

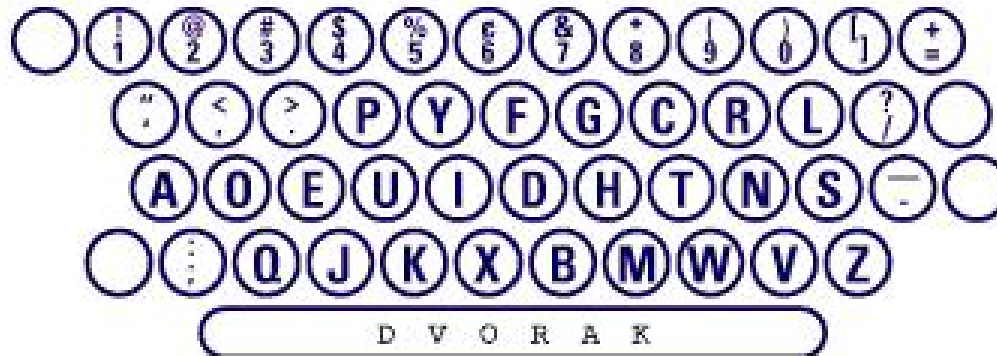
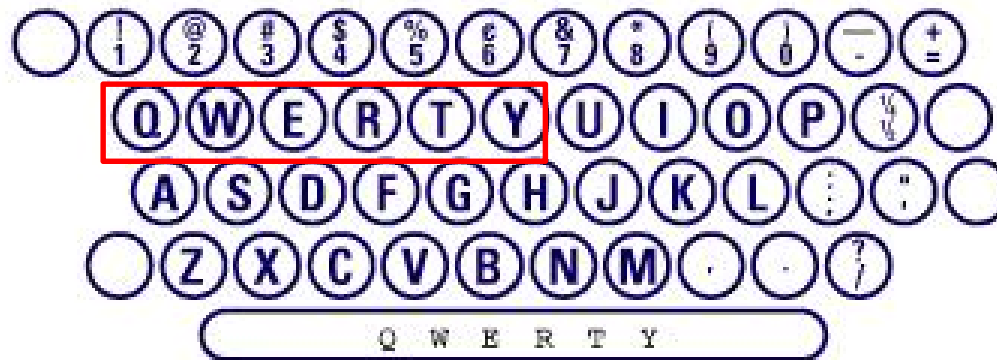
Understanding Market Dynamics

Neoclassic Behavioral Assumptions

1. The economic world is reasonably viewed as being in equilibrium.
2. Individual economic actors repeatedly face the same choice situations or a sequence of very similar choices.
3. The actors have stable preferences and thus evaluate the outcomes of individual choices according to stable criteria.
4. Given repeated exposure, any individual actor could identify and would seize any available opportunity for improving outcomes and, in the case of business firms, would do so on the pain of being eliminated by competition.
5. Hence no equilibrium can arise in which individual actors fail to maximize their preferences.
6. Because the world is in approximate equilibrium, it exhibits at least approximately the patterns employed by the assumptions that the actors are maximizing.
7. The details of the adaptive process are complex and probably actor and situation specific. By contrast, the regularities associated with optimization equilibrium are comparatively simple; considerations of parsimony, therefore, dictate that the way to progress in economic understanding is to explore these regularities theoretically and to compare the results with other observations

Are these always true?

- Numerous examples of "inferior" technologies winning in the market are produced as evidence by many authorities



Why?

- The concept of '**path dependence**' is used to explain.
- **Path dependence** is the idea that decisions we are faced with depend on past knowledge trajectory and decisions made, and are thus limited by the current competence base. In other words, history matters for current decision-making situations and has a strong influence on strategic planning.
- People get "locked-in" to the inferior standard.

0'00"	0'09"	0'38"	0'52"	1'08"
Intro	Verse 1	Pre-chorus	Chorus	(Intro Vs 2)
1'11"	1'40"	1'55"	2'25"	2'39"
Verse 2	Pre-chorus	Chorus	Instr. Brk	Bridge
2'56"	3'11"	3'26"		
Chorus	Chorus	Instr. Brk & Final Chorus		





INTERNATIONAL ARRIVALS

WHAT DO I DO NOW?

WHEN IS HE GOING TO TAKE MY CARD?

HE SEEMS A BIT UNFRIENDLY?

WHOA - PERSONAL SPACE INVASION!

