. 1979. "Going to the Well: School District Administrative Intensity and Environmental Constraint." *Administrative Science Quarterly* 24:119-33.

Gertner, Robert, David Scharfstein, and Jeremy Stein. 1994. "Internal Versus External Capital Markets." *Quarterly Journal of Economics* 109:1211-1230.

Stein, Jeremy. 1997. "Internal Capital Markets and the Competition for Corporate Resources." *Journal of Finance* 52:111-33.

Scharfstein, David, and Jeremy Stein. 2000. "The Dark Side of Internal Capital Markets: Divisional Rent-Seeking and Inefficient Investment." *Journal of Finance* 55: 2537-64.

Scharfstein, David. 1997. "The Dark Side of Internal Capital Markets, II." National Bureau of Economic Research Working Paper #6352.

Imai, Ken-ichi and Hiroyuki Itami. 1984. "Interpenetration of Organization and Market: Japan's firm and Market in Comparison with the U.S." *International Journal of Industrial Organization* 2: 285-310.

Mullainathan, Sendhil, and David Scharfstein. 2001. "Do Firm Boundaries Matter?" *American Economic Review Papers and Proceedings* 91: 195-99.

Eccles, Robert and Harrison White. 1988. "Price and Authority in Inter-Profit Center Transactions." *American Journal of Sociology* 94: S17-S51.

Holmstrom, Bengt, and Jean Tirole. 1991. "Transfer Pricing and Organizational Form." *Journal of Law, Economics, and Organization* 7: 201-28.

Bertrand, Marianne, Paras Mehta, and Sendhil Mullainathan. 2002. "Ferreting Out Tunneling: An Application to Indian Business Groups." *Quarterly Journal of Economics* 117: 121-48.

Robinson, David. 2008. "Strategic Alliances and the Boundaries of the Firm." Forthcoming in *Reivew of Financial Studies*.

Bower, Joseph. 1970. Managing the Resource Allocation Process. Boston, MA: Harvard Business School Press.

Eccles, Robert. 1985. The Transfer Pricing Problem: A Theory for Practice. D. C. Heath: Lexington, MA.

Johnson, H. Thomas and Robert Kaplan. 1987. *Relevance Lost: The Rise and Fall of Management Accounting*. Boston, MA: Harvard Business School Press.

7.4 Joint Ventures, Alliances, and Other Hybrids

Richardson, George. 1972. "The Organisation of Industry." Economic Journal 82: 883-96.

Blois, K. 1972. "Vertical Quasi-Integration." Journal of Industrial Economics 20: 253-72.

Eccles, Robert. 1981. "The Quasifirm in the Construction Industry." *Journal of Economic Behavior and Organization* 2: 335-57.

Mariti, P. and R. Smiley. 1983. "Co-Operative Agreements and the Organization of Industry." *Journal of Industrial Economics* 31: 437-51.

Hennart, Jean-Francois. 1993. "Explaining the Swollen Middle: Why Most Transactions Are a Mix of 'Market' and 'Hierarchy'." *Organization Science* 4: 529-47.

Ménard, Claude. 1996. "On Clusters, Hybrids, and Other Strange Forms: The Case of the French Poultry Industry." *Journal of Institutional and Theoretical Economics* 152: 154-83.

Ménard, Claude. 2004. "The Economics of Hybrid Organizations." *Journal of Institutional and Theoretical Economics* 160: 345-76.

McQuade, Krista and Benjamin Gomes-Casseres. 1992. "Xerox and Fuji Xerox." Harvard Business School Case #9-391-156.

Powell, Walter. 1990. "Neither Market Nor Hierarchy: Network Forms of Organization." *Research in Organizational Behavior* 12: 295-336.

Podolny, Joel, and Karen Page. 1998. "Network Forms of Organization." *Annual Review of Sociology* 24: 57-76.

Kogut, Bruce. 1989. "The Stability of Joint Ventures: Reciprocity and Competitive Rivalry." *Journal of Industrial Economics* 38: 183-98.

Oxley, Joanne. 1997. "Appropriability hazards and Governance in Strategic Alliances: A Transaction Cost Approach." *Journal of Law, Economics, and Organization* 113: 387-409.

