

Syllabus: Institutions and Economic Development

Approach: The course is designed in four parts. Part I will consist of three micro oriented lectures on essential building blocks relevant for this topic (June 17, 18, 19). Part II will consist of three political economy oriented lectures on aspects relevant for this topic (June 20, 23, 24). Part III will consist of two applications or extension oriented sessions (June 25, 26). Half of each session will be a lecture by the instructor and the other half will be a set of 15 minute presentations by students on the topics of their papers (see below under grading). Part IV will consist of individual meetings (about 20 minutes) with students, spread from June 17 – June 27, to discuss their paper topic.

Grading: The student's grade will be based on a discussion of ONE AND ONLY ONE CHAPTER from the indicated chapters in the two books below.

I. "Institutional Reforms: The Case of Colombia," (edited by A. Alesina), MIT Press, 2005. You can only choose from Chapters 3, 4, 5, 6, 7, 8, or 9.

II. "The Institutional Foundations of Public Policy in Argentina". P. Spiller and M. Tommasi, Cambridge U. Press, 2007. You can only choose from Chapters 3, 4, 5, 6 or 7.

The student's discussion will have two dimensions.

- A. Brief in class presentation of material for the selected chapter in one of the last two lectures (10-20 % of grade).
- B. A written paper NO LONGER than 5 pages (Times Roman 12 point font, and double spaced) IN TOTAL with two clearly identified parts:
 - 1) Essence of topic as presented by the author(s) of the chapter; 2) agreements (uses) and disagreements (failures to use or contradictions) of the author with the concepts and views of institutions presented in the first six lectures (80-90% of grade).

Due Date: The paper will be due August 15th 2008.

Course Outline.

I. The Economic Logic of Institutions: Definitions, Functions, Importance.

[* Lin & Nugent (1995) Section 2; *Barzel (1997), Chapter 1; North (1990)]

II. The Demand for Institutions: Transaction Costs (Distribution Costs), Make or Buy.

[*Lin & Nugent (1995) Section 3; *Barzel (1997, Ch.5); Betancourt (2008)]

III. The Supply of Institutions: Collective Action, Cooperation and Corruption.

[*Lin & Nugent (1995) Section 4.1; *Barzel (1997, Ch.6); Dal Bo & Frechette(2007)]

IV. Institutions and the Traditional View of the Role of the State in Development.

[*Lin & Nugent (1995) Section 4.2; *Qian and Roland (1998); Findlay (1990)]

V. Institutions and Modern Views of the Role of the State in Development.

[*Acemoglou, Johnson and Robinson (2005); *Benyishay & Betancourt (2007)]

VI. Democracy, Institutions and Development

[*Mobarak (2005); *North, Wallis and Weingast (2009, Ch.1); Dal Bo, Foster and Putterman (2008)]

VII. Recent Empirical Applications to Development Topics.

[*Fisman and Miguel (2007); Spiller and Tommasi (2007, Ch. 1)]

VIII. Interactions between Institutions and Technology.

[*Betancourt and Gautschi (2001); Alesina (2005, Ch.2)].

* The readings with an asterisk are the ones from which I am drawing a substantial amount of material for each lecture. It does not mean they are the only readings I am relying on. They correspond roughly to what could be called minimum required readings for courses based on exams. The readings without the asterisk are relevant to the topic but I have not decided yet how heavily to rely on them, or if to use them at all. They correspond roughly to recommended readings in standard courses.

Readings:

*D. Acemoglou, S. Johnson and J. Robinson (2005), "Institutions as a Fundamental Cause of Long- Term Growth," Ch. 6 in P. Aghion and S. Durlauf, Handbook of Economic Growth, North Holland Press.

*Y. Barzel (1997), The Economic Analysis of Property Rights (second edition), Cambridge University Press.

*A. Benyishay and R. Betancourt (2007), "Civil Liberties, the Unbundling of Institutions and Economic Growth," mimeo, U. of Maryland.

*R. Betancourt and D. Gautschi (2001), "Product Innovation in Services: A Framework for Analysis," in M. Baye and J. Nelson (eds.), Vol. 10, Advances in Applied Economics, JAI Press.

R. Betancourt (2008), "Capital Utilization" in M. Blume and S. Durlauf (eds.) The New Palgrave Dictionary of Economics (second edition), McMillan Press.

P. Dal Bo and G. Frechette (2007), "The Evolution of Cooperation in Infinitely Repeated Games: Experimental Evidence", mimeo, New York University.

P. Dal Bo, A. Foster and L. Putterman (2008), "Institutions and Behavior: Experimental Evidence on the Effects of Democracy", mimeo, Brown University.

R. Findlay (1991), "The New Political Economy: Its Explanatory Power for LDC's", in G. Meier (ed.) Politics and Policy Making in Developing Countries, ICS Press.

*R. Fisman and T. Miguel (2007), "Corruption, Norms and Legal Enforcement," Journal of Political Economy, pp.1020 -1048.

*J. Lin and J. Nugent (1995), "Institutions and Economic Development", Ch. 38 in J. Behrman and T. N. Srinivasan (eds.) Hand book of Economic Development, North Holland Press.

*M. Mobarak (2005), "Democracy, Volatility and Economic Development," Review of Economics and Statistics, pp. 348-361.

D. North (1990), Institutions, Institutional Change and Economic Performance, Cambridge University Press.

*D. North, J. Wallis, and B. Weingast (2009), A Conceptual Framework for Interpreting Recorded Human History, Ch.1, forthcoming 2009.

*Y. Qian and G. Roland (1998), "Federalism and the Soft Budget Constraint", American Economic Review, pp. 1143-1162.