

**Econ 4490/7300**  
**New Institutional Economics**  
Winter 2018

Dr. Ryan A Compton

**Overview**

This is a 3 credit-hour course at the advanced honours undergraduate/graduate level intended to introduce students to the area of New Institutional Economics (NIE). Institutions are a major research area in economics as well as many related disciplines such as law, political science, anthropology, and sociology. The goal of this course is that students will come away with broad coverage of the NIE literature, its current debates and empirical approaches, allowing students to be more well-rounded economists and social science researchers.

**Pre-requisites:** Econ 3010, Econ 3020, Econ 3040, and permission from the instructor.

**Schedule:** MWF, 10:30-11:20. (January 3-April 6, 2018)

**Required Text:** None. We will rely on journal articles.

**Course Website:** UMLEARN

**Preferred Form of Address:** Professor Compton.

**Email:** Ryan.Compton@umanitoba.ca. (You must use your UofM email).

**Phone:** 204-474-9520 (Email me)

**Office Hours:** Mondays 12:45-1:45

**Contact Policy:** I prefer contact face to face before class or after class. Otherwise if necessary, via email. Due to my past experience with email from students (such as believing I am a 24 hour economics tutor for them), I will only respond to emails which request an appointment with me. Other emails will be responded to at the start of the next class (so come to class). The best way to make your issue/concern/question known to me is to raise it at the start of class when I begin with “Are there any questions?” or during the countless times during class when I ask “Is everyone all good?”

**Attendance:** If you plan on passing the course you must come to class and take an active role in class as part of your learning experience. Also class participation is a graded component of the course. If you don’t attend you can’t participate.

## **Grading**

The letter grades are distributed as follows (note: all grades are subject to dept approval):

A+ = 92-100%

A = 83-91.9%

B+ = 75-82.9%

B = 70-74.9%

C+ = 65-69.9%

C = 57-64.9%

D = 50-56.9%

F = 0-49.9%

## **Assignments and Exams (Undergraduate 4490)**

Single-Page Paper Summaries (2): 10%

Class Participation 10%

Think Pieces (February 14, 2018; April 6, 2018): 30%

Final (Finals Period April 2018): 50%

## **Assignments and Exams (Graduate 7730)**

Single-Page Paper Summaries (2): 10%

Class Participation: 10%

Think Pieces (February 14, 2018; April 6, 2018): 20%

Final (Finals Period April 2018): 40%

Book Review or Research Project (April 6, 2018) 20%

## **Single Page Summaries**

For each paper in this class, I will require a student to send me (Ryan.Compton@umanitoba.ca) a single-page summary of the journal article being read by 3:00 PM CST the day before the class. This summary must provide an overview of what the paper is about, why it's important, and one thing about the paper that they are troubled with, disagree with, or has caused them to think differently about an issue. The day of the class that student will also be expected to begin the discussion of the journal article based on what they wrote in the summary. A schedule for who is responsible for each summary will be made available on UMLEARN. If you are unsure about what's required please ask.

## **Class Participation**

Class participation will be my subjective assessment of your contribution to the discussion in class. If this form of assessment makes you uncomfortable please feel free to take a different course. I am looking for discussion that demonstrates you have read the paper and that advances the group's ability to learn as well as question the results and contributions of that day's paper. This isn't about who talks the most but rather who promotes the exchange of ideas and knowledge. As well it's not simply who can find fault in the paper or a comment/idea raised by another students, but who can also provide suggestions and solutions to a problem.

### **Think Pieces**

As part of this class you will need to write 2 think pieces. These are short (2-3 pages single spaced). The first think piece is due February 14, 2018 in class, and the other is due April 6, 2018 in class. Failure to provide the think piece to me in class on the due date will result in a score of zero. I will provide guidelines for these think pieces on UMLEARN.

### **Final Exam**

This course will have a final exam. There are a lot of papers in this class and I don't expect you to memorize each one. What I want this class to be about is learning and accumulating knowledge in the area of new institutional economics. I don't believe rote memorization accomplishes that. Therefore I will be providing possible questions for the final exam on the final day of class. I will draw from these questions and so expect students will have thought about them before the exam and are ready to answer them come the day of the exam (Note: you will not be allowed to bring material into the exams so you will need to write "from scratch").