Zenger, Todd, and William Hesterly. 1997. "The Disaggregation of Corporations: Selective Intervention, High-Powered Incentives, and Molecular Units." *Organization Science* 8: 209-22.

Rey, Patrick and Jean Tirole. 2001. "Alignment of Interests and the Governance of Joint Ventures." Unpublished manuscript, University of Toulouse. http://idei.fr/activity.php?a=1377

Dessein, Wouter. 2005. "Information and Control in Alliances and Ventures." *Journal of Finance* 60: 2513-49.

Robinson, David and Toby Stuart. 2007. "Network Effects in the Governance of Strategic Alliances." *Journal of Law, Economics, and Organization* 23: 242-73.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 2008. "Strategic Alliances: Bridges Between 'Islands of Conscious Power'." *Journal of the Japanese and International Economies* 22: 146-63.

Ménard, Claude and Emmanuel Raynaud. 2009. "Ulysses and the Sirens: Enforcing Commitment in Multilateral Alliances." Unpublished manuscript, University of Paris Pantheon-Sorbonne.

Hybrids and Innovation

Hunt, Brian and Josh Lerner. 1998. "Xerox Technology Ventures: March 1995." Harvard Business School Case #9-295-127.

Gompers, Paul and Josh Lerner. 199x. "The Determinants of Corporate Venture Capital Success: Organizational Structure, Incentives, and Complementarities." In R. Morck (ed.), *Concentrated Corporate Ownership*. Chicago: University of Chicago Press.

Teece, David. 1992. "Competition, cooperation, and innovation: Organizational arrangements for regimes of rapid technological progress." *Journal of Economic Behavior and Organization* 18: 1-25.

Von Hippel, Eric. 1988. "Cooperation Between Rivals: The Informal Trading of Technical Know-How." Chapter 6 in E. von Hippel, *The Sources of Innovation*. New York: Oxford University Press.

Powell, W.W., K.W. Koput and L Smith-Doerr. 1996. "Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology" *Administrative Science Quarterly* 41: 116-45

Lazonick, William. 2002. "The Theory of Innovative Enterprise." In W. Lazonick (ed.), *IEBM Handbook of Economics*. Thomson Learning.

Anton, James, and Dennis Yao. 1995. "Start-ups, Spin-offs, and Internal Projects." *Journal of Law, Economics, and Organization* 11: 362-78.

Lazear, Edward. 2005. "Entrepreneurship." Journal of Labor Economics 23: 649-80.

Hellmann, Thomas. 2005. "When do employees become entrepreneurs?" Unpublished manuscript, University of British Columbia. http://strategy.sauder.ubc.ca/hellmann/

7.5 Multinational Corporations, International Trade, and FDI

Helpman, Elhanan. 1984. "A Simple Theory of International Trade with Multinational Corporations." *Journal of Political Economy* 92: 451-71.

Markusen, James. 1984. "Multinationals, Multi-Plant Economies, and the Gains from Trade." *Journal of International Economics* 16: 205-26.

Antras, Pol. 2003. "Firms, Contracts, and Trade Structure." *Quarterly Journal of Economics* 118: 1375-1418.

Yi, Kei-Mu. 2003. "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy* 111: 52-102.

Grossman, Gene, and Elhanan Helpman. 2004. "Managerial Incentives and the International Organization of Production." *Journal of International Economics* 63: 237-62.

Antras, Pol and Elhanan Helpman. 2004. "Global Sourcing." *Journal of Political Economy* 112: 552-80.

Antras, Pol. 2005. "Incomplete Contracts and the Product Cycle." *American Economic Review* 95: 1054-73.

Markusen, James. 2005. "Modeling the Offshoring of White-Collar Services: From Comparative Advantage to the New Theories of Trade and FDI." NBER Working Paper #11827, December.

Antras, Pol, Luis Garicano, and Esteban Rossi-Hansberg. 2006. "Offshoring in a Knowledge Economy." *Quarterly Journal of Economics* 121: 31-77.

Nunn, Nathan. 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122: 569-600.

7.6 Organizations and Industry Dynamics

Collis, David. 1996. "Birds Eye and the U.K. Frozen Food Industry (A&B)." Harvard Business School Case #9-792-078.

