

(ECON-773) Institutional and Behavioral Economics

Course Description

Framework for analysis of linkage between choice coordinating institutions and performance of the economy. Market with alternative property and conduct rules to government enterprises and commands, role of formal and informal institutions. Institutional theory: economics beyond the Market, cost and political economy; cost as a function of institutions. Demand as a function of income distribution. Overcoming market failure; the Coasian Paradigm. Domain of institutional analysis; the political economy of decentralization, corruption and decentralization, behavioral Economics, rationality of self and others in an economics. Prisoners' dilemma. Human choice under alternative rules, the evolution of cooperation and outcomes. Uncertainty and information processing cost. Institutional change. An evolutionary approach to law and economics. What is the best institution? Exit, voice and loyalty. Performance of alternative institutions i.e. technology institutions, political and economic institutions and their role.

Recommended Books

A. Schmid (2004) *Conflict and Cooperation: Institutional & Behavioral Economics*, Blackwell.

D. North (1990) *Institutions, Institutional Change & Economic Performance*. Cambridge, 1990.

A. Hirschman (1970) *Exit, Voice and Loyalty*. Harvard.

S. Bowles (2004) *Microeconomics: Behavior, Institutions, and Evolution*, Princeton