

Stanford University  
Department of Economics  
228. Fall 2007-8.

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## **Institutions and Organizations in Historical Perspective**

Avner Greif

This course explores the puzzle implied by the Rise of the West over the last millennium from an institutional perspective. It focuses, in particular, on the institutional foundations of European markets and states.

You are expected to read all papers marked Required or Required - S. In addition, we will read most of Greif, Avner. 2006. *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge University Press.

All papers can be easily (and legally) downloaded and the syllabus indicates where these papers are located. The notation (JA) indicates a paper that can be accessed through Jackson Library e-journals and (JS) indicates a paper in JSTOR. Most papers can be directly downloaded (DD) from my website <http://www-econ.stanford.edu/faculty/greif-teaching.html>

The class will consist of a combination of class discussion, students' presentations, and lectures. Participation accounts for 25 percent of the final grade, presentations another 25 percent and the written paper is 50 percent. Papers on the reading list marked 'Required - S' will be presented by a student who will have about 30 minutes to present it and 20 minutes to lead a discussion. A student interesting in presenting a particular paper should let me know ASAP. If there are not enough volunteers, I will assign papers randomly by the end of the first week. A presenter should send me the Power Points slides at least 3 days ahead of time. I expect presentations to reflect a broader inquiry than simply a reading of the paper. Students who present can submit an extensive version of their presentation – reflecting their broader reading and the class discussion – as a final paper. If there are more students in the class than papers to present, I will assign papers first by request and then voluntarily. A student who does not present in class should submit a more substantive paper that can take several forms: a critical summary and evaluation of a relevant paper or book; a proposed research agenda; or a term paper. In deciding whether to present or not, keep in mind that presentations will be an important component of your career. Practice helps!

You will need to decide on your research project prior to the end of the quarter and get my approval. The last date to complete the paper is the **end of next August**. Feel free to consult with me regarding possible projects. I will be happy to assist you. A list of possible projects will be circulated.

### **General Readings:**

To circa 1990 institutional analysis in economics focused on individualistic behavior within markets and politically determined rules in developed economies. Analytically, studies

used decision theory and political economy models to study institutions, conceptualizing them as rules and contracts. See

- Williamson, Oliver E. 1985. *The Economic Institutions of Capitalism*. New York: The Free Press.
- Eggertsson, Thrainn. 1990. *Economic Behavior and Institutions*. Cambridge: Cambridge University Press.
- North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Barzel, Y. 1989. *Economic Analysis of Property Rights*. Cambridge University Press

By 1990, the substantive focus had changed in an attempt to understand the institutional foundations of markets and states and why institutional changes were difficult.

Analytically, the analysis shifted to using micro-economic models of strategic situations, asymmetric information, limited cognition, and endogenous preference to examine the efficiency attributes and dynamics of institutions. These analyses emphasized the importance of history in studying institutions as equilibrium phenomena. See

- Furubotn, Eirik G. and Rudolf Richter. 1997. *Institutions and Economic Theory*. Ann Arbor: The University of Michigan Press.
- Bates, Robert H. Avner Greif, Margaret Levi, Jean-Laurent Rosenthal and Barry R. Weingast. 1998. *Analytical Narratives*. Princeton University Press.
- Hodgson, Geoffrey M. 1998. "The Approach of Institutional Economics." *Journal of Economic Literature* 36 (1): 166-92.
- Aoki, Masahiko. 2001. *Toward a Comparative Institutional Analysis*. Cambridge: MIT Press.
- Greif, Avner. 2006. *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge University Press.

In this context, the study of economic institutions began to overlap with institutional analysis in other disciplines. For reviews and contributions of institutional analysis in sociology, see:

- Powell W. and P. DiMaggio (eds.). 1991. *The New Institutionalism in Organizational Analysis*, Chicago: University of Chicago Press.
- Scott, W. Richard. 1995. *Institutions and Organizations*. Thousand Oaks, CA: Sage Publications.
- Brinton, Mary and Victor Nee (eds.). 1998. *The New Institutionalism in Sociology*. New York: Russell Sage Foundation.
- Granovetter, Mark S. 2005. "The Impact of Social Structure on Economic Outcomes," *Journal of Economic Perspectives* 19 (1, Winter): 33-50.

