

**San José State University**  
**Department of Economics**  
**Econ 193: New Institutional Economics**  
**Course No. 44014, Fall 2017**

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<b>Office Hours:</b>	Tuesdays and Thursdays 1PM-3PM
<b>Class Days/Time:</b>	3:00PM-4:15PM Tuesdays and Thursdays
<b>Classroom:</b>	DMH 160
<b>Prerequisites:</b>	Prerequisite: ECON 001B

### **MYSJSU Messaging**

Course materials such as syllabus, handouts, notes, assignment instructions, etc. can be found on [Canvas Learning Management System](http://sjsu.instructure.com) course login website at <http://sjsu.instructure.com>. The student is responsible for regularly checking with the messaging system through [MySJSU](http://my.sjsu.edu) at <http://my.sjsu.edu> to learn of any updates.

### **Course Description(s)**

#### **Catalog Description**

Introduces recent approaches to the study of institutions in economics and other social sciences. Examines how formal and informal institutions, including laws, contracts, norms and conventions, affect economic and political outcomes from a global perspective.

#### **Additional Description**

Institutions constitute the “rules of the game” under which exchanges take place. They are typically composed of formal (rules dictated from an authority) and informal (rules determined among those who follow them) counterparts. The interplay of formal and informal institutions are a critically important role in determining economic development, sustainable growth, and to the well-being of nations, states, and communities. Institutions also determine how well groups overcome collective action problems, conserve common pool resources, and establish rights (political, property, and economic).

In this class, we will explore all these themes by engaging in institutional analysis. Institutional-analysis, or the application of the economic framework to understand institutions, contains significant explanatory power in examining historical events, determining the effectiveness of policies, and explaining the seemingly strange practices and traditions of some societies.

This course requires a solid background in microeconomics (specifically price theory). More importantly, this course also requires a time investment from the students to read through all required readings carefully. New Institutional Economics is, well, new. To have a strong understanding of an emerging area of economic inquiry and apply its insights to address real world problems, students will have to read and read a lot. There is no other way.

### **Course Learning Outcomes and Program Learning Objectives**

To develop and apply insights of New Institutional Economics, This course fits into the following Department of Economics program learning objectives (PLO).

PLO 1: Microeconomics

PLO 4: Specialist Area (Policy Economics, History/Development)

PLO 5: Communication

Upon successful completion of this course, students should be able to demonstrate the following:

CLO 1 Understand the role institutions play in economics.

CLO 2 Recognize the role, benefits, and limits of both formal and informal institutions.

CLO 3 Identify how institutions and social choice rules shape economic prosperity.

CLO 4 Use the rational choice (and microeconomic) framework to understand the emergence of informal institutions and their effect on an economy.

### **Required Texts/Readings**

- *Institutional Economics: Social Order and Public Policy*, Wolfgang Kasper, Manfred Streit, and Peter Boettke
- *The Invisible Hook: The Hidden Economics of Pirates*, Peter T. Leeson

Other required reading for this class consists of economics journal articles and chapters from various economics books. Each required reading outside the two required books listed above, is provided in the reading list section through a hyperlink or through canvas.

### **Assignments and Grading Policy**

Grading in this course will be composed of the follow:

Quizzes	15% (Drop 2)
Midterm	25% (October 9th)
Book Review	25% (December 5th)
Final Exam <b>OR</b> Term Paper	35% (December 18th)

Each component is explained below:

**Quizzes:** The instructor will give one pop (meaning unannounced) quiz a week. The quiz will typically be one question and cover a topic covered in the assigned readings for that week. The lowest two quiz grades will be dropped (the instructor is tough but not unreasonable).

**Midterm/ Final:** The midterm will consist of essay questions and will be administered in class. The questions will be conceptual where the student will be expected to apply findings from the readings to address the economic concepts on the exams. The instructor will provide a study guide a week before each exam. The key to scoring well on the midterm and final is to write concisely but clearly. The final exam will follow a similar format and is cumulative.

**Term Paper (Instead of Final Exam):** Economists (among other high-income occupations) write for a living. Students are given the option to write a term paper on any institutional economics subject (pending instructor approval). This will serve as a substitute for the final exam. The students must let the instructor know no later than September 26<sup>th</sup> if they plan to write instead of take the final. Email these topics, along with 2-3 sources the student plans to use in the paper.

The instructor is available through email or office hours if the student wants to discuss a topic, would like help finding sources, or would like other assistance with their paper. The final draft of the term paper is due the day of the final exam. The paper must be 7-10 double-spaced pages (1-inch margins) and use Chicago style citations (<http://www.bibme.org/citation-guide/chicago/website/>). Grammar and spelling count.

**Book Review:** Students will be required to complete a book review of Peter Leeson's *The Invisible Hook: The Hidden Economics of Pirates*. The book review must be between 3-5 double spaced pages (Times New Roman, 12 point font, 1-inch margins). In the review, the student must (1) summarize the main findings and economic concepts used to analyze pirate societies, (2) write about what the reader found most interesting, and (3) come up with a criticism of the book (something the student thinks is wrong, something unconvincing, etc.) and (4) a question the student would have liked to see the author address. Be sure to have each component in the book report. Grammar and spelling count.

### Grading Criterion

97-100A+	93-96 A	90-92 A-
87-89 B+	83-86 B	80-82 B-
77-79 C+	73-76 C	70-72 C-
67-69 D+	63-66 D	60-62 D-
59.9 or below F		

Final grades will be rounded. Opportunities for extra credit will be discussed as the semester progresses.

### Classroom Protocol

This class covers a wide variety of subjects in a short period of time. Although this course is primarily lecture format, much can be learned through interacting with classmates and the

instructor. Take advantage of time in the classroom! Ask questions. Challenge the authors or the instructor's interpretations. Ideas shape the world, but only when they withstand scrutiny.

