

Continuing Towards a Comparative Institutional Analysis

In Memory of Masahiko Aoki

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Professor Aoki, Comparative Institutional Analysis, China's Reform, and I

A Theory of “Institution-Induced” Comparative Advantages

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Complementarity between organization of firms and organization of societies: Not all market economies the same

Home-institution-induced comparative advantages

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- ▶ Immigration/migration

Limit to home-institution-induced comparative advantages

- ▶ “Export” home institution?

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- ▶ Teaching from a Nobel Laureate: three secrets to a successful transition to markets

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What is institution?

- ▶ North (New Institutional Economics) : rules of game
 - ▶ Some institutions are good, others are bad
 - ▶ Institutions of different economies categorically classified as good or bad
 - ▶ Either destined to be bad or transplant (“import”) good to become good?

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- ▶ Aoki and Greif (Comparative Institutional Analysis): equilibrium rules of game
 - ▶ Different aspects of an institution are there for a reason: to complement other aspects of the institution
 - ▶ Caution to transplate institutions

From institution to institutional change

- ▶ Aoki (2001): a *self-sustained* system of *shared beliefs* about how the game is played
 - ▶ To bridge institution at work and institutional chaos?
 - ▶ Smooth institutional transition
 - ▶ “Public proposition” (Aoki 2011, 2012, 2013, 2014, 2015)
 - ▶ Chaotic institutional transition
 - ▶ Conflicts (Aoki 2015, Aoki, Che, Nakabayashi 2017 in application to the historical comparison of China and Japan)

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- ▶ But how about complementarity? The contrasting experience in transition from central planning to markets
- ▶ “institution as rules of game”: a bit blackbox
 - ▶ To add contents to the existing concept of institution, Aoki (2001) breaks down institution into several domains

Starting from choices (private or public) and hence choice sets

- ▶ What determine boundaries of these choice sets are *rights*

Example: imagine your budget constraint set

(Formal) institution as a system of rights

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Institutional change is about change of allocation of rights across “players”

Given allocation of rights, enforcement of rights depends on how rights are interpreted

- ▶ Rights to interpret all other rights are judicial rights
- ▶ “Shared beliefs” hinges on those exercising judicial rights
- ▶ Whether “shared beliefs” can be “self-sustained”, depends critically on, among other things, the allocation of personnel rights to player exercising judicial rights

System of rights in application to the study of China's Communist Party Institution

