



## Summer Semester 2021

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### **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 in order 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 in order 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 6 tutorials (90 minutes). At the end of the course on demand an additional 'Question & Answer' session will be offered on Wednesday, 07 July 2021, 15:30-16:00 (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	14 Apr	12:15 – 15:45	via Zoom
03	Wednesday	21 Apr	12:15 – 13:45	via Zoom
04 & 05	Wednesday	28 Apr	12:15 – 15:45	via Zoom
06 & 07	Wednesday	05 May	12:15 – 15:45	via Zoom
08	Wednesday	12 May	12:15 – 13:45	via Zoom
09	Wednesday	19 May	12:15 – 13:45	via Zoom
10	Wednesday	26 May	12:15 – 13:45	via Zoom
11	Wednesday	02 Jun	12:15 – 13:45	via Zoom
12 & 13	Wednesday	09 Jun	12:15 – 13:45	via Zoom
14 & 15	Wednesday	07 Jul	12:00 – 15:30	via Zoom
16	Wednesday	14 Jul	14:00 – 15:30	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 have to 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 Clara Immler: clara.immler@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*, 2<sup>nd</sup> 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*, 3<sup>rd</sup> 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*, 6<sup>th</sup> 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*, 5<sup>th</sup> 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*, 5<sup>th</sup> 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*, 4<sup>th</sup> 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*, 3<sup>rd</sup> 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 Informationszeitalter*, 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*, 2<sup>nd</sup> 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*, 8<sup>th</sup> 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)  
Modulbereich Spezialisierung VWL (SVWL): „Public Management und Governance“ (under the previous examination regulations until SoSe 2016)
- IWE (BA):  
Modulbereich Individueller Schwerpunkt (ISP): Schwerpunktbereich: Institutionen und Governance (IG) (under the new examination regulations from WiSe 2016/2017)  
Modulbereich Spezialisierung SP B: Spezialisierungsmodulbereich IGME: Institutionen, Governance, Markt und Entwicklung (under the previous examination regulations until SoSe 2016)
- P&E (BA):  
Modulbereich E: Economics / Modul E6: Spezialisierung (under the current examination regulations from SuSe 2019 onwards)  
Modulbereich E: Economics / Modul E6: Spezialisierung (under the previous examination regulations from WiSe 2015/2016 until WiSe 2018/2019)  
Modulbereich Ö: Ökonomie / Modul Ö6: Veranstaltungen eigener Wahl (under the previous examination regulations until SoSe 2015)

Modulbereich V: Verzahnung Philosophie/Ökonomie (under the previous examination regulations until SoSe 2015)

### **10. Responsible Student Assistant for the Course**

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

- Clara Immler:  
E-mail: clara.immler@uni-bayreuth.de

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