



Summer Semester 2024

Economics of Governance II: Topics (Governanceökonomik II: Themen)

(34056/34057 – 3 SWS)

1. Objectives

The main aim of this course is to demonstrate how fundamental and specific insights and methods from economics and related disciplines can be utilized for the design and the analysis of governance structures. Moreover, the course aims to enable students to (i) apply such insights and methods to independently analyse selected aspects of governance structures and to (ii) design well-founded selected parts of simple governance structures.

2. Intended Learning Outcomes

At the end of this course students should

- have some basic understanding of how fundamental and specific insights and methods from economics and related disciplines can be utilized for the design and the analysis of governance structures,
- have some basic understanding of agency, transaction cost and stewardship theory, social embeddedness, the role of identity in organizations, the theory of delegation, authority and power in organizational structures, and the theories of bureaucracy, democracy, and dictatorship,
- be able to apply insights and methods from economics and related disciplines to independently analyse selected aspects of governance structures, and
- be able to design well-founded selected parts of simple governance structures.

3. Pre-requisites

3.1 Required

- 'Interaktive Einführung in das ökonomische Denken' or
- 'Einführung in die Volkswirtschaftslehre' or
- an at least equivalent course to one of the above-mentioned courses

3.2 Recommended

- 'Economics of Governance I: Introduction' ('Governanceökonomik I: Einführung')
- 'Interactive Case-Study Seminar: Fundamentals of Decision Theory' ('Fallstudien-seminar in englischer Sprache')
- 'Mikroökonomik I'

4. Teaching and Learning Strategies

This is a classical lecture and tutorial course comprising 10 lectures (90 minutes) and 5 tutorials (90 minutes). At the end of the course on demand an additional 'Question & Answer' session will be offered on Wednesday, 03 July 2024, 13:30-14:00 (via Zoom). Lecture slides and the tutorials' material will be made available on the e-learning server.

5. Schedule

During the semester 10 lectures and 5 tutorials will be provided. These will take place as follows:

<i>Lecture/Tutorial</i>	<i>Day</i>	<i>Date</i>	<i>Time</i>	<i>Room</i>
01 & 02	Wednesday	17 Apr	12:15 – 15:45	RW I S 66
03	Wednesday	24 Apr	12:15 – 13:45	RW I S 66
04 & 05	Wednesday	08 May	12:15 – 15:45	RW I S 66
06 & 07	Wednesday	15 May	12:15 – 15:45	RW I S 66
08 & 09	Wednesday	29 May	12:15 – 15:45	RW I S 66
10	Wednesday	05 Jun	12:15 – 13:45	RW I S 66
11 & 12	Wednesday	12 Jun	12:15 – 15:45	RW I S 66
(Reserve)	Wednesday	19 Jun	12:15 – 15:45	RW I S 66
13 & 14	Wednesday	26 Jun	12:15 – 13:45	RW I S 66
15	Wednesday	03 Jul	12:00 – 13:30	via Zoom

6. Assessment

- One hour unseen written examination. If the total number of participating students for the written examination is less than five, an oral examination may replace the written one. (Students will be informed about the form of examination as soon as possible.)
- The date of the examination can be found on <http://www.bwl5.uni-bayreuth.de/de/studiendekan/klausurtermine/>
- Students must register for the examination via CAMPUSonline. Only if students cannot register via CAMPUSonline they can register via e-mail by sending an e-mail to Manja Melcher: manja.melcher@uni-bayreuth.de. This e-mail must only contain the title of the course, the student's surname, first name, ID number, and degree of study as well as a brief indication why registration via e-mail is required.
- The registration deadline is one week in advance to the date of the examination. Later registrations will not be accepted.

7. Lecture Programme

1. Governance, Organizations, and Institutions

[3]: 1-36; [15]: 1-15; [16]: 3-18; [22]: 33; [24]: 164, 171, 177 f.; [33]: 1-3; [34]: 5 f., 12 f.; [37]: 21-23; [39]: 4-7; [41]: 60-62; [50]: 3 (optional reading); [53] (optional reading); [54]: 5 f. (optional reading); [59] (optional reading)

2. Agency Theory
[9]: 22-24; [10]: 155-186; [13]: 41-54 (optional reading), 55-58; [17]: 113-115; [21]: 66-69
3. Transaction Cost Theory
[10]: 187-228 (optional reading); [17]: 104-112; [21]: 69-70
4. Stewardship Theory
[9]; [13]: 55-61; [21]: 70-73; [30]: 50 f.; [40]
5. Social Embeddedness
[12]: 251-253; [49] (optional reading)
6. Identity and Governance in Organizations
[1]; [44] (optional reading); [45] (optional reading); [47] (optional reading); [52] (optional reading); [51] (optional reading); [55] (optional reading);
7. Delegation and Decentralization
[18], [38]
8. Power, Authority, Success and Satisfaction in Organizational Structures
[4]; [5]; [6]; [7]; [11]; [22]: 63-76; [25]; [26]; [27]; [28]: 143-151; [29]: 65-82 (optional reading), 82-86; [31]: 137-139; [32]: 1-37 (optional reading), 37-41, 41-51 (optional reading), 52-54, 105-135 (optional reading); [43] (optional reading); [46] (optional reading); [48] (optional reading); [56] (optional reading); [57] (optional reading), [58] (optional reading); [60] (optional reading)
9. The Theory of Bureaucracy
[19]: 359-385; [23]: 121-143 (optional reading)
10. The Theory of Democracy and Social Choice Theory
[8]: 145-170, 409-451 (optional reading), 453-520, 521-583; [20]: 1-22, 233-253; [35]; [36]: 178-190; [42] (optional reading)
11. The Theory of Dictatorship
[8]: 145-170 (optional reading), 353-408; [14]: 377-396; [19]: 406-426

