

Institutions, Networks, Norms and Identity.... in Economic Development

SYLLABUS

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Much of economic activity is influenced and shaped by people's social attachments, their views of others and themselves, and the institutional setting. This course presents economic theories of institutions, networks, norms and identity with applications to the economics of development. While the lectures will be entirely concerned with economic theory, the course will include references to related empirical work.

Requirements include reading and discussing papers, class attendance, completion of two problem sets (due dates to be announced), a five-page research note (due on Feb 27), and a final exam in the form of presentations (on Feb 27 in class). The course grades will be based on the research project description (50%) and the final presentation (50%).

The goal of the research note and the final exam presentations is to help students begin the transition from course work to dissertation research. The research note should present a research question, describe relevant facts, outline a basic economic framework that can be used to answer the question (e.g., relevant actors, objective functions, structure of interaction, payoffs), and possibly data sources. The description should be between 5 and 6 pages, double spaced, with at most one page of references. The research note is due by Monday Feb 27 at 5pm.

For the final exam presentation, each student will choose three papers that are related to the research note. These papers must be relatively recent publications or working papers. If you have a question of whether a paper is appropriate, please let me know. If you are working with another student on research and would like to read together the same papers (or some subset), that is fine. The list of your selected three papers should be due by Monday Feb 20 at 5pm.

On final exam day, from each student's set of three papers, one of the papers will be chosen at random for that student to present. The presentations will be approximately 15 minutes each, depending on the final number of students in the class. The grade will be based on all the slides for each of the three papers as well as the presentation.

Class meetings are:

Wednesday Jan 11

Monday Jan 23

Monday Jan 30

Monday Feb 6

Monday Feb 13

Monday Feb 20

Exam Presentations Monday Feb 27

Contact and office hours:
rachel.kranton@duke.edu
Mondays 1-3 pm

1. Background Reading

Coase, R. 1937. "[The Nature of the Firm](#)," *Economica* IV, 3 86-405.

Akerlof, George A. (1970). "[The Market for 'Lemons': Quality Uncertainty and the Market Mechanism](#)". *Quarterly Journal of Economics* (The MIT Press) **84** (3), pp. 488-500.

Elster, Jon. 1989. [Social Norms and Economic Theory](#), *Journal of Economic Perspectives*, 3(4), pp. 99-117.

North, Douglass C. 1990. *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University Press.

Platteau, Jean Philippe. 2000. *Institutions, social norms, and economic development*. Amsterdam: Harwood.

Dixit, Avinash. 2004. *Lawlessness and Economics*, Princeton: Princeton University Press.

Jackson, Matthew. 2008. *Social and Economic Networks*. Princeton: Princeton University.

Akerlof, George and Rachel Kranton. 2010. *Identity Economics*, Princeton: Princeton University Press.

Bowles, Samuel. 2016. *The Moral Economy: Why Good Incentives are no Substitute for Good Citizens*. New Haven: Yale University Press.

1. Non-Market Exchange – Farms and Firms

Holmstrom, B. 1979, "[Moral Hazard and Observability](#)," *Bell Journal of Economics* 10, 74-91.

*Holmstrom, B. 1982. "[Moral Hazard in Teams](#)," *Bell Journal of Economics* 13, 324-340.

*Eswaran, M and A Kotwal. 1985. "[A Theory of Contractual Structure in Agriculture](#)," *American Economic Review*, Vol 95, pp. 352-366.

Shaban, Radwan (1987) "[Testing between Competing Models of Sharecropping](#)," *Journal of Political Economy*, Vol. 95 (5), pp. 893-920.

Che and Hausch, 1999. "[Cooperative Investments and the Value of Contracting](#)," *American Economic Review* (March), pp. 125-47.

Edlin, Aaron S. and Stefan Reichelstein. 1996. "[Holdups, Standard Breach Remedies, and Optimal Investment](#)," *American Economic Review* 86, pp. 478-501.

Hart, Oliver, and John Moore. 1990. "[Property Rights and the Nature of the Firm](#)," *Journal of Political Economy* 98, pp. 1119-1158.

Rogerson, W. 1992. "[Contractual Solutions to the Hold-Up Problem](#)," *Review of Economic Studies* 59, 777-794.

Hart, Oliver and John Moore. 2008. "[Contracts as Reference Points](#)," *Quarterly Journal of Economics* 124(1), 267-300.

2. Reputation, Communities, Informal Enforcement, Relational Contracting

Kandori, Michihiro, 1992. "[Social Norms and Community Enforcement](#)," *Review of Economic Studies*, Vol. 59, No. 1 (Jan., 1992), pp. 63-80.

Greif, Avner (1993) "[Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition](#)," *American Economic Review*, 83(3), pp.525-548.

Coate, Stephen and Martin Ravallion (1993). "[Reciprocity without Commitment: Characterization and Performance of Informal Insurance Arrangements](#)," *Journal of Development Economics* Vol 40, pp. 1-24.*

Besley, Timothy, Stephen Coate and Glenn Loury (1993). "[The Economics of Rotating Savings and Credit Associations](#)," *American Economic Review*, Vol. 83, No. 4. (September), pp. 792-810.

