



## Schedule and Reading List



### Schedule and readings

The following schedule indicates the topics and readings for each class meeting. Please be sure to read the assigned material *before* the meeting. Required readings are preceded by an asterisk (\*); recommended supplementary or background readings are preceded by a dagger (+). Other items are included for bibliographic completeness. (Beginning with Part Four, students will be assigned to lead the discussion on particular articles, so the "required" and "recommended" identifiers are subject to change. I also welcome student suggestions for articles to be added to the list.)

Items in **gold** below are in the "Course Documents" section of Blackboard. The rest are linked below. (Some of these links will work only from an on-campus computer. To access these materials from off-campus computers, you will need to install the [VPN client](#) from IATS.)

The schedule is preliminary and subject to change, so check back frequently for updates.

### PART ONE: INTRODUCTION

Week of August 21: **Introduction**

\* Douglass C. North, "[Institutions.](#)" *Journal of Economic Perspectives* 5, no. 1 (Winter 1991): 97-112.

\* Oliver E. Williamson, "[The New Institutional Economics: Taking Stock, Looking Ahead.](#)" *Journal of Economic Literature* 38, no. 3 (September 2000): 595-613.

Ronald H. Coase, "[The New Institutional Economics.](#)" *American Economic Review* 88, no. 2 (May 1998): 72-74.

Peter G. Klein, "[New Institutional Economics.](#)" in Boudewin Bouckaert and Gerrit De Geest, eds., *Encyclopedia of Law and Economics* (Cheltenham, U.K.: Edward Elgar, 2000), pp. 456-89.

Claude Ménard and Mary Shirley, eds., *Handbook of New Institutional Economics* (Springer, 2005).

### PART TWO: METHOD

Week of August 28: **Method**

Methodological individualism

\* Kenneth J. Arrow, "[Methodological Individualism and Social Knowledge.](#)" *American Economic Review* 84, no. 2 (May 1994): 1-9.

\* Teppo Felin and Nicolai Foss, "[Individuals and Organizations: Thoughts on a Micro-](#)

Foundations Project for Strategic Management and Organizational Analysis," in Don Bergh and David Ketchen, ed. *Research Methodology in Strategy and Management*, forthcoming.

Various issues of the *Journal of Institutional Economics*

#### Comparative institutional analysis

\* Ronald H. Coase, "[The Regulated Industries: Discussion](#)," *American Economic Review* 54 (1964): 194-97.

\* Jane S. Shaw, "[Public Choice Theory](#)," *Concise Encyclopedia of Economics*.

Ronald H. Coase, "[The Lighthouse in Economics](#)," *Journal of Law and Economics* 17, no. 2 (October 1974): 357-76.

#### Economics and sister disciplines

\* Ronald H. Coase, "[Economics and Contiguous Disciplines](#)," *Journal of Legal Studies* 7, no. 2. (June 1978): 201-11.

Christopher Winship and Sherwin Rosen, "[Introduction: Sociological and Economic Approaches to the Analysis of Social Structure](#)," *American Journal of Sociology* 94 (Supplement) (1988): S1-S16.

Oliver E. Williamson, "The Economics and Sociology of Organization," in George Farkas and Paula England, eds., *Industries, Firms, and Jobs* (New York: Plenum Press, 1988), pp. 159-86.

Richard Swedberg, ed., *Economics and Sociology: Conversations with Economists and Sociologists* (Princeton, N.J.: Princeton University Press, 1990).

Matthew Rabin, "[Psychology and Economics](#)," *Journal of Economic Literature* 36, no. 1 (March 1998): 11-46.

### **PART THREE: FOUNDATIONAL CONCEPTS**

Week of September 4: **Property rights and transaction costs**

#### Property rights

\* Ronald H. Coase, "[The Problem of Social Cost](#)," *Journal of Law and Economics* 3 (October 1960): 1-44.

\* Harold Demsetz, "[Toward a Theory of Property Rights](#)," *American Economic Review* 57, no. 2 (May 1967): 347-59.

