

Institutional Economics

1. General Information

Instructor: Professor Gerhard Stahl
Class Room: 229
Class Hours: Tue & Fri 3:30-5:20pm
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2. Course overview

This course should help to understand better the complexity of economic and political decisions in an interconnected and globalised economy. Basic economic theory concentrates on prices and output, supply and demand and is dismissive of institutions. But institutions matter and are necessary to create the conditions for economic development. New Institutional Economics studies the evolution of economic institutions, laws, contracts and customs as part of a historical process of economic development. Behavioural economics and institutional economics are treated together, since so much of the logic and design of economic institutions has to do with complexities of human behaviour. Topics include the study of human behaviour and how judgments and choices are made in modern societies. The analysis goes beyond the basic assumptions of standard economic theory, which are rationality and selfishness. The unconscious and conscious process of decision making is analysed. The influence of social norms and different cultures, institutions and legislation on the decision making process is discussed. An interdisciplinary approach, based on different psychological and economic theories and historical explanations, is used to understand better the basic values of societies and attitudes towards individual and collective risks.

Concrete economic and political questions are considered like the role of the public and the private sector, governmental national and international structures and its decisions making, social welfare institutions, labour relations and the role of share-holders, money illusion, surveillance and stability of financial markets. Good governance is discussed, including transparency and rule of law as important elements to create trust and stability for business. The institutional and regulatory framework is discussed, which is necessary to fight climate change and achieve progress towards green economy. Concrete examples in different countries will be analysed, to study the implementation of some of the general ideas presented in the course.

Objectives: To allow students to analyse all aspects and consequences of concrete business activities and specific political measures taking into account the complexity of a globalised world and an interlinked international economy.

Prerequisites: Good knowledge of macroeconomics including fiscal policy, monetary policy and of microeconomics; interest in current national and international developments and in international business.

3. Course work and grading

An active participation of the students is expected and will be taken into account in the assessment .

<i>Class attendance and performance in class discussions</i>	<i>20%</i>
<i>Group presentation</i>	<i>30%</i>
<i>Final written examination related to topics of the course</i>	<i>50%</i>

(The final results will be calculated in line with the percentages as indicated)

Group Presentation

It is expected that students study in teamwork, in a more detailed manner, some of the issues of the course. Themes will be distributed reflecting the priorities of the main program. The result of the teamwork will be presented and discussed during the course.

4. Reading list

Daniel Kahneman (2011), “ Thinking, Fast and Slow “, London, Part I, pages 3 - 105.

John Nye (2008), “ Institutions and the Institutional Environment “ in “ New Institutional Economics “ edited by Eric Brousseau, Jean-Michel Glachant, Cambridge, pages 67 - 80.

Eric Brousseau (2008), “ Contracts: From Bilateral Sets of Incentives to the Multi-Level Governance of Relations “ in “ New Institutional Economics “ edited by Eric Brousseau, Jean-Michel Glachant, Cambridge, pages 37 - 66.

Benito Arrunada (2008), “ Human Nature and Institutional Analysis “ in “ New Institutional Economics “ edited by Eric Brousseau, Jean-Michel Glachant, Cambridge, pages 81 - 99.

Martin Ricketts (2006), “ Economic Regulation: principles, history and methods “ in “ International Handbook on Economic Regulation “ edited by Michael Crew, David Parker, pages 34 - 62.

Jacques Pelkmans (2012), “ The European Union “ in “ Internal Market and Multi-level Governance “ edited by George Anderson, Oxford University Press, Onitario, pages 93 - 130.

Shi Han (2011), “ Experiences and Lessons from China’s Early Practice in Environmental Performance Assessment “ in “ The Green Economy and its Implementation in China “ edited by Mannie Liu, Huang Haifeng, David Ness, Singapore, pages 38 - 55

A.J. Baltes, Hu Ling, Huang Haifeng (2014), “Comparing Energy Policies of China and the United States: Cross-Cultural Connections in “ Renewable Energy in China, Volume 1, Singapore, pages 143 - 160.

Additional reading proposals will be indicated during the course

5. Course Schedule (tentative)

- Basic elements explaining human judgement and decision making
- Subconscious and conscious behaviour or two systems to explain thinking, the automatic system and the effortful mental activities
- The functioning of the market, market equilibrium, market efficiency, property rights, market power, incomplete information and speculations
- Main elements of New Institutional Economics with its three categories of coordination devices: firms, contracts, institutions
- The theories of the firm and the role of private and public companies in the market economy
- Good governance, federalism, multi-level governance, transparency and rule of law.
- The main characteristics of institutions in major countries like the US, Europe, China, Russia and its consequences for business, economy, social cohesion and poverty.
- Financial markets and financial crisis, Financial Institutions, Monetary Control, Bank regulation and Supervision
- The international financial institutions (Bretton-Woods Institutions) its objectives, functioning, weaknesses and needs for reform
- World trade organisation and regulatory framework for trading goods and services, free-trade agreements and their consequences
- New economic and political institutions based on macro regional cooperation like ASEAN, ASEAN+, Mercosur, Nafta, African Union.
- The European Union with its unique supranational Institutions and common legal and political system
- Institutional and regulatory framework to support sustainable green economy including case studies