

**New Institutional Economics (Econ-762)
SYLLABUS - FALL 2020**

Class Meets: Tuesdays 5-8pm

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Prerequisite

Because this is an interdisciplinary course, I do not expect formal training in economics. However, I assume working knowledge of economic theory at an undergraduate introductory/intermediate level. Basic knowledge of statistics and regression analysis is expected, but not required.

Catalog Description

This course introduces theoretical and applied studies examining the role of formal and informal institutions that make economic interaction possible. Topics include property rights, contracts, transaction costs, informal norms, culture, and conventions.

Course Description

In this course, we survey a wide variety of institutions – from formal property rights and contracts to informal norms, culture, beliefs, and traditions – that constrain human behavior and shape economic interactions. Given a wide range of institutions (political, legal, economic, social) that influence our behavior, how do we systematically think about public policy and analysis that allow for mutually beneficial exchanges? What kind of institutions allow us to solve the most pressing problems of our generations (disaster recovery, climate change, and economic growth)? How do such *enabling* institutions come about? This course delves into many such questions. We will also review modern applications in new institutional economics.

The course follows a co-production model. That is, your participation is a necessary input into the knowledge production process. During the course, I will introduce you to key writings in new institutional economics and cover theoretical frameworks, methodological tools, and applications. Your task is to use these concepts and tools to develop your own ideas in the field of new institutional economics and turn it into an article suitable for peer reviewed journals. I welcome methodologically pluralistic approaches and encourage collaborations.

Course Objectives

Upon successful completion of this course, you will:

- a. Be familiar with the contributions of prominent thinkers in the field of new institutional economics,
- b. Be able to synthesize insights from the current literature with ideas and findings of your own to answer new questions or to provide new answers to old questions,
- c. Be able to generate original research in the field of new institutional economics and write an academic paper with the intent to submit to a peer-reviewed social science journal.

Programmatic Learning Outcomes

This course fulfills the following graduate programmatic learning objectives (PLOs) in Agribusiness and Applied Economics:

1. Understand and be able to discuss how the study of institutions enriches our understanding of economic theory. Specifically, understand the role of social, political, and legal institutions in enabling market exchanges and voluntary cooperation (PLO 1: *Core Knowledge*)
2. Demonstrate an understanding of the type and quality of institutions conducive to experimentation, exchange, entrepreneurship, and economic growth (PLO 1: *Core Knowledge*)
3. Understand and be able to discuss the processes of institutional change, specifically those that make markets feasible (PLO 1: *Core Knowledge*)
4. Apply theoretical insights and methodological tools from new institutional economics to evaluate public policies (PLO 3: *Quantitative Reasoning and Policy Assessment*)
5. Formulate a falsifiable research hypothesis based on theories in new institutional economics and test it using a range of empirical tools including institutional analysis, analytical narrative, econometrics, and statistics (PLO 2: *Application and Data Management*)
6. Interpret results from empirical examination, connect them to theoretical predictions, and effectively communicate research findings in the form of a scientific article (PLO 4: *Technical Writing and Interpretation*)

These PLOs will be assessed during the semester through assignments, exam, research paper, and feedback surveys.

Textbook and Supplementary Readings

There is no required textbook for this course. Course materials come from journal articles and selected chapters from books, which will be made available on Blackboard. This course is reading intensive. You are expected to do all of the required readings prior to each class and engage with them during class discussions. An additional (optional) reading list will be provided. Optional reading materials can serve as a valuable guide in developing your own research projects. The list includes more topics than I can reasonably cover in class within a semester. The reading list is (and will remain) a work in progress, subject to regular modifications. Updated versions will be uploaded on Blackboard and you will be notified.

Assignments and Grading Policy

Each meeting will be a mix of lectures and student-led presentations and/or discussions. I will lecture on the materials that constitute the core readings for the course. I expect you to actively engage with the materials and participate in classroom discussions. Each week, a student will pick a paper from the reading list and present it to class. You may suggest a different paper as long as it is consistent with the theme of the course. Please check with me if that is the case. I do not expect you to prepare presentation slides, but you are certainly welcome to do so. A general outline of the paper should be provided at the beginning of your talk. I encourage you to pick readings that will be helpful for your research project. You should plan for a 30-minute presentation. You are free to prepare discussion questions and do a seminar-style presentation.

You will come to each meeting with a short, written response (200-400 words) to the assigned readings and submit it to me before the class ends. The student presenting that day is exempt from this writing requirement. Class participation (presentation and discussion) and written responses are worth 30% of your final grade.

