IB409 WEEK 1

Deadline: Wednesday, 15 May 2019 4000-4500 words

[undergraduate@wbs.ac.uk](mailto:undergraduate@wbs.ac.uk)

**Introduction to the German political economy**

* Hall and Soskice (2001)
* Describe differences between political economical systems and why they exist
* Institutional approach
* Concerned with co-ordination problems- products? Skills? Company funding? Who’s doing what? How long should people be educated? Etc.
* Profitability of product/ service or exports in particular sectors.

Solutions to co-ordination problems

* Markets- arm’s length relationship- no social/ emotional bond between consumers and producers. Producers are competing for the consumers. Eg. Innovation, price reduction etc.
* **Hierarchy within organizations-** senior employees direct the activities of junior employees.
* (Williamson, 1975, 1985)
* Market failures: sometimes difficult to evaluate quality of product that is being traded.
* Adverse selection-
* principal agent problems- putting in less effort corresponding to what they’re being paid
* Transaction costs: make a contract involves transaction costs eg. Employment
* **Strategic co- ordination in networks- informal rules**
* Non market relationships, relational, incomplete contracting, informal rules, network monitoring

Liberal market economies vs. coordinated market economies.

* Eg. UK, US VS. Germany, Austria,
* coordination through hierarchy vs strategic coordination complements hierarchy and market forces.
* Investments depend on initiative of individual actor, training occurs when its needed, more flexibility, free rider problem- company B gets the return on investment of the trained employees from company A.
* vs. investments coordinated by coalitions of employers, trade union and the state, formal and informal routes that define who gets trained, informal pressure to offer apprenticeships