

“Institutional Economics” EC446 Syllabus

Winter Term 2021

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This ten week course in “Institutional Economics” is designed to introduce students to the field of Evolutionary-Institutional Economics.

‘Institutional Economics’, ‘Evolutionary Economics’, and ‘Evolutionary-Institutional Economics’ are names for areas of inquiry that tend not to be well known well within the larger discipline of Economic Science. This course is intended to correct this shortcoming, ensuring that students taking this course have a broad and deep exposure to key thinkers and their foundational ideas that prove integral to this tradition.

Course Goals

This course offers at least two clearly stated goals for students to achieve over this ten-week term. If not before, at least by Week 10 of this course, enrolled students would have raised their levels of proficiency and knowledge of the range of contributors to Institutional Economics, and to understand Institutional Economics as a bona fide school of thought within Economic Science. The second goal that registers as equally important: At least by this course’s end, enrolled students would have raised their proficiencies for absorbing and thinking through high-level ideas, and then writing up their own synthetic understandings artfully and in a manner that makes use of a sophisticated yet standard approach employing the “Harvard Short Style) for developing a perspective: that involves effectively citing literature from major thinkers and their texts.

Defining our Area of Intellectual Inquiry

In our course we shall largely be exploring economic, social, and philosophical thinking that was advanced by Thorstein Veblen. However, we shall also seriously consider his antecedents – especially American Philosopher Charles Sanders Peirce, the great natural scientist and theorist, Charles Darwin, and the well known – but not so widely read – pioneering social scientist Karl Marx. While considering Veblen’s contributions we shall also consider ideas advanced by some of his most important disciples, who, along with Veblen, laid the foundation

for what is known as Original Institutional Economics (OIE), that is also referred to as the tradition of “American Institutionalism.”

In the interests of balance in exposure, as well as in enhancing our edification in this field of inquiry, we shall consider selected contributions from a newer, neighboring, and challenging tradition known as “New Institutional Economics.” This related but competing field is built on Thorstein Veblen understanding of an “institution”, but has taken in a direction different from the OIE tradition. Key thinkers in New Institutional Economics include: Ronald Coase, Douglass North, Oliver Williamson, and to a degree, Elinor Ostrom coming in from her unique angle and research in Environmental Economics. Coase, North and Ostrom have been awarded Nobel Prizes in Economics. While this subject matter is not so frequently taught in university courses, still this area of inquiry has been recognized and appreciated by the Nobel Prize committee members.

Readings

This course relies heavily on the text: *Veblen in Plain English*, authored by Ken McCormick. Then we will move through some of the original writings of Thorstein Veblen, with *The Theory of Business Enterprise* [1904] recognized by many as his most important contribution. Some of Veblen’s readings can be found online at different sites, including “New School, History of Economic Thought.”

Additional readings can be accessed at:

sites.google.com/site/econreadings45/

Assignments and Grading:

Since this course will be presented remotely, I thought it appropriate to offer two tracks for assignments. The first track will include two take home exams (referred to as Learning Opportunities #1 and #2) with questions that need to be answered in a way that respects attribution and citing of sources using the Harvard Short Style. The second track will involve a first take home exam (Learning Opportunity #1) and then formulating a thesis that is developed in a first (Learning Opportunity #2) and second draft (Learning Opportunity #3).

Track One is designed for students who would like to fulfill the assignments and move one. **Track Two** is intended for students with a sincere interest in improving their abilities and skills as these pertain to formulating and writing up a research paper (inquiry). Whether to choose Track One or Two should be made based upon what the enrolled student judges as the best choice. I will do my best to offer final grades that are wholly independent of what track was chosen. For those choosing Track Two, please take a look at past research papers written for some of my other courses. Use a search engine and type in Working Papers in Economics, Portland State. There are now close to fifty papers that appear there. At the bottom of the page is a map and this map actively shows the

locations of those seeking out these paper. Keep in mind that choosing Track Two does not guarantee that the final paper will be selected for posting.

For Those on Track One

A set of two “Learning Opportunities” will be offered as a way to goad your learning, and for my evaluating your progress and ultimately your grade for this course. Please be aware and keep in mind that following the Tuesday and Thursday lectures is required. Whether you actively attend or wait and listen to the recordings is a personal choice. But I shall expect that course material presented in the Zoom lectures will be incorporated in the answers to the questions. The two papers (each worth as much as 50 points) should run about nine pages plus a cover page and page for references. I will add up the points and figure out the letter grade based on a PSU scale. I will hand out a set of questions and the assignment is due by the end of the day, Monday, 01 February. The second assignment will be due on Monday, 01 March, 2021.

