UNIVERSITÄT BAYREUTH

Prof. Dr. Frank Steffen

VWL IG: International Governance
Faculty of Law, Business and Economics
RW I / 2.161 9
T: +49 921 / 55-6086
E: frank.steffen@uni-bayreuth.de

www.governance.uni-bayreuth.de/en

Winter Semester 2025/2026

Economics of Governance I: Introduction (33096/33097 – 3 SWS)
(Governanceökonomik I: Einführung)

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 rational choice theory, behavioral decision-theory, non-cooperative and cooperative game theory and collective choice theory,
- 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
- Fallstudienseminar in englischer Sprache (‘Interactive Case-Study Seminar: Fundamentals of Decision Theory’)
- ‘Mikroökonomik I’

4. Teaching and Learning Strategies

This is a classical lecture and tutorial course comprising 12 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, 28 January 2026, 13:30-14:00 (Room: RW I S 66). Lecture slides and the tutorials' material will be made available on the e-learning server.

5. Schedule

During the semester 12 lectures and 5 tutorials will be provided. These will take place as follows:

Lecture/Tutorial	*Day*	*Date*	*Time*	*Room*
01	Wednesday	15 Oct	12:15 – 13:45	RW I S 66
02	Wednesday	22 Oct	12:15 – 13:45	RW I S 66
03	Wednesday	05 Nov	12:15 – 13:45	RW I S 66
04	Wednesday	05 Nov	14:15 – 15:45	RW I S 66
05	Wednesday	12 Nov	12:15 – 13:45	RW I S 66
06	Wednesday	19 Nov	12:15 – 13:45	RW I S 66
07	Wednesday	26 Nov	12:15 – 13:45	RW I S 66
08	Wednesday	26 Nov	14:15 – 15:45	RW I S 66
09	Wednesday	03 Dec	12:15 – 13:45	RW I S 66
10	Wednesday	03 Dec	14:15 – 15:45	RW I S 66
11	Wednesday	10 Dec	12:15 – 13:45	RW I S 66
12	Wednesday	10 Dec	14:45 – 15:45	RW I S 66
13	Wednesday	17 Dec	12:15 – 13:45	RW I S 66
14	Wednesday	17 Dec	14:15 – 15:45	RW I S 66
15	Wednesday	14 Jan	12:15 – 13:45	RW I S 66
16	Wednesday	21 Jan	12:15 – 13:45	RW I S 66
17	Wednesday	28 Jan	12:00 – 13:30	RW I S 66

6. Assessment

The course is assessed by a one-hour unseen written examination at the end of the term. (If the number of participating students 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 https://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 Felix Hauenstein: felix.hauenstein@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

   [4]: 33; [5]: 164, 171, 177 f.; [6]: 1-36; [7]: 62; [11]: 3; [12]: 1-15; [14]: 5 f.; [16]: 3-18; [19]: 5f., 12 f.; [23]: 21-23; [24]; [27]: 4-7; [30]: 12-20, 60-62; [46] (optional reading); [49] (optional reading); [51]: 1-3 (optional reading)

2. Theory and Empirical Evidence of Rational Decision-making

   [1]: 5-42; [2]: 17-57; [3]: 9-14, 17-20; [10]: 336-348; [13]: 57-80; [19]: 240-242; [20]: 51-64, 79-87; [22]: 23-30, 55-70; [31]: 3-57 (optional reading), 103-143 (optional reading); [35] (optional reading); [38] (optional reading); [39] (optional reading); [40] (optional reading); [41] (optional reading); [43]: 11-31 (optional reading); [45]: 5-13 (optional reading); [47] (optional reading); [48] (optional reading); [57] (optional reading); [59] (optional reading)

3. Non-cooperative Strategic Decision-making

   [1]: 43-101; [2]: 58-98; [25]: 11-52; [32] (optional reading); [42]: 3-314, 375-419 (optional reading)

4. Cooperative Strategic Decision-making

   [2]: 99-120; [32] (optional reading); [55] (optional reading)

5. Collective Decision-making Mechanisms and Their Properties

   [1]: 102-139; [2]: 121-137, 146-187; [8]; [9]: 3-11; [15]; [18]; [21]: 17-20, 52-57; [26]: 65-113 (optional reading); [28]; [29]: 1-35; [33] (optional reading); [34] (optional reading); [36] (optional reading); [37] (optional reading); [42]: 627-641 (optional reading); [43]: 275-297; [44] (optional reading); [50] (optional reading); [53]: 1-30 (optional reading), 55-127 (optional reading); [54] (optional reading); [58] (optional reading)

6. Manipulation of Collective Decision-making Mechanisms: Strategic Behavior and Agenda Control

   [1]: 148-166; [2]: 139-145; [26]: 137-195; [29]: 98-103; [42]: 642-651 (optional reading); [56] (optional reading); [58] (optional reading)

7. Judgment Aggregation

   [17]; [52] (optional reading)

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

8. Literature

8.1 Required Core Reading

Concerning the core reading for the course there exists in some respect a choice between the two following books:

[1] Nurmi, H (1998) *Rational Behaviour and the Design of Institutions: Concepts, Theories and Models*, Edward Elgar.
[2] Nurmi, H (2006) *Models of Political Economy*, Routledge.

