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Economic Organization A PRIMER

Oliver E. Williamson

Does organization matter to an understanding of the modern corporation and to the design of public policy that affects it? The answer to that question has changed considerably during the past 40 years. Although if the microeconomics textbooks used in most MBA courses are to be believed, the answer—both in 1955 and 1995—is that the organization does not matter very much.

Successive Developments

A unifying theme—but not a unified theory—runs throughout the MBA

A unifying theme—but not a unified theory—runs throughout the MBA curriculum: How does the well-run business firm function? All of the core courses—marketing, production, organizational behavior, finance, accounting, economics—address this question. Of these, the discipline of economics is the most general and arguably speaks with the greatest academic authority.

The basic theory of the firm that is featured in microeconomics textbooks describes the firm in technological terms as a “production function” in which inputs (labor, capital) are transformed into outputs (goods, services) according to the laws of technology. Upon assigning an objective function to the firm (usually profit maximization) and describing the market in which it operates, students learn how firms set price and output and respond to changing opportunities (demand, input prices).

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