

## Syllabus and Reading List: Comparative Economic Institutions

**Course overview:** Modern economics views socioeconomic systems as comprising economic agents, who form organizations (such as firms and governments). These agents and organizations interact within sets of rules that they themselves create. Institutions are these rules. The course uses economic analysis to understand both formal institutions (e.g. laws) and informal institutions (e.g. cultural norms). Practical examples are drawn from economics, law, and politics, and reflect the experience of many different countries, from both the present and the past.

**Prerequisites:** Minimum grade of C- in both ECON325 and ECON326 and one course with a minimum grade of C- from (ECON321, STAT400).

**Restriction:** Must be in the Economics Bachelor of Science program.

### Detailed Course Description:

In modern economics, the rules governing socioeconomic behavior are viewed as fundamental determinants of a country's economic performance. These rules are called 'institutions'. The course aims to develop the student's understanding of how to use economic methods to study both formal institutions (e.g. laws, courts, regulations) and informal institutions (e.g. cultural norms on trust, family roles, moral rules). We will examine why economists think the study of institutions is important; how to study institutions; which economic methods are most useful in understanding institutions; how, why, and where good institutions arise; and how institutions shape economic performance. Discussion of these questions will use practical examples from economics, law, and politics, and will reflect the experience of many different countries. Throughout the course, the emphasis is on connecting the course material to current developments in economic research, but making those connections at levels of analysis consistent with the skills possessed by a typical student.

### Course Objectives:

On completion of ECON 410, students will be able to:

- Demonstrate knowledge of the economic models most commonly used to study institutions.
- Use analytical methods to identify how institutions affect socioeconomic equilibria.
- Apply these methods to existing institutions, such as legal or regulatory systems.
- Understand which institutions have been crucial in the process of economic development.
- Exhibit knowledge on how and why institutions vary across countries.
- Explain why cultural norms are functionally similar to institutions.
- Appreciate how and why norms of trust and cooperation vary across countries.
- Understand which elements of culture have been crucial for economic development.
- Understand how institutions and cultural norms interact to affect economic performance.

**Time & Location of Classes:** MW 11:00am - 12:15pm; TYD 2109

**Course Web Site:** We will use ELMS for the standard course functions, such as making available pdf's of readings for the whole class, the submission of papers, the posting of grades, and communications among the whole class.

**Communication:**

To reach Peter Murrell send an email via ELMS

**Office hours for Peter Murrell:**

Given the convenience of Zoom, and scheduling office-hour sessions using ELMS, I will hold my 'statutory' two office hours on Zoom. These will take place Tuesdays 2:30-3:30 and Wednesdays 3:15-4:15. For your convenience, I will use the ELMS calendar function to divide these office hours into 10-minute segments, which you can then reserve.

However, these are just my 'statutory' office hours. I am available at many other times and if you send me an email to coordinate on time, I will usually be able to Zoom at some time the same day. If you want to meet me in my office in Tydings, send me an email and we can coordinate on a time.

**Assessments:**

1. *Three 75-minute exams.* October 6, November 8, December 17.

To familiarize students with the type of questions that will appear on the exams, problem sets and short-essay questions will be given out when each section of the course is covered. These will not be graded, but solutions will be provided and sometimes discussed in class, with an expectation of student input.

2. *Paper.* A separate handout is provided with detailed instructions for the paper assignment.

**Contribution of each type of assessment to the final grade:**

- |                              |     |
|------------------------------|-----|
| 1. The three exams in total. | 60% |
| 2. The paper                 | 40% |

**Grading Scale**

100.0 ≥ % score ≥ 96.66 → A+	96.66 > % score ≥ 93.33 → A	93.33 > % score ≥ 90.00 → A-
90.00 > % score ≥ 86.66 → B+	86.66 > % score ≥ 83.33 → B	83.33 > % score ≥ 80.00 → B-
80.00 > % score ≥ 76.66 → C+	76.66 > % score ≥ 73.33 → C	73.33 > % score ≥ 70.00 → C-
70.00 > % score ≥ 66.66 → D+	66.66 > % score ≥ 63.33 → D	63.33 > % score ≥ 60.00 → D- 60.00 > % score → F

## COURSE OUTLINE AND READING LIST

No textbook is assigned. Thus, readings and class notes are the substitute. pdf's of the slides presented in class will be posted on ELMS. I will annotate the slides as we go through them together in class. Thus, the pdf copies will facilitate your taking of notes, but will not substitute for class attendance. Recent pedagogical research has shown that absorption of information occurs best via active taking of handwritten notes. Therefore find some way of annotating the slides as we go over them in class sessions.

