

Institutions and growth

This course will review selected issues in the area of institutions and growth, with an emphasis on empirical work. Papers marked with a * are compulsory reading. While this syllabus lists six sessions, the emphasis will be more on the first three.

Grading: the grade will consist of two parts, each worth 50%. First, I expect you to write a referee report on a working paper (I will provide you with two options in the first class of the course and a sample). Second, I expect you to write a research proposal. I attach an outline of what such a proposal should include.

1. Institutions and growth – the basics

This first session will try to define institutions and why they might matter for economic growth. We will also discuss measurement issues.

*Acemoglu, Daron, Simon Johnson and James Robinson (2005), “Institutions as the Fundamental Cause of Long-Run Growth”, in Aghion and Durlauf, *Handbook of Economic Growth*, <http://elsa.berkeley.edu/~chad/handbook9sj.pdf>

Easterly, William, 1999. "The ghost of financing gap: testing the growth model used in the international financial institutions," *Journal of Development Economics* 60,423-438 [not part of course reading list!]

Glaeser, E., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer. (2004). “Do Institutions Cause Growth?” *Journal of Economic Growth* 9, 271-303.

*North, Douglas (1991): “Institutions” *Journal of Economic Perspectives* 5, 97-112.

Rodrik, D., A. Subramanian, and F. Trebbi (2004), “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development”, *Journal of Economic Growth* 9, 131-65.

2. Historic legacies – the role of endowments and colonialism

This session explores the historic determinants of institutions, including geographic endowments and colonialism. Special focus will be on methodological challenges

*Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2001, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review* 91, 1369-1401.

Albouy, David, “The Colonial Origins of Comparative Development: A Reinvestigation of the Settler Mortality Data”, NBER Working Paper 14130, June 2008, <http://www-personal.umich.edu/~albouy/AJRreinvestigation/AJRrev.pdf>

Banerjee, David and Lakshmi Iyer, 2005, “History Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India”, *American Economic Review*, Vol. 95(4), pp. 1190-1213.

*Nunn, Nathan, "The Importance of History for Economic Development", October 2008, http://www.economics.harvard.edu/faculty/nunn/files/Annual_Review_of_Economics.pdf

*Pande, Rohini and Christopher Udry, Institutions and Development: A View from Below, in Blundell, Newey and Persson, eds. *Advances in Economics and Econometrics*, 2006, http://www.econ.yale.edu/~cru2/pdf/institutions_draft.pdf

Sokoloff, K. and S. Engerman (2000): Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economic Perspectives* 14, 217-32.

3. Legal origin

This session focuses on the legal tradition that colonizers left behind and how this influenced institutional development.

Acemoglu, Daron, and Simon Johnson (2005) "Unbundling Institutions," *Journal of Political Economy*, 113, 949-995.

*Beck, T., and Levine, R. 2005. Legal Institutions and Financial Development. In: Menard, C. and Shirley, M. (eds.), *Handbook of New Institutional Economics*. Kluwer Dordrecht. <http://center.uvt.nl/staff/beck/publications/law/legalinstitutions.pdf>

Berkowitz, D. and K. Clay (2007): Legal Origins and the Evolution of Institutions: Evidence from American State Courts. WP. http://www.econ.pitt.edu/papers/Daniel_berkclay061407.pdf

Berkowitz, D., K. Pistor and J.F. Richard (2003): Economic Development, Legality, and the Transplant Effect. *European Economic Review* 47, 165-95.

Brunt, Liam (2007): Property Rights and Economic Growth: Evidence from a Natural Experiment, CEPR Discussion paper 6404.

Claessens, S. and L. Laeven (2003): Financial Development, Property Rights, and Growth. *Journal of Finance* 58, 2401-36.

*La Porta, R., F. Lopez-de-Silanes and A. Shleifer (2008): The Economic Consequences of Legal Origins. *Journal of Economic Literature* 46, 285-332.

4A. The natural resource curse and institutions

While the natural resource curse is often conjectured to work through price effects, there is increasing evidence that there is also a natural resource curse working through institutional underdevelopment.

Beck, T and L. Laeven (2006): Institution Building and Growth in Transition Economics. *Journal of Economic Growth* 11, 157-86.

Mehlum, H., K. Moene and R. Torvik (2006): Institutions and the resource curse. *Economic Journal* 116: 1-20

Sachs, J. D. and A. M. Warner. (2001). "The Curse of Natural Resources," *European Economic Review* 45, 827-838.

4B. Networks, international trade and institutions

Networks are important – both for domestic as for international trade

Levchenko, Andrei. (2007): Institutional Quality and International Trade *Review of Economic Studies* 74, 791-819

*Nathan Nunn, 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade," *The Quarterly Journal of Economics*, 122, 569-600,

5. Social capital and economic development

In this session, we will discuss the importance of trust and social capital for institution building. This will also allow us to explore another methodology, household surveys.

* Guiso, L., P. Sapienza and L. Zingales (2006) Does Culture Affect Economic Outcomes? *Journal of Economic Perspectives* 20, 23-48.

Guiso, L., P. Sapienza and L. Zingales (2008): Long-Term Persistence, NBER Working Paper 14278

Guiso, L., P. Sapienza and L. Zingales (2004): The Role of Social Capital in Financial Development, *American Economic Review* 94, 526-556.

Osili, Una and Anna Paulson (2008): What Can We Learn About Financial Access from U.S. Immigrants? The Role of Country of Origin Institutions and Immigrant Beliefs. *World Bank Economic Review* 22, 431-55.