For reviews and contributions to institutional analysis in political science, see

- Hall, Peter A., and Rosemary C.R. Taylor. 1996. "Political Science and the Three New Institutionalisms." *Political Studies* 44 (4): 936-57.
- Weingast, Barry R. 1996. "Political Institutions: Rational Choice Perspectives." In Robert Goodin and Hans-Dieter Klingemann (eds.), *A New Handbook of Political Science*, 167-90. New York: Oxford University Press.

- Thelen, Kathleen. 1999. "Historical Institutionalism in Comparative Politics." *Annual Review of Political Science* (2): 369-404.

The course assumes basic familiarity with European and world history. If you need to refresh your memory, you can consult the following (relatively) short surveys of European economic history, see

- Cameron, Rondo E. (and Larry Neal.) 2003 *A Concise Economic History of the World : From Paleolithic Times to the Present*. New York: Oxford University Press.
- Rosenberg, Nathan and L.E. Birdzell, Jr. 1986. *How the West Grew Rich*. New York: Basic Books
- An easy way to get a birds-eye view of European economic history is to consult a historical atlas. The *Times Atlas of World History* and the *Hammond Atlas of World History* are particularly useful.

## Topics

- **Introduction: The Puzzle of European History**  
Tilly, Charles. 1990. *Coercion, Capital, and European States, AD 990-1992*. Cambridge, MA: Blackwell.  
Eric Jones. 2003. *The European Miracle*. Cambridge University Press.  
Goldstone, Jack A. 2000. "The Rise of the West - or Not? A Revision to Socio-economic History," *Sociological Theory*, 18:2 (July), pp. 175-194.
  
- **Growing with Growth Theory**  
(Required) Landes, DS. 2006. "Why Europe and the West? Why Not China?" *Journal of Economic Perspectives* 20 (2): 3-22. DD  
Galor, Oded. 2004. From Stagnation to Growth: Unified Growth Theory. *Handbook of Economic Growth*. Edited by P. Aghion and S. Durlauf. North-Holland.  
(Lecture focus) Hansen G.D. and E. Prescott (2002) .Malthus to Solow. *The American Economic Review*, Vol. 92, No 4, pp. 1205-1217.  
Romer, Paul, M. 1986. "Increasing Returns and Long-run Growth," *Journal of Political Economy* 94 (5): 1002 - 1037.  
Kremer, Michael. 1993. "Population Growth and Technological Change: 1,000,000 B.C. to 1990," *Quarterly Journal of Economics*, August, pp. 681-716. DD
  
- **Why Europe? What Institutions?**  
(Required S) Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi. 2002. "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development." Memo, Harvard University. DD  
(Required S) Acemoglu, D., S. Johnson, and J. Robinson. 2005. The Rise of Europe. *American Economic Review*, 95(3).  
Easterlin, Richard A. 1981. Why Isn't the Whole World Developed? *Journal of Economic History*, vol. 41(1): 1-19.
  
- **Why England?**  
(Required S) Voigtlander, Nico, and Hans-Joachim Voth. 2006. Why England? Demographic Factors, Structural Change and Physical Capital Accumulation During the Industrial Revolution. Forthcoming, *Journal of Economic Growth*. DD and [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=922623](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=922623)  
(Required S) Clark, Gregory. 2005. The Condition of the Working Class in England 1209-2004. *Journal of Political Economy*, Vol. 113 (6). (DD)  
Mokyr, Joel and John Nye. 2006. Distributional Coalitions, the Industrial Revolution, and the Origins of Economic Growth in Britain. Memo. (DD)
  
- **Insights from Comparative and Historical Institutional Analysis**  
(Required and will be discussed in next class). Chapter 4 in Greif *Institutions and the Path ...* Instead you can read Greif, A., Paul Milgrom, and Barry Weingast. 1994

(August). "Coordination, Commitment and Enforcement: The Case of the Merchant Guild." *The Journal of Political Economy*, 102, (4). DD (JA.)  
North, Douglass C. and Robert P. Thomas. 1973. *The Rise of the Western World*. Cambridge: Cambridge University Press.