Research Paper

This course is designed for advanced graduate students interested in interdisciplinary approaches to social science. My hope is that I will be learning as much from students across disciplines as they may learn from this course. The best way to learn from each other is through the co-production of knowledge. I want you to think of this course as an opportunity to come up with a research idea based on the materials we discuss in class and fully develop that idea into a research paper. Data-intensive projects with significant empirical component are highly encouraged, and may be jointly written with another student (and/or the instructor) in class. I encourage you to come up with a research idea early on so that you can direct your optional readings accordingly. I will work with each of you individually to identify your topic of interest if you are having difficulty in doing so yourself. If you are currently working on a thesis with an institutional component, I will allow you to continue working on the same project. In such cases, you must contact me at least a week before the proposal is due so I can determine if the paper meets the course objectives. You must also have a written approval from your major professor.

The research project will be structured as six mini projects so that I can make sure you are on the right track.

1. A proposal will be due at the end of week 3 (date: 9/8). It will establish relevance of the research topic and briefly outline the objectives. What is the idea? Why is the topic relevant? What are the objectives? The point is not to come up with the most brilliant idea but rather to get you started early on. Personally, I have found it more productive to commit to an idea and branch out to more interesting ideas than to spend a lot of time searching for one perfect idea. Expected length: 1-2 pages
2. An extended abstract will be due at the end of week 6 (date: 9/29). The abstract will further develop the proposed idea and give me a synopsis of what the paper will be all about. What is the theory that best explains the idea? How do you examine the theory? What evidence do you need? It will also include a tentative bibliography of potential sources that you will rely on as you further develop the paper. Expected length: 4-5 pages
3. Theory and evidence: After week 6, we will dedicate a good portion of our class time to discuss theory and evidence for your project. For those of you doing empirical papers, you will want to discuss with me potential data sources to best answer your question. This component of your paper will be due at the end of week 12 (date: 11/10). Expected length: varies.
4. In your first draft submission, you will put all parts of your research together into a coherent paper. I do not expect a polished product at this stage, but ideas should be sketched out clearly. At minimum, it should have the following parts: introduction, theory, evidence, and conclusion. The introduction should be structured into four paragraphs that answer each of the following questions: a) What is the issue? b) What do we know about it? What is lacking in the current understanding? c) What are you doing to increase understanding? and d) What are your findings? It should then be followed by theory and evidence along with a concise conclusion. Your first draft will be due at the end of week 14 (date: 11/24). Expected length: 12-15 pages
5. I will assign two peer reviewers for each draft. Each reviewer is responsible for writing a

short peer review report on the paper. As you review each paper, please give some consideration to the kind of feedback that you yourself would benefit from. When writing the peer report, please keep an eye towards the papers' connection to the theme of the course. Methodological nitpicking is good but should not detract from substantive comments on the overall purpose and viability of the paper. Be critical but respectful. Note that this will not be a blind review process. Peer review reports are due on 12/1. Expected length: 1-2 pages per report.

6. The final paper will be due on the first day of the exam week (date: 12/14). Based on the peer review reports along with my comments on the first draft, you will make necessary revisions to your paper. The final paper will be a polished product, ideally suitable for submission to a peer-reviewed journal. Expected length: 15-25 pages.

Midterm Exam (Date: 10/13)

Mid-term exam will have two components: an in-class component that will comprise of short-essay style questions based on required readings, and a take-home component that will be based on optional reading materials. The in-class component will not be a surprise if you have done the required readings. For the take-home component of the exam, *I will ask you to pick at least three articles from the list that I have provided, read them carefully, and think about how the insights from those articles will help you with your research project.* You will submit a written report establishing that connection. The purpose of this exercise is to see if you are able to connect existing theories to think systemically about the specific question your research project is attempting to answer.

Final Exam (Date: 12/15/2020)

We will meet and discuss your final papers. Attendance is required to pass the course.

Below is a breakdown of your total grade for this course.

A. Participation	30%
Presentations	20%
Reading responses	10%
B. Midterm	20%
C. Research Paper	50%
Proposal	5%
Extended Abstract	5%
Theory and Evidence	10%
First draft	10%
Two peer reports	5%
Final paper	15%
Total	100%

Grading Criterion

A	90-100
B	80-89.99
C	70-79.99
D	60-69.99
F	0-59.99

Grades will not be curved.

Course Delivery and Communication

I plan to conduct classes in person with hyflex options. This means you may choose to come to class in person or attend remotely. The course relies on knowledge sharing and interaction with your peers, so I expect you to engage with the material and actively participate regardless of the mode of delivery. If you choose to be in class, you must follow NDSU guideline on face coverings, physical distancing, and sanitation. *Please space out at least 6 feet apart in the classroom. Please do not come to class if you are sick, if you have been exposed to individuals who tested positive for COVID-19, or if you have recently attended a large gathering/party.* Part of the course material covers issues of self-governance. The class is an opportunity for all of us to practice self-governance.