I'M NEXT, WHAT SHOULD I DO?





SOCIALISM

*You have 2 cows.
You give one to your neighbour.*

Newstalk ZB



COMMUNISM

*You have 2 cows
The State takes both and gives you some milk.*



TRADITIONAL CAPITALISM

*You have two cows.
You sell one and buy a bull.
Your herd multiplies, and the economy grows.
You sell them and retire on the income.*

Newstalk ZB



VENTURE CAPITALISM

*You have two cows.
You sell three of them to your publicly listed company, using
letters of credit opened by your brother-in-law at the bank,
then execute a debt/equity swap with an associated general
offer so that you get all four cows back, with a tax exemption
for five cows.
The milk rights of the six cows are transferred via an interme-
diary to a Cayman Island Company secretly owned by the
majority shareholder who sells the rights to all seven cows
back to your listed company.
The annual report says the company owns eight cows, with
an option on one more.*

Newstalk ZB



Institutions

- We all descended from primitive hunting and gathering bands.
- The gap between rich and poor nations, between developed and undeveloped nations, is as wide today as it ever was and perhaps a great deal wider than ever before
- How have societies diverged? What accounts for their widely disparate performance characteristics?
- What accounts for societies experiencing long-run stagnation or an absolute decline in economic well-being?

Institutions

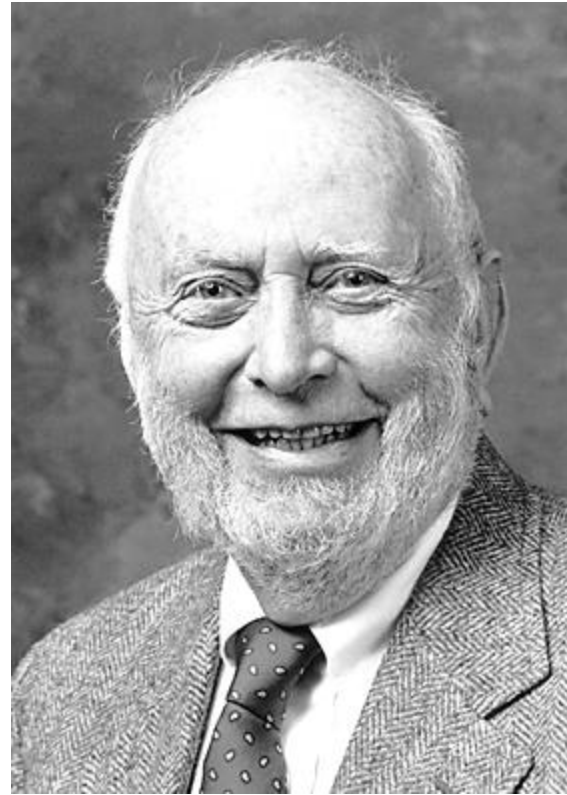
- What are the nature of institutions and the consequences of institutions for economic (or societal) performance?
- Explain how the past influences the present and future

Institutions

Douglass North

Nobel Memorial Prize in Economic
Sciences (1993)

"for having renewed research in economic history by applying economic theory and quantitative methods in order to explain economic and institutional change."



Institutions

- Institutions are **the rules of the game**
- They structure incentives in human exchange, whether political, social, or economic.
- Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change
- Institutional change affects the choice set at a moment of time
- Institutional constraints include both what individuals are prohibited from doing and, sometimes, under what conditions some individuals are permitted to undertake certain activities

Institutions

- Institutions **reduce uncertainty** by providing a structure to everyday life by establishing a stable (but not necessarily efficient) structure to human interaction

Institutions

- **Formal constraints** - such as rules that human beings devise
- **Informal constraints** - such as conventions and codes of behavior
- **Enforcement:** The functioning of institutions is the costliness of ascertaining violations and the severity of punishment

Institutions

- A competitive team sport
 - 1) Rules: The purpose of the rules is to define the way the game is played
 - Formal written rules
 - Unwritten codes of conduct that underlie and supplement formal rules, such as not deliberately injuring a key player on the opposing team
 - 2) Enforcement
 - Punishment for violation?



