DUKE UNIVERSITY

ECONOMICS 751 / POLITICAL SCIENCE 762
The Political Economy of Institutions

Fall 2014

Timur Kuran

Classes: Monday, 6:15 - 8:45 PM, 105 Social Sciences
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Office hours: Monday, 2:30 - 4:30 (Gross office through October 6; SS office after that)
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Purpose

The purpose of this course is to introduce students to diverse scholarly literatures on the significance of social institutions, with an emphasis on ongoing debates in political economy—a subfield that uses economic reasoning and techniques to study subjects at the heart of political science.

A bit more than half of the course addresses the social mechanisms that govern institutional transformations. The emphasis is on the methodologies used to study institutional change, especially within economics, political science, and historical legal studies. Attention is paid to the pace of institutional transformations, latent change, social inertia, political revolutions, and links among beliefs and behaviors. Case studies are drawn from diverse contexts, but especially commercial organization and political governance.

The rest of the course focuses on selected social functions of institutions. Again, the emphasis is on pertinent analytical methodologies. The following functions will be covered: coping with cognitive limitations, the provision of collective goods, redistribution, and rent seeking. Other functions, such as control of free riding, credible commitment, coordination, protection of expectations, generation of common knowledge, and the reduction of transaction costs, may be covered briefly at the end, if time permits, and depending on class interest.

Modern institutional political economy is interdisciplinary, and the course reflects this characteristic. Assigned readings include contributions by economists, political scientists, and legal scholars.

Without paying attention to institutions, one cannot understand why some societies are wealthy and others poor; why some are innovative and others stagnant; or why some are politically stable and others in perpetual turmoil. As such, this course should be of direct interest to students of economic
development, economic history, social inequality, and democratization, among other fields of social inquiry. The course will cover essential material for any student planning to write a dissertation that deals with social institutions.

**Requirements**

Midterm: October 6 (Monday), in class  
Paper (exclusive of bibliography, 4000-5500 words) due on December 1 (Monday),  
Final: December 12 (Friday), in class, 7-10 PM.  
The paper must draw on themes of the course (see instructions at end of syllabus). The course grade will be based partly on written work (20% midterm, 30% term paper, 30% final) and partly on class participation (20%). Except in cases of medical or family emergencies, absences from lectures will affect the class participation component of the grade.

**Lectures and discussions**

The class hours are reserved for lectures and discussions around the assigned themes. Audio or videotaping of the lectures is not allowed. The lectures will be accompanied by powerpoint slide shows. Lecture slides will be posted on the Sakai site for the course (ECON.751.01.F14) only when the material is not found in a reading included in the syllabus.

**Readings**

The required readings are starred. In a few cases students have a choice among two or more readings. The major required books are available at the textbook store (marked T). All of these are available also through Amazon and other online booksellers. More than thirty articles and book chapters are posted on the course Sakai site (marked S). Additional readings have been placed on reserve at Perkins library (marked R).

The readings and lectures are designed to complement one another. The lectures will necessarily omit certain details in the readings. By the same token, they will often go beyond the material found in assigned readings.

**Students with Disabilities**

Any student with a disability is asked to notify me at the start of the course. Every effort will be made to accommodate special needs. Special arrangements may be made for disabled students working through Disabilities Services (668-1267).
Outline

I. INSTITUTIONS AS CONSTRAINTS AND EQUILIBRIA (Class 1)


II. INSTITUTIONAL DYNAMICS (Classes 1-2)

A. Endogenous Institutional Change

R Douglass North, *Understanding the Process of Economic Change* (chs. 7-8).


T *Avner Greif, Institutions and the Path to the Modern Economy*. (chs. 3+9, 6-7).


R Masahiko Aoki, *Toward a Comparative Institutional Analysis* (ch. 4).
B. Development of Organizational Capacity: Enterprise Size and Longevity (Class 2)


C. Development of Organizational Capacity: Political Consequences (Class 3)

T * Timur Kuran, *Long Divergence* (chs. 6-8).


S * Timur Kuran, “Institutional Roots of Authoritarian Rule in the Middle East: Civic Legacies of the Islamic Waqf” (June 2014).

D. Development of Organizational Capacity: Group Differences (Class 4)


E. The Rule of Law: Distributional Consequences (Class 5)


F. Legal and Colonial Origins of Economic Development (Class 6)


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MIDTERM: October 6, 2014

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G. Cascades and Latent Change: Informational and Reputational Cascades (Class 8)


H. Cascades and Latent Change: Availability and Coordination Cascades (Class 9)


III. THE FUNCTIONS OF INSTITUTIONS

A. Coping with Cognitive Limitations (Class 10)

B. Private and Communal Provision of Collective Goods (Class 11)


C. Redistribution (Class 12)


D. Rent Setting and Rent Seeking (Class 13)


FINAL: December 12, 2014 (7-10 pm)
Guidelines for Term Paper

The purpose of the paper should be to study, drawing on concepts and methodologies introduced early in the course, an institutional problem that has empirical content. The paper must be focused, which is to say that you must find a topic that can be analyzed in some depth within the confines of the word limit given. Lengthier papers will not be accepted, for it is important to learn how to get an argument across concisely. References are not included in the word count.

Schedule

October 10 (Friday): Email your chosen topic, accompanied by a preliminary outline and bibliography. This report should run from 300 to 600 words and should be submitted in word format. Please include email address at top.

By October 14: I will contact each student individually re. the suitability of his/her topic, with suggestions for improvement.

Rest of October: Schedule at least one meeting with me to discuss progress on your paper. You are welcome, of course, to come by more often, and you may ask for an appointment if my office hours conflict with your course schedule.

December 1 (Monday): Submit final paper in word format to t.kuran@duke.edu along with a paper copy to my mailbox at either the Economics department or Political Science department. Please include word count, exclusive of tables and references. Remember that the text is to run between 4000 and 5500 words.

Grading

The paper will be graded on a numerical 0-30 scale for substance, originality, organization, clarity, documentation, and quality of sources. 1 point will be deducted for every two-days late, except in documented cases of serious illness or family catastrophe.

Sources

The paper must be based on scholarly publications, including books, journal articles, and statistical sources. Newspaper and magazine articles are generally unreliable, so do not use them without first checking with me.

Style

Regarding stylistic issues (e.g. placement of footnotes, bibliography, quotations), consult Kate Turabian’s Manual for Term-Paper Writers, available at the bookstore. Give credit whenever you borrow an idea from another author; and if you borrow a sentence or phrase, be sure to place it in quotes. All statistical sources must be documented clearly.