New Institutional Economics

For PhD Program Amrita School of Business (2014)
Amrita Vishwa Vidyapeetham

Facilitator: Amalendu Jyotishi
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Objective of the Course:
The course aims at introducing the scholars to basic concepts of Institutional Economics and sensitise them to various problems relating to information asymmetry, property rights and transaction costs by reading and understanding seminal works in the field and bringing in cases and applications from the real world.

Learning Goal:
1. Understanding theoretical premise of New Institutional Economics in general and underlying theoretical context in the sub-areas of information asymmetry, transaction costs and property rights.
2. Contextualisation of NIE theories in real world application in Strategic Business and Management Research.
3. To develop the written skills of critical review of literature in the areas of NIE.

Course Duration:
30 Hours

Module 1: Basic Introduction to Neo Classical and Institutional Economics

Overview of schools and streams of Economics, Micro Foundation of Neo Classical Economics (Demand and supply; production function; markets), Institutional Economics as a departure from Neo-Classical and Marxian Economics, Historic development of Institutional Economics, Old and New Institutional Economics, Core issues in New Institutional Economics

Reference articles and papers:
1.1 Any prescribed textbook in Micro Economics (possibly Managerial Economics by Mankew)
1.2 Klein, G., Peter. 1999. New Institutional Economics
1.5 North, C., Douglass. Five Propositions About Institutional Change
1.6 North, C., Douglass. Institutions, Organizations and Market Competition
1.8 Veblen, Thorstein. 1898. Why is Economics Not an Evolutionary Science. The Quarterly Journal Of Economics Volume 12, 1898

Module 2: Problems of Information Asymmetry

Social vis-à-vis Individual Choices, Neo-classical Maximisation vis-à-vis Methodological Individualism, Prisoner’s dilemma and Nash equilibrium, Principal-Agent Problem, Problem of Adverse Selection, Problem of Moral Hazard,

Reference articles and papers:
2.1 Game Theory

2.3 Camerer, F., Colin, Ho, Teck-Hua& Chong, June Kuan. November 14th 2001. Behavioral Game Theory: Thinking, Learning and Teaching


2.8 Pauly, V., Mark. The Truth about Moral Hazard and Adverse Selection

2.9 Osborne, J., Martin. 2002/7/23. Nash Equilibrium: Theory. Draft chapter from *An Introduction to game theory*


2.11 Miller, Nolan. 3/23/05. Notes on the Principal-Agent Problem


**Module 3:** Property Rights Issues

Concepts of Property and defining Property Rights, Problems of Ill-defined Property rights, Externalities-Market failure and property rights, Issues relating to ill-defined property rights Hardin's Tragedy of Commons, Collective Action, and Assurance Problem.

Reference articles and papers:


**Module 4:** Transaction Costs and Bounded Rationality

Issues relating to transaction costs, Social cost vis-à-vis individual costs, Identification and measurements of transaction costs, Coase Theorem, Bounded Rationality

Reference articles and papers:


**Module 5:** Applications of NIE

In Public Policy, Insurance Sector, Market for lemons, Social issues, Ecological and Environmental Issues

Reference articles and papers:


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Additional References:

Kasper and Streit (1998)
Nilakanthan, S


Evaluation

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Expectation from this paper is of similar quality expected in a standard peer reviewed journal in terms of structure and as far as possible in terms of content.

About the Instructor:

Dr. Amalendu Jyotishi is Professor and Chairperson of PhD Program at Amrita School of Business (ASB). He has a PhD degree in Economics from Institute for Social and Economic Change, Bangalore through the Bangalore University where he worked on the ecological economic issues of swidden agricultural systems. Prior to joining ASB, he has worked in OHIO University-Christ College Academy and in Gujarat Institute of Development Research as an Assistant Professor. His research work cover a wide range of issues relating to institutional economics aspects of indigenous community, water markets, forestry, inland fisheries and livelihood issues in varied ecosystems. In recent past he has been working on the issues relating to iron smelting and deforestation, informal gold mining. He has published his research ideas in journals, book, edited volumes and working papers. Besides, he has presented several papers in International and National level seminars and has been acting as reviewer for several acclaimed journals in the areas of economics, management and other social sciences. He is one of the core research members of ‘Asian Initiative on Legal Pluralism’ and was elected as the coordinator of the group in the year 2012. Dr. Jyotishi has collaborated in research projects supported by organizations like Swedish International Development Agency, World Bank, International Water Management Institute, Oxfam (GB) Trust, Aga Khan Rural Support Program (India). He is also the recipient of Sir Ratan Tata Trust Fellowship through Institute for Social and Economic Change, Bangalore. Presently at ASB, he is the Chairperson of the PhD Program and Research and teaches in the area of Economics.