However, even though there is a significant overlap of the content of both books, making a choice for one of these books still implies that students will have to read selected pages of the other book.

8.2 Required Supplementary Reading

In addition to the core reading students will be required to read selected parts of the following sources:

[3] Akerlof, GA and Kranton, RE (2010) *Identity Economics*, Princeton University Press.
[4] Arrow, KJ (1974) *The Limits of Organization*, Norton.
[5] Bates, FL and Harvey, CC (1975) *The Structure of Social Systems*, Gardner Press.
[6] Bevir, M (2012) *Governance: A Very Short Introduction*, Oxford University Press.
[7] 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.
[8] Deemen, AMA van (1999), The Probability of the Paradox of Voting for Weak Preference Orderings, *Social Choice Welfare* 16: 171–182.
[9] Fishburn, PC (1973), *The Theory of Social Choice*, Princeton University Press.
[10] French, R et al. (2015) *Organizational Behaviour*, 3rd edn., Wiley.
[11] Hague, R and Harrop, M (2010) *Comparative Government and Politics: An Introduction*, 8th edn., Palgrave Macmillan.
[12] Kjaer, AM (2004) *Governance*, Polity Press.
[13] Komlos, J (2019) *Foundations of Real-World Economics: What Every Economics Student Needs to Know*, 2nd edn., Routledge.
[14] Kumar, S (2010) *Corporate Governance*, Oxford University Press.
[15] Kurrild-Klitgaard, P (2004) Voting Paradoxes in List Systems of Proportional Representation, in: Rowley, CK and Schneider, F (eds) *The Encyclopedia of Public Choice*, Kluwer.
[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] List, C (2012) The Theory of Judgment Aggregation: An Introductory Review, *Synthese* 187, 179-207.
[18] Machover, M (2012) The Underlying Assumptions of Electoral Systems, in: Felsenthal, DS and Machover, M (eds), *Electoral Systems: Paradoxes, Assumptions, and Procedures*, Springer: 3-9.
[19] Martin, J (1998) *Organizational Behaviour*, International Thomson Business Press.
[20] Michel-Kerjan, E and Slovic, P (eds) (2010) *The Irrational Economist*, Public Affairs.
[21] Moulin, H (1983) *The Strategy of Social Choice*, North-Holland.
[22] Ogaki, M and Tanaka, SC (2017) *Behavioral Economics: Toward a New Economics by Integration with Traditional Economics*, Springer.

[23] Ostrom, E (2007) Institutional Rational Choice, in: Sabatier, PA (ed.), *Theories of the Policy Process*, 2nd edn., Westview Press: 21-64.
[24] Peters, BG (2012) Governance as Political Theory, in: Levi-Faur, D (ed.), *Oxford Handbook of Governance*, Oxford University Press: 19-32.
[25] Rasmusen, E (2007) *Games and Information*, 4th edn., Blackwell.
[26] Riker, WH (1982) *Liberalism Against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice*, Waveland Press.
[27] Senior, B (2002), *Organisational Change*, Prentice Hall.
[28] Swart, HCM de et al. (2003) Categoric and Ordinal Voting: An Overview, in: Swart, HCM de et al (eds) *Theory and Applications of Relational Structures as Knowledge Instruments, Lecture Notes in Computer Science* 2929, Springer: Berlin, Heidelberg: 147-195.
[29] Taylor, AD and Pacelli, AM (2008) *Mathematics and Politics: Strategy, Voting, Power and Proof*, 2nd edn., Springer.
[30] Voigt, S (2019) *Institutional Economics: An Introduction*, Cambridge University Press.