Jovanovic, Boyan. 1982. "Selection and the Evolution of Industry." *Econometrica* 50: 649-70.

Klepper, Steven. 1996. "Entry, Exit, Growth, and Innovation over the Product Life Cycle." *American Economic Review* 86: 562-83.

Klepper, Steven. 1997. "Industry Life Cycles." Industrial and Corporate Change 6: 145-81.

Stein, Jeremy. 1997. "Waves of Creative Destruction: Firm-Specific Learning-by-Doing and the Dynamics of Innovation." *Review of Economic Studies* 64: 265-88.

Langlois, Richard. 1992. "External economies and economic progress: the case of the microcomputer industry." *Business History Review* 66: 1-50

Bresnahan, Timothy and Shane Greenstein. 1999. "Technological Competition and the Structure of the Computer Industry." *Journal of Industrial Economics* XLVII: 1-40.

8. Institutions

Overviews

Aoki, Masahiko. 2001. Toward a Comparative Institutional Analysis. Cambridge, MA: MIT Press.

Dixit, Avinash. 2009. "Governance Institutions and Economic Activity." *American Economic Review* 99: 5-24.

Banerjee, Abhijit, Rema Hanna, and Sendhil Mullainathan. 2012. "Corruption as a Problem of Public and Private Governance." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

Moe, Terry. 2012. "Public Bureaucracy and the Theory of Political Control." Forthcoming in R. Gibbons and J. Roberts (eds.), *The Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.

8.1 Communities

Greif, Avner. 1997. "Microtheory and recent developments in the study of economic institutions through economic history." Pp. 79-113 in Volume II of D. Kreps and K. Wallis (eds.), *Advances in Economic Theory and Econometrics*, New York: Cambridge University Press.

Greif, Avner. 1993. "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition." *American Economic Review* 83: 525-48.

Greif, Avner. 1994. "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies." *Journal of Political Economy*. 102: 912-50.

Kranton, Rachel. 1996. "Reciprocal Exchange: A Self-Sustaining System." *American Economic Review* 86:830-51.

Kranton, Rachel. 1996. "The Formation of Cooperative Relationships." *Journal of Law, Economics, and Organization* 12:214-33.

Sobel, Joel. 2002. "Can We Trust Social Capital?" Journal of Economic Literature 40: 139-54.

Sabel, Charles. 1993. "Studied Trust: Building New Forms of Cooperation in a Volatile Economy." *Human Relations* 46:1133-70.

Adams, Julia. 1996. "Principals and Agents, Colonialists and Company Men: The Decay of Colonial Control in the Dutch East Indies." *American Sociological Review* 61:12-28.

Kranton, Rachel and Anand Swamy. 2008. "Contracts, Hold-Up, and Exports: Textiles and Opium in Colonial India." Forthcoming in *American Economic Review*.

Milgrom, P., D. North, and B. Weingast. 1990. "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs." *Economics and Politics* 2:1-23.

Calvert, Randall. 1995. "Rational Actors, Equilibrium, and Social Institutions." in J. Knight and I. Sened (eds.) *Explaining Social Institutions*. Ann Arbor, MI: The University of Michigan Press.

Greif, Avner, Paul Milgrom, and Barry Weingast. 1994. "Coordination, Commitment, and Enforcement: The Case of the Merchant Guild." *Journal of Political Economy* 102:745-76.

Dixit, Avinash. 2003. "Trade Expansion and Contract Enforcement." *Journal of Political Economy* 1111: 1293-1317.

Dixit, Avinash. 2003. "On Modes of Economic Governance." Econometrica 71: 449-81.

Pyle, William. 2005. "Contractual Disputes and the Channels for Interfirm Communication." *Journal of Law, Economics, and Organization* 21: 547-75.

8.2 Agencies

Wilson, James Q. 1989. "Compliance." Chapter 9 in Bureaucracy: What Government Agencies Do and Why They Do It. New York: Basic Books.

Tirole, Jean. 1994. "The Internal Organization of Government." Oxford Economic Papers 46:1-29.

Banerjee, Abhijit. 1997. "A Theory of Misgovernance." Quarterly Journal of Economics 112:1289-32.

McCubbins, Mathew and Thomas Schwartz. 1984. "Police Patrols vs. Fire Alarms." *Journal of Political Science* 28:165-79.