Institutions

Examples for institutions:

Constitution of Germany, the US, and other “basic” laws

Inheritance laws of a country

Voting rights

Institution of the market

Health care system

Institutions for regulating common pool resources

System of rules for getting a Ph.D. or, in general, a doctorate



Institutions

- Some basic facts about institutions :
 - Institutions change over time
 - Institutions may be created, or they may simply *evolve* over time.
 - Institutions differ across societies and cultures
 - *Institutions differ* if we were to try to make the same transactions in a different country

Institutions vs. Organization

- Football Rules vs. Football teams
- Team: a combination of skills, strategy, and coordination
- Organizations are groups of individuals bound by some common purpose to achieve objectives
- Organizations include:
 - political bodies (political parties, the Senate, a city council, a regulatory agency)
 - economic bodies (firms, trade unions, family farms, cooperatives)
 - social bodies (churches, clubs, athletic associations), and
 - educational bodies (schools, universities, vocational training centers)

Institutions vs. Organization

- How organizations evolve are fundamentally influenced by the institutional framework
- Organizations are created with purposive intent in consequence of the opportunity set resulting from the existing set of constraints (institutional ones as well as the traditional ones of economic theory) and in the course of attempts to accomplish their objectives are a major agent of institutional change

Institutions

The Possible Effects of Institutions

Institutions may have **effects on:**

- **Behavior**
 - conformity to or violation of the norm
 - side effects (e.g. discriminatory effects of anti-discrimination laws – e.g. dismissal of handicapped);
- **Preferences or attitudes** (e.g. toward the regulated behavior or toward the norm makers);
- **Cognitive beliefs** (e.g. expectations about the regularity of the demanded or prohibited behavior);
- **Other norms/institutions** (path dependence – see US constitution);
- **Change of the respective norm itself at a later time** (feedback effects – e.g. if a norm does not work it may be changed).

Types of Institutions (Ellickson 1991)

Rules	Enforcement mechanism	Example
1. Convention	Self enforcement	Language
2. Ethics	Imperative self binding	Being a veterinarian
3. Norms	Social enforcement	Social codes of conduct
4. Formal private rules	Organized private enforcement	Self imposed rules inside organisations
5. Law	Organized state enforcement	Business Law