Classroom Norms

Use of tablets and laptops is allowed for learning purposes. Because class participation is vital for your success in this course, it is your responsibility to make sure to avoid online distractions (facebook, twitter, messaging). Considering we are in a pandemic, what constitutes a “classroom” is not the same as it was a year ago. You will have to self-monitor yourselves for this to be an effective learning experience.

Attendance Policy

The hyflex model allows students to attend classes remotely if attending in person is not feasible. Attendance is expected and important. However, there are instances in which you are unable to attend class and in which those absences must be excused. These instances are described in NDSU Policy 333 (<https://www.ndsu.edu/fileadmin/policy/333.pdf>). Absences not covered by this policy are excusable at my discretion. Class attendance policies may not have discriminatory effect (intentional or unintentional) on members of a protected class (see NDSU Policy 100, <https://www.ndsu.edu/fileadmin/policy/100.pdf>). Please note that the NDSU Student Health Service does not provide students with excuses for class absences or tardiness due to illness or injury.

Academic Honesty

All students taking any course in the College of Agriculture, Food Systems, and Natural Resources are under the Honor System (<http://www.ag.ndsu.edu/academics/honor-system-1>). The Honor System is a system that is governed by the students and operates on the premise that most students are honest and work best when their honesty, and the honesty of others, is not in question. It functions to prevent cheating as well as penalize those who are dishonest. It is the responsibility of the students to report any violations of the honor pledge to the instructor, honor commission or the Dean of the College of Agriculture, Food Systems, and Natural Resources.

The academic community is operated on the basis of honesty, integrity, and fair play. [NDSU Policy 335: Code of Academic Responsibility and Conduct](#) applies to cases in which cheating, plagiarism, or other academic misconduct have occurred in an instructional context. Students found guilty of academic misconduct are subject to penalties, up to and possibly including suspension and/or

expulsion. Student academic misconduct records are maintained by the [Office of Registration and Records](#). Informational resources about academic honesty for students and instructional staff members can be found at www.ndsu.edu/academichonesty.

Students with special requirements

Any students with disabilities or other special needs, who need special accommodations in this course are invited to share these concerns or requests with the instructor as soon as possible. The instructor may ask for verification and that, plus other assistance, can be requested from Disability Services in the Lower Level of the NDSU Library (231-8463).

<http://www.ndsu.edu/disabilityservices/>.

Veterans and military personnel

Veterans or military personnel with special circumstances or who are activated are encouraged to notify the instructor as early as possible.

Well-being Resources on Campus and in the Community

As a member of the NDSU community, resources are available for you should you need help in dealing with adverse reactions to things happening in the world today. A variety of resources are listed below:

For students on campus and remotely (telehealth):

Counseling Services: 701-231-7671

Disability Services: 701-231-8463

Student Health Service: 701-231-7331

In a crisis or emergency situation:

Call University Police: 701-231-8998

Call 911

Go to a Hospital Emergency Room

Go to Prairie St. Johns for a Needs Assessment: 701-476-721 (510 4th St. S.)

Call the FirstLink Help Line: 1-800-273- TALK (8255) or 2-1-1

Call Rape and Abuse Crisis Center: 701-293-7273

Important Dates-Fall 2020

September 7	Labor Day holiday (no classes/offices closed)
September 2	Last day to add classes via Campus Connection
September 2	Last day for no-record drop of classes @ 100% refund
September 2	Last day to withdraw to 0 credits @ 100% refund
September 8	Financial Aid applied to Student Accounts
September 14	Last day to submit request to audit, pass/fail
September 18	Undergraduate fall graduation application due
September 18	Graduate student fall Graduate Degree applications due
October 16	Grades of Incomplete convert to F
November 2	Spring registration begins
November 11	Veteran's Day (no classes/offices closed)

November 13	Last day to withdraw to 0 credits
November 13	Last day to drop classes with record (W)
November 25-27	Thanksgiving (offices open on Friday)
November 30	Fall commencement participation deadline
December 7-11	Dead Week
December 14-18	Final Examinations
December 18	Commencement