\* Walter Block, "[Coase and Demsetz on Private Property Rights](#)," *Journal of Libertarian*

*Studies* 1, no. 2 (1977): 111-15.

#### Transaction costs

\* Douglas W. Allen, "[Transaction Costs](#)," in Boudewin Bouckeart and Gerrit De Geest, eds., *Encyclopedia of Law and Economics* (Cheltenham, U.K.: Edward Elgar, 2000), pp. 893-926.

+ Ning Wang, "[Measuring Transaction Costs: An Incomplete Survey](#)," Working Paper, Ronald Coase Institute, 2003.

Week of September 11: **Agency and information costs**

#### Agency costs

\* Joseph E. Stiglitz, "Principal and Agent," in John Eatwell, Murray Milgate, and Peter Newman, eds., *The New Palgrave: A Dictionary of Economics* (London: Macmillan, 1987).

#### Information costs

\* F. A. Hayek, "[The Use of Knowledge in Society](#)," *American Economic Review* 35, no. 4 (September 1945): 519-30.

\* George A. Akerlof, "[The Market for 'Lemons': Quality Uncertainty and the Market Mechanism](#)," *Quarterly Journal of Economics* 84, no. 3 (August 1970): 488-500.

Joseph E. Stiglitz, "[Information and the Change in the Paradigm in Economics](#)," Nobel Prize Lecture, 2001.

### **PART FOUR: THE INSTITUTIONAL ENVIRONMENT**

Week of September 18: **The legal environment and property rights**

\* Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, "[Law and Finance](#)," *Journal of Political Economy* 106, no. 6 (December 1998): 1113-55. [Wang, Won]

\* Raghuram G. Rajan and Luigi Zingales, "[The Great Reversals: The Politics of Financial Development in the Twentieth Century](#)," *Journal of Financial Economics* 69, no. 1 (July 2003): 5-50. [Shryock]

René M. Stulz and Rohan Williamson, "[Culture, Openness, and Finance](#)," *Journal of Financial Economics* 70, no. 3 (December 2003): 313-49.

Daron Acemoglu, Simon Johnson, and James A. Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,"

*Quarterly Journal of Economics* 117, no. 4 (November 2002): 1231-94. [Rees]

Meir Kohn, "[The Impact of Government on Economic Development and Growth in Pre-Industrial Europe.](#)" Working Paper, Department of Economics, Dartmouth College, November 2005.

The [research paper list](#) at [freetheworld.com](#).

#### Week of September 25: **Norms, culture, and social conventions**

\* Carl Menger, "[On the Origin of Money.](#)" *Economic Journal* 2, no. 6 (June.1892): 239-55. [Song]

\* Robert C. Ellickson, "[A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry.](#)" *Journal of Law, Economics, and Organization* 5, no. 1 (Spring 1989): 83-97. [Kueny, Wang]

\* Elinor Ostrom, "[Collective Action and the Evolution of Social Norms.](#)" *Journal of Economic Perspectives* 14, no. 3. (Summer 2000): 137-58. [Figueroa Armijos, Shryock]

+ Joel Sobel, "[Can We Trust Social Capital?](#)" *Journal of Economic Literature* 40, no. 1 (March 2002): 139-54.

Paola Sapienza, Luigi Zingales, and Luigi Guiso, "[Does Culture Affect Economic Outcomes?](#)" NBER Working Paper No. 11999, February 2006

Peter G. Klein and George A. Selgin, "[Menger's Theory of Money: Some Experimental Evidence.](#)" in John Smithin, ed., *What is Money?* (London: Routledge, 2000), pp. 217-34. [Skipper]

#### Week of October 2: **Economic history, growth, and development**

\* Avner Greif, "[Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders.](#)" *Journal of Economic History* 49, no. 4 (December 1989): 857-82. [Han, Jei]

\* Douglass C. North and Barry R. Weingast, "[Constitutions and Commitment: The Evolution of Institutional Governing Public Choice in Seventeenth-Century England.](#)" *Journal of Economic History* 49, no. 4 (December 1989): 803-32. [Colak]

John Wallis and Douglass C. North, "Measuring the Transaction Sector in the American Economy, 1870-1970," in Stanley L. Engerman and Robert Gallman, eds., *Income and Wealth: Long-Term Factors in American Economic Growth* (Chicago: University of Chicago Press, 1986).