Institutional Changes

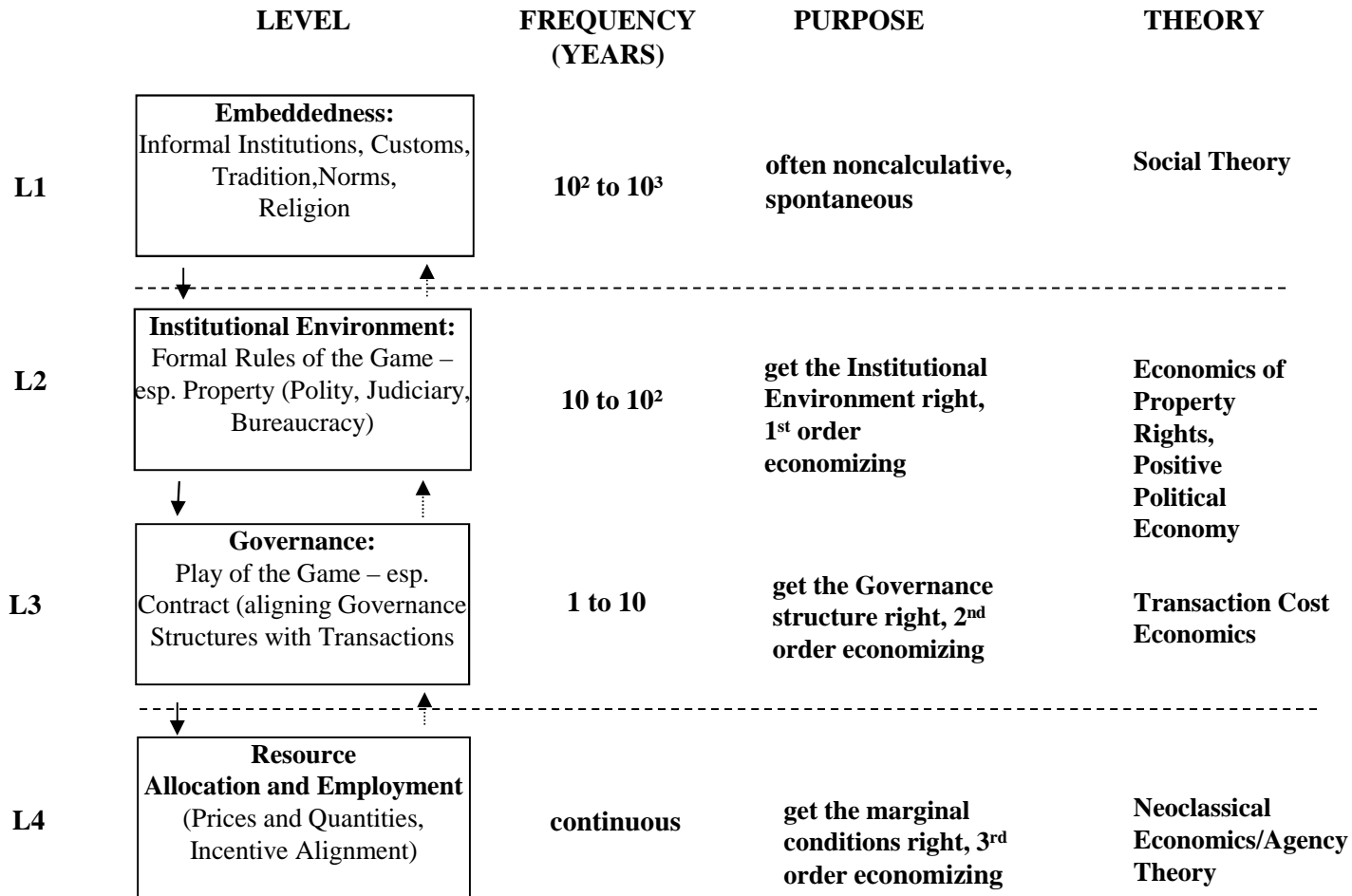
Continuous Changes

- The changes at the margin may be so slow and glacial in character that we have to stand back as historians to perceive them

Discontinuous Changes

- Formal rules may change overnight as the result of political or judicial decisions
- However, informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies.

Analytical levels of Institutions



Williamson (1998)

Institutions

- Institutions affect the **performance of the economy** by their effect on the costs of exchange and production
- Institutions (+technologies) determine the **transaction and transformation (production) costs** that make up total costs

Institutional Changes

- Both the formal and the informal institutional constraints result in particular exchange organizations that have come into existence because of the **incentives** embodied in the framework and therefore depend on it for the profitability of the activities that they undertake.

Institutional Changes

- We made institutions the determinant of economic performance and relative price changes the source of institutional change
- Changes in relative prices create incentives to construct more efficient institutions
- Institutions, together with the standard constraints of economic theory, determine the opportunities in a society
- Organizations are created to take advantage of those opportunities, and, as the organizations evolve, they alter the institutions

Institutional Changes

- The resultant path of institutional change is shaped by
 - (I) the lock-in that comes from the symbiotic relationship between institutions and the organizations that have evolved as a consequence of the incentive structure provided by those institutions
 - (II) the feedback process by which human beings perceive and react to changes in the opportunity set.

Institutional Changes

- Incremental change comes from the perceptions of the entrepreneurs in political and economic organizations that they could do better by altering the existing institutional framework at some margin
- The perceptions crucially depend on both the information that the entrepreneurs receive and the way they process that information.
- If political and economic markets were efficient (i.e., there were zero transaction costs) then the choices made would always be efficient

Institutional Changes

- The actors frequently must act on incomplete information and process the information that they do receive through mental constructs that can result in persistently inefficient paths
- Transaction costs in political and economic markets make for inefficient property rights
- But the imperfect subjective models of the players as they attempt to understand the complexities of the problems they confront can lead to the persistence of such property rights

Institutional Changes

- As economic organizations evolved to take advantage of these opportunities, they not only became more efficient), but also gradually altered the institutional framework (political and judicial framework, property rights, norms, behaviors, attitudes (toward slavery, the role of women, and temperance, etc.)
- Both the political and the economic transaction costs and the subjective perceptions of the actors resulted in choices that were certainly not always optimal or unidirectional toward increased productivity or improved economic welfare







Why Green Campus Fails??



นิสิตนเรศวรลุกฮือ!ปิดรั้ว ค้าน'นโยบายสีเขียว'

นิสิต ม.นเรศวร นับพันคน รวมตัวบุกล้อมตึกอธิการฯประท้วง พร้อมปิดรั้วมหาวิทยาลัย ค้านนโยบายสีเขียวห้ามใช้รถจักรยานยนต์ทำเดือดร้อนหนัก แห่ขอให้ยกเลิกโครงการ

Why SOTUS and why not??



Why uniform??



