Institutional economics proceeds from the premise that many distinctive aspects of an economy stem from the nature of its institutions, that is the humanly constructed rules that structure economic (and political) interactions. The origin and formation of institutions is an essential element of economic history and economic development. The properties and the effects of institutions can only be understood by applying systematic economic analysis. Such analysis requires theory and empirics, complemented by knowledge of the particularities of the pertinent institutions and their setting.

The comparative element recognizes the fact that institutions are usually available only in discrete alternatives, which often differ considerably. Therefore, the standard mode of analysis is comparison between quite distinct institutional alternatives. Additionally, an essential characteristic of many institutions is that they apply to a whole society. Thus, there is lessened scope for observational variation if study is confined to one country or one type of economic system. Cross-country comparisons are an essential element of institutional economics.

The following reading list includes more topics than can be covered in a one-semester introductory course. It also has more items within topics than students are expected to read when the topics are taught. The reading list is intended to be more than a reading list for a class; it offers a guide to students who want to study a specific area more deeply than can be accomplished in class. Which readings are most pertinent for the course will be clarified as the semester proceeds.

Availability of copies of the readings: Most of the readings for this course are available on the internet. In the few cases where it is not obvious how to access a reading, I have provided some indication of where to look. For accessing many readings, it is necessary either to use a computer that connects to the internet using a University of Maryland IP address or to use the library’s Research Port (http://researchport.umd.edu/). I can make available copies of readings not available on the internet, either by lending a physical copy or by emailing.

***This reading list is always a work in progress. Readings will be subtracted and added during the course of the semester.***
I. Introduction


II. Three Fundamental Institutions: Property, Decentralization, and Contract

II.1 Property

II.1.A General


Dean Lueck And Thomas J. Miceli "Property Rights And Property Law" In Polinsky & Shavell eds., *Handbook of Law and Economics*. Available online at ssrn.com

II.1.B. Government Ownership in a Market Economy: Efficiency


II.1.C. The Effects of Ownership on the Institutional Environment

See section III.3
**II.1.D. Varieties of Ownership**


**II.2 Decentralization**


**II.3 Transactions, Relationships, and Contract**

**II.3.A The Transactional Problem: Theory and Predictions**


II.3.B Solutions to the Transactional Problem: Formal and Informal


II.3.C Empirical Studies on Transactions


III. Institutional Change and Institutional Choice: Origins and Causes

III.1. Culture, Custom, and Convention


http://www.milgrom.net/articlesmain.htm


http://www.kellogg.northwestern.edu/faculty/sapienza/htm/putnam.pdf
III.2 History


III.3 Wealth: resources, productivity, and institutions accumulated from the past


*http://didattica.unibocconi.eu/mypage/index.php?IdUte=48805&ldr=1874&lingua=eng*


III.4 Politics and Political Economy


III.5 Choosing, designing institutions


IV. The Effects of Institutions

IV.1 Cross-country studies: macroeconomics of institutional development and growth


IV.2 Miscellaneous micro-economic studies


……many could be added
V. Case studies

V.1 Transition: destroying the old and constructing the new

http://www.econ.umd.edu/~murrell/Reform.html


V.2 England, 1688


V.3 Legal Origins


V.4 China: Incremental Reform Using Second-Best Institutions


Bai, Chong-En, David D. Li, Yingyi Qian, and Yijiang Wang, "Commitment, Incentives, and Information: The Case of Anonymous Banking" August 2004.
http://elsa.berkeley.edu/~yqian/anonymous%20banking.pdf

Donald Clarke, Peter Murrell, and Susan Whiting, "The Role of Law in China’s Economic Development" Forthcoming in *China's Great Economic Transformation*, Loren Brandt and Thomas Rawski eds. Cambridge University, Press as "Law, Property Rights and Institutions"

Lu, Yi, Ivan P.L. Png, and Zhigang Tao "Do institutions not matter in China? Evidence from enterprise level productivity growth"

VI. Measuring Institutions


World Bank, "Governance Diagnostics",

