

**Econ 354**

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**Introductory Lecture Notes**

Welcome to Econ 354! This course is called "Comparative Economic Institutions".

This document will tell you how the course is organized and what to expect.

First, I will introduce myself. I have been a professor in the economics department at Simon Fraser University since 1995. It's been a very enjoyable place to work.

My main areas for teaching and research are economic prehistory, labor-managed firms, microeconomic theory, and institutions. If you are curious about these subjects or about my academic career, you can go to my website (see below) for more information.

My office is WMC 4659, which is in the northwest corner of the fourth floor of the West Mall Complex (one floor up from the main economics office).

Due to the pandemic, I will not be in my office for the first two weeks of the semester. I plan to have office hours on Zoom during these weeks (I'll announce a time in class). I'm hoping we can return to in-person teaching after that. If so, I'll switch to in-person office hours. In the meantime, if you have any questions please feel free to send me an email.

My office phone number is 778-782-5502. However, it is unlikely that I will pick up the phone, and frequently I forget to check my voice mail.

By far the best way to contact me is email: [gdow@sfu.ca](mailto:gdow@sfu.ca)

My website is <https://www.sfu.ca/~gdow/>

You won't need to use my website for this course. We will do everything using Canvas, Zoom, and email (plus in-person classes if possible).

The documents currently on Canvas include the course outline, a schedule, my previous exams, and these introductory notes. Later I will add my lecture notes on the books.

You can expect a steady stream of emails from me throughout the semester. When the classes are online, I will send a Zoom link by email the day before each class.

Our scheduled class times are Tues 10:30 AM - 12:20 PM and Fri 10:30 - 11:20 AM.

Exams will occur during the Tuesday class times. I will explain the exam procedures later. There are four exams in the course, one on each of the four books we will read. The last of the four will occur in the time slot for the final exam.

The rest of this document discusses textbooks, course organization, exams and grading, prerequisites, and the goals of the course. Please read these sections carefully.

### The textbooks.

The course is built around four books:

Allen W. Johnson and Timothy Earle, *The Evolution of Human Societies: From Foraging Group to Agrarian State*, second edition, Stanford University Press, 2000.

Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, Cambridge University Press, 2015.

Robert C. Ellickson, *Order Without Law: How Neighbors Settle Disputes*, Harvard University Press, 1994.

Louis Putterman, *The Good, The Bad, and The Economy: Does Human Nature Rule Out A Better World?* Landon St., 2012.

You should get the Johnson and Earle book immediately (we will use this one first). Make sure you get the second edition (2000) of Johnson and Earle, not the first edition from 1988. Amazon has a Kindle version for about \$37. If you need the Kindle app, you can download it for free. You can go to [amazon.ca](http://amazon.ca) and type in "the evolution of human societies" to reach the Johnson and Earle book.

When you click on the Kindle version, you will see the book cover, which unfortunately does not say 'second edition' on the front. If you go ahead and order it, you should get the right one (this worked for me). If you are concerned, there is an opportunity to request a free sample of the book. When you get the free sample, look at the first few pages to be sure it is the second edition, published in 2000. It would be nice if the Amazon site were a little clearer about this.

You can get the Ostrom and Ellickson books in either Kindle or paperback from [amazon.ca](http://amazon.ca). It doesn't matter which editions you get. All physical and electronic versions of these books are identical.

If you prefer to have physical copies, you can order Ostrom and Ellickson from any reputable online bookseller. Just make sure the Ostrom book will arrive by about February 1.

You don't need to worry about getting the last book (by Putterman) because I will distribute a free pdf version later in the semester.

## Course organization.

We will go through each of the four books in the order listed above. We will spend about 3 weeks on each book. For the exact dates, you can check the schedule posted on Canvas.

During the first two weeks of the semester, I will lecture online by Zoom. After each lecture, I will post my notes for that lecture on Canvas. These introductory remarks are an exception because I wanted to distribute background information about the course as soon as possible.