Note: The numbers in brackets refer to the numbers of the sources below.

8. Literature

8.1 Core Reading

- [1] Akerlof, GA and Kranton, RE (2005) Identity and the Economics of Organization, *Journal of Economic Perspectives* 19: 9-32.
- [2] Benz, A and Dose, N (2009) Governance – Modebegriff oder nützliches sozialwissenschaftliches Konzept?, in: Benz, A and Dose, N (eds), *Governance – Regieren in komplexen Regelsystemen*, 2nd edn., VS Verlag: 13-36.
- [3] Bevir, M (2012) *Governance: A Very Short Introduction*, Oxford University Press.
- [4] Braham, M and Holler MJ (2005) The Impossibility of a Preference-based Power Index, *Journal of Theoretical Politics* 17: 137-157.
- [5] Brink, R van den and Gilles, RP (2000) Measuring Domination in Directed Networks, *Social Networks* 22: 141-157.
- [6] Brink, R van den and Steffen, F (2012) Axiomatizations of a Positional Power Score and Measure for Hierarchies, *Public Choice* 151: 757-787.
- [7] Brink, R van den and Steffen, F (2014) On the Measurement of Success and Satisfaction, in: Fara, R et al. (eds), *Voting Power and Procedures: Essays in Honor of Dan Felsenthal and Moshé Machover*, Springer, 41-64.
- [8] Clark, WR, Golder, M, and Golder SN (2018) *Principles of Comparative Politics*, 3rd edn., Sage. *)
- [9] Davis, JH, Schoorman, FD, and Donaldson, L (1997) Toward a Stewardship Theory of Management, *Academy of Management Review* 22: 20-47.
- [10] Douma, S and Schreuder, H (2017) *Economic Approaches to Organizations*, 6th edn., Prentice Hall. *)
- [11] Dowding, K (2011) Authority, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 36-39.
- [12] Jaffee, D (2008) *Organization Theory: Tension and Change*, McGraw-Hill.
- [13] Johnson, P and Gill J (1993) *Management Control and Organizational Behaviour*, Paul Chapman Publishing.
- [14] Kirsch, G (2004) *Neue Politische Ökonomie*, 5th edn, UTB.
- [15] Kjaer, AM (2004) *Governance*, Polity Press.
- [16] Levi-Faur, D (2012) From “Big Government” to “Big Governance”?, in: Levi-Faur, D (ed.), *Oxford Handbook of Governance*, Oxford University Press: 3-18.
- [17] Lipczynski, J, Wilson, JOS, and Goddard J (2017) *Industrial Organization: Competition, Strategy, Policy*, 5th edn., Prentice Hall. *)
- [18] Mookherjee, D (2006) Decentralization, Hierarchies, and Incentives: A Mechanism Design Perspective, *Journal of Economic Literature* 44: 367-390.
- [19] Mueller, D (2003) *Public Choice III*, Cambridge University Press.
- [20] Riker, WH (1982) *Liberalism Against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice*, Waveland Press.
- [21] Tricker, B (2019) *Corporate Governance*, 4th edn., Oxford University Press. *)

8.2 Required Supplementary Reading

In addition to the core reading students should read (selected parts of) the following sources:

- [22] Arrow, KJ (1974) *The Limits of Organization*, Norton.
- [23] Axelrod, R (1970) *Conflict of Interest: A Theory of Divergent Goals with Applications to Politics*, Markham.
- [24] Bates, FL and Harvey, CC (1975) *The Structure of Social Systems*, Gardner Press.