- **The Late Medieval Private-Order**

(Required) Chapter 10 in Greif *Institutions and the Path ...* (Or you can read Greif, A., *Impersonal Exchange: the European Experience*. Working paper. Stanford University. DD, SSRN.

Benson, Bruce L. 1989. "The Spontaneous Evolution of Commercial Law." *Southern Economic Journal* 55(3): 644-61.

Milgrom, P.R., D.C. North and B.R. Weingast. 1991. "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs." *Economics & Politics*, 2(19), 1-23. (DD, JA)

- **Private-Order Outside Europe**

(Required) Greif, Avner. 2006. Chapters 3, 9. *Institutions and the Path ...*

(Required - S) Hamilton, Gary G. 1994. "Civilizations and the Organization of Economies", in Neil Smelser and Richard Swedberg, eds. *Handbook of Economic Sociology*. Princeton: Princeton University Press.

Allen, Franklin, Jun Qian, Meijun Qian. 2005. Law, Finance, and Economic Growth in China. *Journal of Financial Economics* 77: 57-116.

(Required - S) Freitas, Kripa. 2006. The Indian Caste System as a Means of Contract Enforcement.

- **What are Institutions?**

(Required) North, Douglass C., 1991. "Institutions," *Journal of Economic Perspectives*, 5 (2), 97-112. (JS) DD

(Required) Greif, Avner. 2006. Chapters 1, 2. *Institutions and the Path ...*

Aoki, Masa. 2002. *Toward Comparative Institutional Analysis*. MIT press.

Williamson, Oliver E. 2000 (September). "The New Institutional Economics: Taking Stock, Looking Ahead," *Journal of Economic Literature*, 38, 595-613. (JS) DD

Knight, Jack. 1992. *Institutions and Social Conflict*. Cambridge: Cambridge University Press. Pp. 84-122.

- **The Limit of Private Order**

(Required) Li, Shuhe. 1999. "The Benefits and Costs of Relation-Based Governance: An Explanation of the East Asian Miracle and Crisis." Memo, City University of Hong Kong.

(Required) Volckart, Oliver. 2004. "The Economics of Feuding in Late Medieval Germany." *Explorations in Economic History*, 41: 282-299.

(Required) Greif, Avner. 2006. Chapter 8. *Institutions and the Path ...*

Bates, Robert, Avner Greif and Smita Singh. 2002. "Organizing Violence." *The Journal of Conflict Resolution*, 46(5, Oct.): 599-628. (DD)

- Why did Europe Differ?**  
 (Required) Chapter 12 in Greif, *Institutions and the Path ...*  
 (Required) Greif, A. 2006. Family Structure, Institutions, and Growth. *American Economic Review*, Vol. 96.  
 Goody, Jack. 1996. Comparing Family Systems in Europe and Asia: Are There Different Sets of Rules? *Population and Development Review* 22(1): 1-20.  
 (Required) Chapter 5 in Greif, *Institutions and the Path ...*  
 Acemoglu, Daron, Simon Johnson and James Robinson (2002). "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distributions." *Quarterly Journal of Economics*, 107, 1231-1294.  
<http://econ-www.mit.edu/files/279>
- The (Almost) Rise and Fall of European Theocracy**  
 English, John C. 2004. John Wesley, the Establishment of Religion and the Separation of Church and State. *Journal of Church and State*. 46(1, Jan): 83-98.  
 Hill, B. D., (ed.), 1970. *Church and State in the Middle Ages*.  
 Ullmann, W. 1970) *The Growth of Papal Government in the Middle Ages*  
 (Required - S) Kuran T. 2004. "Why the Middle East Is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation," *Journal of Economic Perspectives* 18 (3): 71-90. DD  
 Richardson, Gary. 2005. "Craft Guilds and Christianity in Late Medieval England: A Rational Choice Analysis," *Rationality and Society*, 17 (May), 139-189. (DD)  
 Huff, Toby E. 1993. *The Rise of Early Modern Science. Islam, China, and the West*. Cambridge: CUP.
- Empirical Analyses of Institutions: Substantiation without Econometrics**  
 (Required) Chapter 11 in Greif, *Institutions and the Path...*  
 (Required - S) Pande, Rohini and Christopher R. Udry. 2005. Institutions and Development: a View from Below. Yale University Economic Growth Center Discussion Paper No. 928. DD and  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=864044](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=864044)  
 Friedman, Milton. 1953. *The Methodology of Positive Economics*. Cambridge: Cambridge University Press. DD  
 Bates, Robert H., Avner Greif, Margaret Levi, Jean-Laurent Rosenthal, and Barry Weingast. 1998. *Analytic Narrative*. Princeton: Princeton University Press. Introduction.  
 Elster, Jon. 2000. "Rational Choice History: A Case of Excessive Ambition." *American Political Science Review* 94 (3): 685-95.
- Institutional Dynamics**  
 (Required) Chapters 6 -7 in Greif, *Institutions and the Path...*  
 Path Dependence: North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. Pp. 83-104. Cambridge: Cambridge University Press.