### **Undergraduate vs Graduate Differences**

The in-class material covered in this course is common across undergraduate and graduate students, however the assessment of each group differs as detailed on the previous page. As well, I would like to point the other main difference.

Graduate Students are expected to write either:

(1) A research proposal involving a new institutional economics topic. So while you will not be conducting actual research, I want you to write up a proposal as though you are applying for a SSHRC research grant. This will require a 1 page summary of the project as well as a maximum 10 page discussion (exclusive of references) of the project including an introduction with motivation for the project, a discussion of the related literature (so you will need to go out and read the literature, this is part of the learning process in this class), the data you would use, as well as the empirical approach you would use. I would also expect you to include why you feel this project is important and in what ways it would contribute to the literature. A detailed explanation of this paper requirement will posted on UMLEARN.

or

(2) A book review of one of the books listed below, or a suitable alternative agreed to between the student and myself (Note: I will not be providing you with the book). This review will be maximum 10 pages, and should include a discussion of what the book is about, the main arguments and evidence provided to support their hypotheses, why the book is important, and how it has added to your understanding of institutions beyond what you learned in the class papers. A detailed explanation of guidelines for the book review will be provided on UMLEARN.

### **Possible Books for Graduate Student Review**

Acemoglu, Daron, and James A. Robinson (2005). *Economic Origins of Dictatorship and Democracy*. Cambridge: Cambridge University Press.

Greif, Avner (2006) *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge: Cambridge University Press.

Kuran, Timur (2010), *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton: Princeton University Press.

North, Douglass (1990) *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press

North, Douglass (2005) *Understanding the Process of Economic Change*. Princeton: Princeton University Press.

North, Douglass, Wallis, John, and Barry Weingast (2009) *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge: Cambridge University Press.

Onoma, Ato Kwamena (2010). *The Politics of Property Rights Institutions in Africa*. New York: Cambridge University Press, 2010.

Ostrom Elinor (1990) *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press

NOTE: I must receive by January 29<sup>th</sup>, 2018, an email from you indicating which of the two options (research proposal or book review) you have chosen. After this date, YOU MAY NOT CHANGE YOUR MIND. Failure to deliver what was agreed to in the January 29, 2018 email will result in a zero on this assignment.

## Course Topics and Reading List

### **#1: Introduction to New Institutional Economics**

North, Douglass C. (1991). Institutions. *Journal of Economic Perspectives* 5(1): 97-112. **Jan. 5<sup>th</sup>**

Williamson, Oliver E. (2000). The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature* 38(3): 595-613. **Jan. 8<sup>th</sup>**

### **#2: Transaction Costs/Firms**

Williamson, Oliver (2005). Transaction Cost Economics. In Claude Menard and Mary Shirley (ed.), *Handbook of New Institutional Economics* (pp. 41-65), Springer. **Jan 10<sup>th</sup>**

#### Other interesting papers:

Coase, Ronald. (1937). The Nature of the Firm. *Economica*, 4(16): 386-405.

Hart, Oliver (1988). Incomplete Contracts and the Theory of the Firm. *Journal of Law, Economics, & Organization* 4(1): 119-139.

Aghion, Phillippe and Richard Holden (2011). Incomplete Contracts and the Theory of the Firm: What Have We Learned Over the Past 25 Years? *Journal of Economic Perspectives* 25(2): 181-197.

### **#3: Property Rights**

North, Douglass and Barry Weingast (1989). Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth- Century England. *Journal of Economic History*, 49(4): 803-832. **Jan 12<sup>th</sup>**

Hornbeck, Richard (2010). Barbed Wire: Property Rights and Agricultural Development. *Quarterly Journal of Economics*, 125(2): 767-810. **Jan 15<sup>th</sup>**

Acemoglu, Daron and Simon Johnson. (2005). Unbundling institutions. *Journal of Political Economy* 113(5): 949-997. **Jan 17<sup>th</sup>**

#### Other interesting papers:

Besley, Timothy and Maitreesh Ghatak (2010). Property Rights and Economic Development. In Dani Rodrik and Mark Rosenzweig, editors: *Handbook of Development Economics*, Vol. 5, The Netherlands: North-Holland, pp. 4525-4595.

