

# Institutions, Culture and Economic Development

## Syllabus and Reading list

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### Course description

Institutional economics is the study of the evolution of economic organizations, laws, customs and their interactions with the process of economic development. The course examines the role of history, and both formal and informal institutions (*culture*) in the performance of economies. The goals of this course are to (1) deepen your understanding of the role of institutions in the process of economic development, (2) provide you with conceptual and theoretical apparatus that have wide application for understanding the mechanisms, (3) suggest empirical and theoretical research projects for a nuanced perspective of culture and the long shadow of history on socio-economic outcomes, and (4) invoke and engage your curiosity about the “why’s and wherefore’s” of the world today.

### Format

Lectures are intended to provide structure and a theoretical framework to guide the discussions and student presentations. Students interested in advancing their quantitative skill-sets are encouraged to write an empirical research paper.

### Requirements and evaluation

Class presentation	25%
4 short reports & Q’s	20%
Research Paper outline	10%
Take-Home exam	15%
Final Research paper	30%

### Schedule of deliverables

Deliverable	Date
Short reports & Q’s	ongoing
RP outline	March 10
Presentations	mid to end-March
Take-home exam	end-March
Research Paper	April 10

## Research paper

The paper should be no longer than 3000 words. Succinct clarity will be appreciated, so fewer words is better as long as it makes the point. Conceptually, I am looking for (1) a well defined research question (2) appropriate methodological framework to answer the question (3) analysis/empirical evidence and development of argument (4) summary/conclusions, takeaways, potential problems in your analysis. In terms of structure (1) Introduction (background, research question) (2) Empirical strategy (3) Data, analysis (development of arguments) (4) Conclusion.

## Course outline<sup>1</sup>

### Institutions: Definitions, Structure and Role

#### (week 1) Importance and role

Hall, Robert and Jones, Charles, 1999. "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *The Quarterly Journal of Economics*, 1999: 83-116. **(required reading)**

Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi. 2004. "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," *Journal of Economic Growth*, vol. 9. no. 2

Grosjean, Pauline. 2014. "A History of Violence: The Culture of Honor and Homicide in the US South," *Journal of the European Economic Association*, vol. 12, no. 5, pp. 1285 - 1316.

#### (week 2) Tools and methods

An overview of the key approaches and empirical methods used when analysing institutions. (OLS, instrumental variables, natural experiments)

Angrist, Joshua D., and Jörn-Steffen Pischke. *Mastering 'metrics: The path from cause to effect*. Princeton University Press, 2014.

#### (week 3) Intuiting institutions: *formal and informal*

North, Douglas. 1991. "Institutions," *Journal of Economic Perspectives*. **(required reading)**

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<sup>1</sup>Only a draft syllabus and therefore subject to change. The course content is a work-in-progress and depth of discussion on themes/topics will be based on class interest and, student selection of assigned papers. The reading list is not exhaustive.

Williamson, Oliver. 2000. "The New Institutional Economics," *Journal of Economic Literature*.

Gibbons, Robert. 2000. "Four Formal(izable) Theories of the Firm," *Journal of Economic Behavior and Organization*.

Crawford, S. and E. Ostrom. 1995. "A Grammar of Institutions," *The American Political Science Review*, Vol. 89, No. 3, pp. 582-600.

Helmke, Gretchen, and Steven Levitsky. "Informal institutions and comparative politics: A research agenda." *Perspectives on politics* 2.04 (2004): 725-740.

## **Institutions: Origins and persistence**

### (week 4) **Origins and development**

Acemoglu, Daron, Simon Johnson, and James Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, volume 91, pp. 1369-1401. **(required reading)**

Acemoglu, Daron, Simon Johnson, and James Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *The Quarterly Journal of Economics*, vol 117, pp. 1231- 1294.

Easterly, William and Ross Levine, 2003. "Tropics, germs, and crops: how endowments influence economic development," *Journal of Monetary Economics*, vol 50, pp. 3 - 39.

Daron Acemoglu and James A. Robinson. 2008. "Persistence of Power, Elites and Institutions" *American Economic Review*, 98(1), pp. 267-93.

David, Paul A. 2007. "Path dependence: a foundational concept for historical social science," *Cliometrica*

David, Paul. 1985. "Clio and the Economics of QWERTY," *American Economic Review*, vol. 75, pp. 332 - 337.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *The Quarterly Journal of Economics*, vol 117, pp. 1231- 1294.