Lupia, Arthur and Mathew McCubbins. 1994. "Learning from Oversight: Fire Alarms and Police Patrols Reconstructed." *Journal of Law, Economics, and Organization* 10:96-125.

McCubbins, Mathew, Roger Noll, and Barry Weingast. 1987. "Administrative Procedures as Instruments of Political Control." *Journal of Law, Economics, and Organization* 3:243-77.

Kiser, Edgar and Joachim Schneider. 1994. "Bureaucracy and Efficiency: An Analysis of Taxation in Early Modern Prussia." *American Sociological Review* 59:187-204.

Moe, Terry. 1990. "The Politics of Structural Choice: Toward a Theory of Public Bureaucracy." In O.E. Williamson (ed.), *Organization Theory: From Chester Barnard to the Present and Beyond*. New York: Oxford University Press.

Moe, Terry. 1997. "The Positive Theory of Public Bureaucracy." In D. Mueller (ed.), *Perspectives on Public Choice: A Handbook*. New York: Cambridge University Press.

Gailmard, Sean. 2002. "Expertise, Subversion, and Bureaucratic Discretion." *Journal of Law, Economics, and Organization* 18:536-55.

Allen, Douglas. 2002. "The British Navy Rules: Monitoring and Incompatible Incentives in the Age of Fighting Sail." *Explorations in Economic History* 39: 204-31.

Huang, Yasheng. 2002. "Managing Chinese Bureaucrats: An Institutional Economics Perspective." *Political Studies* 50:61-79.

Prendergast, Canice. 2003. "The Limits of Bureaucratic Efficiency." *Journal of Political Economy* 111: 929-58.

Prendergast, Canice. 2007. "The Motivation and Bias of Bureaucrats." *American Economic Review* 97: 180-96.

8.3 States

North, D. and B. Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *The Journal of Economic History* 49:803-32.

Stasavage, David. 2002. "Credible Commitment in Early Modern Europe: North and Weingast Revisited." *Journal of Law, Economics, and Organization* 18: 155-86.

Padgett, John, and Chris Ansell. 1992. "Robust Action and the Rise of the Medici." *American Journal of Sociology* 98:1259-1320.

Greif, Avner. 1994. "On the Political Foundations of the Late Medieval Commercial Revolution: Genoa During the Twelfth and Thirteenth Centuries." *Journal of Economic History* 54:271-87.

Greif, Avner. 1998. "Self-Enforcing Political Systems and Economic Growth: Late Medieval Genoa." Chapter 2 in R. Bates, A. Greif, M. Levi, J.-L. Rosenthal, and B. Weingast, *Analytic Narratives*. Princeton, NJ: Princeton University Press.

Weingast, B. 1995. "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development." *Journal of Law, Economics, and Organization* 11:1-31.

Weingast, Barry. 1997. "The Political Foundations of Democracy and the Rule of Law." *American Political Science Review* 91:245-63.

De Figueiredo, Rui and Barry Weingast. 2005. "Self-Enforcing Federalism." *Journal of Law, Economics, and Organization* 21: 103-35.

Grossman, Herschel and Suk Jae Noh. 1994. "Proprietary public finance and economic welfare." *Journal of Public Economics* 53: 187-204.

Moselle, Boaz and Ben Polak. 2001. "A Model of a Predatory State." *Journal of Law, Economics, and Organization* 17: 1-33.

Acemoglu, Daron and James Robinson. 2000. "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective." *Quarterly Journal of Economics* 115: 1167-99.

Acemoglu, Daron and James Robinson. 2001. "A Theory of Political Transitions." *American Economic Review* 91: 938-63.

Acemoglu, Daron and Simon Johnson. 2003. "Unbundling Institutions." NBER Working Paper #9934.

Acemoglu, Daron. 2003. "Why Not a Political Coase Theorem? Social Conflict, Commitment and Politics." *Journal of Comparative Economics* 31: 620-52.

Acemoglu, Daron. 2005. "Politics and Economics in Weak and Strong States." *Journal of Monetary Economics* 52: 1199-1226.

Phelan, Christopher. 2006. "Public trust and government betrayal." *Journal of Economic Theory* 130: 27-43