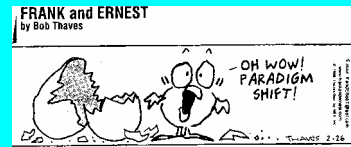


The Economic Approach?

- 1. Stable preferences.
- 2. Rational choice model.
- 3. Equilibria.



Institutional Economics

- 1. Learning.
- 2. Bounded rationality & cognition.
- 3. Evolution.

Immodest Objectives

- **Impact of alternative institutions—
everyday and rules for making rules.**
 - Formal
 - Informal
 - Including those within organizations
- **Institutional Change**
 - Formal
 - Informal

Levels of Analysis

- **Rules for making rules.**
- **Everyday rules for individuals and firms.**
- **Within organizations (firms).**

Paradigm Fundamentals

- **Situation**
- **Structure**
- **Performance**

Structural Alternatives

- **Administrative (superior & inferior)**
- **Bargained (who has what to bargain with is antecedent)**
- **Status-grant**

Eggertsson

- **“our task is not concerned with a search for optimal institutions.”**
- **“we still need a criterion for comparing economic outcomes.”**

Bhopal, India

- **Were resources put to their highest valued use?**
- **Is social cost a fact?**
- **Death is Pareto-irrelevant!**