### (week 5) **Long shadow of history**

Nunn, Nathan. 2009. "The Importance of History for Economic Development," *Annual Review of Economics*, Vol.1, No. 1, pp. 65-92. **(required reading)**

Nathan Nunn and Leonard Wantchekon. 2011. "The Slave Trade and the Origins of Mistrust in Africa," *American Economic Review*, Vol. 101, No. 7

Banerjee, Abhijit, and Lakshmi Iyer. 2005. "History, Institutions and Economic Performance: the Legacy of Colonial Land Tenure Systems in India," *American Economic Review* 95, no. 4, pp. 1190-1213

La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer. 2008. "The Economic Consequences of Legal Origins," *Journal of Economic Literature*

Krugman, Paul. 1991. "History vs. Expectations," *The Quarterly Journal of Economics*, vol. 106, pp. 651-667.

## **Informal institutions: Culture, customs and convention**

(week 6 & 7) **Magnitude and channels**

Guiso, Luigi, Paola Sapienza, and Luigi Zingales. 2006 "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives*, Spring. **(required reading)**

Sugden, Robert. 1989. "Spontaneous Order," *The Journal of Economic Perspectives*, Vol. 3, No. 4. (Autumn, 1989), pp. 85-97.

Tabellini, Guido. 2008. "Institutions and Culture," *Journal of the European Economic Association*, Vol.6(2-3).

H. Peyton Young. 1996. "The Economics of Convention," *The Journal of Economic Perspectives*, Vol. 10, No. 2., pp. 105-122.

Burke, Mary and Peyton Young, "Social Norms" *The Handbook of Social Economics*, edited by Alberto Bisin, Jess Benhabib, and Matthew Jackson. Amsterdam: North-Holland.

Tabellini, Guido. 2008. "The Scope of Cooperation: Values and Incentives," *The Quarterly Journal of Economics*, 123(3)

Bednar, Jenna, Andrea Jones-Rooy, and Scott E. Page. "Choosing a Future based on the Past Institutions, Behavior, and Path Dependence," *European Journal of Political Economy*.

Algan, Yann and Pierre Cahuc. 2010. "Inherited Trust and Growth," *American Economic Review*

Chen, Keith. 2013. "The Effect of Language on Economic Behavior: Evidence from Savings Rates, Health Behaviors, and Retirement Assets," *American Economic Review*.

**(week 8 & 9) Informal mechanisms and interaction**

Luigi Guiso, Paola Sapienza, and Luigi Zingales, 2009. "Cultural Biases in Economic Exchange," *The Quarterly Journal of Economics* **(required reading)**

Milgrom, Paul, Douglass North, and Barry Weingast, "The Role of Institutions in the Revival of Trade: The Medieval Law Merchant," *Economics and Politics*, 2, March 1990, 1-23.

Young, Peyton and Mary Burke. 2001. "Competition and Custom in Economic Contracts: A Case Study of Illinois Agriculture." *American Economic Review*, vol. 91, pp. 559-573.

Greif, Avner. 1993. "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition." *American Economic Review*, vol. 83, pp. 525-548

Greif, Avner and Guido Tabellini. 2010. "Cultural and Institutional Bifurcation: China and Europe Compared," *American Economic Review: Papers and Proceedings*, vol 100. no. 2

Bisin, Alberto and Thierry Verdier. 2000. "Beyond the Melting Pot: Cultural Transmission, Marriage and the Evolution of Ethnic and Religious Traits" *The Quarterly Journal of Economics*.

Bikhchandani, Sushil, David Hirshleifer, and Ivo Welch. 1992. "A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades," *Journal of Political Economy* 100(5)

**Institutional change****(week 10) Evolution, design and transition**

Acemoglu, Daron and Simon Johnson, "Unbundling Institutions," *Journal of Political Economy*, October 2005, v. 113, iss. 5, pp. 949-95.

La Porta, R., F Lopez-de-Silanes, Pop-Eleches, C. and A. Shleifer. 2004. "Judicial Checks and Balances," *Journal of Political Economy*, 2004.

Glaeser E. and A. Shleifer, "The Rise of the Regulatory State," *Journal of Economic Literature*

Murrell, Peter "Evolution in Economics and in the Economic Reform of the Centrally Planned Economies," in Clague, Christopher and Gordon C. Rausser, eds. *Emergence of Market Economies in Eastern Europe*, Blackwell Publishers, 1992.

Blanchard, Olivier and Michael Kremer. "Disorganization," *The Quarterly Journal of Economics* November 1997.

Djankov, Simeon, and Peter Murrell "Enterprise Restructuring in Transition: A Quantitative Survey," *Journal of Economic Literature*, 2002, pp. 739-792.

**Student team presentations** (week 11 & 12)

Pick papers from topics discussed in last three weeks and present in teams (recommend 2 per team).