GC 501 — Microeconomics of Procurement & Markets (14-week syllabus)

Why does the federal market behave the way it does? Why does incumbency dominate? Why do set-asides work — or not? Why is the winner's curse real in a price-only competition? This course supplies the economic theory the undergraduate tier deliberately leaves out. It is the theory spine of the degree.

Course number: GC 501 · **Credits:** 3 · **Format:** 14 weeks, one 75-minute session per week (plus reading and a weekly written deliverable). **Audience:** Graduate students in the MS in Capture Management & Government Business Development; adult-pro students and full-time students alike. **Prerequisites:** None beyond the program's foundations (or the Foundations Bridge). **Recommended companion:** GC 520 (organizational theory) taken in the same term; the two courses look at the same market from the market side and the firm side. **Texts:** the doctrine and literacy folders of this repository; the course reader (seminal papers and public data exercises distributed weekly). No software required — the course is stack-agnostic by design (doctrine/08).

Learning outcomes

By the end of this course, a student can:

- Explain the federal market as an economic object: a single dominant buyer (monopsony) purchasing differentiated goods under rules designed to create a fair, competitive process.
- Use transaction-cost economics to explain *why* the government buys some things as contracts and others as grants, and why some work is kept inside the firm and some is purchased.
- Apply auction theory to predict bidder behavior — and to explain the winner's curse in LPTA competitions and why best-value procurement exists.
- Analyze the economics of set-asides and small-business programs as deliberate market design, and evaluate their efficiency and equity trade-offs.
- Read a firm's cost structure as an economist: fixed vs. variable cost, economies of scale and scope, and the cost floor beneath any price.
- Explain how contract type allocates risk and incentive between buyer and seller — and why the same work can be a different business under FFP than under CPFF.
- Use public procurement data (awards, forecasts, competitor records) to support an economic argument about a market, a segment, or a pursuit.
- Draw the economics of a pursuit portfolio: how a pipeline of pursuits behaves as a portfolio of real options under a capacity constraint.

Weekly schedule

Week	Theme	In-session (75 min)	Reading / material	Assignment due next week
1	The market as an economic object	The federal market at a glance: one buyer, many sellers, published rules. Monopsony, the appropriation constraint, and what "the customer" means to an economist.	doctrine/01; literacy/where-the-money-flows	Write a one-page economic map of one agency market: who buys, what they buy, who competes.
2	Why government buys: public goods and the demand side	Public goods, externalities, and the missions that justify spending. Why the buyer's "utility function" is a statute, not a preference.	doctrine/01; the course reader on public economics	One-page memo: what public purpose does your chosen agency's spending serve, and how does that shape what it buys?

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3	Markets vs. hierarchies: transaction costs	Coase and Williamson: why some transactions happen in markets and some inside organizations. Make/buy and the boundary of the firm.	doctrine/03; the course reader on transaction-cost economics	One-page analysis: which of your firm's (or case firm's) capabilities should be kept in-house, and which purchased or teamed — on transaction-cost grounds.
4	Information and the rules: why a rulebook exists	Adverse selection and moral hazard in procurement. The FAR as an information-forcing institution: disclosure, certification, fairness.	doctrine/04; literacy/how-to-read-an-rfp	Short paper: locate three places where the FAR-like rules force information to be disclosed that a private buyer would not require, and explain the economic rationale.
5	Auctions I: the mechanics	Open vs. sealed bidding; first-price vs. second-price; reserve prices; the Vickrey insight; how federal sealed bidding maps onto auction theory.	doctrine/02; the course reader on auction theory	Worked exercise: model a sealed-bid competition and show the equilibrium bid under simple cost assumptions.

Week	Theme	In-session (75 min)	Reading / material	Assignment due next week
6	Auctions II: the winner's curse and best value	Common-value auctions and the winner's curse. Why LPTA rewards the most optimistic cost estimate. Best-value procurement as a multi-attribute auction.	doctrine/05; the course reader on the winner's curse	One-page analysis: identify the winner's-curse exposure in a real LPTA solicitation, and the discipline that protects against it.
7	Market design: set-asides and the small-business universe	The small-business programs as statutory market design. Efficiency vs. equity; entry effects; the cost of restricted pools.	doctrine/01; literacy/glossary (small-business section); SBA size-standards in plain language	Policy brief: evaluate one small-business program (HUBZone, 8(a), WOSB/VOSB, or set-asides generally) as market design.
8	Cost economics of the firm	Fixed vs. variable cost; economies of scale and scope; the cost curve beneath the price. The fully-burdened cost floor as the economist's supply curve for a pursuit.	doctrine/05; the course reader on cost curves	Build a simple cost-structure model for a case firm: direct cost, burden layers, the cost floor per labor category.

