

Wellesley College
Economics 304: Seminar in
New Institutional Economic History

Professor

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Office Hours: Mondays 1-2pm; Wednesdays 10-12am

History Matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of a society's institutions...Integrating institutions into economic theory and economic history is an essential step in improving that theory and history.

- Douglass North, *Institutions, Institutional Change and Economic Performance*

Course Description

This course will investigate the evolution of economic institutions throughout the world over the past 1,000 years. We will consider a broad range of institutional questions and use evidence from historical episodes in their analysis.

Textbooks

We will draw on a variety of books and journal articles throughout the class but a couple that will be particularly useful in understanding institutions and economic history are:

Douglass C. North, *Structure and Change in Economic History*

Douglass North, *Institutions, Institutional Change and Economic Performance*

Oliver Williamson, *The Economic Institutions of Capitalism*

Student Evaluation

Participation: 15% (Discussion and Attendance)

Literature Review: 25%

Class Presentation: 25%

Research Paper: 35%

Note that late assignments will not be accepted so please make sure to get your work to me (e-mail or hardcopy) on or before the due date.

Reading List & Schedule

Class 1: January 30

Topic: Introduction to the Class
Readings: None
Video: *Guns, Germs and Steel* (Episode 1)

Class 2: February 6

Topic: The Big Picture of Economic Development
Video: *Guns, Germs and Steel* (Episodes 2 and 3)
Discussion of *Guns, Germs and Steel*

Class 3: February 13

Topic: An Overview of New Institutional Economics
Readings: 1) Douglass C. North, *Structure and Change in Economic History*, Part I: Pages 3-68
2) Douglass C. North, "Institutions," *Journal of Economic Perspectives*

No Class February 20 (President's Day)

Class 4: February 27

Topic: Does History Matter? Institutions, Path Dependence and Modern Development
Readings: 1) Acemoglu, Daron, Simon Johnson and James A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *The American Economic Review*, Vol. 91, No. 5 (Dec. 2001), pp. 1369-1401.
2) Engerman, Stanley L. and Kenneth L. Sokoloff, "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View From Economic Historians of the United States," *NBER Working Papers*, Number 66 (December 1994)

Class 5: March 6

Topic: Medieval Peasants, Institutions and Risk
Readings: 1) McCloskey, D.N. "The Economics of Enclosure" in W.N. Parker and E.L. Jones (eds.), *European Peasants and Their Markets*
2) McCloskey, D.N. "The Prudent Peasant: New Findings on Open Fields," *The Journal of Economic History*, Vol. 51, No. 2 (June, 1991), pp. 343-355.

Class 6: March 13

Topic: Trader Institutions
Readings: 1) Greif, Avner, "Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders," *The Journal of Economic History*, Vol. 49, No. 4 (Dec., 1989), pp. 857-82.
2) John McMillan, *Reinventing the Bazaar: A Natural History of Markets*

No Class March 20 (Spring Break)

Class 7: March 27

Topic: Overcoming the Absence of Institutions – Innovative Solutions to Institutional Failure
Readings: 1) McMillan, John and Christopher Woodruff, "The Central Role of the Entrepreneur in Transition Economies"
2) McMillan, John and Christopher Woodruff, "Interfirm Relationships and Informal Credit in Vietnam," *Quarterly Journal of Economics*, 114(4), 1999, 1285-1320.
3) Roger Ransom and Richard Sutch, *One Kind of Freedom*, Chapters 6-8

Class 8: April 3

Topic: The Institution of Property Rights

- Readings:
- 1) Khan, B. Zorina, "Married Women's Property Laws and Female Commercial Activity: Evidence from United States Patent Records, 1790-1895," *Journal of Economic History*, June 1996.
 - 2) Clay, Karen B., "Property Rights and Institutions: Congress and the California Land Act of 1851," *Journal of Economic History*, March 1999.

Class 9: April 10

Topic: Labor Market Institutions in History

- Readings:
- 1) Galenson, David W., "The Rise and Fall of Indentured Servitude in the Americas: An Economic Analysis," *The Journal of Economic History*, Vol. 44, No. 1 (March, 1984), pp. 1-26.
 - 2) Rosenbloom, Joshua L. *Looking for Work, Searching for Workers*, Chapter 2, "Job Seekers, Employers, and the Creation of Labor Market Institutions"

No Class April 17 (Patriot's Day)

TUESDAY CLASS -- Class 10: April 18

Topic: Financial Institutions and the Origins of Central Banking

- Readings:
- 1) Miron, Jeffrey, "Financial Panics, the Seasonality of the Nominal Interest Rate, and the Founding of the Federal Reserve." *American Economic Review* (1986) 76:125-140.
 - 2) Moen, Jon and Ellis Tallman, "Liquidity, Contagion, and the Founding of the Federal Reserve System: The Panic of 1907"
 - 3) Timberlake, Richard, "The Central Banking Role of Clearinghouse Associations," *Journal of Money, Credit and Banking*, No. 41 (Feb. 1984), pp. 1-15.

Class 11: April 24

Topic: Economic Development and Underdevelopment – The Role of Institutions

- Readings:
- 1) Keefer, Philip and Stephen Knack "Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation" *Economic Inquiry* 35:590-602 (1997)
 - 2) Olson, Mancur "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor" *Journal of Economic Perspectives* 10(2):3-24 (1996)

Class 12: May 1

Student Presentations

Class 13: May 8

Student Presentations