

Syllabus for 260A: Comparative economics. (20052006.
Instructor : Gérard Roland

Note: In past years, 260A was about economics of transition. Since last year, it is about comparative economics. Do not refer to the syllabi of previous years.

The course will introduce students to the new and evolving field of comparative economics that has emerged from the transition experience and the economics of transition. Before the economics of transition, comparative economics was devoted mostly to the comparison of capitalism and socialism, and in practice mostly to the study of socialist economic systems (central planning, Yugoslav self-management, market socialism...). The transition experience and the economics of transition has shown the importance of the institutions underlying the capitalist system. Comparative economics is now turning to the comparative analysis of institutions of existing capitalist systems and to the historical evolution of those institutions.

Lecture 1. Introduction.

Review of the issues covered by the new comparative economics.

Readings:

- G. Roland *Transition and Economics. Politics, Markets and Firms*, MIT Press 2000, Introduction.

- S. Djankov, E. Glaeser, R. La Porta, F. Lopez-de-Silanes and A. Shleifer, « The New Comparative Economics » *Journal of Comparative Economics*, vol. 31, No 4, December 2003, pp. 595-619.

Other readings:

- M. Aoki *Comparative Institutional analysis*, MIT Press 2001.

PART I. COMPARATIVE INSTITUTIONAL ANALYSIS

Lecture 2. Different coordination mechanisms.

Readings:

- M. Weitzman “ Price Versus Quantities” *Review of Economic Studies* vol 41 No 4 October 1974, pp.477-491.

Other readings:

- P. Bolton and J. Farrell “Decentralization, Duplication and Delay”, *Journal of Political Economy* , vol 98 No 4 1990, pp. 803-826.

Lecture 3. Institutions and Economic Performance.

Readings:

- Karla Hoff & Joseph E. Stiglitz, 2002. "After the Big Bang? Obstacles to the Emergence of the Rule of Law in Post-Communist Societies," NBER Working Papers 9282, National Bureau of Economic Research, Inc.
- Simon Johnson & John McMillan & Christopher Woodruff, 2002. "Property Rights and Finance," *American Economic Review*, vol. 92(5), pages 1335-1356.
- Besley, Timothy, 1995. "Property Rights and Investment Incentives: Theory and Evidence from Ghana," *Journal of Political Economy*, vol. 103(5), pages 903-37.

Other readings:

- G. Roland *Transition and Economics. Politics, Markets and Firms*, MIT Press 2000, Chapter 8.

Lecture 4. Comparative legal systems. Common Law vs Civil Law.

Readings:

- R. LaPorta, F. Lopez-de-Silanes, A. Shleifer and R. Vishny, , «Law and Finance», *Journal of Political Economy* 106, 1998 1113-1155.
- E. Glaeser, A. Shleifer. "Legal Origins", *Quarterly Journal of Economics* . vol. 117 No 4, pp 1193-1229, 2002.

Other readings:

- R. Rajan and L. Zingales, "The Great Reversals. The political Ecoomy of Financial Development in the twentieth century". Working paper. Downloadable at <http://gsbwww.uchicago.edu/fac/finance/papers/reversal.pdf>
- K. Pistor, M. Raiser & S. Gelfer "Law and Finance in Transitional Economies" *Economics of Transition*, 8 (2), 325-368 2000.
- M. Roe. "Corporate Law's Limits" *Journal of Legal Studies* vol. 31(2), pp. 233-71.
- D. Berkowitz and K. Clay "Initial Conditions, Institutional Dynamics and Economic Performance: Evidence from the American States," mimeo May 2003, downloadable at <http://www.pitt.edu/~dmberk/berkclay1.pdf>

Lecture 5 and 6. Comparative Financial Systems.

Readings:

- Dewatripont, Mathias and Eric Maskin, (1995), "Credit and Efficiency in Centralized and Decentralized Economies", *Review of Economic Studies*, 62: 541-555.
- M. Pagano and P. Volpin Pagano, 2001. "The Political Economy of Corporate Governance," CEPR Discussion Papers 2682. Downloadable at <http://www.cepr.org/pubs/dps/DP2682.asp>

Other readings:

- E. Berglöf, "Capital Structure as a Mechanism of Control: A Comparison of Financial Systems", in Masahiko Aoki, Bo Gustavsson, and Oliver Williamson, (eds.), *The Firm as a Nexus of Treaties*, European Sage, 1990.
- C. Mayer, (1990) "Financial Systems, Corporate Finance, and Economics Development" in R.G. Hubbard (ed.) *Asymmetric Information, Corporate Finance and Investment*, University of Chicago Press, Chicago: pp. 307-332.
- J. Kornai, E. Maskin and G. Roland "Understanding the Soft Budget Constraint", *Journal of Economic Literature*, December 2003.
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Lecture 7. The role of culture.

Readings:

- Avner Greif, 1994. "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies," *Journal of Political Economy*, vol. 102(5), pages 912-50, 1994.
- R. Barro and R. McCleary "Religion and Economic Growth" April 2003. Downloadable at http://post.economics.harvard.edu/faculty/barro/papers/Religion_and_Economic_Growth.pdf

Other readings:

- D. Landes *The Wealth and Poverty of Nations: Why Are Some So Rich and Others So Poor?*, New York: W.W. Norton, 1998.
- A. Alesina, R. Di Tella and R. MacCulloch "Inequality and Happiness: Are Europeans and Americans Different?" mimeo 2002. Downloadable at http://www.people.hbs.edu/rditella/papers/inequality_and_happiness.pdf
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Lecture 8: Capitalism under democracy and dictatorship.

Readings:

- D. Acemoglu The Form of Property Rights. Oligarchic versus Democratic Societies. Downloadable at http://econ-www.mit.edu/faculty/download_pdf.php?id=832
- R. Barro "Determinants of Democracy", *Journal of Political Economy* December 1999.
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Other Readings:

- A. Przeworski et al. , *Democracy and Development. Political regimes and Material well-being in the World: 1950-1990* , Cambridge University Press, 2000.

Lecture 9: Comparative analysis of democracies: political regimes and electoral systems.

Readings:

T. Persson and G. Tabellini , *The Economic Effect of Constitutions* MIT Press 2003.

Lecture 10: Measuring the Effect of Institutions on Economic Growth.

Readings:

- D. Acemoglu, S. Johnson and J. Robinson "The Colonial Origins of comparative Development. An Empirical Investigation", *American Economic Review* vol 91, pp. 1369-1401, 2001.
- R. Hall and C. Jones "Why Do Some Countries Produce So Much More Output per Worker than Others?", *Quarterly Journal of Economics*, 1999, Vol. 114, pp. 83-116.

Other readings:

- D. Rodrik, A. Subramanian and F. Trebbi Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development October 2002. Downloadable at <http://ksghome.harvard.edu/~drodrik/institutionsrule,%205.0.pdf>

PART II. UNDERSTANDING INSTITUTIONAL REFORMS.

Lecture 11 and 12: Institutions and the effects of price liberalization.

Readings:

1. G. Roland *Transition and Economics. Politics, Markets and Firms*, MIT Press 2000, Chapters 6 and 7.

Lecture 13 and 14: The political economy of reforms.

Readings:

1. G. Roland *Transition and Economics. Politics, Markets and Firms*, MIT Press 2000, Chapters 2 and 3.

Lecture 15. The transplantation of institutions.

Readings:

- D. Berkowitz, K. Pistor and J.-F. Richard "Economic Development, Legality and the Transplant Effect," *European Economic Review* 47(1): 165-195, 2003.