Week	Theme	In-session (75 min)	Reading / material	Assignment due next week
9	Midterm	In-class examination: apply the first eight weeks — a real (published, closed) market, a real cost structure, a real auction — to explain behavior and predict outcomes.	(review weeks 1–8)	Midterm submission.
10	Contract economics: risk and incentive	Contract type as a risk-allocation device. FFP, T&M, FFP-LoE, CPFF, CPAF, CPIF: who bears which risk, and what incentive each creates.	doctrine/05; the course reader on contract design; the margin-floor discipline at concept altitude	One-page matrix: for three contract types, who bears cost risk, who bears performance risk, and what behavior each incentivizes.
11	Industrial organization of federal contracting	Concentration, incumbent advantage, entry barriers (registrations, certifications, clearances, past performance). The economics of incumbency pressure.	doctrine/07; the course reader on industrial organization	Market-structure memo: is your chosen segment concentrated? Who holds the incumbency, and what is the economic source of its advantage?

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12	Pricing behavior: floors, ceilings, and the competitive band	Price as a position. The three anchors — competitor band, customer affordability ceiling, cost-plus floor — and how strategy weights them. Why a too-low price is a business risk, not a gift.	doctrine/05; the pricing canon at concept altitude	Pricing exercise: set a price-to-win for a case pursuit, showing the competitor band, the ceiling, the floor, and the margin at target.
13	The pursuit as a portfolio of real options	A pipeline as a portfolio: capacity as the scarce resource, pursuits as options, threshold discipline as an exercise price. The economics of bid/no-bid.	doctrine/03; doctrine/05	Portfolio memo: allocate a fixed capture-capacity budget across a set of scored opportunities; defend the allocation economically.

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14	Synthesis: the economics of a pursuit organization	The whole course in one frame: a pursuit organization is an economic entity that buys information, holds options, prices risk, and converts capacity into margin. Panel defense of the portfolio memo.	(course synthesis)	Final synthesis paper: "The economics of [your] pursuit organization," 2,500 words.

Assessment summary

- **Weekly deliverables — 40%.** Each is a concrete written artifact (a map, a model, a memo, a policy brief). Graded on the graduate rubric: economic correctness, use of theory, clarity, and honesty about what the evidence supports.
- **Midterm — 25%.** In-class, real-market examination. The trap being tested: applying the theory to an actual market rather than reciting definitions.
- **Synthesis paper + defense — 25%.** The final paper applies the course's full toolkit to the student's own (or the case firm's) pursuit organization. Defended in the final session.
- **Participation and peer review — 10%.** The discipline of prepared, honest, useful contribution.

The graduate rubric (weekly and major work)

Criterion	Excellent	Proficient	Developing
Economic reasoning	Uses the right model, states its assumptions, and applies it correctly	Right model, minor errors in application	Model wrong or asserted without use
Evidence discipline	Claims are tied to public data or stated explicitly as assumptions	Most claims tied to evidence	Evidence asserted or fabricated
Theory use	Theory explains the case, not decorates it	Theory present but not load-bearing	No visible theory
Decision relevance	A reader could act on the recommendation	Readable, mostly actionable	Unusable or unfalsifiable

Policies

- **The doctrine is the course.** Every assignment tests the concept, never a tool.
- **Real markets, safe exercises.** We analyze real published markets, awards, and solicitations — never a live competition.
- **Integrity.** Fabricated evidence or invented data fails the relevant assessment outright. In a course about the economics of trust, trust is the thing being graded.
- **Late work.** The pipeline has deadlines; so does this course. An honest early warning beats a silent late submission.

The market rewards what it rewards for a reason. This course is where you learn to read the reason.