- David, Paul A. 1994. "Why Are Institutions the 'Carriers of History'?: Path-Dependence and the Evolution of Conventions, Organizations and Institutions," *Structural Change and Economic Dynamics*, 5(2), 205-20.
- Evolutionary processes*: Kandori, Michihiro, George Mailath and R. Rob. 1993 (January). "Learning, Mutation, and Long-Run Equilibria in Games." *Econometrica* 61(1), 29-56. (JS)
- Young, H. Peyton. 1998. *Individual Strategy and Social Structure*. Princeton: Princeton University Press.
- **The Emergence of Pre-modern European States**  
 (Required) Bean, Richard. 1973. War and the Birth of the Nation State. *The Journal of Economic History*, vol. 22(1): 203-221  
 Epstein, S.R. 2000. *Freedom and Growth: The Rise of States and Markets in Europe, 1300-1750*. Routledge.
  - **Pre-Modern Constitutionalism**  
 (Required) Greif, A. 2007. The Impact of Administrative Power. Forthcoming in E. Helpman. *Institutions, Organizations, and Growth*.  
 (Required – S) Green, Edward J. 1993 (Winter). "On the Emergence of Parliamentary Government. The Role of Private Information." *Quarterly Review: Federal Reserve Bank of Minneapolis*, 2-16. (DD).  
 (Required – S) Barzel, Y. and E. Kiser. 2002. "Taxation and voting rights in medieval England and France," *Rationality and Society* 14 (4 Nov.): 473-507. (DD.)  
 Collins, Kathleen. 2004. "The Logic of Clan Politics: Evidence from the Central Asian Trajectories," *World Politics* 56 (Jan. 2): 224-261. (DD).  
 Henley, David. 2004. "Conflict, Justice, and the Stranger-King Indigenous Roots of Colonial Rule in Indonesia and Elsewhere," *Modern Asian Studies* 38(1): 85-144. (DD)  
 Tilly, Richard. 1990. *Coercion, Capital, and European States*. Cambridge: Blackwell.
  - **Was there a European 'Age of Absolutism'**  
 (Required) North D.C., and B. R. Weingast. 1989 (December). "Constitutions and Commitment: Evolution of Institutions Governing Public Choice." *Journal of Economic History* XLIX, 803-32. (DD, JS)  
 (Required - S) Rosenthal, JL. 1990. "The Development of Irrigation in Provence, 1700-1860 - the French-revolution and Economic Growth," *Journal of Economic History* 50 (3): 615-638. (DD, JS).  
 (Required - S) Ekelund, Robert B., and Robert D. Tollison. 1980. "Mercantilism as a Rent-Seeking Society." In *Toward a Theory of the Rent Seeking Society*. Edited by James M. Buchanan, Robert D. Tollison and Gordon Tullock, pp. 235-68. College Station: Texas A&M University Press. (DD).  
 Root, Hilton L. 1989. "Tying the King's Hands: Credible Commitments and Royal Fiscal Policy during the Old Regime." *Rationality and Society* 1(Oct.): 240-258.

