

# **Institutional Economics**

Master of Health Economics – Second semester  
2016

**Dr. Racha Ramadan**  
**Dr. Asmaa Ezzat**

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## ■ **Course objective**

Institutional Economics focuses on the transactions in the economy and how they are coordinated, which is not costless. Institutions are created to reduce these coordination costs. Institutional Economics is concerned by the different types of institutions, how they relate to each other, how they influence behavior and ideas about central concepts such as competition and efficiency (Groenewegen et al, 2010).

In this course, we will study what do we mean by Institutions, what are their role in the economy at the macro and the micro level. We will start by a presentation of the theoretical framework; we will link the theory with the real World to show why institutions matter. Both schools of institutional economics will be presented; Old Institutional Economics (OIE) and New Institutional Economics (NIE). NIE provides a theory to study economic behavior, with relaxing some of the assumptions of the *Neoclassical theory*.

In the first part of the course we will focus on the static approach of institutions including *property rights theory, contract theory and the transaction costs theory*. While in the second part we will focus on the applications of these institutions and different theories in the health sector.

## ■ **Outline**

### **I. Introduction**

- a. What is Institutional Economics?
- b. Definitions

### **II. Theoretical Framework**

- a. Institutional Economics versus Neoclassical Economics
- b. New Institutional Economics (NIE) versus Old Institutional Economics.

### **III. Static Approach to Institutions**

- a. Transaction costs Theory
- b. Property Rights Theory
- c. Contract Theory

### **IV. Applications to Health Sector.**

## ■ References

- Groenewegen, J., Spithoven, A. and Van den Berg, A.,2010. “Institutional Economics: An Introduction”. Palgrave Macmillan
- Slangen, L., Loucks, L. and Slangen, A., 2008. “Institutinal Economics and Economic Organization Theory: An Integrated Approach”:  
<http://library.wur.nl/WebQuery/wurpubs/personal/367380>

## ■ Classes

- Monday : 6 p.m. – 9 p.m.

## ■ Student Assessment:

Assignments, participation: 30%  
Final Exam: 70%