



北京大學  
汇丰商学院

Peking University HSBC Business School

# Institutional Economics

## Economics Elective

### Third Module, Spring Semester

### Academic Year 2018

#### Course Information

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**Classes:**

Lectures: Monday and Thursday 15:30 – 17:20

Venue: PHBS Building, Room 311

**Course Website:**

## 1. Course Description

### 1.1 Context

Course overview: This course should help to understand the complexity of economic and political decisions in an interconnected and globalized 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. Behavioral economics and institutional economics are treated together, since so much of the logic and design of economic institutions has to do with the complexities of human behavior. Topics include the study of human behavior, 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 analyzed. The influence of social norms and different cultures, institutions and legislation, on the decision making process are discussed. An interdisciplinary approach, based on different psychological and economic theories and historical explanations, is used to understand 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, labor 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 an important element to create trust and stability for business.

The institutional and regulatory framework is discussed, which is necessary to achieve progress towards green economy and to supervise financial markets. Concrete examples, in different countries, will be analyzed to study the implementation of the general ideas presented in the course.

### ***Prerequisites:***

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

## ***1.2 Reading Materials***

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.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes, in group work well researched documents have to be prepared.
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Yes, the results of the group work have to be presented and defended in a question and answer session.
2. Our graduates will be skilled in teamwork and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Yes, because of the obligation to participate in group work.
	2.2. Students will be able to apply leadership theories and related skills.	Yes, leadership skills are needed for successful team-work .
3. Our graduates will be trained in ethics.	3.1. In case setting, students will use appropriate techniques to analyse business problems and identify the ethical aspects, provide a solution and defend it.	Yes, with the individual thesis students have to show the capacity to use appropriate techniques.
	3.2. Our students will practice ethics in the duration of the program.	Yes, the objective of the course is to provide students with a comprehensive view of business and politics, underlining ethical principles.
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Yes, case studies from all parts of the world ( America, Europe, Africa, Asia) are

		presented.
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Yes, different theories are presented and their usefulness and limits will be discussed.
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes, the course studies real-live business cases and economic policy choices.
	5.3. Our students will demonstrate competency in critical thinking.	Yes, this is the main focus of the teaching. Students will learn that there are no simple answers and that different aspects have to be taken into account.

## **2.2 Course specific objectives**

Students should be able to understand complex decision-making.

The course should allow students to analyze all elements influencing business activities and political decisions, taking into account the complexity of a globalized world and an interlinked international economy.

## **2.3 Assessment/Grading Details**

An active participation of students is expected.

Examination is composed of class attendance and performance during the class 40%, group presentation 30% and individual thesis 30%.

### *Individual Thesis*

Students can choose a topic amongst the different areas covered by the course to write a thesis. (5 to 10 pages including supporting evidence; Template: Times News Roman, 12 Font, double spacing).

### *Group Presentation*

Students are expected to study in teamwork, in a more detailed manner, some of the issues of

the course. Themes for the teamwork will be distributed in line with the priorities of the main program. The result of the teamwork will be presented and discussed during the course.

## **2.4 Academic Honesty and Plagiarism**

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

## **3. Topics, Teaching and Assessment Schedule**

- Basic elements explaining human judgment and decision making
- Subconscious and conscious behavior 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, banking regulation and supervision
- The international financial institutions (Breton-Woods Institutions) its objectives, functioning, weaknesses and needs for reform
- World trade organization 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+, Shanghai Cooperation Organisation, 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

During the course the group works will be presented and the individual thesis have to be finished before the end of the course.