DUKE UNIVERSITY

ECONOMICS 751 / POLITICAL SCIENCE 762
The Political Economy of Institutions

Fall 2019

Timur Kuran

Classes: Wednesday, 6:15-8:45 PM, 113 Social Sciences Building
Offices: 234 Social Sciences Building and 215 Gross Hall
Sakai site for course: ECON.751.01.F19
Office hours: Wednesday, 1:30-3:30 (Gross office, Aug 28-Oct 9 / SS office Oct 16-Nov 20)
Electronic mail: t.kuran@duke.edu
Telephone: SS, (919) 660-1872; Gross, (919) 660-4302
Personal website: https://sites.duke.edu/timurkuran/
Twitter: @timurkuran

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 three functions will be covered: coping with cognitive limitations, the provision of collective goods, and 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 along the way, as 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 9 (Wednesday), in class
Paper (excluding bibliography & tables, 4500-5500 words) due December 8 (Sunday), 11:30 PM
Final: December 11 (Wednesday), 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 video recording 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 only when the material is not found in a reading included in the syllabus.

**Readings**

The required readings are starred. 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 (S). Additional readings have been placed on reserve at Perkins library (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 (919-668-1267).
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).

B. Development of Organizational Capacity: Enterprise Size and Longevity (Class 2)

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

*Timur Kuran, *Long Divergence* (chs. 3-5).


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

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


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


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


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**IN-CLASS MIDTERM: October 9, 2019**

**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 11-12)**


C. Redistribution and Rent Seeking (Classes 12-13)


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 and tables are not included in the word count.

Schedule

**October 25** (Friday), **11:30 PM**: Upload to Sakai your chosen topic, with motivation and preliminary hypotheses, and also a preliminary outline and bibliography. This report should run 300-600 words. Filename format: “Lastname-Firstname-Proposal.doc”.

By **October 30** (Wednesday): I will respond through Dropbox regarding suitability of your topic. My format: “Lastname-Firstname-Proposal-Comment.doc”. If your topic is unsuitable, or the proposal needs revisions, the revision will be due within one week from when you hear from me. Follow procedures above with file name format “Lastname-Firstname-ProposalR.doc”.

**November**: Schedule **at least one** meeting with me to discuss progress on your paper. Please ask for an appointment in advance. My office hours usually fill up several days before. However, I am available at other times as well, with advance notice.

**December 8** (Sunday), **11:30 PM**: Submit the final e-typescript of up to 6250 words (excluding references). Upload to Sakai Dropbox with title format “Lastname-Firstname-FinalDraft.doc”.

**December 9** (Monday), **4:45 PM**: Single-sided hardcopy of paper due in my mailbox at SS 213, or that on the 2nd floor of Gross Hall. These offices close at 5:00 PM. You may also deliver a hardcopy directly to one of my offices.

Grading

The paper will be graded for substance, originality, organization, clarity, documentation, and quality of sources. The numerical equivalent of 1/3 of a point (out of 30) will be deducted for every day late on either the proposal or the final paper, except in documented cases of serious illness or family catastrophe. Electronically recorded Sakai delivery times will be the basis for timeliness.

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. For papers that use one or more data sets, data sources and empirical techniques must be indicated clearly. Other statistical sources must also be documented clearly.
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.

Pages must be numbered, preferably at the bottom.

Assistance with writing

For assistance with writing, please contact the Writing Studio on East Campus at Lilly Library or on West Campus at 112 Perkins Library. Its staff includes professionals who can assist you on all features of writing, from brainstorming to drafting, revising, and polishing. They offer 50-minute one-one-one face-to-face and e-tutor sessions, in addition to writing workshops. See [https://twp.duke.edu/twp-writing-studio](https://twp.duke.edu/twp-writing-studio).

Assistance with sources

In identifying sources, you may receive additional assistance from university librarians. Once your topic is chosen, you will want to work with the most appropriate regional specialists.