For most of my career, I have not distributed lecture notes because students learn a lot more when they listen to a lecture, watch what I do on the board, and write down their own notes. This pushes people to organize the material in their minds in an active way, which is better than just passively skimming through something I wrote.

Due to the pandemic and the need for online classes, in the last year or two I started to post lecture notes on Canvas. Now that this material is circulating, I think it would be unfair for some people to have access to it while others don't, so I will post all of my notes.

Nevertheless, I think it is better if you watch my Zoom lectures first and get whatever you can from them before you see my notes. I also ask that you devote some serious time to absorbing the information in my notes, thinking things over, and trying to understand the ideas on a deep level. Please don't just glance through them quickly. You won't learn much that way.

On average, you should expect to read about 100 pages per week in the books. My lecture notes will average 10-15 single-spaced pages per week, with variation depending on topics.

In past years students have told me that this workload is large but manageable, as long as you are well organized and work steadily. However, it is important not to fall behind and then try to catch up by reading an entire book (or all of my lecture notes) at the last minute just before an exam. That approach will definitely not work.

Note: my lectures and the books are complements, not substitutes. If you want to do well in the course, you need to spend a significant amount of time on both.

In my lectures I will not usually summarize the books or repeat information provided there. I will normally assume you have already read certain chapters, or are in the process of reading them, and are familiar with the information provided by the authors.

If all you do is listen to my lectures or read my notes, you may have no idea what I'm talking about, because you won't have the background information from the book. On the other hand, if all you do is read the books, you will miss most of the economic ideas in the course because I will spend a lot of time in the lectures developing economic models that are not discussed in the books.

## Exams and grades.

After each book we will have an exam on that particular book. The exams for the first three books will be on Tuesdays during 10:30 AM - 12:20 PM in the regularly scheduled time for the course. Here are the dates:

Johnson and Earle:	Tuesday February 1
Ostrom:	Tuesday March 1
Ellickson:	Tuesday March 22

The fourth exam, on the Putterman book, will take place at the scheduled final exam time (to be announced later). The exams are not cumulative. Each is about an individual book.

Each exam is worth 25% of your course grade. If you miss one of the first three exams, I will distribute the 25% weight equally among the remaining exams. If you miss the final exam, I will arrange a make-up exam on the Putterman book. Of course, it is best not to miss any of the exams, because a course grade based on fewer exams results in greater risk.

When I give my lectures, I will tell you what chapters I am covering, and I will say how to schedule your reading so you will be ready for the exams. Normally I will ask you to read ahead in the book relative to where I am in my lectures, and I will catch up with you as the exam date approaches.

I will expect you to read each book in its entirety. The only exception will be chapter 14 of Johnson and Earle, which is optional and will not be on the exam. Aside from this specific exception, there could be exam questions on topics from the books that were not covered in my lectures. If you have read the book, these questions will probably be easy.

Assuming we are back to in-person teaching by February 1, the exams will occur in class and you will not be allowed to use any books, notes, or devices. If we need to have exams online, I'll let you know about the exam procedures. You will not need special software or hardware to take the exams.

My old exams for Econ 354 are on Canvas. These old exams provide a lot of clues about the ideas I think are important, how the books relate to the lectures, and so on. I will not recycle any questions exactly, but the new exams are likely to be similar to the old ones.

I strongly encourage you to look at the old exams for each book, not just when studying for an exam, but throughout the time you are reading the book and reading my lecture notes on it. It makes sense to treat the old exams as a study guide and refer to them frequently.

Note: In the exams I gave before the pandemic, I sometimes asked students to draw graphs or do algebra. I stopped doing this because during the pandemic I was giving exams by email. Regardless of which way we do the exams this time, you still need to understand the graphs and algebra in my lectures and you should be able to discuss the formal models on an exam.