For Those on Track Two

There will be three learning opportunities to consider. Learning Opportunity One will contain the same set of questions answered by those taking Track One. The difference begins with Learning Opportunity Two. This will involve formulating a thesis and developing an outline for a research paper, and then writing up as much of the research paper as time allows. This track requires more soul searching, and the research paper is based on the research questions that you as the student poses.

A Learning Opportunity #3 will involve considering my feedback and editing, and then writing up a final draft for submission. Paper should run about 2,850 words, or about ten pages of text in double-spaced, 12 point font + a title page and a page for references = appx. 12 pages. The first paper will be worth as much as 50 points. The second and third documents will be worth as much as 25 points each. I will add up the points and figure out the letter grade based on a PSU scale. I will hand out a set of questions and the first assignment is due by the end of the day, Monday, 01 February. The second assignment will be due on Monday, 22 March. The third assignment will be due on Thursday of Exam Week.

When our course ends in March, grades will be calculated and turned in on time. One’s final grade would be based on the accumulated points set against the standard PSU grading scale, plus considering whether research was presented. I do not plan to offer any incompletes, that is, “I” grades or “X” grades.

Books:

- McCormick, Ken. Veblen in Plain English: A Complete Introduction to
- Thorstein Veblen’s Economics. Youngstown, NY: Cambria Press, 2006.

- Veblen, Thorstein. *The Theory of Business Enterprise*, New York: Cosimo Classics [1904].
- Veblen, Thorstein. *Theory of the Leisure Class*. [1899]
- Veblen, Thorstein. *The Higher Learning in America* [1918]
- Veblen, Thorstein. *The Vested Interests and the Common Man* [1919]
- Veblen, Thorstein. *The Engineers and the Price System*, 1921.

Plus reading site: sites.google.com/site/econreadings45/

Schedule

Week 1 (January 5 and 7) Topic: Locating Institutional Economics within a larger framework: The Ancient Greeks, Lamarck and Darwin, Peirce, Marx, Schmoller and Veblen

- Read: McCormick: Part I, Chapter 1. “Instincts,” Chapter 2. “Institutions”
- Plus Articles:
 - Veblen, “Why is Economics Not an Evolutionary Science [1898] (google site)

This 1898 article in the *QJE* opened up inquiry and defined the field of Evolutionary Economics.

Week 2 (January 12 and 14)

- McCormick, Chapter 3. “Technology;”
- Chapter 4. “Technological Change and Institutional Change,”
- Chapter 5 “Social Evolution”
- Hall and Whybrow, “Continuity and Continuousness: The Chain of Ideas Linking Peirce’s Synechism to Veblen’s Cumulative Causation” *Journal of Economic Issues*, 2008. (available on Hall’s PSU homepage)
- Veblen, Thorstein. *Veblen (Theory of Business Enterprise)*, Chapter I. “Introductory;” Chapter II, “The Machine Process;” Chapter III. “Business Enterprise.”

Weeks 3 and 4 (January 19; 21 and 26; 28)

- McCormick, Chapter 6. “The Last Train Runs Fastest;” Chapter 7. “Capital;” Chapter 8. “Business Enterprise and the Industrial System.”
- Chapter IV, *Business Principles*; Chapter V. “The Use of Loan Credit;”
 - Chapter VI, “Modern Business Capital”

- Chapter VII, “The Theory of Modern Welfare;” Chapter VIII, “Business Principles in Law and Politics;”
- Immanuel Kant’s understanding of *Erschleichung*, and Veblen’s introduction of *subreption* into social science.
- Plus, William Dugger on Power:
- “An Institutional Framework of Analysis,” *Journal of Economic Issues*, vol. 14, no. 4 (December, 1980): 897-907.
- “Corporate Hegemony” An Institutional Analysis of Corporate Power: *Journal of Economic Issues*, vol. 22, no. 1 (March, 1988): 79-111.

Week 5 (February 2 and 4)

- Chapter IX “The Cultural Incidence of the Machine Process;”
- Chapter X, “The Natural Decay of Business Enterprise.”
- Plus, Sociologists and Veblenian Analysis
- C. Wright Mills and his research *The Power Elite*, New York: Oxford University Press, 1957.
- McCormick, Chapter 9. “Conspicuous Leisure and Conspicuous Consumption;” Chapter 10, “Some Implications of Status-Driven Consumption.”
- Lecture on *The Theory of the Leisure Class* [1899] Chapter I “Introductory;” Chapter II, “Pecuniary Emulation;” Chapter III, “Conspicuous Leisure;” Chapter IV, Conspicuous Consumption.” Chapter VIII, “Industrial Exemption and Conservatism.”