Readings are assigned to each topic. See the course outline below for specific details. Copies of all readings will be posted on ELMS. These copies are strictly for use in this course and not to be used for any other purpose, nor to be kept after the course has been completed. Using these copies for any purpose other than studying for ECON 410 would be a violation of the University's code of academic integrity and of US copyright law (incidentally, a very interesting institution).

Notes on your reading:

1. The readings marked with \* are to be regarded as essential if you want better than a C in the course.
2. The readings not marked with \* are to be regarded as essential if you want to reach the highest level of excellence in understanding the course material.
3. Some of the readings have been edited to cut out material that is non-essential or too difficult. Therefore use the readings posted on ELMS, not ones found via general web searches.
4. You will find some of the readings quite hard and others very easy. If you want help puzzling through some details, just ask during class or during office hours.

## PART A: overview of central ideas, sources, methods

### I. Introduction to the course, its logistics, and some background material

- \* "Secrets and agents." *Economist*, July 2016
- \* "Moral Hazard" by Y. Kotowitz, *The New Palgrave Dictionary of Economics*
- \* Intermediate Microeconomics: A Modern Approach. Ninth Edition. Hal R. Varian. W. W. Norton & Company, Inc., New York, N.Y. Chapters 29-30.
- \* "Economists are turning to culture to explain wealth and poverty", *Economist*, 2020.
- \* "Common and Civil Law Traditions", The Robbins Religious and Civil Law Collection, University of California at Berkeley, 2017.

### II. The intellectual story of the rise of institutions and culture in economic thought

- \* "Ronald Coase" by Steven Medema from *The New Palgrave Dictionary of Economics*, 2008.
- \* "Douglass North" by Avner Greif from *The New Palgrave Dictionary of Economics*, 2008.
- \* "Oliver Williamson" by Scott Masten, *The New Palgrave Dictionary of Economics*, 2008.
- \* *Law and Economics*, 6th edition, by Robert Cooter and Thomas Ulen, pages 1-8, Chapter 3.  
[You can download a free copy at <https://scholarship.law.berkeley.edu/books/2/>]
- \* "Coase Theorem" by Francesco Parisi, *The New Palgrave Dictionary of Economics*
- "Institutions." by Douglass North 1991. *Journal of Economic Perspectives*.
- "Clio and the Economics of QWERTY." by Paul David *American Economic Review*, 1985.
- "Institutions for High-Quality Growth..." Dani Rodrik.
- "The New Comparative Economics." Simeon Djankov et al. *Journal of Comparative Economics*, 2003.

### III. Data, data everywhere

There are no posted readings for this section nor will it be covered in class. The point is simply to alert you to the amazing amounts of data easily available on the web on institutions and cultures, often either for a huge number of countries or for regions within specific countries. Peruse a few of these web sites, to get a sampling of what is available:

<http://info.worldbank.org/governance/wgi/>, <http://www.worldvaluessurvey.org/>,  
<http://www.doingbusiness.org/>, <http://hdr.undp.org/en/content/human-development-index-hdi>,  
<https://www.briq-institute.org/global-preferences/home>,  
<https://worldjusticeproject.org/our-work/wjp-rule-law-index/>,  
<http://www.systemicpeace.org/inscrdata.html>, [www.freedomhouse.org](http://www.freedomhouse.org),  
<https://www.who.int/gho/database/en/>, <https://www.rug.nl/ggdc/productivity/pwt/>,  
<https://fred.stlouisfed.org/>, <https://globalindex.worldbank.org/>,  
<https://datacatalog.worldbank.org/dataset/wps2283-database-political-institutions>,  
<http://www.healthdata.org/>, <https://geerthofstede.com/research-and-vsm/dimension-data-matrix/>,  
<http://www.asianbarometer.org/>, <https://www.vanderbilt.edu/lapop/>,  
[http://ec.europa.eu/echo/eurobarometer\\_en](http://ec.europa.eu/echo/eurobarometer_en), <http://www.afrobarometer.org/>, <https://wid.world/> ,  
<https://www.v-dem.net/en/>,

**IV. The hold-up problem as the paradigmatic institution-applicable problem**

- \* *Law and Economics*, 6th edition, by Robert Cooter and Thomas Ulen, pages 74-77, 81-86.
- \* "The Hold-Up Problem" by Benjamin Klein, in *The New Palgrave Dictionary of Economics and the Law*, Peter Newman, ed., Macmillan 1998.
- \* "Asset specificity" in *Wikipedia*
- "The fundamental problem of exchange" by Avner Greif in *European Review of Economic History*, 2000. pp. 251-260.

