

Institutional Analysis

AAEC 6306

Meeting Times: TuTH 2:00 – 3:20

AGRI 208

Adam Martin

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Office Hours: By appointment

Catalogue Course Description: Introduces students to the major ideas and methods used in institutional economics, covering topics such as private and common property, customs, and constitutions.

Course Purpose: Institutions such as property rights, contract law, and social customs play a central role in shaping economic activity and resource usage. Economic actors both create and are influenced by rules, norms, and organizations. This course introduces students to the economic analysis of institutions, examining both how institutions come into existence and what their effects are. Course material emphasizes the conceptual issues at stake rather than on formal modeling, though students will read some quantitative literature and are welcome to pursue econometric research projects.

As a graduate course, class sessions will primarily be discussion based. The goal is not ‘knowledge transference’ from the professor to the students but rather ‘joint inquiry.’ By the end of the semester, you should be equipped to *contribute* to the institutional economics literature rather than only being a consumer of it. The primary assignments of the semester involve developing paper proposals, writing the first draft of a research paper, and revising that draft.

Learning Outcomes

By the end of this course, students should be able to:

- Analyze and comprehend different approaches to the economic analysis of institutions.
- Apply key economic concepts used in institutional analysis.
- Evaluate the role that institutions and organizations play in governing economic activity.
- Produce a scholarly contribution to the field of institutional economics or a related field.

Required Texts

Half of the course focuses on a relatively fixed set of readings that cover the basics of new institutional economics. These readings will include both contemporary and classic work in the field, especially from the Nobel laureates that have contributed to it: F.A. Hayek, James Buchanan, Douglass North, Vernon Smith, Elinor Ostrom, and Oliver Williamson. The other half focuses on a few contemporary and classic books in institutional economics and related fields such as economic sociology, economic anthropology, economic history, public choice, and philosophy, politics and economics.

The required books for Fall 2023 are:

Mark Granovetter, *Economy and Society* (2017).

Peter Leeson, *Anarchy Unbound* (2014).

Elinor Ostrom, *Governing the Commons* (1990).

Mario Rizzo and Glen Whitman, *Escaping Paternalism* (2019).

Bart Wilson, *Meaningful Economics* (manuscript in progress, will be provided).

The rest of the readings, both required and optional, will be available via a Dropbox folder link.

Grading

Grades are based on participation (10%), presentations (30%), and writing (60%).

Participation: Students will submit discussion questions based on the readings. Questions should be substantive (25-100 words each including setup). Questions will be graded based on two criteria: evidence that you have done the reading and thoughtfulness. Good questions will be circulated at the beginning of class to stimulate discussion.

Presentations: Each time students turn in a short paper (detailed below), they will also give a short pitch for your paper idea. It should be 3-5 minutes long. They will pitch the paper as if they were at a conference and another participant asks, “What is the next project you will be working on?” The assumption is that you have not done the research yet but know enough to propose a feasible project.

At the end of the semester students will do a fuller conference style presentation based on the rough draft that is due the week before. You will also offer formal comments on the rough draft of a classmate whose paper you will have read. These are scheduled for Tuesday December 5. If we cannot fit all the papers in at that time we will do the rest during the scheduled final exam time on December 9.

Students will also present two of the optional article readings over the course of the semester. These presentations should be 10-15 minutes long and convey the main argument of the article. Students will sign up for articles to present on Blackboard at regular intervals.

Writing: The writing component of the class is designed with the goal of generating academic research. *All papers should be double spaced with page numbers and include a word count and abstract at the beginning.* Writing has three components:

Short Papers: Students will turn in three short papers in the first half of the semester. Each of these should be 1,000 - 1,200 words. The idea of the short papers is to learn how to generate new research ideas. So only a small portion of any given assignment should consist of literature review or summaries of readings. *No block quotes.* I want to see the original idea written up as if it were the introduction to a full-blown paper on your topic, *including an abstract and an outline.*

Include a list of references. Do not feel constrained by the particular topics we are discussing at that point in the class. Due dates for these are September 12, September 26, and October 10.

Term Paper and Referee Report: After students have turned in your three short papers, they will pick one of them (or another idea) to develop into a term paper in consultation with me. The rough draft should be at least 5,000 words long; it will not necessarily be an entire paper, but the literature review and structure of the argument should be present and obvious. This version of the paper will not be graded, but there will be a 20 point penalty for the term paper grade for every day that it is late. This first draft is due November 16.

Members of the class will read and provide feedback on each other's rough drafts in the form of referee reports, as if the paper were submitted to an academic journal. Referee reports will count the same as a short paper assignment. The goal is to provide thoughtful feedback and criticism, providing helpful comments for ideas that should be developed further and critiques of arguments that should be changed or abandoned. The referee report is due November 30.

Students will be given the referee report and will then turn in a final draft taking account of the feedback they have received. This draft should be at least 6,000 words long. The final grade will depend both on the absolute quality of the work and the improvement from one draft to the next. It is worth half of the writing portion and due on December 16.

[ADA, ACADEMIC INTEGRITY, and RELIGIOUS HOLY DAY STATEMENTS are here.](#)

Topics and Readings

These are a sample of the core articles, not including semester-specific readings. The timeline for both appears at the end.

I. Introduction: What is Institutional Economics?

Buchanan, James M. 1964. "What Should Economists Do?" *Southern Economic Journal* 30.

Coase, Ronald H. 1992. "The Institutional Structure of Production." *The American Economic Review* 82.

Skarbek, David. 2020. "Qualitative Research Methods for Institutional Analysis," *Journal of Institutional Economics* 16.

II. Choice and Exchange

Key ideas: altruistic punishment, bounded rationality, costly signaling, limited benevolence, reciprocity, reputation, transaction costs

Alchian, Armen. 1950. "Uncertainty, Evolution, and Economic Theory." *Journal of Political Economy* 58.

