

Institutional Analysis: Concepts and Applications
POLS Y673/ECON E724/SPEA P710
TR 1:00–2:15 p.m.
Ostrom Workshop, 513 N. Park Ave., Tocqueville Room, 1st Floor

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COURSE DESCRIPTION

The basis of institutional analysis is that formal institutions (e.g., laws) and informal institutions (e.g. norms) are important determinants of individual and group behavior. Behavior, in turn, affects socio-economic development. In the first part of the course, our initial focus is to take institutions as exogenous and understand how institutions lead to different socio-economic paths of development. After understanding the grand forces at play in shaping development paths, we will explore at a more micro level the outcomes of institutions, e.g. the rights that individuals and groups have to resources (property rights); and the forms of organization of production and exchange (markets and contracts). In Part II of the course, we explore the determinants of formal institutions (interest groups, legislative, executive and judicial branches, and the bureaucracy), taking as fixed the basic constitutional rules and the current realization of economic performance. In part III, we analyze the circumstances under which norms and beliefs can change and how those changes can lead to transitions to different economic and political trajectories (beliefs, leadership, constitutions). Throughout the course, we use case studies as well as econometric evidence to help students engage in applied work in institutional analysis.

REQUIREMENTS

This is a writing-heavy and participation-heavy course. Students are required to produce a 1-page precis to be submitted on Wednesdays no later than 5pm. The precis should summarize the main arguments in the weekly readings, and formulate observations and questions. An excellent precis seeks to relate the readings to each other and with material covered in the previous weeks. In addition, each week on Thursday a student will be the residual claimant of the readings. She or he will be the first to reply to questions about the readings from others in the class. Finally, a good portion of your grade in this course will depend on the final research paper. Each student will present an outline of the paper in class on week 10 and receive feedback from fellow students and instructors. Students will submit an electronic copy of their complete outline with bibliography to the instructors no later than October 23 at 5pm. We will repeat the same exercise on weeks 15 and 16 for the first draft of the paper, which is due no later than November 27 at noon. This time, however, students will not present in class. Instead, the papers will be made available to students on CANVAS ahead of time. It will be your responsibility to read the papers

and come prepared with comments and suggestions. The final draft of the paper is due on Sunday, Dec. 11 at midnight. The course culminates in a mini-conference. More information about the mini-conference is available at <https://ostromworkshop.indiana.edu/resources/archives/mini-conference.html>.

GOALS OF THE COURSE

The basic goal of this class is to provide you with a toolkit that will sharpen their ability to analyze institutions in their social, political, economic, and legal context; to see institutions as a major driver of development in historical as well as contemporary societies; and to learn from what worked and what did not work in the development of institutions through time in order to better understand the challenges ahead. This kind of analysis requires an interdisciplinary approach, which is best developed when students with different disciplinary background come together to share ideas. This course also aims at developing your skills as researchers by exposing you to a variety of social scientific research methods. Finally, this course aims at improving your writing and presentation skills through targeted exercises, including the weekly précis, the residual claimancy, class presentations, and the mini-conference.

REQUIRED READINGS

All readings on the syllabus are required. Links to selected readings as well as working papers are available on the online copy of the syllabus (<https://ostromworkshop.indiana.edu/opportunities/courses/index.html> or ON CANVAS). If you wish more sources relevant to any area that we cover, especially in preparation for your final paper, please let us know.

COMPONENTS OF GRADE

Class participation 40%
Weekly précis 10%
First draft and presentation 25%
Final paper 25%

STUDENTS WITH DISABILITIES

If any student will require assistance or academic accommodations for a disability, please contact us after class, during our office hours, or by individual appointment. You must have established your eligibility for disability support services through the Office of Disability Services for Students in Wells Library W302, 812-855-7578.

RELIGIOUS HOLIDAYS

It is the policy of Indiana University that instructors must reasonably accommodate students who want to observe their religious holidays at times when academic requirements conflict with those observances. This policy is intended to ensure that both faculty and students are fully aware of their rights and responsibilities in the accommodation of students' religious observances. If a

conflict with a religious observance exists, a student must make a request to the instructor for a reasonable accommodation for that observance by the end of the second week of the course. Students seeking accommodations for religious observances can find the necessary form here: <http://www.indiana.edu/~vpfaa/forms/index.shtml>.