**PART B: core areas of study****V. Evidence on the importance of institutions**

- \* econometricsPrimer (from *Development Economics* by Gérard Roland. Pearson Education.)
- \* "Finding Causal Facts in Economics." Peter Murrell
- \* "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor" by Mancur Olson, *The Journal of Economic Perspectives*, 1996.
- "Institutions, Factor Endowments, and Paths of Development in the New World" by Kenneth L. Sokoloff and Stanley L. Engerman, *The Journal of Economic Perspectives*, 2000.
- \* "The Colonial Origins of Comparative Development." Daron Acemoglu, Simon Johnson, and James A. Robinson. *American Economic Review*, 2001.
- "Bargaining in the Shadow of the Law: Divorce Laws and Family Distress", Betsey Stevenson and Justin Wolfers, *Quarterly Journal of Economics* 2006.

**VI. Economic theories for institution-applicable problems**

- \* "Economic Organization and Transaction Costs" by Steven Cheung, *The New Palgrave Dictionary of Economics*
- \* "Theory of the firm" in *Wikipedia*
- "Economic Analysis Of Property Law", Steven Shavell, pp. 1-10.
- "Economic Analysis Of Contract Law", Steven Shavell, pp. 1-6.
- \* *Law and Economics*, 6th edition, by Robert Cooter and Thomas Ulen, pages 70-73, 76-80, 88-91, 103-106, 187-199, 276-294.

**VII. Institution-applicable problems and solutions. more generally**

- \* *Law and Economics*, 6th edition, by Robert Cooter and Thomas Ulen, pages 112-138.
- \* "Taking (Eminent Domain)," in *The New Palgrave Dictionary of Economics and the Law*, 2008.
- \* "The alternatives to privatisation and nationalisation" *Economist*, Sep 12th 2019.
- "A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry", by Robert C. Ellickson, *Journal of Law, Economics, and Organization*, 1989.
- "Understanding Regulation" by Andrei Shleifer in *European Financial Management* 2005.

**VIII. Culture and institutional analysis**

- \* "Social Capital and Civil Society" by Francis Fukuyama. IMF, 1999
- \* "Social Norms and Law," in P. Newman (ed.), *The New Palgrave Dictionary of Economics and the Law*, 1998.
- \* "Does Culture Affect Economic Outcomes?" Luigi Guiso, Paola Sapienza and Luigi Zingales *The Journal of Economic Perspectives*, 2006: pp. 23-34
- "The Economics of Convention". H. Peyton Young. *Journal of Economic Perspectives*, 1996.

**IX. Evidence on the importance of culture**

- \*"Does Culture Affect Economic Outcomes?" Luigi Guiso, Paola Sapienza and Luigi Zingales *The Journal of Economic Perspectives*, 2006: pp. 34-46.
- "Antisocial Punishment across Societies", B. Herrmann, C. Thöni, and S. Gächter. *Science*, 2008.
- \*"Culture, institutions, and the wealth of nations." Yuriy Gorodnichenko and Gerard Roland. *Review of Economics and Statistics* 2017.

**PART C: further topics in the core areas****X. Topics on the evidence on the importance of institutions**

- "Democracy, Redistribution, And Political Participation: Evidence From Sweden 1919–1938", Björn Tyrefors Hinnerich & Per Pettersson-Lidbom, *Econometrica*, 2014.
- "Court Enforcement, Bank Loans, and Firm Investment: Evidence from a Bankruptcy Reform in Brazil." Jacopo Ponticelli, Leonardo S. Alencar, *Quarterly Journal of Economics*, 2016.
- "Does 'being chosen to lead' induce non-selfish behavior? Experimental evidence on reciprocity." Allan Drazen, and Erkut Ozbay. *Journal of Public Economics*, 2019.