COURSE SCHEDULE

Date	Topic	Activity
8/25	Introduction: What are institutions? The ‘Golden Triangle’ of New Institutional Economics	
9/1	A. Property Rights	
9/8	B. Transaction Costs	Proposals due
9/15	C. Contracts Social Capital, Norms, Culture, and Collective Action	
9/22	A. Social Capital	
9/29	B. Norms and Culture	Extended abstract due
10/6	C. Collective Action	
10/13		Midterm and your papers
	Polycentricity, Co-production, and Institutional Diversity	
10/20	A. Polycentricity	
10/27	B. Co-production	Talk by Pablo Paniagua
11/3	C. Institutional Diversity	
	Applications	
11/10 & 11/17	A. Community and Crisis	Theory and evidence due (11/10)
11/24 & 12/1	B. Institutions and Economic Development	First draft due (11/24) Peer review reports due (12/1)
12/8	C. Other Issues and Applications	
12/15	Presentations	Final Paper due (12/14)

List of Required Readings

A. Week 1: Introduction (8/24)

- North, D. (1991), 'Institutions', *Journal of Economic Perspectives*, 5(1): 97-112.
 Ostrom, E. (1986). An agenda for the study of institutions. *Public Choice*, 48(1), 3-25.
 Williamson, O. (2000), 'The New Institutional Economics: Taking Stock, Looking Ahead', *Journal of Economic Literature*, 38: 595-613.

The 'Golden Triangle' of New Institutional Economics

B. Week 2: Property Rights

- Demsetz, H. (1974). Toward a theory of property rights. In *Classic Papers in Natural Resource Economics* (pp. 163-177). Palgrave Macmillan, London.
 Schlager, E., & Ostrom, E. (1992). Property-rights regimes and natural resources: a conceptual analysis. *Land Economics*, 249-262.
 Williamson, C. R., & Kerekes, C. B. (2011). Securing private property: formal versus informal institutions. *The Journal of Law and Economics*, 54(3), 537-572.

C. Week 3: Transaction Costs

- Coase, R. (1937). 'The Nature of the Firm', *Economica*, New Series, 4(16): 386-405.
 Coase, R. H. (1960). The problem of social cost. In *Classic papers in natural resource economics* (pp. 87-137). Palgrave Macmillan, London.
 Barzel, Y. (1985). Transaction costs: are they just costs?. *Journal of Institutional and Theoretical Economics*, (H. 1), 4-16.
 North, D. C. (1987). Institutions, transaction costs and economic growth. *Economic inquiry*, 25(3), 419-428.

D. Week 4: Contracts

- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge; New York: Cambridge University Press. (Chapters 12 and 13)
 Greif, A. (2005). Commitment, coercion, and markets: The nature and dynamics of institutions supporting exchange. In *Handbook of new institutional economics* (pp. 727-786). Springer, Boston, MA.

Social Capital, Norms, Culture, and Collective Action

E. Week 5: Social Capital

- Sobel, J. (2002). Can we trust social capital?. *Journal of Economic Literature*, 40(1), 139-154.
 Manski, C. F. (2000). Economic analysis of social interactions. *Journal of Economic Perspectives*, 14(3), 115-136.
 Glaeser, E. L., Laibson, D., & Sacerdote, B. (2002). An economic approach to social capital. *The Economic Journal*, 112(483), F437-F458.
 Rayamajhee, V. & Bohara A. (2019). Social Capital, Trust, and Collective Action in post-earthquake Nepal. *WP*

F. Week 6: Norms and Culture

Ostrom, E., Walker, J., & Gardner, R. (1992). Covenants with and without a sword: Self-governance is possible. *American Political Science Review*, 86(2), 404-417.

Guiso, L., Sapienza, P., & Zingales, L. (2006). Does culture affect economic outcomes?. *Journal of Economic Perspectives*, 20(2), 23-48.

Greif, A. (1994). Cultural beliefs and the organization of society: A historical and theoretical reflection on collectivist and individualist societies. *Journal of political economy*, 102(5), 912-950.

G. Week 7: Collective Action

Olson, M. (1965). *The logic of collective action* (Vol. 124). Harvard University Press. (select chapters TBD)

Ostrom, E. (2000). Collective action and the evolution of social norms. *Journal of economic perspectives*, 14(3), 137-158.

Ostrom, E. (2003). How types of goods and property rights jointly affect collective action. *Journal of theoretical politics*, 15(3), 239-270.

H. Week 8: Midterm and Your Papers

Polycentricity, Coproduction, and Institutional Diversity

I. Week 9: Polycentricity

Ostrom, V., Tiebout, C. M., & Warren, R. (1961). The organization of government in metropolitan areas: a theoretical inquiry. *American Political Science Review*, 55(4), 831-842.

Ostrom, E. (2010). Beyond markets and states: polycentric governance of complex economic systems. *American economic review*, 100(3), 641-72.