ACADEMIC MISCONDUCT

Academic misconduct is defined as any activity that tends to undermine the academic integrity of the institution. Academic misconduct includes, but is not limited to, the following: cheating, fabrication, plagiarism, interference, violation of course rules, and facilitating academic dishonesty. The faculty member may take into account the seriousness of the violation in assessing a penalty for acts of academic misconduct. The faculty member must report all cases of academic misconduct to the dean of students, or appropriate official. The university may discipline a student for academic misconduct.

SYLLABUS

Week 1 Introduction to the course Aug 23-25

Tuesday: Overview of the course and requirements
No readings

Thursday: The Framework: three levels of institutional analysis
Readings:
- Alston et al. Introduction (ON CANVAS)

Week 2: History and methodology Aug 30- Sept 1

Tuesday: Methodology
Readings:

- Fogel, R. 1982. "Circumstantial Evidence in 'Scientific' and Traditional History." In *Philosophy of History and Contemporary Historiography*, edited by Carr et al. University of Ottawa Press.
- Alston, L. 2008. "The "Case" for Case Studies in New Institutional Economics," in: Brousseau E. and J.-M. Glachant (eds.) *New Institutional Economics*. CUP, pp. 103-121.
- Bates, R. H. 1998. "Introduction," in *Analytic narratives*. Princeton University Press. (ON CANVAS)

Thursday: Institutional Analysis from a Founder
Readings:

- Coase, R. 1991 ["The Institutional Structure of Production,"](#) Nobel Prize Lecture.
- Coase, R. 1960. ["The Problem of Social Cost,"](#) *The Journal of Law & Economics*, Vol. 3, pp. 1-44.

Week 3 Institutions Sept 6-8

Readings:

Tuesday:

- Alston et al. chapter 2

Thursday:

- Ellickson, R. 1986. [“Of Coase and Cattle: Dispute Resolution Among Neighbors in Shasta County,”](#) 38 *STAN. L. REV.* 623-87.
- Clay, K. and G. Wright, 2005. [“Order Without Law? Property Rights During the California Gold Rush,”](#) *Explorations in Economic History*, v42, n2: 155-183.
- Eggertsson, T. 2011. [“The Evolution of Property Rights: The Strange Case of Iceland’s Health Records,”](#) *International Journal of the Commons*, Vol. 5(1).

Week 4 Property Rights Sept 13-15

Readings:

Tuesday:

- Alston et al. chapter 3

Thursday:

- Libecap G. and D. Lueck, 2011. [“The Demarcation of Land and the Role of Coordinating Institutions,”](#) *Journal of Political Economy*, Vol. 119, No. 3: 426-467.
- Smith H. 2000. [“Semi-Common Property Rights and Scattering in the Open Fields,”](#) *Journal of Legal Studies*, 29 (1): 131-169.

Week 5 Contracts Sept 20-22

Tuesday:

- Alston et al. ch 4

Thursday:

- Cheung, S.N.S. 1973. [“The Fable of the Bees,”](#) *Journal of Law and Economics*, *The Journal of Law & Economics*, Vol. 16, No. 1, pp. 11-33.
- Rucker, R., W. Thurman and M. Burgett, 2012. [“Honeybee Pollination Markets and the Internalization of Reciprocal Benefits,”](#) *American Journal of Agricultural Economics*, 94(4): 956- 977.
- Bernstein, L. 1992. [“Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry,”](#) *The Journal of Legal Studies*, Vol. 21, No. 1, pp. 115-157.

Week 6 Interest groups
Sept 27-29

Readings:

Tuesday:

- Alston et al. Intro to part II
- Alston et al. chapter 5

Thursday:

- Denzau, A. T. and M. C. Munger, 1986. "[Legislators and Interest Groups: How Unorganized Interests get Represented.](#)" *The American Political Science Review*, Vol. 80, No. 1, pp. 89-106.
- Libecap, G. 1992. "[The Rise of the Chicago Packers and the Origins of Meat Inspection and Antitrust.](#)" *Economic Inquiry* 30, no. 2 (1992): 242-62.
- Olmstead, A. and P. Rhode. 2004. "[The 'Tuberculosis Cattle Trust': Disease Contagion in an Era of Regulatory Uncertainty.](#)" *Journal of Economic History*, 64: 929-963.