**XI. Topics in economic theories for institution-applicable problems**

- "Transaction-Cost Economics: The Governance of Contractual Relations" by Oliver Williamson *Journal of Law & Economics*, 1979.
- Law and Economics*, 6th edition, by Robert Cooter and Thomas Ulen, pages 94-103, 307-323, 331-341, 373-381.
- "Intellectual Property: The Law and Economics Approach" by Richard A. Posner, *The Journal of Economic Perspectives*, 2005.

**XII. Further examples of institution-applicable problems and solutions. more generally**

- "Covenants without the Sword? Comparing Prison Self-Governance Globally" by David Skarbek. *American Political Science Review*, 2016
- "The fundamental problem of exchange" by Avner Greif in *European Review of Economic History*, 2000. pp. 260-279.

**XIII. More on culture and institutional analysis**

- Not by Genes Alone: How Culture Transformed Human Evolution*. Peter J. Richerson and Robert Boyd, The University of Chicago Press, 2005 pp. 1-14, 18-35, 39-44, 50-57, 61-79
- "Trust, Growth, and Well-Being: New Evidence and Policy Implications." Yann Algan and Pierre Cahuc, *Handbook of Economic Growth*, 2014, pp. 49-73.
- "Family Ties." Alberto Alesina and Paola Giuliano, *Handbook of Economic Growth*, 2014, pp. 177-195.
- "Culture and Institutions." Alberto Alesina and Paola Giuliano. *Journal of Economic Literature*, 2015, pp. 898-916.

**XIV. Additional evidence on the importance of culture**

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

"Trust, Growth, and Well-Being: New Evidence and Policy Implications." Yann Algan and Pierre Cahuc, *Handbook of Economic Growth*, 2014, pp. 73-120.

"Family Ties." Alberto Alesina and Paola Giuliano, *Handbook of Economic Growth*, 2014, pp. 195-213.

"Culture and Institutions." Alberto Alesina and Paola Giuliano. *Journal of Economic Literature*, 2015, pp. 916-938.

**Course Policies:**

Policies relevant to ALL Undergraduate Courses are found here:

<http://ugst.umd.edu/courserelatedpolicies.html>. Topics addressed include academic integrity, student and instructor conduct, accessibility and accommodations, attendance and excused absences, grades and appeals, copyright and intellectual property. Every student is expected to understand and uphold these policies, which elaborate both your rights and your responsibilities: ignorance of the policies is not an acceptable excuse. In particular, in order to make sure you do not violate any specific policies of this course, you should understand the full content of the following sections of the standard policies:

Academic Integrity

Acceptable Use of Technology

Student Conduct

Accessibility

Official Communication

Copyright and Intellectual Property

Attendance and Missed Assignments For this course, this policy is relevant only for major scheduled grading events, that is, the exams, and the deadlines for paper submissions. This Campus policy contains the following sentences: "The student must provide appropriate documentation of the absence. The documentation must be provided in writing to the instructor by the means specified in the syllabus." The required method is an email to Professor Murrell, with a picture of original documentation attached to the email if appropriate.

Additional policies specific to this course:

If you have questions or concerns about a grade awarded for any specific assignment, you should first discuss your questions or concerns with Peter Murrell. Then, if you still feel your grade is inappropriate, you can submit a written request for a grade review to Peter Murrell. Send an email that describes your concerns in detail and precisely. Professor Murrell will then regrade the relevant assignment, taking into account your concerns. You should start the process in a timely fashion so that any formal request for a grade review is submitted within 7 days of the date when grades for that assignment are posted on ELMS.

These are special times:

To find out more information about COVID-19 Related Disability Accommodations & Requests for Consideration, go to <https://umd.edu/virusinfo/emails/063021-2>.

To find Additional UMD COVID-19 Guidance, especially about masking policy, go to <https://umd.edu/virusinfo/emails/081921>.

*There is an easy way to find answers in cases where you do not understand what all of these policies entail for you: ask Peter Murrell.*

The web site <http://www.ugst.umd.edu/courserelatedpolicies.html> also contains information about your rights concerning the conduct you can expect from Professor Murrell. To obtain all that you are entitled, familiarize yourself with that information. Students will also find on this page information about valuable resources to support academic success in this course, as well as to promote overall health and well-being.