The instructor is not a Luddite. Feel free to bring printouts of articles, Kindles, laptops, or other electronics to class. Although laptops can serve as a distraction, the instructor trusts believes the students have the ability focus during the class time. Be warned, most learning occurs when notes are handwritten and not typed.

### University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' Syllabus Information web page at <http://www.sjsu.edu/gup/syllabusinfo/>.

### Course Schedule

Week	Date	Topics	Readings
1	8/24	Introduction/ Foundations	None
2	8/29, 8/31	Foundations	Institutional Economics Ch. 2-4
3	9/5, 9/7	Foundations	Institutional Economics Ch. 5.1, 5.4., and Ch. 6
4	9/12, 9/14	Collective Action	[1]
5	9/26, 9/28	Formal and Informal Institutions	[2]
6	10/3, 10/5	Spontaneous Orders	[3]
7	10/10, 10/12	Development	[4]
8	10/17, <b>10/19</b>	Development	[5], <b>Midterm 10/19</b>
9	10/24, 10/26	Anarchy	[6]
10	10/31, 11/2*	Strange (but Efficient!)	[7], <b>*Book Report due 11/2</b>
11	11/7, 11/9	Policentricity	[8]
12	11/14	Common Pool Resources	[9], <b>No Class on the 16<sup>th</sup></b>
13	11/21, 11/23	<b>Happy Thanksgiving!</b>	<b>None</b>
14	11/28, 11/30	Institutional Changes	[10]
15	12/5, 12/7	Comparative Economic Systems	[11]
16	<b>12/18**</b>	<b>Final Exam or Term Paper</b>	<b>2:45PM-5:00PM</b>

**Dates in bold are exam dates**

\*Book review due

\*\*Optional term paper due

## Reading List

[1]

The Logic of Collective Action, Mancur Olsen, Ch. 1-2 (skip pages 22-33 until “non-technical summary of Section D).

[https://moodle.drew.edu/2/pluginfile.php/225050/mod\\_resource/content/2/Olson%20%281967%29%20Logic%20of%20Collective%20Action%20%28book%29.pdf](https://moodle.drew.edu/2/pluginfile.php/225050/mod_resource/content/2/Olson%20%281967%29%20Logic%20of%20Collective%20Action%20%28book%29.pdf)

[2]

Institutions, Institutional Change, and Economic Performance, Douglass North Ch. 4-7

*On Canvas*

[3]

The Result of Human Action and Not of Human Design, F.A. Hayek

<https://asp.mercatus.org/system/files/The%20Results%20of%20Human%20Action%20but%20not%20of%20Human%20Design.pdf>

Cosmos and Taxis, F.A. Hayek

[http://www.sjsu.edu/people/john.estill/courses/158-s15/Law\\_Legislation\\_and\\_Liberty\\_-\\_Taxis\\_and\\_Cosmos.pdf](http://www.sjsu.edu/people/john.estill/courses/158-s15/Law_Legislation_and_Liberty_-_Taxis_and_Cosmos.pdf)

[4]

Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor?, Mancur Olsen

[https://projects.iq.harvard.edu/gov2126/files/olson\\_1996.pdf](https://projects.iq.harvard.edu/gov2126/files/olson_1996.pdf)

From Subsistence to Exchange, Peter Bauer

<http://press.princeton.edu/chapters/s6828.pdf>

Searchers and Planners, William Easterly *The White Mans Burden*

*On Canvas*

[5]

Institutional Stickiness and the New Development Economics, Peter J. Boettke, Christopher J. Coyne, and Peter T. Leeson

<http://www.peterleeson.com/stickiness.pdf>

[6]

An American Experiment in Anarcho-Capitalism: The Not So Wild Wild West, Terry Anderson and P.J. Hill

[https://mises.org/system/tdf/3\\_1\\_2\\_0.pdf?file=1&type=document](https://mises.org/system/tdf/3_1_2_0.pdf?file=1&type=document)

Better off Stateless: Somalia before and After Government Collapse, Peter T. Leeson

[http://www.peterleeson.com/Better\\_Off\\_Stateless.pdf](http://www.peterleeson.com/Better_Off_Stateless.pdf)

[7]

Ordeals, Peter T. Leeson  
<http://www.peterleeson.com/Ordeals.pdf>

Sassywood, Peter T. Leeson and Christopher J. Coyne  
<http://www.ccoyne.com/Sassywood - Final.pdf>

[8]  
Polcentricity: from Polanyi to Ostrom, and Beyond, Paul Dragos and Vlad Tarko  
<https://vladtarko.files.wordpress.com/2015/05/2012-aligica-tarko-polycentricity.pdf>

Polycentricity: The Structural Basis of Self-Governing Systems, Vincent Ostrom  
*On Canvas*

[9]  
Governing the Commons Ch. 1&2, Elinor Ostrom  
[http://wtf.tw/ref/ostrom\\_1990.pdf](http://wtf.tw/ref/ostrom_1990.pdf)

[10]  
Understanding the Process of Economic Change Chapters 7-9, Douglass North (43)  
*On Canvas*

[11]  
Comparative Historical Political Economy, Peter J. Boettke, Christopher J. Coyne, and Peter T. Leeson  
[http://www.peterleeson.com/Comparative\\_Historical\\_Political\\_Economy.pdf](http://www.peterleeson.com/Comparative_Historical_Political_Economy.pdf)

The New Comparative Economics, Simeon Djankov, Edward Glaeser, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer  
[https://scholar.harvard.edu/files/shleifer/files/newcompecon\\_jce.pdf](https://scholar.harvard.edu/files/shleifer/files/newcompecon_jce.pdf)