

Fall 2010

PSCI 4028-009

The New Institutional Economics: Institutions, Behavior and Socio-Economic Outcomes

Professor: Lee J. Alston

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Office Hours: T 11:00 – 12:00
R 11:00 – 12:00

Class Schedule and location:

009 T,R 9:30 -10:45, ECON 117

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). In political science this course can complement courses in American Politics, Comparative Politics and International Relations. For economics this course will complement courses in economic development, economic history, industrial organization and regulation. In International Affairs, this course will examine the areas of International Institutions, Rights, and Norms and International Economics and Business.

II. REQUIREMENTS

This is an upper division political science course that places a heavy emphasis on students' participation and writing. Class attendance is strongly recommended. NOTE: repeated absence (more than 10%) 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. It is recommended 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: 30%**
- **Term Paper Presentation and draft: 30%**
- **Revision of Term Paper: 20%**
- **Critiques of term papers: 10%**
- **Review of North: 10%**

III. READINGS

Readings will include both books and articles. Assigned articles and book chapters are listed in the course schedule. The following books are required for the class and are available for purchase at the UMC bookstore:

- **Empirical Studies in Institutional Change** by Lee Alston, Thrainn Eggertsson and Douglass North

- **Institutions, Institutional Change and Economic Performance** by Douglass North

Some articles will be available on line on the course website at:

- <http://www.colorado.edu/ibs/eb/alston/psci4028/>

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

IV. SCHEDULE

Dates to Remember:

Presentation date (Nov. 9-Dec. 7)

Sept 28: Review on North Due

Aug 24 Do I Want To Take This Class?

Aug 26 The NIE: What is it?

- Alston, Lee J. "The New Institutional Economics" (posted on website)

Aug 31 Understanding the Big Picture I

- Alston, Eggertsson and North: Introductions and Epilogue

Sep 2 Understanding the Big Picture II

- Acemoglu, Johnson and Robinson, "Institutions as the Fundamental Cause of Long-Run Growth" (posted on the website)

Sep 7 Understanding the Big Picture III

- Shirley, Institutions and Development: p.611-638 (posted on website)

Sep 9 Understanding the Big Picture IV

- North, Wallis and Weingast "Social Orders and Violence"
- Wallis, "Institutions, Organizations, Impersonality, and Interests: The Dynamics of Institutions"

Sep 14 Understanding the Big Picture V

- Alston, Melo, Mueller and Pereira "On the Road to an Open Economic and Political Society: Brazil, 1985 to 2010" *Introduction and Chapter 1* (Material posted on website)

Sep 16 Understanding the Big Picture VI

- Alston and Gallo, "Electoral Fraud, the Rise of Peron and Decline in Checks and Balances" (material posted on the website)

Sep 21 & 23 Institutions and Economic Performance

- Read and Write Review on North

Sep 28 Institutions and Economic Performance

- Reviews due and Discuss North

Sep 30 Property Rights

- Coase, "The Problem of Social Costs"
- Alston, Eggertsson and North: Chapter 1

Oct 5 Property Rights on Historical Frontiers

- Alston, Harris and Mueller, "*De Facto* and *De Jure* Property Rights: Land Settlement and Land Conflict on the Australian, Brazilian and U.S. Frontiers" (posted on website)

Oct 7 Property Rights and the State: Why don't we get it right?

- Alston and Mueller, "Property Rights and the State." (posted on the website)

Oct 12 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)

Oct 14 Technology and Transaction Costs in Agriculture

- Alston and Higgs: "Contractual Mix in Southern Agriculture Since the Civil War: Facts, Hypotheses and Tests," Journal of Economic History, XLII (June 1982): 327-353.(posted on the website)

Oct 19 Agricultural Contracts and the Growth of the Welfare State

- Alston, Eggertsson and North, Chapter 9

Oct 21 Norms and Contracts

- Alston, Mattiace, and Nonnenmacher "Coercion, Culture and Debt-Contracts: The Henequen Industry: Yucatán, Mexico, 1870-1915" (posted on website)

Oct 26 Transaction Costs in Development

- Alston, Eggertsson and North: Chapter 3

Oct 28 Different Democracies: Different Outcomes?

- Carey, Presidential versus Parliamentary Government (posted on website)

Nov 2 Political Exchanges

- Alston and Mueller "Pork for Policy: Executive and Legislative Exchange in Brazil" (posted on website)

Nov 4 Religious, Ethnic and Linguistic Fractionalization Across Countries

- Fletcher and Iyigun "The Clash of Civilizations: A Cliometric Examination

Nov 9 Why Governments Grow?

- Higgs, Robert. "Crisis, Bigger Government, and Ideological change: Two Hypotheses on the Ratchet Phenomenon." (posted on website)

Nov 11 Student Presentations

Nov 16 Student Presentations

Nov 30 Student Presentations

Dec 2 Student Presentations

Dec 7 Student Presentations

Dec 9 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

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

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

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; 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>