Fergusson, Leopoldo (2013). The Political Economy of Rural Property Rights and the Persistence of the Dual Economy. *Journal of Development Economics*, 103(July 2013): 167-181.

### **Catch-up Day Jan 19<sup>th</sup>**

#### **#4: Criminal Organizations**

Leeson, Peter (2007). An-*arrgh*-chy: The Law and Economics of Pirate Organization. *Journal of Political Economy* 115(2): 1049-1094. **Jan 22nd**

Skarbek David (2011) Governance and Prison Gangs, *American Political Science Review*, 105(4): 702-716. **Jan 24th**

#### **#5: Impersonal Relationships**

Wallis, John (2011). Institutions, Organizations, Impersonality, and Interests: The Dynamics of Institutions. *Journal of Economics Behavior & Organization*, 79 (1-2): 35-48. **Jan 26th**

Greif, Avner (1993). Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition. *American Economic Review*, 83(3): 525-48. **Jan 29th**

#### Other interesting papers:

Milgrom, Paul, Douglass North, and Barry Weingast (1990). The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs. *Economics and Politics*, 2(1): 1-23.

Edwards, Jeremy and Sheilagh Ogilvie (2012). Contract Enforcement Institutions and Social Capital: The Maghribi Traders Reappraised. *Economic History Review* 65(2): 421–44.

Avner Greif (2012). The Maghribi Traders: A Reappraisal? *Economic History Review* 65(2): 445-69.

#### **#6: Legal Institutions**

Djankov, Simeon, Oliver Hart, Caralee McLiesh, and Andrei Shleifer (2009). Debt Enforcement Around the World. *Journal of Political Economy* 116(6): 1105-48. **Jan 31st**

Cantoni, Davide and Noam Yuchtman (2014). Medieval Universities, Legal Institutions, and the Commercial Revolution. *Quarterly Journal of Economics* 129(2): 823-887. **Feb 2nd**

Other interesting papers:

Xu, Guangdong (2011). The Role of Law in Economic Growth: A Literature Review. *Journal of Economic Surveys* 25(5): 833-871.

La Porta, Rafael, Florencio López de Silanes, and Andrei Shleifer. (2008). Economic Consequences of Legal Origins. *Journal of Economic Literature* 46(2): 285-332.

Glaeser, Edward L, and Andrei Shleifer (2002). Legal Origins. *Quarterly Journal of Economics* 117(4): 1193-1229.

Levine, Ross (2005). Law, Endowments and Property Rights. *Journal of Economic Perspectives*, 19(3): 61-88.

**#7: State Capacity**

Johnson, Noel and Mark Koyama (Forthcoming). States and Economic Growth: Capacity and Constraints. *Explorations in Economic History*. **Feb 5th**

Other interesting papers:

Sanchez de la Sierra, Raul. (2017). On the Origin of the State: Stationary Bandits and Taxation in Eastern Congo (January 20, 2017 Working paper). Available at SSRN: <https://ssrn.com/abstract=2358701> or <http://dx.doi.org/10.2139/ssrn.2358701>

Dell, Melissa, Nathan Lane, and Pablo Querubin. State Capacity, Local Governance, and Economic Development in Vietnam. (2015 Working Paper).

Besley, Timothy and Torsten Persson (2009). The Origins of State Capacity: Property Rights, Taxation and Politics. *American Economic Review*, 99(4), 1218-44.

Acemoglu, Daron, Davide Ticchi and Andrea Vindigni (2010). Emergence and Persistence of Inefficient States, *Journal of European Economic Association*. 9(2): 177-208.

**Catch-Up Day February 7<sup>th</sup>**

**#8: Informal Institutions**

Keefer, Philip and Stephen Knack. (2005). Social Capital, Social Norms and the New Institutional Economics. In Claude Menard and Mary Shirley (ed.), *Handbook of New*

Institutional Economics (pp. 701-725), Springer. **Feb 9<sup>th</sup>**

Richman, Barak D. (2002). Community Enforcement of Informal Contracts: Jewish Diamond Merchants in New York. *John M. Olin Center for Law, Economics and Business, Discussion Paper No. 384*. **Feb 12<sup>th</sup>**

Other interesting papers:

Allen, Douglas, and Clyde Reed. (2006). The Duel of Honor: Screening for Unobservable Social Capital. *American Law and Economics Review*, 8(1): 81-115.

