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978-1-107-05371-7 - The Manufacturing of Markets: Legal, Political and Economic Dynamics

Edited by Eric Brousseau and Jean-Michel Glachant

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The Manufacturing of Markets

Different types of markets exist throughout the world but how are they created? In this book, an interdisciplinary team of authors provide an evolutionary vision of how markets are designed and shaped. Drawing on a series of case studies, they show that markets are far from perfect and natural mechanisms, and propose a new view of markets as social construct, explaining how combinations of economic, political, and legal constraints influence the formation and performance of markets. Historical trajectories and interdependencies among institutional dimensions make it difficult to build costless, non-biased coordination mechanisms, and there are limitations to public and private attempts to improve the design of markets. The authors show that incomplete and imperfect modes of governance must be improved upon and combined in order for markets to work more efficiently. This timely book will interest practitioners and academics with backgrounds in economics, law, political science, and public policy.

ERIC BROUSSEAU is Professor of Economics and Management at Paris-Dauphine University. He is a member of Dauphine Research in Management (DRM), a Joint Research Center between the CNRS and Paris-Dauphine. He is also the founder and director of the European School for New Institutional Economics (ESNIE), and President of the International Society for New Institutional Economics (ISNIE). His research focuses on the economics of governance, with applications to innovation, digital economics, the environment, development, and global governance.

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Eric Brousseau and Jean-Michel Glachant have assembled a fascinating set of contributions that discuss the institutional arrangements that contribute to the “manufacturing” of markets for goods and services. Traditional micro-economics textbooks implicitly assume that “free markets” somehow have emerged as if by “immaculate conception.” These markets may in turn have “market imperfections” that might be mitigated by a variety of government regulatory interventions. In fact, markets never exist in an institutional vacuum. At the very least, laws defining and institutions for enforcing property rights, for defining liability for damages, determining and enforcing responsibilities for allocating the associated costs, and institutions governing the enforcement of contractual commitments are necessary for markets to function at all. Laws and institutions responding to market power, externalities, imperfect information, uncertainty, transactions costs and other attributes of bilateral exchange are necessary for markets to perform well. Choices must be made among alternative governance arrangements that apply to markets in the real world and to help to define the boundaries between firms and markets. The chapters in this book provide important insights about how these institutional choices have been made in many different contexts, drawing on lessons from economics, political science, organizational behavior, psychology, and law. There is much to learn from these chapters for both scholars and policymakers.

*Paul L. Joskow, Massachusetts Institute of Technology,
and President, Alfred P. Sloan Foundation*

Market design, regulation and competition policy have never been more important for policy-makers confronting footloose business and finance. They must continually renegotiate public–private relations while endeavoring to maintain the trust needed for future-oriented decisions, whether for investment or environmental policy. This wide-ranging book challenges, enlightens and provides timely guidance on these and many other problems confronting market economies.

David Newberry, University of Cambridge

This impressive collection of chapters, focused on the creation and operation of markets, takes seriously the critical connection between economics and politics. All markets depend on political institutions, all markets adjust and develop in ways that reflect economic interests, and any approach that privileges one side at the expense of the other is unlikely to understand how markets are actually manufactured.

*Douglass C. North, Washington University in
Saint Louis, Nobel Laureate*

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The chapters in this collection greatly advance our understanding of how markets are embedded in a complex system of social technologies. Together they provide a surprisingly accessible introduction to the cutting edge of the social scientific analysis of institutions.

*Henry E. Smith, Harvard Law School, and
Director, Project on the Foundations of Private Law*

There is no one interested in markets and the role they play in our economies, societies and politics who will not learn, be challenged (and at times enervated!) by this wide ranging collection of often fresh, even scintillating chapters.

*Joseph H.H. Weiler, President,
European University Institute, Florence*

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