Aligica, P. D., & Tarko, V. (2012). Polycentricity: from Polanyi to Ostrom, and beyond. *Governance*, 25(2), 237-262.

J. Week 10: Co-production

Aligica, P. D., & Tarko, V. (2013). Co-production, polycentricity, and value heterogeneity: the Ostroms' public choice institutionalism revisited. *American Political Science Review*, 107(4), 726-741.

Brandsen, T., & Pestoff, V. (2006). Co-production, the third sector and the delivery of public services: An introduction. *Public management review*, 8(4), 493-501.

Rayamajhee, V., Storr, V. H., & Bohara, A. (2020). Social entrepreneurship, co-production, and post-disaster recovery. *Disasters*.

K. Week 11: Institutional Diversity

Crawford, S. E., & Ostrom, E. (1995). A Grammar of Institutions. *American Political Science Review*, 89(3), 582-600.

- Ostrom, V., & Ostrom, E. (1999). Public goods and public choices. In *Polycentricity and local public economies. Readings from the workshop in political theory and policy analysis* (pp. 75-105). Ann Arbor, MI, USA: University of Michigan Press.
- Ostrom, E. (2003). Understanding the Diversity of Structured Human Interactions. In *Understanding Institutional Diversity* (pp. 4-33). Princeton University Press.
- Rayamajhee, V., & Paniagua, P. (2020). The Ostroms and the contestable nature of goods: Beyond taxonomies and toward institutional polycentricity. *Journal of Institutional Economics*.

APPLICATIONS

L. Week 11-12: Community and Crisis

- Bauer, M., Blattman, C., Chytilová, J., Henrich, J., Miguel, E., & Mitts, T. (2016). Can war foster cooperation?. *Journal of Economic Perspectives*, 30(3), 249-74.
- Sinding Bentzen, J. (2019). Acts of God? Religiosity and Natural Disasters Across Subnational World Districts*. *The Economic Journal*. <https://doi.org/10.1093/ej/uez008>
- Rayamajhee, V. (2020). “On the Dynamic Nature of Goods: Application in post disaster contexts.” In *The Political Economy and Social Philosophy of Vincent and Elinor Ostrom*, (eds.) Peter J. Boettke, Bobbi Herzberg, and Brian Kogelmann. Rowman and Littlefield International.
- Gingerich, D., & Vogler, J. P. (2020). Pandemics and Political Development: The Electoral Legacy of the Black Death in Germany. *Available at SSRN 3578732*.
- Bologna Pavlik, J., & Geloso, V. (2020). Economic Freedom and the Economic Consequences of the 1918 Pandemic. *Contemporary Economic Policy*. [Available at SSRN 3608178](https://ssrn.com/abstract=3608178).

M. Week 13-14: Institutions and Economic Development

- North, D. C. (1994). Economic performance through time. *The American economic review*, 84(3), 359-368.
- Olson, M. (1996). Big bills left on the sidewalk: why some nations are rich, and others poor. *Journal of Economic Perspectives*, 10(2), 3-24.
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American Economic Review*, 91(5), 1369-1401.
- Acemoglu, D., Johnson, S., & Robinson, J. (2005). The rise of Europe: Atlantic trade, institutional change, and economic growth. *American Economic Review*, 95(3), 546-579.
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of Economic Growth*, 1, 385-472.
- Landes, D. S. (2006). Why Europe and the West? Why Not China?. *Journal of Economic Perspectives*, 20(2), 3-22.
- Iyer, L. (2010). Direct versus indirect colonial rule in India: Long-term consequences. *The Review of Economics and Statistics*, 92(4), 693-713.

Dell, M. (2010). The persistent effects of Peru's mining mita. *Econometrica*, 78(6), 1863-1903.

Dell, M., Lane, N., & Querubin, P. (2018). The historical state, local collective action, and economic development in Vietnam. *Econometrica*, 86(6), 2083-2121.

N. Week 15: Other Issues and Applications

Boettke, P. J., Coyne, C. J., & Leeson, P. T. (2008). Institutional stickiness and the new development economics. *American journal of Economics and Sociology*, 67(2), 331-358.

Williamson, C. R. (2009). Informal institutions rule: institutional arrangements and economic performance. *Public Choice*, 139(3-4), 371-387.

Dell, M. (2012). Path dependence in development: Evidence from the Mexican Revolution. *Harvard University, mimeograph*.

Skarbek, D. (2011). Governance and prison gangs. *American Political Science Review*, 105(4), 702-716.

O. Week 16: Final Paper due/Presentations

Last updated: August 12, 2020