

**Course Description for EC 0152 (The Economic Analysis of Institutions)
Spring, 2007**

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Office hours: Wednesday 4:00-5:30

This course deals with the economic analysis of institutions, with a focus on developing countries. The first section covers institutions in traditional agrarian societies and follows the textbook **Development Economics**, by Debraj Ray (Princeton University Press) for the most part. It is recommended, but not required, that you purchase the textbook. Topics covered in this section include consumption smoothing and the organization of land and credit markets.

The second section covers selected research papers on community-based networks, institutional dynamics, and corruption.

Course requirements:

Students are required to submit five problem sets over the course of the semester. These problem sets account for 10% of the course grade. The remainder of the grade will be determined by two tests, each accounting for 35% of the grade, and class participation (20%). The first test will be held on Thursday, March 1 and the second test on Thursday, April 19.

Syllabus

A. Introduction - game theory and regression analysis (2 lectures)

Textbook - Appendix 1,2

B. Institutions in Traditional Agrarian Societies

1. Insurance (3 lectures) - Chapter 15

Paxson, Christina H., "Using Weather Variability to Estimate the Response of Savings to Transitory Income in Thailand," American Economic Review, Vol.82, No.1, March 1992, p.15-33.

Townsend, Robert M., "Risk and Insurance in Village India," Econometrica, Vol.62, No.3, May 1994, p.539-591.

2. Land (1 lecture) - Chapter 12

Shaban, Radwan Ali, "Testing Between Competing Models of Sharecropping," Journal of Political Economy, Vol.95, No.5, 1987, p.893-920.

3. Credit (2 lectures) - Chapter 14

Munshi, Kaivan and Mark Rosenzweig, "Why is Mobility in India so Low? Social Insurance, Inequality and Growth," 2005, typescript.

C. Community-based Networks, Institutional Dynamics, and Corruption

1. Networks (5 lectures)

* Greif, Avner, "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition," American Economic Review, Vol.83, No.3, June 1993, p.525-548.

* Munshi, Kaivan, "From Farming to International Business: The Social Auspices of Entrepreneurship in a Growing Economy," Brown University mimeo.

* Munshi, Kaivan, "Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market," Quarterly Journal of Economics, Vol.118, No.2, 2003, p.549-597.

* Bandiera, Oriana, Iwan Barankay and Imran Rasul, "Social Preferences and the Response to Incentives: Evidence from Personnel Data," Quarterly Journal of Economics, Vol. 120, 2005, p.917-962.

Ichino, Andrea and Giovanni Maggi, "Work Environment and Individual Background:

Explaining Regional Shirking Differentials in a Large Italian Firm,” Quarterly Journal of Economics, Vol.115, No.3, p.1057-1090.

2. Institutional Persistence (3 lectures)

La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny, “Law and Finance,” Journal of Political Economy, Vol. 106, 1998, p.1113-1155.

* Acemoglu, Daron, Simon Johnson, and James A. Robinson, “The colonial origins of comparative development: An empirical investigation,” American Economic Review, Vol.91, No.5, 2001, p.1369-1401.

* Banerjee, Abhijit and Lakshmi Iyer, “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India,” American Economic Review, Vol. 95, No. 4, 2005, p.1190-1213.

* Munshi, Kaivan and Mark Rosenzweig, “Traditional Institutions Meet the Modern World: Caste, Gender and Schooling Choice in a Globalizing Economy,” American Economic Review, forthcoming.

3. Corruption (4 lectures)

* Banerjee, Abhijit V. “A Theory of Misgovernance,” Quarterly Journal of Economics, Vol. 112, No. 4, 1997, p.1289-1332.

* Banerjee, Abhijit, Dilip Mookherjee, Kaivan Munshi and Debraj Ray, “Inequality, Control Rights and Rent Seeking: Sugar Cooperatives in Maharashtra,” Journal of Political Economy, Vol. 109, No.1, February 2001, p.138-190.

Khwaja, Asim I. and Mian, Atif “Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market”, Quarterly Journal of Economics, Vol. 120, Issue 4, November 2005.

* Fisman, Ray “Estimating the Value of Political Connections,” American Economic Review, Vol. 91, No. 4, 2001, p.1095–1102.

Fisman, Ray, Peter Moustakerski, Shang-Jin Wei (2005) “Tax Rates and Tax Evasion: Evidence from ‘Missing Imports’ in China,” Journal of Political Economy, Vol. 112, No. 2, 2004, p.471-496.

* Olken, Benjamin “Monitoring Corruption: Evidence from a Field Experiment in Indonesia”, 2005, NBER Working Paper #11753.