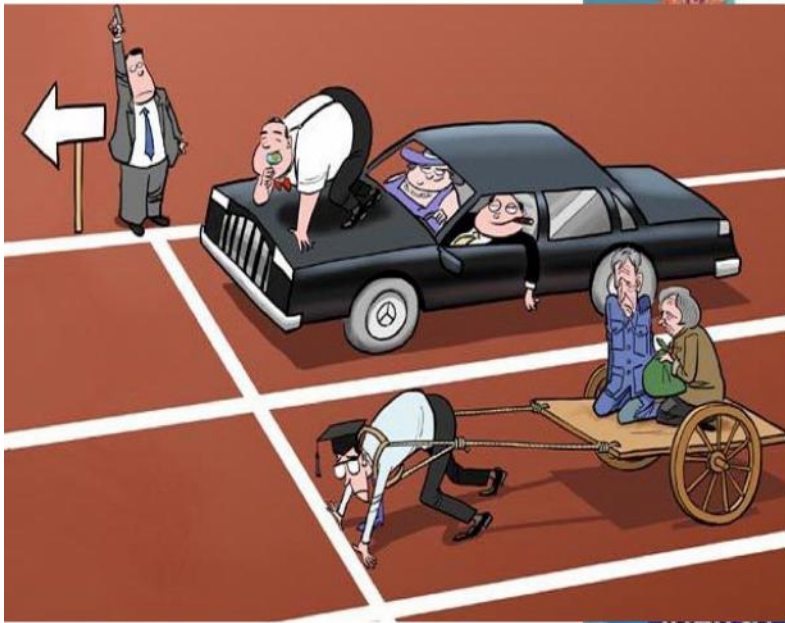
ประกาศ จุฬาลงกรณ์มหาวิทยาลัย
เรื่อง การรณรงค์การแต่งกายตามแบบที่มหาวิทยาลัยกำหนด
ประจำปีการศึกษา 2558

...ให้นิสิตรักและธำรงไว้ซึ่งชุดเครื่องแบบนิสิต
...ียบเรียบร้อยและวัฒนธรรม
...ทุกคนแต่งกายให้ถูก

**แต่งชุดนิสิตพีดีระเบียบ
6 ครั้ง = “ไล่ออก”**



Why study too much?