### Prerequisites and preparation.

The official prerequisites are Econ 103 and 105, and 60 units. What this means in practice is that I will assume you can understand graphs and algebra. I will also assume you have seen supply and demand curves.

You don't need to know any calculus. Once in a while (rarely), I will make a brief comment about how calculus could be used to prove something. If these remarks mean nothing to you, don't be concerned.

Some students may have taken Econ 201 or 302 while other students have not. This will not make much difference. Whenever I need to use a theoretical concept, I will start from scratch and define it verbally, graphically, and/or algebraically. So as a practical matter, the course is self-contained.

### Course goals.

Now that I have talked about the mechanics of the course, I want to spend some time on the content. What are we doing and why are we doing it?

The main goal is to look at case studies of institutions in small-scale societies or communities and try to understand the economic logic behind these institutions. We want to know whether economics can explain why people are behaving in certain ways, and whether their institutions are solving particular economic problems.

For the moment, I will postpone giving a formal definition of 'institutions' and let you see how the authors use the word. But if you want a loose idea of what it means, think of an institution as a social system for organizing production activities, regulating the use of natural resources, resolving conflicts over the distribution of goods, and so on.

I chose books that had a lot to say about institutions, were not too mathematical, focused on small-scale communities so it would be easier to understand the economic problems people were facing, and included detailed descriptions of real economic behavior.

The first book by Johnson and Earle (JE) gives an overview of human societies ranging from small hunting and gathering groups through large agricultural societies. They provide many case studies along the way. Although one of these authors is an anthropologist and the other is an archaeologist, they discuss numerous economic matters, and I will argue that economic models are useful in understanding their ideas. The big question in this book is why human societies evolved over time from small and simple to large and complex.

The second book is by Elinor Ostrom (EO), who focuses on institutions that solve problems involving common pool resources. CPRs are large resource systems where individual users are tempted to extract too much of the resource, which can lead to poor economic outcomes.

Examples include fisheries, grazing lands, and irrigation systems. In such situations, people often create institutions to prevent overuse of the resource. Ostrom is an economist (she won the 2009 Nobel prize in economics), but she is also very interested in political science. She includes some economic models in her book, along with case studies, and I will expand upon these models. The big questions are what good CPR institutions look like, and when they are likely to be created.

The third book is by Robert Ellickson (RE), who is a law professor interested in the linkages between law and economics. In particular, he wants to know when economic problems can be resolved through social norms rather than legal rules. The first part of his book is a case study of the social norms around cattle ranching in northern California, where these norms affect the nature of cooperation and conflict among neighbors. He also has a range of other case studies later in the book. RE presents some economic models, and I will build on these models. The big question is whether social norms maximize the total welfare of the people in a community, and why this might be true under certain conditions.

The last book is by Louis Putterman (LP), who is an economist interested in a diverse set of subjects: human nature, human biological evolution, prehistory, experimental economics, the process of economic development in the modern world, and inequality across nations, among other things. LP differs from the first three books by not relying much on case studies, but it is an excellent book for pulling together a lot of the ideas developed earlier in the course. The big question is: can we improve our institutions in ways that would make most people better off, or is this impossible due to the limitations of human nature? (Don't worry, he thinks it is possible to make improvements.)

I hope that by the end of the course you will be convinced that economics applies to a wide range of topics, including topics that don't look much like economics at first glance. Many people think of economics as a discipline that deals only with prices, GDP, exchange rates, and so on. I see economics in a broader way: it is one of the social sciences and it provides a toolkit that can help us understand many kinds of social behavior in many different societies.

I also hope that you will learn some interesting things about economic theory. Most courses on economic theory develop concepts in an abstract way, where you move from concept A to concept B without much discussion about how economic ideas apply to the real world. This course takes the opposite approach. We start from the real world, see what people are doing, and try to create economic models that explain what we observe. I think this is a much more interesting way to learn about economics, and it should give you a glimpse of how real social science research is done.