Week 7 Legislative and executive
Oct 4-6

Readings:

Tuesday:

- Alston et al chapter 6

Thursday:

- Weingast B.R. and Marshall, W.J. 1988. "[The Industrial Organization of Congress; or, Why Legislatures, Like Firms, Are Not Organized as Markets.](#)" *Journal of Political Economy*, Vol. 96, No. 1, pp. 132-163.
- Alston, L. J., and B. Mueller. 2006. "[Pork for Policy: Executive and Legislative Exchange in Brazil.](#)" *Journal of Law, Economics, and Organization* 22(1) (Spring): 87–114.
- Alston, L. J., J.A. Jenkins, and T. Nonnenmacher. 2006. "[Who Should Govern Congress? Access to Power and the Salary Grab of 1873.](#)" *Journal of Economic History* 66(3) (September): 674–706.

Week 8 Judiciary
Oct 11-13

Tuesday:

- Alston et al. chapter 7

Thursday:

- Gely, R. and P.T. Spiller, 1992. "[The political economy of the Supreme Court constitutional decisions: the case of Roosevelt's court packing.](#)" *International Review of Law and Economics*, 12: 45-67.
- Hanssen, A.F. 2004. "[Learning About Judicial Independence: Institutional Change in the State Courts](#)", *Journal of Legal Studies*, 33: 431-474.

- Carrubba, C., M. Gabel, and C. Hankla, 2008. [“Judicial Behavior under Political Constraints: Evidence from the European Court of Justice,”](#) *American Political Science Review* Vol. 102, No. 4.

**Week 9 Bureaucracy
Oct 18-20**

Readings:

Tuesday:

- Alston et al. chapter 8

Thursday:

- TBD

**Week 10 Student presentations
Outline and Bibliography
Oct 25-7**

**Week 11 Beliefs and leadership
Nov 1-3**

Tuesday:

- Alston et al. Intro to part 3
- Alston et al. chapter 9

Thursday:

- Ahlquist, J.S. and M. Levi, 2011. [“Leadership: What It Means, What It Does, and What We Want to Know About It,”](#) *Annual Review of Political Science*, Vol. 14: 1-24.
- Eggertsson, T. *Imperfect Institutions* 2005 (excerpts TBD)
- Schofield, N. *Architects of Political Change* 2006 (excerpts TBD)

**Week 12 Constitutions and Dynamics
Nov 8-10**

Readings:

Tuesday:

- North, D.C. and B.R. Weingast, [“Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England,”](#) *The Journal of Economic History*, Vol. 49, No. 4 (Dec., 1989), pp. 803-832.
- Rosenthal, J.-L. “The Political Economy of Absolutism Reconsidered,” in Bates et al. *Analytic Narratives*, PUP 1998. (ON CANVAS)

Thursday:

- Carugati, F. "Constitution and Coordination," in progress. (ON CANVAS)
- Alston, L. J., and A. Gallo, 2010. "[Electoral Fraud, the Rise of Peron, and Demise of Checks and Balances in Argentina.](#)" *Explorations in Economic History* 47 (April): 179–97.

**Week 13 Beyond Markets and States
Nov 15-17**

Readings:

Tuesday:

- Hadfield, G. and B.R. Weingast, 2012. "[What Is Law: A Coordination Account of the Characteristics of Legal Order.](#)" *Journal of Legal Analysis*, vol. 4.
- Carugati, F., G. Hadfield and B.R. Weingast, 2015. "[Building Legal Order in Ancient Athens.](#)" *Journal of Legal Analysis*.

Thursday:

- Ostrom, E. 2009. "[Beyond Markets and States: Polycentric Governance of Complex Economic Systems.](#)" Nobel Prize Lecture.
- Kinzig, A.P. et al. 2013. "[Social Norms and Global Environmental Challenges: The Complex Interaction of Behaviors, Values, and Policy.](#)" *BioScience*, Vol. 63, No. 3, pp. 164-175.

Week 14 Thanksgiving break

**Week 15 Student presentations
First Draft
Nov 29-Dec 1**

**Week 16 Student presentations
First Draft
Dec 6-8**

**EXAM WEEK
MINI-CONFERENCE
Dec 12-16
(TBD)**