8.3 Optional Supplementary Reading

In addition to the required reading students might find it helpful or informative to read selective parts of the following sources:

[31] Angner, E (2017) *A Course in Behavioral Economics*, 2nd edn., Red Globe Press.
[32] Aliprantis, CD and Chakrabarti, SK (2012) *Games and Decision Making*, 2nd edn., Oxford University Press.
[33] Arrow, K (1963) *Social Choice and Individual Values*, 2nd edn., Wiley.
[34] Balinski, M and Laraki, L (2010) *Majority Judgment: Measuring, Ranking, and Electing*, MIT Press.
[35] Barberis, NC (2013) Thirty Years of Prospect Theory in Economics: A Review and Assessment, *Journal of Economic Perspectives* 27: 173-196.
[36] Brams, SJ (1976) *Paradoxes in Politics: An Introduction to the Nonobvious in Political Science*, The Free Press.
[37] Brams, SJ and Fishburn, PC (2007) *Approval Voting*, 2nd edn., Springer.
[38] Burni, L and Sugden, R (2007) The Road not Taken: How Psychology was Removed from Economics, and How it Might be Brought Back, *The Economic Journal* 117: 146-173.
[39] Camerer, CF et al. (2012) Neuroeconomics: Illustrated by the Study of Ambiguity Aversion, in: Frey, BS and Stutzer, A (eds) *Economics and Psychology: A Promising New Cross-Disciplinary Field*, MIT Press: 113-151.
[40] Camerer, CF and Loewenstein, G (2004) Behavioral Economics: Past, Present, Future, in: Camerer, CF et al. (eds) *Advances in Behavioral Economics*, Princeton University Press: 3-51.
[41] DellaVigna, S (2009) Psychology and Economics: Evidence from the Field, Journal of Economic Literature 47: 315-372.
[42] Dixit, A et al. (2020) *Games of Strategy*, 5th edn., Norton.
[43] Feldman, AM and Serrano, R (2006) *Welfare Economics and Social Choice Theory*, 2nd edn., Springer.
[44] Fleurbaey, M (2014) Michel Balinski and Rida Laraki: Majority Judgment. Measuring, Ranking, and Electing (Book Review), *Social Choice and Welfare* 42: 751-755.
[45] Gilboa, I (2009) *Theory of Decisions under Uncertainty*, Cambridge University Press.

[46] Greif, A. and Kingston, C. (2011) Institutions: Rules or Equilibria?, in: Schoflied, N and Caballero, G (eds), *Political Economy of Institutions, Democracy and Voting*, Springer: 13-43.
[47] Herne, K (2011) Rational Choice and Individual Behavior, *Homo Oeconomicus* 28, 111-121.
[48] Kahneman, D (2011) *Thinking. Fast and Slow*, Penguin.
[49] 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.
[50] Laslier, J-F (2012) And the Loser Is … Plurality Voting, in: Felsenthal, DS and Machover, M (eds), *Electoral Systems: Paradoxes, Assumptions, and Procedures*, Springer: 327-351.
[51] Lattemann, C (2010) *Corporate Governance im globalisiertem Informations-zeitalter*, Oldenbourg.
[52] List, C and Pettit, P (2002) Aggregating Sets of Judgments: An Impossibility Result, *Economics and Philosophy* 18: 89-110.
[53] Nurmi, H (1999) *Voting Paradoxes and How to Deal with Them*, Springer.
[54] Nurmi, H (2012) On the Relevance of Theoretical Results To Voting System Choice, in: Felsenthal, DS and Machover, M (eds), *Electoral Systems: Paradoxes, Assumptions, and Procedures*, Springer: 255-274.
[55] Maschler, M. et al. (2020), Game Theory, 2nd edn., Cambridge University Press.
[56] Peters, H et al. (2012) On the Manipulability of Approval Voting and Related Scoring Rules, *Social Choice and Welfare* 39: 399-429.
[57] Shleifer, A (2012) Psychologists at the Gate: A Review of Daniel Kahneman's Thinking, Fast and Slow, *Journal of Economic Literature* 50: 1080-1091.
[58] Taylor, A (2005) *Social Choice and the Mathematics of Manipulation*, Cambridge University Press.
[59] Wakker, PP (2010) *Prospect Theory: For Risk and Ambiguity*, Cambridge University Press.

Note: All required and some of the optional sources for the course are available on the e-learning server. Earlier or later editions (if available) are also suitable for the purpose of this course.

9. Accreditation

- Economics (BA):
  Modulbereich Spezialisierung (SPEZ): Institutionen und Governance
- IWE (BA):
  Modulbereich Individueller Schwerpunkt (ISP): Schwerpunktbereich: Institutionen und Governance (IG)
- P&E (BA):
  Modulbereich E: Economics / Modul E6: Spezialisierung

10. Responsible Student Assistant for the Course

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

- Felix Hauenstein:
  E-mail: felix.hauenstein@uni-bayreuth.de

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