Institutional Economics

Why is it that some countries become rich while others remain poor? Do markets require regulation to function efficiently? If markets offer an efficient way of exchanging goods, why do individuals even create firms? How are economic transactions organized in the absence of a state that could enforce contracts and guarantee property rights? Institutional economics has allowed social scientists to answer many fundamental questions about the organization and functioning of societies. This introduction to institutional economics is concise, yet easy to understand. It not only caters to students of economics but to anybody interested in this topical research area and its specific subfields. Both formal and informal institutions (such as customs, habits, and traditions) are discussed with respect to their causes and consequences, highlighting the important part they play for economic growth and development.

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Institutional Economics
An Introduction

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The new institutional economics is an impressive success story. Within just a few decades, this young subdiscipline has attracted some of the brightest scholars around, several Nobel prizewinners among them.

The book is aimed at familiarizing anybody interested in the new institutional economics with its most basic concepts. No prior knowledge in economics is needed. I have attempted to use plain language and avoid economic jargon. As the new institutional economics continues to develop at high speed, it was impossible to do justice to every branch of its research program; instead, this book summarizes the state of the art from a subjective point of view.

A German-language predecessor, Institutionenökonominik, was published in 2002 by Wilhelm Fink publishers. A comparison between that edition and the current one reveals how much, and how quickly, new institutional economics has progressed: some chapters had to be completely rewritten to reflect the progress made during the last 15 years.

I was extremely lucky to have a group of very gifted – and highly critical – collaborators. We discussed every single page of this introduction to the field. Thanks to Marek Endrich, Dr. Jerg Gutmann, Dr. Stephan Michel, and Konstantinos Pilpilidis for critically – but also constructively – reading the first draft of this edition. Dr. Sang-Min Park and Mark Pegors helped make my English readable. Many thanks to them, too.