Economics of Institutions

Pavel Kuchař, Spring 2015

pavel.kuchar@ugto.org

Tuesdays and Thursdays 6:00 pm – 8:00 pm

Room B- 102, DCEA, University of Guanajuato

All economic activity takes place within a framework of institutions, including both formal laws and contracts, and informal norms and conventions. Students of this course will reflect on recent approaches to the study of institutions in economics and discuss original texts dealing with application of institutional analysis to economic history and development. Throughout the course we will, among other things, look into these questions: Does social capital have economic payoff? Did medieval judicial ordeals accurately assign accused criminals' guilt and innocence? How did the early Maghribi traders enforce their contracts? Is the common law efficient? How magicians protect intellectual property without law? How legalizing abortions influences crime rates?

We will look into the microfoundations of institutional rules, such as rights that individuals, groups and organizations have to resources (property rights). We will examine different forms of production and exchange governance (markets, contracts, hierarchies). Students will learn how to apply the economic way of thinking to the analysis of emergence and change of institutional rules, standard economic methods will be applied to comparative institutional analysis of legal rules, informal norms, beliefs, mental models, and effects of institutions on entrepreneurship and innovation.

Before entering this course students will have passed the Área I courses and level IV English language exam or have reached the corresponding TOEFL score.

Literature


Topics

1) Introduction.


2) What are Institutions?

North, Douglass C. An introduction (ch. 1), Cooperation (ch.2), The behavioral assumptions (ch.3), A transaction cost theory of exchange (ch.4), Informal constraints (ch.5), Formal constraints (ch.6), Enforcement (ch.7), Institutions and transaction and transformation costs (ch. 8) in Institutions, Institutional Change and Economic Performance. Cambridge University Press, 1990.


3) Theories of Institutional Change


doi:http://dx.doi.org/10.1017/S1744137409001271.


4) Efficient Institutions


5) Beliefs and Institutions


6) Social Conflict


7) Emergent Patterns and Spontaneous Order


8) Entrepreneurship and Institutions


9) Commons: Institutions of Collective Action


10) Norms and Rights of Intellectual Property


11) Economic Analysis of Law


12) Purposive Action and Legal Evolution

Commons, John R. Legal Foundations of Capitalism. Univ of Wisconsin Pr, 1957.
Vromen, J J 1995, Cultural Evolution (ch. 8) and Realist Reconstruction (ch.9) Economic evolution: an enquiry into the foundations of new institutional economics, Routledge, London and New York.

Evaluation

The main course requirement is a research paper on any topic of your choice broadly related to the material covered in class. The 3000 words essay will count for 60% of the grade. The quality of the argument (a valid claim, persuasive reasoning and/or evidence supporting the claim) along with formal language aspects will be considered. Students will be required to participate in peer review. The goal is to find an interesting idea and begin to think about how to apply the tools from this course to study it. We will devote some time to brief presentations of research proposals. A number of problem sets will be assigned throughout the semester. The solution of these problem sets will be worth 40% of your final grade. The evaluation ranges from
0 to 10 through increments of 0.5. Only an evaluation equal or greater than 7 counts as a pass. The working language of the course is English.

**Policies**

Unless you have an official leave of absence confirmed by the university, there is no way of making up for scheduled exams in case you cannot take them. If you do not take the exam or fail to submit an assignment in time you will receive an evaluation of zero for this exam or assignment. If you have an official leave of absence, please talk to me immediately. Even if you do not have an official leave of absence, it is generally recommended you turn in the assignment anyway. In such a case your evaluation will be discounted by 20% for each day you are late. In case you had a conflict with another exam, please approach me as soon as possible.

- Come to class on time!
- Turn off any electronic device that might possibly make a sound during the class
- Do not eat, drink, read newspapers, magazines or similar. Do not maintain conversations irrelevant to our work in the class.

**Disability assistance**

If you need any special disability assistance please let me know during the first week of the semester so that I can arrange for the required help.

**Academic integrity**

In this class we follow the Academic Integrity Code:

„No student will lie or cheat or plagiarize or tolerate those who do so."

At the moment of entering the University, every student assumes an obligation to maintain the code, accept the responsibility to learn and to follow the philosophy of professional ethics. It is required that students apply the code while taking exams, submitting assignments or working on their research. Ignoring the rules does not excuse any person from being subject to a corresponding punishment. In case there is an evidence of a conduct breaching the Academic Integrity Code, the student will be assigned an evaluation of zero in the corresponding exam or assignment. Furthermore, the student will be subject to an administrative process carried out by the Committee of Honor and Justice of the DCEA which has the power to suspend or expel the student that has been found guilty. Please do not plagiarize. Realize that if you found it online, I can do so too! What is appreciated is your effort in learning, not the possession of a solution. If you are not sure what plagiarism is, consult this source.
Code of behavior in my classroom

As a student you will
- Contribute to a constructive conversation, be concise.
- Tackle the argument not the person, no insults.
- Remember that raising your voice does not make you any more persuasive

As your lecturer I will
- Guide you through the subject matter in a more interesting way
- Consider your ideas with full attention
- Attend to your needs so that you benefit from our time together as much as possible