เหตุผลที่ทำให้การศึกษาฟินแลนด์

ประสบความสำเร็จ

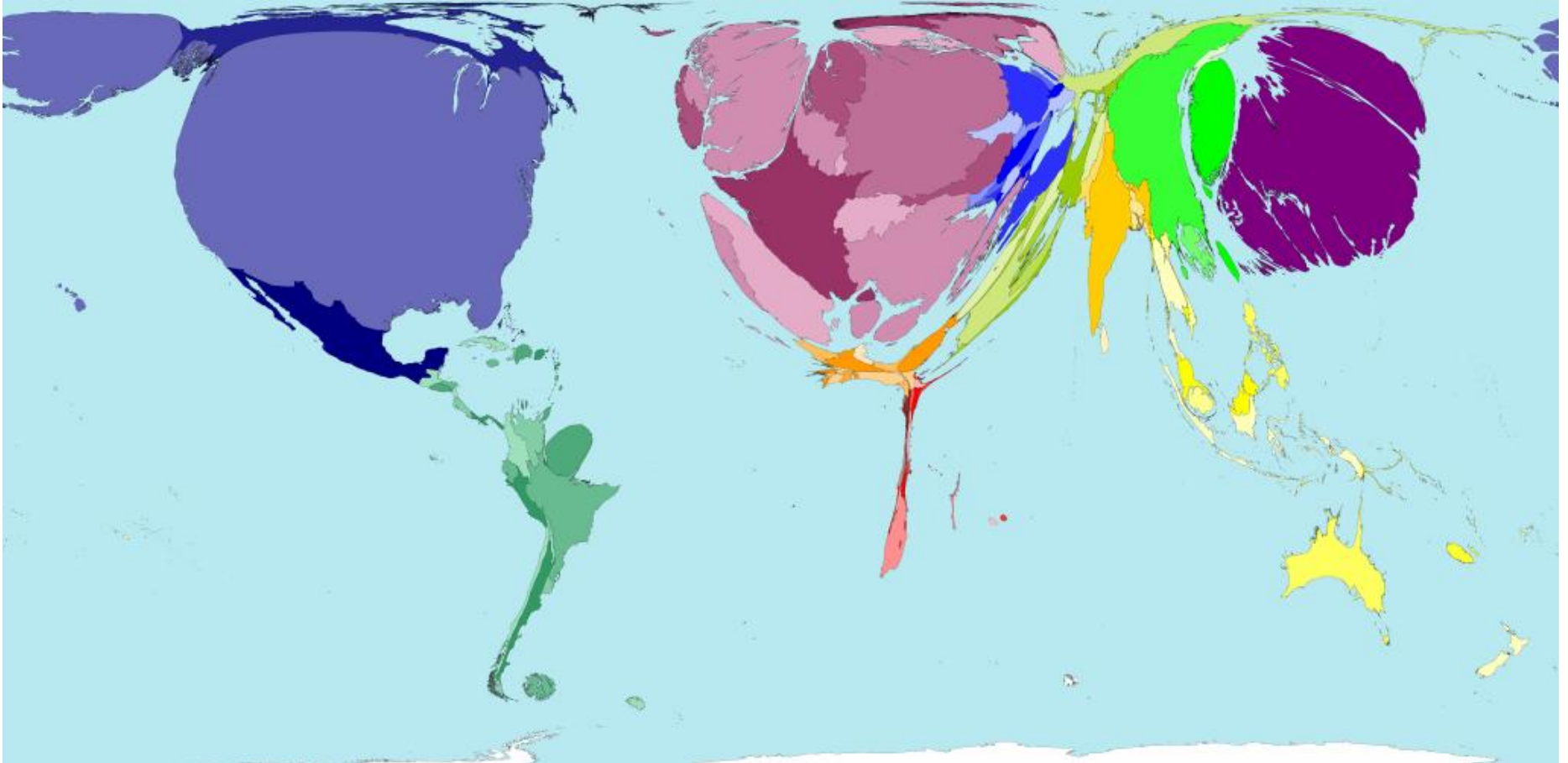
- ▶ 1. การเรียนเน้นไปที่การเล่น
- ▶ 2. การสอบไม่ได้เน้นที่คะแนน
- ▶ 3. ความเชื่อใจเป็นสิ่งสำคัญ
- ▶ 4. แต่ละโรงเรียนไม่แข่งกันเอง
- ▶ 5. ระบบการคัดเลือกครูที่เข้มงวด







