This course is divided into two parts. The goal of the first part is to understand the efficiency and distributive consequences of institutions governing human relationships. Efficiency concerns with the size of the “pie”; different institutions will generate a bigger “pie” than others. Distribution concerns with who gets a bigger piece of the “pie”. The goal of the second part is to understand why “bad” institutions persist over time and what can we do to change from bad/old institutions into good/new institutions.

Economics concerns itself primarily with the size of the “pie”. However, whether an institution (law) is put into place is decided by a small group of people. Usually they will select the institution that gives them a big piece of the “pie” regardless of the total size of the “pie”, thus the importance of understanding the politics that go into institutional design. Moreover, once an institution is put into place it is hard to change it. Hence, history and the choices made by others in the past affect our choices of institutions today, which in turn affect the size of the “pie”.

Prerequisite: Intermediate Micro (Econ 121 or 125) or Intermediate Macro (Econ 122 or 126). It also requires a course in probability in statistics (Econ 131 or 135).

[Also EP&E 221b]

Semester offered: Spring
Undergrad Course Category: History
Political Economy

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