



Winter Semester 2020/2021

Corporate Governance: Theoretical Aspects (33610/33611 – 3 SWS)

1. Objectives

The main aim of this course is to demonstrate how insights and fundamental methods from economics (in particular belonging to the areas of game and agency theory) can be applied to formulate and analyse the social contract of the firm and its code of ethics. Moreover, the course aims to improve students' ability to utilize known fundamental theoretical methods and insights from economics to build-up, analyse, and critically assess a formal model of a complex economic problem.

2. Intended Learning Outcomes

At the end of this course students should

- have improved their understanding of how insights and fundamental methods from economics can be used to structure, analyse, and assess a complex economic problem,
- have deepened their understanding of certain areas of game and agency theory, and
- have achieved some understanding of the nature of the social contract of the firm and its code of ethics and how these can be formulated and analysed by making use of insights and fundamental methods from economics.

3. Pre-requisites

Some basic knowledge of microeconomics (in particular game theory) is recommended, but not necessarily required. During the tutorials students will be introduced to the basic game theoretic concepts and methods applied during the lectures.

4. Teaching and Learning Strategies

This is a classical lecture and tutorial course comprising of 12 lectures (90 minutes) and 12 tutorials (45 minutes). At the end of the course on demand an additional 'Question & Answer' session will be offered

Tuesday, 02 February 2020, 17:30-18:00 (Room: via Zoom).

In the course of the lectures we will basically work through the core reading of the course. During the tutorials students will be made familiar with the concepts and methods from game theory, which are applied in the core reading.

Lecture slides and the tutorials' material will be made available on the e-learning server.

5. Schedules

5.1 Lecture Schedule (33610)

During the semester 12 lectures will be provided. These will take place as follows:

<i>Lecture No.</i>	<i>Day</i>	<i>Date</i>	<i>Time</i>	<i>Room</i>
01	Tuesday	03 Nov	16:15 – 17:45	via Zoom
02	Tuesday	10 Nov	16:15 – 17:45	via Zoom
03	Tuesday	17 Nov	16:15 – 17:45	via Zoom
04	Tuesday	24 Nov	16:15 – 17:45	via Zoom
05	Tuesday	01 Dec	16:15 – 17:45	via Zoom
06	Tuesday	09 Dec	16:15 – 17:45	via Zoom
07	Tuesday	15 Dec	16:15 – 17:45	via Zoom
08	Tuesday	12 Jan	16:15 – 17:45	via Zoom
09	Tuesday	19 Jan	16:15 – 17:45	via Zoom
10	Tuesday	26 Jan	16:00 – 18:00	via Zoom
11	Wednesday	27 Jan	10:15 – 11:45	via Zoom
12	Tuesday	02 Feb	16:00 – 17:30	via Zoom

5.2 Tutorial Schedule (33611)

During the semester 13 tutorials will be provided. These will take place as follows:

<i>Tutorial No.</i>	<i>Day</i>	<i>Date</i>	<i>Time</i>	<i>Room</i>
01/02	Wednesday	04 Nov	10:15 – 11:45	via Zoom
03/04	Wednesday	11 Nov	10:15 – 11:45	via Zoom
05/06	Wednesday	23 Nov	10:15 – 11:45	via Zoom
07/08	Wednesday	02 Dec	10:15 – 11:45	via Zoom
09/10	Wednesday	16 Dec	10:15 – 11:45	via Zoom
11/12	Wednesday	13 Jan	10:15 – 11:45	via Zoom

6. Assessment

The course is assessed by a one hour unseen written examination at the end of the term. (If the number of participating students is less than five, an oral examination may replace the written one. Students will be informed about the form of examination as soon as possible.) The date of the examination can be found on <https://www.bwl5.uni-bayreuth.de/de/studiendekan/Klausurtermine/>. Students have to register for the examination via CAMPUSonline. Only if students cannot register via CAMPUSonline they can register via e-mail by sending an e-mail to Johannes Hahn: johannes.hahn@uni-bayreuth.de. This e-mail must only contain the title of the course, the student's surname, first name, ID number, and degree of study as well as a brief indication why registration via e-mail is required. The registration deadline is one week in advance to the date of the examination. Later registrations will not be accepted.

7. Lecture Programme

1. Overview: Hierarchies, Social Contracts, and Reputation
2. Economic Theory and the Social Contract of the Firm
3. Games of Reputation and Compliance with the Social Contract
4. Abuse of Authority and Corporate Culture
5. Information, Incomplete Contracts, and the Ethical Code
6. Vagueness of Norms: The Theory of Fuzzy Sets
7. A Game Theoretic Model of an Incomplete Contract and an Ethical Code
8. An Ethical Decision-Making Procedure

8. Literature

8.1 Core Reading

- Sacconi, L (2000) *The Social Contract of the Firm: Economics, Ethics, and Organisation*, Springer.

8.2 Supplementary Reading

- Benson, GCS (1989) Codes of Ethics, *Journal of Business Ethics* 8: 305-319.
- Bevir, M (2012) *Governance: A Very Short Introduction*, Oxford University Press: 1-7, 37-56.
- Fagin, R and Halpern, JY (1988) Belief, Awareness, and Limited Reasoning, *Artificial Intelligence* 34: 39-76.
- Grossman, S and Hart, O (1986) The Costs and Benefit of Ownership: A Theory of Vertical and Lateral Integration, *Journal of Political Economy* 94: 691-719.
- Hart, O (1996) An Economist's Perspective on the Theory of the Firm, in: Buckley, PJ and Michie, J (eds), *Firms, Organizations and Contracts – The Oxford Management Readers*, Oxford University Press: 199-220.
- Hart, O and Moore, J (1990) Property Rights and the Nature of the Firm, *Journal of Political Economy* 98: 1119-1158.
- Kreps, DM (1996) Corporate Culture and Economic Theory, in: Buckley, PJ and Michie, J (eds), *Firms, Organizations and Contracts – The Oxford Management Readers*, Oxford University Press: 221-275.
- Tricker, B (2019) *Corporate Governance: Principles, Policies, and Practices*, 4th edn., Oxford University Press: 392-405.

8.3 Optional Reading

There are many introductory textbooks into game theory, which could be used as background reading for the course. Textbooks some students may find useful are:

- Aliprantis, CD and Chakrabarti, SK (2012), *Games and Decision Making*, 2nd edn., Oxford University Press.
- Carmichael, F (2005) *A Guide to Game Theory*, Prentice Hall.
- Dixit, A et al. (2014) *Games of Strategy*, 4th edn., Norton.
- Holler, MJ et al. (2019) *Einführung in die Spieltheorie*, 8th edn., Springer.
- Osborne, MJ and Rubinstein, A (1994) *A Course in Game Theory*, MIT Press.
- Maschler, M et al. (2020) *Game Theory*, 2nd edn., Cambridge University Press.
- Rasmusen, E (2007) *Games and Information*, 4th edn., Blackwell.
- Riechmann, T (2013) *Spieltheorie*, 4th edn., Vahlen.

Note: The core and the supplementary reading is available on the e-learning server.

9. Accreditation

- Economics (MA):
Modulbereich: Spezialisierung „Governance“
Modulbereich: Individueller Schwerpunkt
- IWG:
Modulbereich Grundlagen: a. Governance
- P&E (MA):
Modul Area: C Specialization: C2 Economics

10. Responsible Student Assistant for the Course

All requests regarding the course should, in the first instance, be addressed to:

- Johannes Hahn:
E-mail: Johannes.hahn@uni-bayreuth.de

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