

# The New Institutional Economics

## Econ 4504

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Fall 2012  
TTH 12:30-1:45  
Econ 119

### I. COURSE DESCRIPTION

The basis of the New Institutional Economics (NIE) is that formal institutions, e.g., laws, and informal institutions, e.g. norms and culture, are important determinants of individual and group behavior. Behavior, including contracts, affect socio-economic development. Our initial focus is to understand how institutions lead to different socio-economic paths of development. After understanding the grand forces at play in shaping development paths, we will explore at a more micro level the outcomes of institutions, e.g. the rights that individuals and groups have to resources (property rights); and the forms of organization of production and exchange (markets and contracts). For economics this course will complement courses in economic development, economic history, industrial organization and regulation.

### II. REQUIREMENTS

This is an upper division economics course that places a heavy emphasis on the participation of students as well as critical writing assignments. Class attendance is strongly recommended, unless you are ill. NOTE: repeated absence (greater than 4) will result in a low class participation grade unless due to illness. Students are expected to attend class sessions and complete the assigned readings prior to class. ***To assure that you are carefully reading the assignments prior to class, I will call on you randomly during class.*** It is required that students have successfully completed both Microeconomics and Macroeconomics prior to the start of this course.

The final grade is determined as follows:

**Class participation: 35% (Including questions on Readings)**

**Term Paper Presentation and draft: 35%**

**Revision of Term Paper: 20%**

**Critiques of term papers of other students: 10%**

### III. READINGS

Readings will include a book and articles. Assigned articles and book chapters are listed in the course schedule.

**Required Book:** “Why Nations Fail by Daron Acemoglu and James Robinson

**Required Articles on Course website:**<http://www.colorado.edu/ibs/eb/alston/>

**\*If reading assignments change somewhat during the course of the semester, you will be notified in advance.**

#### IV. SCHEDULE

- Aug 28 Do I Want To Take This Class?
- Aug 30 & Sept 4 The NIE: What is it?  
Alston, Lee J. "The New Institutional Economics" (posted on website)
- Sept 6 Property Rights I – Where it all began  
Coase, "The Problem of Social Costs" (posted on website)
- Sept 11 Property Rights on Historical Frontiers  
Alston, Harris and Mueller, "*Development of Property Rights: Endowments, Norms and Politics*" (posted on website)
- Sept 13 Property Rights on Current Frontiers: Why Don't We Get It Right?  
Alston, Libecap and Schneider, "The Determinants and Impact of Property Rights: Census Data and Survey Results for Land Titles on the Brazilian Frontier" (posted on website); and Alston and Mueller, "Property Rights and the State." (posted on the website)
- Sept 18 Why do firms exist?  
Coase, The Nature of the Firm  
Alston and Gillespie, "Resource Coordination and Transaction Costs: A Framework for Analyzing the Firm/Market Boundary" (posted on website)
- Sept 20 Start preliminary abstract (one paragraph) for paper and turn in on sept 25
- Sept 25 Technology, Transaction Costs and Contracts in Agriculture  
Alston and Higgs: "Contractual Mix in Southern Agriculture Since the Civil War: Facts, Hypotheses and Tests," (posted on the website)
- Sept 27 Agricultural Contracts and the Growth of the Welfare State  
"Paternalism in Agricultural Labor Contracts in the U.S. South: Implications for the Growth of the Welfare State" (posted on website)
- Oct 2 Norms and Contracts  
Alston, Mattiace, and Nonnenmacher "Coercion, Culture and Debt-Contracts: The Henequen Industry: Yucatán, Mexico, 1870-1915" (posted on website)
- Political exchanges or depending on enrollment drop norms and contracts.
- Oct 4 Understanding the Big Picture I  
Alston and Gallo, "Electoral Fraud, the Rise of Peron and Decline in Checks and Balances" (posted on the website)

- Oct 11 Understanding the Big Picture II  
North, Wallis and Weingast “Social Orders and Violence” (posted on website)
- Oct 16 Understanding the Big Picture III  
Acemoglu and Robinson – Preface, Chapters 1-2
- Oct 18 Understanding the Big Picture IV  
Acemoglu and Robinson –Chapters 3-6
- Oct 23 Understanding the Big Picture V  
Acemoglu and Robinson –Chapters 7-10
- Oct 25 Prepare final abstract of paper to be turned in on Oct 30
- Oct 30 Understanding the Big Picture VI  
Acemoglu and Robinson –Chapters 11-15
- Nov 1 Understanding the Big Picture VIII  
Alston, Melo, Mueller and Pereira “The Road to Prosperity.....(posted on the website)

**Nov 6** *Student Presentations*

**Nov 8** *Student Presentations*

**Nov 13** *Student Presentations*

**Nov 15** *Student Presentations*

**Nov 27** *Student Presentations*

**Nov 29** *Student Presentations*

**Dec 4** *Student Presentations*

**Dec 6** *Student Presentations*

**Dec 11** *Student Presentations*

**Dec 13** **What have we learned?**

## **V. THINGS YOU NEED TO KNOW / ACADEMIC POLICIES**

### **Learning disabilities**

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and [www.Colorado.EDU/disabilityservices](http://www.Colorado.EDU/disabilityservices)

### **Religious Observance**

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. The above remark on timely signaling of special accommodation needs applies also to religious observance needs. See full details at [http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

### **Class Behavior**

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty members have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at [http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

### **Academic Integrity**

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu); 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

### **Discrimination & Harassment**

The University of Colorado at Boulder policy on Discrimination and Harassment (<http://www.colorado.edu/policies/discrimination.html>), the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships applies to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at: <http://www.colorado.edu/odh>