- [25] Bertini, C and Stach, I (2011) Coleman Index, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 117-119.
- [26] Brink, R van den and Gilles, RP (1994) A Social Power Index for Hierarchically Structured Populations of Economic Agents, in: Gilles, RP and Ruys, PHM (eds), *Imperfections and Behaviour in Economic Organizations*, Kluwer: 279-318.
- [27] Brink, R van den and Steffen, F (2008) Positional Power in Hierarchies, in: Braham, M and Steffen, F (eds), *Power, Freedom, and Voting*, Springer: 57-81.
- [28] Coleman, JS (1980) Authority Systems, *Public Opinion Quarterly* 44: 143-163.
- [29] Coleman, JS (1990) *Foundations of Social Theory*, The Belknap Press of Harvard University Press.
- [30] Donaldson, L and Davis, JH (1991) Stewardship Theory or Agency Theory: CEO Governance and Shareholder Return, *Australian Journal of Management* 16: 49-64.
- [31] French, R et al. (2015) *Organizational Behaviour*, 3rd ed., Wiley. *)
- [32] Laruelle, A and Valenciano, F (2008) *Voting and Collective Decision-making: Bargaining and Power*, Cambridge University Press.
- [33] Lattemann, C (2010) *Corporate Governance im globalisiertem Informations-zeitalter*, Oldenbourg.
- [34] Martin, J (1998) *Organizational Behaviour*, International Thomson Business Press.
- [35] Nurmi, H (2005) A Responsive Voting System, *Economics of Governance* 6: 63-74.
- [36] Nurmi, H (1987) *Comparing Voting Systems*, Kluwer.
- [37] Ostrom, E (2007) Institutional Rational Choice, in: Sabatier, PA (ed.), *Theories of the Policy Process*, 2nd edn., Westview Press, 21-64.
- [38] Radner, R (1992) Hierarchy: The Economics of Managing, *Journal of Economic Literature* 30: 1382-1415.
- [39] Senior, B (2002) *Organisational Change*, Prentice Hall.
- [40] Velte, P (2010) Stewardship-Theorie, *Zeitschrift für Planung und Unternehmenssteuerung* 20: 285-293.
- [41] Voigt, S (2009) *Institutional Economics: An Introduction*, Cambridge University Press. *)

8.3 Optional Supplementary Reading

In addition to the core and required supplementary reading students might find it helpful and/or informative to read (selective parts of) the following sources:

- [42] Berg, S and Holler MJ (1986) Randomized Decision Rules in Voting Games: A Model for Strict Proportional Power, *Quality and Quantity* 20: 419-429.
- [43] Bertini, C and Stach, I (2011) Banzhaf Voting Measure, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 54 f.
- [44] Cassar, L and Meier, S (2018) Nonmonetary Incentives and the Implications of Work as a Source of Meaning, *Journal of Economic Perspectives* 32: 215-238.
- [45] Davis, JB (2007) Akerlof and Kranton on Identity in Economics: Inverting the Analysis, *Cambridge Journal of Economics* 31: 349-362.
- [46] Felsenthal, DS and Machover, M (2011) Penrose Voting Power Measure, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 476 f.
- [47] Fine, B (2009) The Economics of Identity and the Identity of Economics?, *Cambridge Journal of Economics* 33: 175-191.
- [48] Gambarelli, G and Miller, N (2011) Simple Games, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 607 f.
- [49] Granovetter, M (1985) Economic Action and Social Structure: The Problem of Embeddedness, *American Journal of Sociology* 91: 481-510.

- [50] Hague, R and Harrop, M (2010) *Comparative Government and Politics: An Introduction*, 8th edn., Palgrave Macmillan.
- [51] Huettel, SA and Kranton, RE (2012) Identity Economics and the Brain: Uncovering the Mechanics of Social Conflict, *Philosophical Transactions of the Royal Society B* 367: 680-691.
- [52] Kaplan, G and Schulhofer-Wohl, S (2018) The Changing (Dis-)Utility of Work, *Journal of Economic Perspectives* 32: 239-258.
- [53] Kersbergen, K. van and Waarden, F. van (2004) 'Governance' as a Bridge Between Disciplines: Cross-disciplinary Inspiration Regarding Shifts in Governance and Problems of Governability, Accountability and Legitimacy, *European Journal of Political Research* 43: 143-171.
- [54] Kumar, S (2010) *Corporate Governance*, Oxford University Press.
- [55] Lazar, EP (2018) Compensation and Incentives in the Workplace, *Journal of Economic Perspectives* 32: 195-214.
- [56] Morriss, P (2011) Ability, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 1 f.
- [57] Morriss, P (2011) Ableness, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 2.
- [58] Pansardi, P (2011) Power To and Power Over, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 521-524.
- [59] Peters, BG (2012) Governance as Political Theory, in: Levi-Faur, D (ed.), *Oxford Handbook of Governance*, Oxford University Press: 19-32.
- [60] Stach, I (2011) Shapley-Shubik Index, in: Dowding, K (ed.), *Encyclopedia of Power*, Sage: 603-606.

Note: All sources for the course will be made available on the e-learning server. In some instances which are marked with an *), currently, only an earlier edition of the source will be available.

9. Accreditation

- Economics (BA):
Modulbereich Spezialisierung (SPEZ): Institutionen und Governance (under the new examination regulations from WiSe 2016/2017 onwards)
- IWE (BA):
Modulbereich Individueller Schwerpunkt (ISP): Schwerpunktbereich: Institutionen und Governance (IG) (under the new examination regulations from WiSe 2016/2017)
- P&E (BA):
Modulbereich E: Economics / Modul E6: Spezialisierung (under the current examination regulations from SuSe 2019 onwards)

10. Responsible Student Assistant for the Course

All requests regarding the course should, in the first instance, be addressed to:

- Manja Melcher:
E-mail: manja.melcher@uni-bayreuth.de