Kingston, Christopher, and Robert Wright (2010). The Deadliest of Games: The Institution of Dueling. *Southern Economic Journal*, 76(4): 1094-1106.

**#9: Why is Europe Rich?**

Landes, David S. (2006). Why Europe and the West? Why Not China? *Journal of Economic Perspectives* 20(2): 3-22. **Feb 14<sup>th</sup>**

Robinson, James A, Daron Acemoglu, and Simon Johnson. (2005). The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth. *American Economic Review* 95(3): 546-579. **Feb 16<sup>th</sup>**

**#10: History and Colonialism**

Sokolof, Kenneth and Stanley Engerman (2000). History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economic Perspectives*, 14(3): 217-32 **Feb 26<sup>th</sup>**

Acemoglu, Daron., Simon Johnson and James Robinson. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91(5): 1369-1401. **Feb 28<sup>th</sup>**

Nunn, Nathan. (2008). The Long-term Effects of Africa's Slave Trades. *Quarterly Journal of Economics*, 123(1): 139-176. **Mar 2<sup>nd</sup>**

**#11: Persistence**

Michalopoulos, Stelios, and Elias Papaioannou (2013). Pre-colonial Ethnic Institutions and Contemporary African Development. *Econometrica*, 81(1): 113-152. **Mar 5<sup>th</sup>**



Dell, Melissa (2010). The Persistent Effects of Peru's Mining Mita. *Econometrica.*, 78(6): 1863-1903. **Mar 7th**

Other interesting papers:

Acemoglu, Daron and James Robinson (2008). Persistence of Power, Elites and Institutions, *American Economic Review*. 98(1), 267-291.

Guiso, Luigi, Paola Sapienze, and Luigi Zingales (2016). Long-term Persistence. *Journal of the European Economic Association*, 14(6): 1401-1436.

Nunn, Nathan and Leonard Wantchekon (2011). The Slave Trade and the Origins of Mistrust in Africa. *American Economic Review*, 101(7), 3221–3252.

**No Class March 9<sup>th</sup> (Giving Seminar at Lakehead University)**

**Catch Up Day: March 12th**

**#12: Institutional Change**

Roland, Gerard (2004). Understanding Institutional Change: Fast-moving and Slow moving Institutions. *Studies in Comparative International Development* 38(4): 109-131. **Mar 14th**

Acemoglu, Daron, Davide Cantoni, Simon Johnson, and James Robinson (2011). The Consequences of Radical Reform: The French Revolution. *American Economic Review*, 101(7): 3286-3307. **Mar 16<sup>th</sup>**

Other interesting papers:

Kingston, Chris and Gonzalo Caballero (2009). Comparing Theories of Institutional Change. *Journal of Institutional Economics* 5(2): 151-180.

Compton, Ryan, Giedeman, Daniel, and Noel Johnson (2010). Investing in Institutions. *Economics & Politics* 22(3): 419-445.

North, Douglass C. (1990). A Transactions Cost Theory of Politics. *Journal of Theoretical Politics* 2(4): 355-367.

**#13: Political Institutions, Bureaucracy, and Corruption**

Fisman, Raymond and Edward Miguel (2007). Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets. *Journal of Political Economy*

115(6): 1020-1048. **Mar 19th**

Jones, Benjamin F. and Olken, Benjamin A. (2005) Do Leaders Matter? National Leadership and Growth Since World War II, *Quarterly Journal of Economics*, 120(3), 835-864. **Mar 21st**

Other interesting papers:

Weingast, Barry (1997). The Political Foundations of Democracy and the Rule of Law. *American Political Science Review* 91(2): 245-263.

Acemoglu, Daron, and James A. Robinson (2006). De Facto Political Power and Institutional Persistence. *American Economic Review* 96(2): 325-330.

Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, and James Robinson. (2015) Democracy Does Cause Growth. (2015 Working Paper)

Acemoglu, Daron, Tristan Reed and James Robinson (2014). Chiefs: Economic Development and Elite Control of Civil Society in Sierra Leone. *Journal of Political Economy* 122(2): 319-368.

Cox, Gary W. (2017). Political Institutions, Economic Liberty, and the Great Divergence. *The Journal of Economic History* 77(3): 724-755.

Slinko I., Yakovlev E., Zhuravskaya E. (2005) Laws for Sale: Evidence from Russia, *American Law and Economics Review*, 7(1): 284-318.

Olson, Mancur (1993). Dictatorship, Democracy, and Development. *American Political Science Review*, 87(3):567-575.

Mehlum, Halvor, Karl Moene, and Ragnar Torvik (2006) Institutions and the Resource Curse. *The Economic Journal*, 116 (January), 1–20.

**#14: Culture**

Gorodnichenko, Yuriy and Gerard Roland (2017). Culture, Institutions, and the Wealth of Nations, *The Review of Economics and Statistics* 99(3), 402-416 **Mar. 23rd**

Guiso, Sapienza, and Luigi Zingales (2006). Does Culture Affect Economic Outcomes? *Journal of Economic Perspectives* 20(2): 23-48. **Mar 26th**

Other interesting papers:

Alesina, Alberto and Paola Giuliano (2015). Culture and Institutions. *Journal of Economic Literature*, 53(4): 898-944.

Bisin, Alberto and Thierry Verdier (2000) Beyond the Melting Pot: Cultural Transmission, Marriage, and the Evolution of Ethnic and Religious Traits. *Quarterly Journal of Economics*, 115(3), 955-988.

Guiso, Luigi, Paola Sapienza and Luigi Zingales (2009). Cultural Biases in Economic Exchange. *Quarterly Journal of Economics*. 124(3), 1095-1131.

### **#15: Gender**

Fernandez, Raquel and Alessandra Fogli (2009). Culture: An Empirical Investigation of Beliefs, Work, and Fertility. *American Economic Journal: Macroeconomics* 1(1): 146-177.  
**Mar 28th**

Alesina Alberto, Paola Giuliano, Nathan Nunn (2013). On the Origins of Gender Roles: Women and the Plough. *Quarterly Journal of Economics* 128(2): 469-530 **Apr 2nd**

Ashraf, Nava, Natalie Bau, Nathan Nunn and Alessandra Voena (2016). Bride Price and Female Education. Working Paper. **Apr 4th**

#### Other interesting papers:

Cheung, Steven N.S. (1972). The Enforcement of Property Rights in Children and the Marriage Contract. *The Economic Journal*, 82(326): 641-657.

Botticini, Maristella and Aloysius Siow (2003). Why Dowries. *American Economic Review*, 93(4): 1385-1398.

**April 6<sup>th</sup> Last Day of Class**

**Interested in More? Here are some interesting people to check out!**

Daron Acemoglu (MIT) <https://economics.mit.edu/faculty/acemoglu>

Chris Blattman (Chicago) <https://chrisblattman.com>

Avner Greif (Stanford) <https://web.stanford.edu/~avner/>

Noel Johnson (George Mason) <http://noeldjohnson.net/>

Simon Johnson (MIT) <http://mitsloan.mit.edu/faculty-and-research/faculty-directory/detail/?id=41226>

Benjamin Jones (Northwestern)

[http://www.kellogg.northwestern.edu/faculty/directory/jones\\_benjamin\\_f.aspx](http://www.kellogg.northwestern.edu/faculty/directory/jones_benjamin_f.aspx)

Phil Keefer (World Bank) <http://www.worldbank.org/en/about/people/p/philip-keefer>

Marc Law (Vermont) <http://www.uvm.edu/~mlaw/>

Benjamin Olken (MIT) <https://economics.mit.edu/faculty/bolken>

Nathan Nunn (Harvard) <https://scholar.harvard.edu/nunn/>

James Robinson (Chicago) <http://scholar-harris.uchicago.edu/jamesrobinson/home>

Society for Institutional and Organizational Economics <https://www.sioe.org/>