Pitt, Mark and Shahidur Khandker (1998), "[The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?](#)" *Journal of Political Economy*, Vol. 106 (5), pp. 958-996.

Kranton and Swamy (1999), "[The Hazards of Piecemeal Reform: British civil courts and the credit market in colonial India](#)," *Journal of Development Economics* 58, pp. 1-24.

McMillan, John and Christopher Woodruff (1999). "[Interfirm Relationships and Informal Credit in Vietnam](#)," *Quarterly Journal of Economics* Vol 114 No. 4, pp. 1285-1320.

Banerjee, Abhijit and Esther Duflo (2000). "[Reputation Effects and the Limits of Contracting: A study of the Indian Software Industry](#)," *Quarterly Journal of Economics*, Vol. 115 (3), pp. 989-1017, 2000.

Baker, George, Robert Gibbons and Keven Murphy (2002). "[Relational Contracts and the Theory of the Firm](#)," *Quarterly Journal of Economics* Vol 117 No. 1 (February), pp. 39-84.

Ligon, E., J. Thomas and T. Worrall (2002). "[Mutual Insurance and Limited Commitment: Theory and Evidence in Village Economies](#)," *Review of Economic Studies* Vol. 69 No. 1, pp. 209-244.

Levin, Jonathan. 2003. "[Relational Incentive Contracts](#)," *American Economic Review*, 93(3): 835-857.

Karlan, Dean (2007), "[Social Connections and Group Banking](#)," *The Economic Journal*, 117 (517), pp. F52-F84.

Karlan, Dean, Mobius, Markus, Rosenblatt, Tanya and Adam Szeidl. 2009. "[Trust and Social Collateral](#)," *Quarterly Journal of Economics*, 124(3), p. 1307-1361.

Edwards, Jeremy and Sheilagh Ogilvie, 2012. "[Contract enforcement, institutions, and social capital: the Maghribi traders reappraised](#)," *The Economic History Review*, 65(2), pp. 421-444.

Malcomson, James. 2012. "[Relational Incentive Contracts](#)," In *Handbook of Organizational Economics*. Gibbons and Roberts (eds.), Oxford: Oxford University Press.

Athey, Susan, Emilio Calvano, and Saumitra Jha, "[A Theory of Community Formation and Social Hierarchy](#)," working paper, 2016.

3. Social Networks

Games on Networks:

Ballester, Coralio, Calvó-Armengol, Antoni, and Yves Zenou. 2006. "Who is Who in Networks. Wanted: The Key Player," *Econometrica*, 75(4), p. 1403-1418.

Bramoullé, Yann and Rachel Kranton. 2007. "Public Goods in Networks," *Journal of Economic Theory*, 135(1), p. 478-494.

Galeotti, Andrea, Goyal, Sanjeev, Jackson, Matthew, Vega-Redondo, Fernando and Leeat Yariv. 2010. "[Network Games](#)," *Review of Economic Studies* 77, pp. 218-244.

Bramoullé, Yann and Rachel Kranton, Martin D'Amours. 2014. "[Strategic Interaction and Networks](#)," *American Economic Review* 104(3), p. 898-930.

Network Formation

Jackson, Matthew and Asher Wolinsky. 1996. "A Strategic Model of Social and Economic Networks," *Journal of Economic Theory*, 71, p. 44-74.

Job Networks:

Boorman, Scott. 1975. "A Combinatorial Optimization Model for Transmission of Job Information through Contact Networks," *Bell Journal of Economics* (6-1), p. 216-249.

Munshi, Kaivan. 2003. "[Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market](#)." *Quarterly Journal of Economics* . 118(2): 549-597.

Calvo-Armengol, Antoni and Matthew Jackson. 2004. "The Effects of Social Networks on Employment and Inequality," *American Economic Review*, 94(3), p. 426-454.

Calvo-Armengol, Antoni and Matthew Jackson. 2007. "Networks in Labor Markets: Wage and Employment Dynamics and Inequality," *Journal of Economic Theory*, 132(1), p. 27-46.

Munshi, Kaivan and Mark Rosenzweig. 2006. "[Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy](#)." 2006. *American Economic Review* 96(4):1225-1252.

Munshi, Kaivan and Mark Rosenzweig. 2013. "[Networks, Commitment, and Competence: Caste in Indian Local Politics](#)." Working paper.

Risk Sharing Networks:

Bramoullé, Yann and Rachel Kranton. 2007. "[Risk Sharing in Networks](#)," *Journal of Economic Behavior and Organization*, 64(3-4), p. 275-294.

Bramoullé, Yann and Rachel Kranton. 2007. "Risk Sharing Across Communities," *American Economic Review Papers and Proceedings*, 97(2), p. 70-74.

Ambrus, A. and M. Mobius, and A. Szeidl. 2014. "[Consumption risk-sharing in social networks](#)," *American Economic Review*, 104(1), 149-82.