+ Stanley L. Engerman and Kenneth L. Sokoloff, "Institutional and Non-Institutional Explanations of Economic Differences," in Claude Ménard and Mary Shirley, eds., *Handbook of New Institutional Economics* (Springer, 2005), pp. 639-66.

Peter Murrell, "Institutions and Firms in Transition Economies," in Claude Ménard and Mary Shirley, eds., *Handbook of New Institutional Economics* (Springer, 2005), pp. 667-700. [Strauss]

Mustapha K. Nabli and Jeffrey B. Nugent, "The New Institutional Economics and its Applicability to Development," *World Development* 17, no. 9 (1989): 1333-47. [Rees]

Week of October 9: **Political economy**

\* Kenneth A. Shepsle and Barry R. Weingast, "[The Institutional Foundations of Committee Power](#)," *American Political Science Review* 81, no. 1 (March 1987): 85-104. [Won]

\* Barry R. Weingast, "[The Political Foundations of Democracy and the Rule of Law](#)," *American Political Science Review* 91, no. 2 (June 1997): 245-63. [Colak, Song]

Witold J. Henisz and Bennett A. Zelner, "[The Institutional Environment for Telecommunications Investment](#)," *Journal of Economics and Management Strategy* 10, no. 1 (2001): 123-47. [Strauss]

E. C. Pasour, Jr., "[Agricultural Economists and the State](#)," *Econ Journal Watch* 1, no. 1 (April 2004): 106-33. [Figueroa Armijos, Kueny]

Lawrence J. White, "[The Federal Reserve System's Influence on Research in Monetary Economics](#)," *Econ Journal Watch* 2, no. 2 (August 2005): 325-54. [Skipper]

Wednesday, October 18: **Midterm exam**

## **PART FIVE: INSTITUTIONAL ARRANGEMENTS**

Week of October 23: **Coase and the nature of the firm**

\* Ronald H. Coase, "[The Nature of the Firm](#)," *Economica* NS 4, no. 16 (November 1937): 386-405.

\* Ronald H. Coase, "[The Institutional Structure of Production](#)," *American Economic Review* 82, no 4 (September 1992): 713-19.

Ronald H. Coase, "[The Nature of the Firm: Meaning](#)," *Journal of Law, Economics, and Organization* 4, no. 1 (Spring 1988): 19-32.

Ronald H. Coase, "[The Nature of the Firm: Influence](#)," *Journal of Law, Economics, and Organization* 4, no. 1 (Spring 1988): 33-47.

Week of October 30: **Moral hazard and agency**

\* Armen A. Alchian and Harold Demsetz, "[Production, Information Costs, and Economic Organization](#)," *American Economic Review* 62 (December 1972): 777-95.

\* Michael Jensen and William Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure," *Journal of Financial Economics* 3 (October 1976): 305-60.

+ David E. M. Sappington, "[Incentives in Principal-Agent Relationships](#)," *Journal of Economic Perspectives* 5, no. 2 (Spring 1991): 45-66.

\* Douglas W. Allen and Dean Lueck, "[The Nature of the Farm](#)," *Journal of Law and Economics* 41, no. 2 (October 1998): 343-86.

\* Michael C. Jensen and Kevin J. Murphy, "[Performance Pay and Top-Management Incentives](#)," *Journal of Political Economy* 98, no. 2 (April 1990): 225-64.

