

ECON 412
Game Theory and Institutions
Daniel Solon
dsolon@gmu.edu

In Microeconomics you mainly studied decision making under some restrictive circumstances. These circumstances were that your decision were not strategic. They were independent of the decision of any other party. Game theory is the relaxation of that assumption. Here how other people think, and act is vital to one's decision-making process. The relaxation of this simple assumption opens the field of economics from the finely tuned predictable world of textbook micro to the expansive chaotic world of industrial organization, institutional formation, state development, culture, and the historical dynamics.

We will learn the abstract principles underlying game theory such as the prisoner's dilemma, finite vs repeated games, information asymmetries, and unknown payoffs. We will then take these concepts and use them understand economic circumstance that are more complex and fascinating than what is often found in typical micro such as firm formation, managerial dilemmas, and property rights assignments/ enforcement. This analysis will then expand into the history of state formation and the development and persistence of cultures.

Course Objectives:

- 1) Learn the terminology of GameTheory
- 2) Learn to use the abstract principles of GameTheory to analyze a variety of concrete real-world problems
- 3) Survey the empirical literature of the most cutting-edge discussion around institutions and development.

Grading:

Midterm Exam: 20%

Final Exam: 30%

Book Review: 25%

Quizzes: 20%

Participation: 5%

Grading Scale:

A:100-94%

A-:93%-90%

B+:89%-87%

B: 86%-83%

B-:82%-79%

C+:78%-75%

C:75%-71%

C-:70%-69%

D:68%-60

F:59%-0

Required Reading:

No book. Weekly reading assignments once we exit the Game theory section.

The book reviews are due the last week of class. They should consist of.

- 1) A very brief summary of the book
- 2) Economic concepts that the book covers
- 3) Empirical methods of the book(if applicable)
- 4) Connections between these concepts and current issues

Pick one of these books for your book report

A Farewell to Alms by Gregory Clark

Violence and Social Orders by Douglas North

Ages of Discord by Peter Turchin

The Tyranny of Experts by William Easterly

Bowling Alone by Robert D. Putnam

Quizzes: Will usually be one every other week. First two will involve solving game theory problems. Latter ones will be tied to the readings.

Class tentative Schedule: Each Wednesday a lecture that covers the topic of the week will be uploaded to black board along with selected readings. This schedule is Subjected to changes

Week	Topic	Readings
1	Introduction	
2	Games Theory (types of games)	
3	Game Theory (Prisoners dilemma) Continued	
4	Game Theory(asymmetries and information restrictions) Continued	
5	Firms	Coase, “The Nature of the Firm” Williamson, O. 2000. “The New Institutional Economics: Taking Stock, Looking Ahead
6	Managerial Dilemmas	“Managerial Dilemmas: The Political Economy of Hierarchy” By Gary J. Miller (excerpts)
7	Institutions/Property Rights	Demsetz, 1967 “Towards a Theory of Property Rights,”

		<p>North, 1991 “Institutions”</p> <p>North, 1994 “Economic Performance Through Time”</p>
8	Midterm	
9	Government	<p>La Porta, et. al.. 2008. “The Economic Consequences of Legal Origins”</p> <p>Acemoglu and Robinson, 2008 “Persistence of Elites, Power and Institutions”</p>
10	Government continued	<p>Olson, and McGuire 1996. “The Economics of Autocracy and Majority Rule”</p> <p>North, Wallis, Weingast, 2006. “A Conceptual Framework for Interpreting Recorded Human History</p>
11	History	<p>Clark, G. 2007. “A farewell to alms: A brief economic history of the world”. (excerpts)</p> <p>North and Weingast, 1989 “Constitutions and Commitment”</p> <p>“What Really Happened During the Glorious Revolution?” By Steven C.A. Pincus & James A. Robinson</p>
12	Culture	<p>Fisman, R and E. Miguel (2007). “Corruption, Norms,</p>

		<p>and Legal Enforcement: Evidence from Diplomatic Parking Tickets,”</p> <p>“Albion's Seed: Four British Folkways in America” by David Hackett Fischer</p> <p>(excerpt)</p>
13	Deep Roots	<p>Putterman, Louis, and David N. Weil. ”Post-1500 population flows and The long-run determinants of economic growth and inequality.”</p> <p>Fulford, Scott, Ivan Petkov, and Fabio Schiantarelli: ”Does it matter where you came from? Ancestry composition and economic performance of US counties, 1850-2010.”</p> <p>Comin, Diego, William Easterly, and Erick Gong: ”Was the wealth of nations determined in 1000 BC?.”</p>
14	Unified Growth Theory	<p>Galor, O. (2005). Unified growth theory. Handbook of Economic Growth, 1, 171-293.</p>

Accommodations for Students with Disabilities:

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://ds.gmu.edu/> for detailed

information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email:ods@gmu.edu | Phone: (703) 993-2474

Honor Code Policy:

Mason is an Honor Code university; please see the Office for Academic Integrity for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. Cheating is totally unacceptable. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt, please ask for guidance and clarification.

Contact: You can contact by email at dsolon@gmu.edu where we can set virtual meetings on Zoom. I encourage everyone to do this at least once so that they fully understand the class structure and the material we are covering.