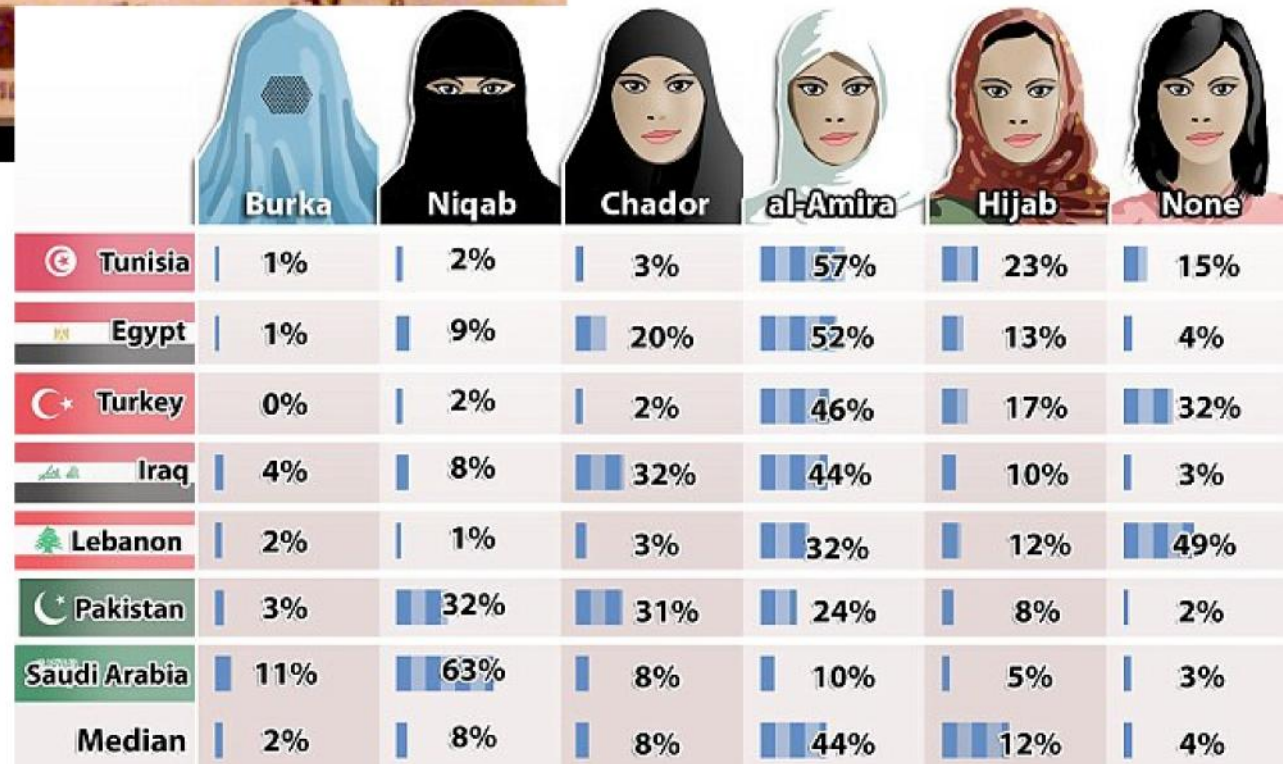




แม่ยกกระเป่าแพบ...พระเอกลิเกใต้แห้ง....