Brian J. Hall and Jeffrey B. Liebman, "[Are CEOs Really Paid Like Bureaucrats?](#)" *Quarterly Journal of Economics* 113, no. 3 (August 1998): 653-91.

Week of November 6: **Study week**

Week of November 13: **Transaction cost economics**

\* Oliver E. Williamson, "[Transaction Cost Economics: The Governance of Contractual Relations](#)," *Journal of Law and Economics* 22 (October 1979): 233-61. Chapter 12 in Williamson, 1990.

\* Benjamin Klein, Robert A. Crawford, and Armen A. Alchian, "[Vertical Integration, Appropriable Rents, and the Competitive Contracting Process](#)," *Journal of Law and Economics* 21 (1978): 297-326.

Kirk Monteverde and David J. Teece, "[Supplier Switching Costs and Vertical Integration in the Automobile Industry](#)," *Bell Journal of Economics* 13, no. 1 (Spring 1982): 206-13.

\* Scott E. Masten, "[The Organization of Production: Evidence from the Aerospace Industry](#)," *Journal of Law and Economics* 27 (October 1984): 403-17.

\* Brian S. Silverman, Jackson A. Nickerson, and John Freeman, "[Profitability, Transactional Alignment, and Organizational Mortality in the U.S. Trucking Industry](#)," *Strategic Management Journal* 18 (Summer 1997): 31-52.

\* Paul L. Joskow, "[Contract Duration and Relationship-Specific Investments: Empirical Evidence from Coal Markets](#)," *American Economic Review* 77 (March 1987): 168-85.

+ Kyle J. Mayer and Nicholas S. Argyres, "[Learning to Contract: Evidence from the Personal Computer Industry](#)," *Organization Science* 15, no. 4 (August 2004): 394-410.

+ Michael G. Jacobides and Sidney G. Winter, "[The Co-evolution of Capabilities and Transaction Costs: Explaining the Institutional Structure of Production](#)," *Strategic Management Journal* 26 (2005): 395-413.

Week of November 20: **Thanksgiving Holiday**

Week of November 27: **The property-rights approach**

\* Sanford J. Grossman and Oliver D. Hart, "[The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration.](#)" *Journal of Political Economy* 94, no. 4 (1986): 691-719.

Oliver D. Hart and John Moore, "[Property Rights and the Nature of the Firm.](#)" *Journal of Political Economy* 98 (1990): 1119-58.

+ Jean Tirole, "[Incomplete Contracts: Where Do We Stand?](#)" *Econometrica* 67, no. 4 (1999): 741-81.

Kirsten Foss and Nicolai J. Foss, "Assets, Attributes and Ownership," *International Journal of the Economics of Business* 8 (2001): 19-37.

Week of November 27 [maybe]: **Resource-based theories**

\* Jay B. Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (1991): 99-120.

\* Margaret A. Peteraf, "[The Cornerstones of Competitive Advantage: A Resource-Based View.](#)" *Strategic Management Journal* 14, no. 3 (March 1993): 179-91.

Jay. B. Barney, "Is the Resource-Based 'View' a Useful Perspective for Strategic Management Research? Yes," *Academy of Management Review* 26, no. 1 (2001): 41-55.

Birger Wernerfelt, "[A Resource-Based View of the Firm.](#)" *Strategic Management Journal* 5 (1984): 272-80.

+ Kirsten Foss and Nicolai J. Foss, "[Value and Transaction Costs: How Property Rights Economics Furthers the Resource-based View.](#)" *Strategic Management Journal* 26 (2005): 541-53.

+ Edith Penrose, *The Theory of the Growth of the Firm* (Oxford: Blackwell, 1959; third edition, Oxford: Oxford University Press, 1995).

## **PART SIX: WRAP-UP**

Week of December 5: **Review**

\* Robert Gibbons, "Four Formal(izable) Theories of the Firm?" *Journal of Economic Behavior and Organization* 58, no. 2 (October 2005): 200-45.

Thursday, December 14: **Final exam (10:30am - 12:30pm)**