Week 6 (February 9 and 11)

- Gunnar Myrdal’s Institutional Perspective,
 - plus Myrdal and Nicholas Kaldor’s notion of “circular and cumulative causation.”
 - Plus, *The Higher Learning in America* [1918] Ch1 Introductory; Ch2 Governing Boards; 3. The Academic Administration Ch.4 Academic Prestige and the Material Equipment; Ch. 5 The Academic Personnel; Ch. 6 The Portion of the Scientist; Ch7 Vocational Training; Ch. 8 Summary and Trail Balance.
- Myrdal, *Rich Lands and Poor: The Road to World Prosperity*. New York: Harper and Row, 1957. see sites.google.com/site/econreadings45/

- Hall and Ludwig, "Gunnar Myrdal and the Persistence of Germany's Regional Inequality," *Journal of Economic Issues*, vol. xliii, no. 2 (June 2009): 345-352.
- Hall and Ludwig, "Veblen, Myrdal, and the Convergence Hypothesis: Toward an Institutional Critique," *Journal of Economic Issues*. Vol. xliv, no. 4 (December 2010): 943-962.

Week 7 and 8 (February 16; 18 and 23; 25)

- Die Methodenstreit: see Mark Blaug's article at [sites/google/](#)
plus
- Veblen, Thorstein. *The Higher Learning in America* [1918]
- Veblen, Thorstein. *The Vested Interests and the Common Man* [1919]
- Veblen, Thorstein. *The Engineers and the Price System*, 1921.

Week 9 (March 2; 4) Institutional – Post Keynesian Analysis

- Hall and Ludwig, "Explaining Persistent Unemployment in Eastern Germany," *Journal of Post Keynesian Economics*
- Hall and Ludwig, "Neoclassical Versus Post Keynesian Approaches to Eastern German Unemployment," *Journal of Post Keynesian Economics*, vol. 3, no. 1 (Fall, 2008) 167-185.
- Hall and Ludwig, "Neoliberalism, the Changing German Labor Market, and Income Distribution," *Journal of Economic Issues*, vol. xliv, no. 2 (June 2010): 345-357.
- Hall and Ludwig: "Evidence and Implications of Germany's Domar Problem, An Institutional and Post Keynesian Analysis" (submitted for Publication)

plus

- *Appreciating John Kenneth Galbraith as Veblenian*
- *The Affluent Society*. Houghton Mifflin [1958].
- *The Culture of Contentment*, Boston: Houghton Mifflin [1992].

And as Veblenian and Institutional-Post Keynesian

- *The New Industrial State* Boston: Houghton Mifflin [1967].
- *New Institutional Economics*,
- Coase, Ronald, "The Nature of the Firm," *Economica*, vol. 4, no. 16 (Nov., 1937): 386-405.

- North, Douglass, “Institutions” *Journal of Economic Perspectives*, vol. 5, no. 1, (Winter 1991): 97-112.
- More on “New Institutional Economics”
- Williamson, Oliver. *The Economic Institutions of Capitalism: Firms, Markets, and Relational Contracting*. New York: Free Press, 1985.
- *Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization*, New York: Free Press, 1975.
- Ostrom, Elinor. *Rules, Games and Common-Pool Resources*, Ann Arbor: University of Michigan Press, 1994.
- *The Mechanisms of Governance*, New York: Oxford University Press, 1996.
- *Governing the Commons: The Evolution of Institutions for Collective Action*, New York: Cambridge University Press, 1990
- *The Commons in the New Millennium: Changes and Adaption*. Cambridge, MA: MIT Press, 2003.
- Ostrom and Basurto, “Crafting Analytical Tools to Study Institutional Change” *Journal of Institutional Economics*, vol. 7, no. 3 (2011):317-343.

Critique:

Meramveliotakis, Giorgos; and Milonakis, Dimitris, “Surveying the Transaction Cost Foundations of New Institutional Economics,” *Journal of Economic Issues*, vol. xlv, no. 4 (December 2010): 1045-1071.

Week 10 (March 12 and 14) (Recap of course material, plus some Student Presentations, if applicable)

House Rules:

- 1) Be respectful of your professor and classmates.

Affirmative Action

Portland State University supports equal opportunity for all, regardless of age, color, disability, marital status, national origin, race, religion or creed, sex or gender, sexual or gender identity, sexual orientation, veteran status, or any other basis in law.

Disability Resources at PSU

Students with accommodations approved through the Disability Resource Center are responsible for contacting the faculty member prior to, or during, the first week of term to discuss accommodations. Students who believe they are eligible for accommodations but who have not yet obtained approval should contact the DRC immediately.

Academic Honesty

Academic honesty is expected and required of students enrolled in this course. Suspected academic dishonesty in this course will be handled according to the procedures set out in the *Student Code of Conduct*.