- Conklin, James. 1998. "The Theory of Sovereign Debt and Spain under Philip II." *Journal of Political Economy*, 106(3), pp. 483-513. (JS)
- Bates, Robert H. 2004. A book review of "The Politics of Property Rights" by Haber, Razo, and Maurer. *Journal of Economic Literature*. Vol. 42 (June, 2.) DD
- **Constitutionalism Strikes Back and the Rise of Modern Markets**

(Required) Greif, Avner. 2005. "Commitment, Coercion, and Markets: The Nature and Dynamics of Institutions Supporting Exchange." In the *Handbook for New Institutional Economics*. Edited by Claude Menard and Mary M. Shirley. Norwell MA: Kluwer Academic Publishers. Chapter 28. DD

(Required - S) Acemoglu, Daron and James A. Robinson. 2000. "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective," *Quarterly Journal of Economics*, 115(4, Nov): 1167-1199. (DD, and <http://mitpress.mit.edu/catalog/item/default.asp?type=4&tid=8>)

Barzel, Yoram. *A Theory of the State*. 2002. Cambridge University Press.

Lezzeri, Alessandro, and Niccola Persico. 2004. "Why Did the Elites Extend the Suffrage? Democracy and the Scope of Government, With an Application to Britain's 'Age of Reform,'" *The Quarterly Journal of Economics*, May.
  - **Why Social Liberalism and to What Effect?**

(Required) Solar, Peter M. 1995. Poor Relief and English Economic Development before the Industrial Revolution. *The Economic History Review*. 48(1): 1-22. DD

Guinnane, Timothy W. 1993. The Poor Law and Pensions in Ireland. *Journal of Interdisciplinary History*. JS. DD.
  - **The Age of Reason and the Industrial Revolution**

(Required - S) Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, and Destructive," *Journal of Political Economy*, 98 (5): 893-921.(DD; JS)

(Required - S) Moser, Petra. 2003. "How Do Patent Laws Influence Innovations? Evidence from Nineteenth- Century World Fairs," forthcoming, *American Economic Review*. (DD.)

(Required - S) Mokyr, Joel. 2005. "The Intellectual Origins of Modern Economic Growth," *Journal of Economic History*. (65, June): 285-351

Khan, Zorina B. and Kenneth L. Sokoloff. 2005. "Of Patents and Prizes: Great Inventors and the Evolution of Useful Knowledge in Britain and the United States, 1750-1930." NBER Working paper.

White, Lynn Townsend. 1978. *Medieval Religion and Technology: Collected Essays*. Center for Medieval and Renaissance Studies, UCLA, Vol. 13. Berkeley: UCP.

Rashdal, Hastings. *The Universities of Europe in the Middle Ages. Vol. I*, edited by F.M. Powicke and A.B. Emden. Oxford: Oxford University Press, 1936.

Mokyr, Joel. 1990. *The Lever of Riches. Technological Creativity and Economic Progress*. Oxford: Oxford University Press. Chapter 3.
  - **The Organization of Production**



- Mendels, F.F. 1972. "Proto-industrialization: The First Phase of the Industrialization Process." *Journal of Economic History* 32(4), 241-61. (JS)
- Marglin. S. 1976. "What Do Bosses Do?" in André Gorz. ed. *The Division of Labour: The Labour Process and the Class Struggle ...* pp. 13-54.
- Williamson. O.S. 1980. "The Organization of Work." *Journal of Economic Behavior and Organization* 1(1), 5-38.
- Jones, S.R.H. 1982. "The Organization of Work. A Historical Dimension." *Journal of Economic Behavior and Organization* 3, 117-37.
- Szostak, , Rick 1989. "The Organization of Work. The Emergence of the Factory Revisited." *Journal of Economic Behavior and Organization* 11, 343-58.
- Landes. D.S. 1986 (September). "What Do Bosses Really Do?" *Journal of Economic History* 46 (3) . (JA)

- **Agents in the Firm: Learning to Contract**

- Coornaert, E.L.J. 1967. "European Economic Institutions and the New World: the Chartered Companies." In *Cambridge Economic History of Europe* Vol. IV, 221-74.
- Anderson, Gary M., Robert E. McCormick, and Robert D. Tollison. 1983. "The Economic Organization of the English East India Company." *Journal of Economic Behavior and Organization* 4: 221-38.
- Carlos, Ann M. and Stephen Nicholas. 1990 (Dec.). "Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company." *The Journal of Economic History*. Vol. L. (4), 853-75. (JA)