New Institutional Economics, Econ 4504

Fall 2015

TTH 9:30-10:45 a.m. in ECON 117

Course Outline

Professor: Wolfgang Keller
Office: Economics 206C
Office Hours: Tu 11:00am – 12:00 noon and Th 1:00pm – 2:00pm
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Text

Objectives of the course
Institutions, the rules of the game in an economy, feature prominently in recent explanations of why some people in the world are rich and others are poor. The subfield of New Institutional Economics is one outcome of that. Our textbook is by two of the most influential proponents of this idea, written for a general audience. The textbook readings will be our entry point to journal articles providing additional analyses. They draw on both historical and contemporaneous episodes that allow substantiating, extending, or questioning the primacy of institutions as the main reason for differences in per-capita income. In this class students will learn about major explanations of income differences, the relationship between them, and how to develop a compelling test of one or more of these explanations. While the course connects to law and political science, we will mainly employ simple economic concepts (costs versus benefits, incentives) and statistical analysis applied to economics.

Prerequisites
Econ 1088 Math Tools for Economists II or equivalent.
Class Email: I will be using the class email list for this course to communicate information about classes. Please check your CU email account to ensure that you will be up to date with the latest announcements.

Course Requirements

Your grade will be based on a midterm exam, a final exam, and two group presentations. One is a presentation of a published research article, and the other is of your own research report explaining U.S. income differences. The weights in the final grade are:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Midterm</td>
<td>20%</td>
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<tr>
<td>Research report</td>
<td></td>
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<tr>
<td>Outline by Oct 8</td>
<td>10%</td>
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<tr>
<td>Final report and presentation</td>
<td>20%</td>
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<tr>
<td>Presentation of published research article</td>
<td>15%</td>
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<tr>
<td>Final Exam</td>
<td>35%</td>
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Research report

In your report you will analyze variation in today’s incomes and economic activity across regions (such as counties) in the United States of America. The goal will be to explain this variation by uncovering at plausible causes in the past. To do so you will find and employ information on past variation in economic variables and compare it with the variation in incomes and economic activity today. The statistical offices of the United States have collected such data, and it is made available through various websites, in particular the website of the U.S. Census, [www.census.gov](http://www.census.gov), including County Business Patterns, [http://www.census.gov/econ/cbp/](http://www.census.gov/econ/cbp/), and American Community Survey, [https://www.census.gov/programs-surveys/acs/data.html](https://www.census.gov/programs-surveys/acs/data.html). I will present an example of this approach early in class.

By the fourth week of class, students will organize into groups of about three and decide on the project they undertake. Then, the group should prepare a preliminary draft (4 pages) to turn in by October 8. The group will receive feedback from the Professor. The final draft of the research report, in hardcopy, is due on the last day of class. The report should be about 10 pages long, double-spaced in at least 11-point font, including all references and tables and figures. During the last two weeks of class each group will give a short presentation of their findings.

Presentation of an Article on the Syllabus

Presentations will be randomly assigned and you will be responsible for a presentation of 20 minutes of an article on the syllabus, and, the crafting of three questions directed to the class to initiate discussion.
I will be choosing some of the questions to include on the final exam. Depending on class size, students may be assigned together in teams to work together on the presentation. Presentation slides must be emailed to me at least 1 hour ahead of class so that we can avoid wasting class time setting up presentation material.

**Class Attendance and Participation:** Participation is important for this class and you should attend class unless you are ill. I will hand out sign-up sheets on randomly chosen dates to evaluate attendance. You can miss 4 classes for any reason. Beyond 4 classes, each recorded absence will negatively impact your final grade so that three additional missed classes move you by a full grade (e.g. from a B to a C).

**Policy on Late Work and Exams:** There are no makeup examinations for missed exams. If you miss the midterm due to an emergency, your grade will be reweighted by the final exam. The research report and the paper presentations are long-term projects that cannot be missed because of an emergency. All students must take the final exam to pass the course.

The final exam is on Dec 15 at 1:30pm. It is comprehensive. Students who have three or more final exams on the same day are entitled to reschedule the last exam or exams that day, but must make arrangements to do so no later than October 20, 2015.

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**Topic outline and readings as of August 24, 2015**

The schedule is approximate and subject to change based on class progress. Articles in the *Journal of Economic Perspectives* and other journals are available on the CU library website.

I. **Introduction: Rich and poor, today and in the past (weeks 1-2)**
   - AR Chapter 1
   - U.S. regional economic development: Convergence, divergence, or persistence? In-class exercise using U.S. Census data

II. **Institutions (weeks 2-3)**
   - AR Preface
   - Douglass C. North and Robert A. Thomas, *The Rise of the Western World*, 1973; starting at $17.20 at amazon.com
III. Income differences and proximate factors (weeks 3-4)

- Hall, Robert, and C. Jones, 1999

IV. History, persistence, and causal effects (weeks 4-5)


V. Political institutions and economic development (weeks 5-6)

- AR Chapter 7

VI. Colonialism in different forms: extractive versus inclusive institutions (weeks 6-7)

- AR Chapters 1,3

October 8: Research report outline due

VII. The legal system (weeks 7-8)

- **Student Presentation 6**: Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 2008, “The Economic Consequences of Legal Origins”, Journal of Economic Literature 46(2): 285-332

October 20: Midterm exam
VIII. Geography and Climate (weeks 8-9)

- AR Chapter 2

IX. Culture (weeks 9-10)

- AR Chapter 2

X. Religion (weeks 10-11)

- AR Chapter 2

XI. The choice of institutions: domestic versus external influences (weeks 11-12)

- AR Chapter 10

XII. The interaction of institutions and culture with proximate factors (weeks 12-13)

- AR Chapters 4,6

November 24-26: Thanksgiving week, no class

Dec 1, 3, 8: Student research report presentations

XIII. Institutions and income differences: what have we learned? (Dec 10)

We will observe all CU policies, including
http://www.colorado.edu/policies/academic-integrity-policy
http://www.colorado.edu/policies/academic-integrity-policy-two
http://www.colorado.edu/policies/final-examination-policy
http://www.colorado.edu/policies/observance-religious-holidays-and-absences-classes-andor-exams
http://www.colorado.edu/policies/student-classroom-and-course-related-behavior
http://www.colorado.edu/policies/student-honor-code-policy