Boettke, Peter J., Christopher J. Coyne, And Peter T. Leeson (2006). "Man as Machine: The Plight of 20th Century Economics," *Annals of the Society for the History of Economic Thought*.

Buchanan, James. M. 1969. *Cost and Choice* Chapter 1 (pp. 3-16) and the first part of Chapter 3 (pp. 37-42).

Smith, Vernon. 1998. "The Two Faces of Adam Smith," *Southern Economic Journal* 65.

Smith, Vernon. 2004. "Human Nature: An Economic Perspective." *Daedalus* Vol. 133.

III. Norms and Institutions

Key ideas: enforcement, expectations, positions, rules

Cheung, Steven. 1973. "The Fable of the Bees: An Economic Investigation." *Journal of Law and Economics* 16.

Crawford, Sue E. S., and Elinor Ostrom. 1995. "A Grammar of Institutions." *American Political Science Review* 89.

North, Douglass C. 1994. "Economic Performance Through Time." *American Economic Review* 84.

Ostrom, Elinor. 2000. "Collective Action and the Evolution of Social Norms." *The Journal of Economic Perspectives* 14.

Williamson, Oliver, E. 2000. "The New Institutional Economics: Taking Stock, Looking Ahead." *Journal of Economic Literature*, 38.

IV. Property, Property Rights, and Contracts

Key ideas: anti-commons, agency problems, Coase theorem, social cost, transference

Alchian, Armen and Harold Demsetz. 1973. "The Property Right Paradigm." *Journal of Economic History* 33.

Coase, Ronald H. 1960. "The Problem of Social Cost." *Journal of Law and Economics* 3.

Leeson, Peter T. and Colin Harris. 2018. "Wealth-Destroying Property Rights," *World Development* 2018.

Williamson, Oliver E. 1979. "Transaction-Cost Economics: The Governance of Contractual Relations." *The Journal of Law and Economics* 22.

V. Organizations and Club Governance

Key ideas: club goods, economies of scale, incentive alignment, monitoring, residual claimancy

Alchian, Armen and Harold Demsetz. 1972. "Production, Information Costs, and Economic Organization." *American Economic Review* 62.

Buchanan, James, and Gordon Tullock. 1962. *The Calculus of Consent*, Chapters 4-6.

Coase, Ronald H. 1937. "The Nature of the Firm," *Economica* 4.

Leeson, Peter T. 2011. "Governments, Clubs, and Constitutions." *Journal of Economic Behavior and Organization* 80.

Williamson, Oliver E. 2002. "The Theory of the Firm as a Governance Structure: From Choice to Contract," *Journal of Economic Perspectives* 16.

VI. Institutional Analysis and Common Pool Resources

Key ideas: aggregation rules, boundary rules, choice rules, polycentricity, rivalry, use rules

Libecap, Gary D. 2008. "State Regulation of Open-Access, Common-Pool Resources." *Handbook of New Institutional Economics*, ed. Claude Menard and Mary Shirley.

Ostrom, Elinor. 1990. *Governing the Commons*, Chapters 1-3.

VII. Institutions and Entrepreneurship

Key ideas: alertness, discovery, innovation, Knightian uncertainty

Anderson, Terry L. and Peter J. Hill. 2002. "Cowboys and Contracts." *The Journal of Legal Studies* 31.

Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, and Destructive." *Journal of Political Economy* 98.

Kirzner, Israel M. 1997. "Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach." *Journal of Economic Literature* 35

Leeson, Peter T. and Peter J. Boettke. 2009. "Two-Tiered Entrepreneurship and Economic Development." *International Review of Law and Economics* 29.

Martin, Adam and Diana Thomas. "Two-Tiered Political Entrepreneurship and the Congressional Committee System." *Public Choice* 154.

VIII. Comparative Institutional Analysis

Key ideas: efficiency, fairness, reflexivity, robustness

Boettke, Peter. 2018. "Economics and Public Administration." *Southern Economic Journal* 84.

Demsetz, Harold. 1969. "Information and Efficiency: Another Viewpoint." *The Journal of Law & Economics* 12.

Knight, Jack, and James Johnson. 2007. "The Priority of Democracy: A Pragmatist Approach to Political-Economic Institutions and the Burden of Justification." *The American Political Science Review* 101.

Leeson, Peter T. and J. Robert Subrick. 2006. "Robust Political Economy." *Review of Austrian Economics* 19.

Ostrom, Elinor. 2010. "Beyond Markets and States: Polycentric Governance of Complex Economic Systems." *American Economic Review* 100

The tentative reading schedule is below. Specific page assignments will be given each Thursday.

Week	Tuesday	Thursday	Readings
Aug 24		Course Intro	Unit 1
Aug 29-31	Discussion, Lecture	Discussion, Lecture	Unit 2
Sep 5-7	Presentations, Discussion	Discussion, Lecture	Unit 3
Sep 12-14	Pitches, Discussion	No Class	Unit 4
Sep 19-21	Presentations, Discussion	Discussion, Lecture	Unit 4
Sep 26-28	Pitches, Discussion	Discussion, Lecture	Unit 5
Oct 3-5	Presentations, Discussion	Discussion, Lecture	Unit 6
Oct 10-12	Pitches, Discussion	Discussion	Unit 7
Oct 17-19	Discussion	Discussion	Wilson
Oct 24-26	Presentations, Discussion	Discussion	Unit 8
Oct 31-Nov 2	No Class	No Class	
Nov 7-9	Presentations, Discussion	Discussion	Rizzo and Whitman
Nov 14-16	Presentations, Discussion	Discussion	Leeson
Nov 28-30	Presentations, Discussion	Discussion	Granovetter
Dec 5	Paper Presentations		