<http://m.posttoday.com/article/380927/4000>





หรือจะถึงคราว เปลี่ยนยุค

หนังสือการ์ตูนในไทย



เยอรมันเรียกร้องญี่ปุ่น
ยอมรับอดีต
สงครามโลก

News Update

6



พีแฉงเปิดตัว
โรเมโรประตูคนใหม่

Sports

10



เลี้ยงปลา
เสริมดวง

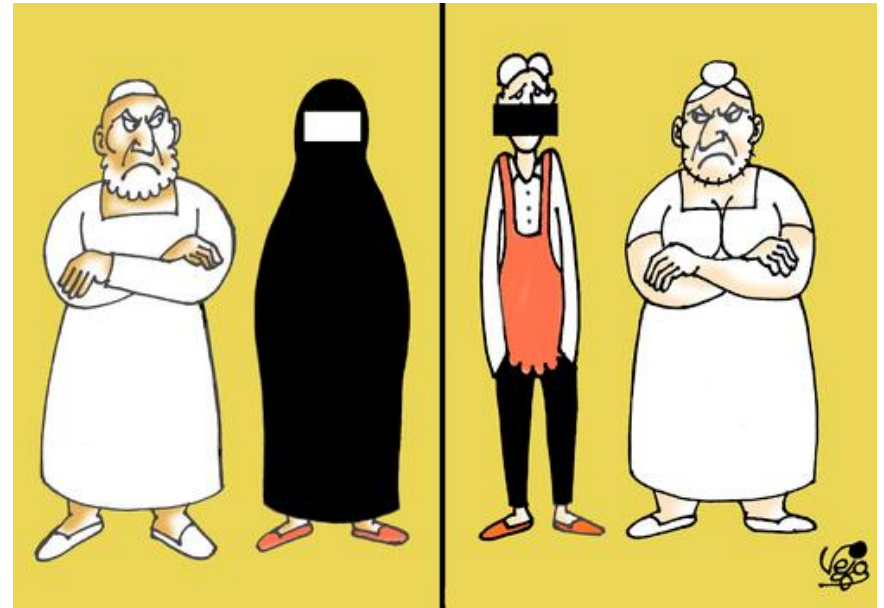
Living

11

ร่วมสนุกกับ....
เกมส์ new)108
ลุ้นชิงรางวัล
เปิดไปหน้า 2

7





Miley Ray Cyrus ✓

@MileyCyrus



Following

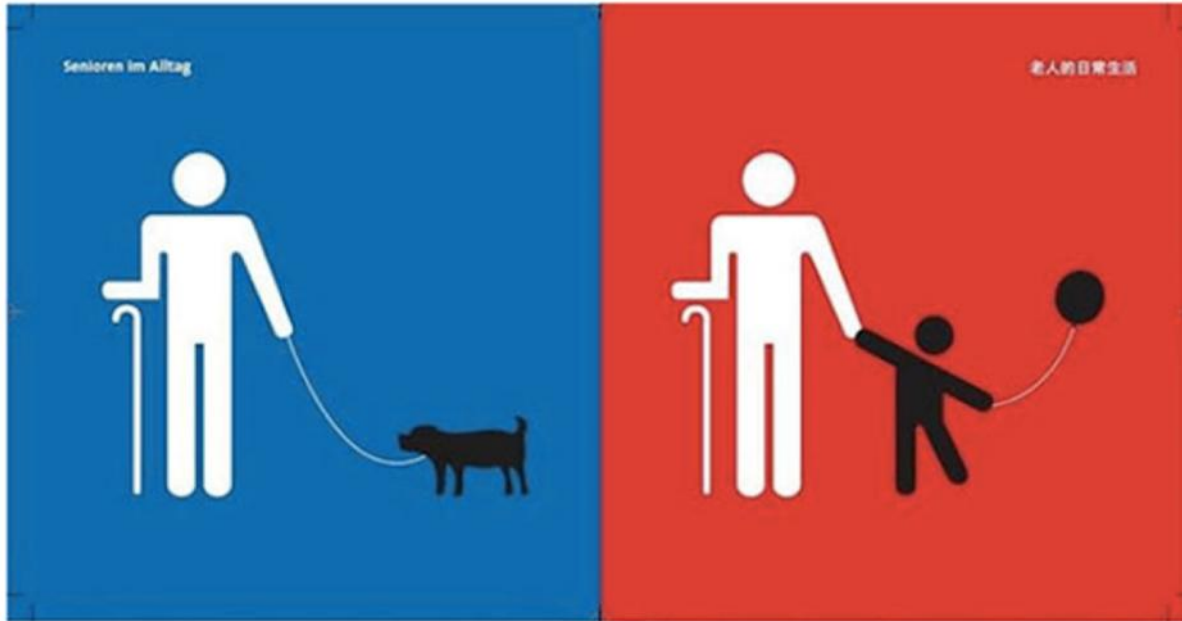
It's not about getting your titties out. It's about equality.

← Reply ↻ Retweet ★ Favorite ⋮ More

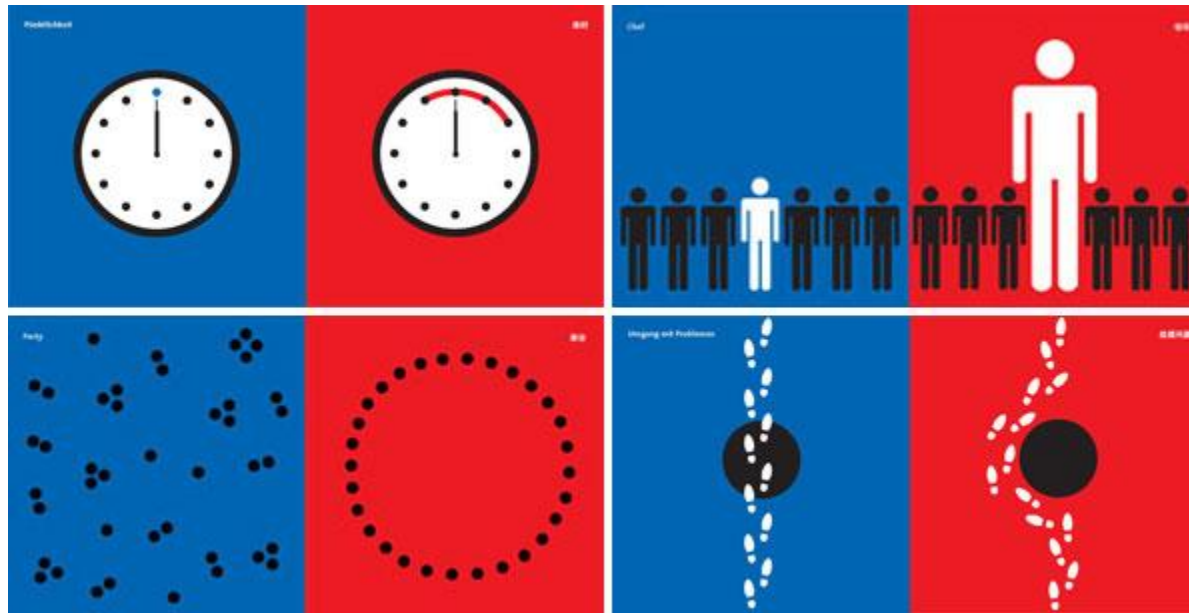
14,366
RETWEETS

17,820
FAVORITES





Elderly in day to day life



Why Thai league become more recently popular?



Success of Digital TV?