Trust, Informal Contracting

*Kranton, Rachel (1996), "[Reciprocal Exchange: A Self-Sustaining System](#)," *American Economic Review*. vol 86 No. 4, pp. 830-851.

*Karlán, Dean, and Markus Mobius, Tanya Rosenblat, Adam Szeidl. 2009. "[Trust and Social Collateral](#)," *Quarterly Journal of Economics*, 124(3): 1307-1361, 2009.

Jackson, Matthew and Tomas Rodriguez-Barraquer, Xu Tan. 2012. "[Social Capital and Social Quilts: Network Patterns of Favor Exchange](#)" *American Economic Review* Vol. 102, Iss. 5, 1857--1897, 2012.

Gagnon, Julien and Sanjeev Goyal. 2017. "[Networks, Markets, and Inequality](#)," *American Economic Review*, 107(1), p. 1-30.

Information

Banerjee, Abhijit, and Arun Chandrasekhar, Esther Duflo, Matthew Jackson. 2013. "[The Diffusion of Microfinance](#)" *Science* 26 July 2013: Vol. 341 no. 6144, DOI: 10.1126/science.1236498.

Banerjee, Abhijit, and Arun Chandrasekhar, Esther Duflo, Matthew Jackson. 2013. "[Gossip: Identifying Central Individuals in a Network](#)" *working paper* 2014.

4. Social Norms and Identity

Akerlof, George (1976), "[The Economics of Caste and of the Rat Race and Other Woeful Tales](#)," *Quarterly Journal of Economics*, Vol. 90, No. 4. (November), pp. 599-617.

Stigler, George and Gary Becker. 1977. "[De Gustibus Non Est Disputandum](#)," *The American Economic Review*, Vol. 67, No. 2. (Mar., 1977), pp. 76-90.

*Cole, H.L., George Mailath and Andrew Postlewaite (1992). "[Social Norms, Savings Behavior and Growth](#)," *Journal of Political Economy* Vol. 100, pp. 1092-1095.

Bernheim, Douglas (1994). "[A Theory of Conformity](#)," *Journal of Political Economy* Vol. 102, pp. 841-877.

*Akerlof, George and Rachel Kranton (2000), "[Economics and Identity](#)," *Quarterly Journal of Economics*, Vol. 115, No. 3. (August), pp. 715-753.

*Austen-Smith, David and Roland Fryer. 2005. "[An Economic Analysis of Acting White](#)," *The Quarterly Journal of Economics* 120 (2): 551-583

Bénabou, Roland and Jean Tirole, 2006. "[Incentives and Pro-Social Behavior](#)," *American Economic Review*, 96(5), December (2006), 1652-1678.

Munshi, Kaivan and Nicholas Wilson. 2011. "[Identity, Occupational Choice, and Mobility: Historical Conditions and Current Decisions in the American Midwest.](#)" Working paper.

Bénabou, Roland and Jean Tirole, 2011. "[Identity, Morals and Taboos: Beliefs as Assets](#)" QJE 2011.

5. Custom and Culture

Young, Peyton (1996). "[The Economics of Convention](#)," *Journal of Economic Perspectives* Vol. 10 (Spring), pp. 105-122.

Lazear, Edward (1999). "[Culture and Language](#)," *Journal of Political Economy* Vol 107 (December), pp. S95-29.

Bisin, Alberto and Verdier, Thierry. (2000). "[Beyond the Melting Pot: Cultural Transmission, Marriage, and the Evolution of Religious and Ethnic Traits](#)," *Quarterly Journal of Economics*, CXV(3), 955-988.

Bisin, Alberto and Verdier, Thierry. (2001). "[The Economics of Cultural Transmission and the Dynamics of Preferences](#)," *Journal of Economic Theory*, 97, 298-319.

Young, Peyton and Mary A. Burke (2001). "[Competition and Custom in Economic Contracts: A Case Study of Illinois Agriculture](#)," *American Economic Review* Vol 91, pp. 559-573.

Kuran, Timur and William Sandholm (2002), "[Cultural Integration and Its Discontents](#)," *Review of Economic Studies*..

Bisin, Alberto and G. Topa and T. Verdier. (2004). "[An Empirical Analysis of Religious Homogamy and Socialization in the US](#)," *Journal of Political Economy*, 112(3), 615-64.

Bisin, A, E. Patacchini, T. Verdier and Y. Zenou, "[‘Bend it like Beckham’: Identity, assimilation and peers](#)," working paper.

6. Political Economy and Corruption

Bardhan, Pranab. 1997. "[Corruption and Development: A Review of the Issues](#)," *Journal of Economic Literature*, September, p. 1320-1346.

*Acemoglu, Daron, and Thierry Verdier. 2000. "[The Choice between Market Failures and Corruption](#)." *American Economic Review*, 90(1): 194-211.

Banerjee, A. and L. Iyer, 2005. "[History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India](#)," *American Economic Review* **95**, 1190--1213.

D. Acemoglu and J. Robinson (2000), "[Political Losers as a Barrier to Economic Development](#)," *American Economic Review* **90**, 126--134. Followup on the Robinson paper.