Newsletter Spring 1998 Volume 1, Number 1

INTERNATIONAL SOCIETY FOR NEW INSTITUTIONAL ECONOMICS

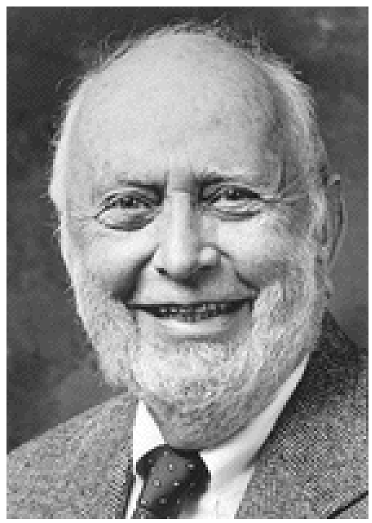
President's Message

Douglass C. North

This is the first newsletter of the International Society for New Institutional Economics (ISNIE). The Society was founded in 1997, in response to a rising awareness of the worldwide interest in the new institutional economics and through the efforts of, primarily, Lee and Alexandra Benham of Washington University in St. Louis, Missouri.

Announcement of the Society's existence was made on the Internet; the response was almost overwhelming: two hundred and fifteen persons from 24 countries attended the first meeting, held in St. Louis in September, 1997. (A report on that meeting comes later in this newsletter.) A session of the American Economics Association annual meeting in January of this year devoted to the new institutional economics and the Society drew a standing-room-only audience.

At this time we are attempting to disseminate information about the Society even more widely—through a newsletter as well as via the Internet. Both should have the highly important function of putting scholars from around the world in contact with each other as they will serve as a clearing house for information about ongoing research. The second meeting of the Society is to be held in Paris this September (more about that meeting below).



Douglass C. North,
ISNIE President

Any organization such as this one needs some financing. Dues have been set for membership—we have tried to keep them low and membership therefore affordable. A few individuals have made much-appreciated private contributions. After initial support from Washington University, we received grants from the Bradley Foundation, enabling us to have the administrative help necessary to run the Society effectively; and from the Earhart Foundation, which will allow us to offer modest travel subsidies to persons in developing countries who otherwise would not be able to attend a meeting.

Additionally, the University of Paris I has subsidized the organizing committee for this year's meeting.

We are off to a good start, and we look forward to moving from strength to strength. And right now I look forward to seeing many of you in Paris in September.

Contents

ISNIE on the Internet

Michael Sykuta

The Society has a new World Wide Web address:

http://www.isnie.org

This site includes information on membership in the Society, a directory of NIE Network members, coverage of the 1997 St. Louis conference including audio and video clips and most papers presented there, and information on the upcoming Paris conference. There will again be a conference paper gallery. Those who are presenting papers at the Paris conference are requested to send electronic copies of their papers to Michael Sykuta:

msykuta@pop.pitt.edu

The preferred format is Adobe (pdf), but any format that can be read by Microsoft Word97 will be accepted. Other members who wish to make their research available are welcome to submit electronic copies of their papers.

The site also contains links to bibliographic and data sources of interest to members. We hope to add new features to enable members to communicate more efficiently with one another. Your ideas are welcome.

The official homepage of the European Web site of the Society is:

http://www.univ-paris1.fr/ATOM/nie/nie.html

This site includes the first four issues of the Paris newsletter begun in November 1996, plus information on upcoming conferences and calls for papers, and lists of recent publications and working papers by members.

Note that from now on, the official newsletter of the Society will be published in St. Louis, initially in paper form. The former newsletter issued in Paris (primarily through the Internet) will become an e-mail letter and will be distributed electronically to members and friends of the Society.

This newsletter is published by the International Society for New Institutional Economics. Subscription is provided with paid membership in the Society.

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Message from Ronald Coase

I am very happy that the International Society for New Institutional Economics has been formed. Its goal is to bring about a restructuring of economics. Although it will require the work of many scholars over many years, I have no doubt that its success is assured.

As we all know, mainstream economics has become more and more abstract over the years. It is elegant but sterile. It is sterile because it fails to include the major factors determining the performance of the economy. It analyses how supply and demand determine price but not what determines what goods and services are traded and therefore priced. However, as we know, the welfare of a people in any economy depends on the flow of real goods and services over time. Adam Smith said, and he was right, that the productivity of an economic system depends on specialisation. But specialisation is only possible if there is exchange. And the lower the costs of exchange (transaction costs as they have come to be called) the more specialisation there will be, the greater the productivity of the economy and the higher the standard of living of people in that economy. However, the level of transaction costs depends on the institutions of a country, its legal system, its political system, its culture and so on. This is why we must include the influence of these institutions in our study of the working of an economic system and why we should include in our membership those of our colleagues in law, anthropology, sociology, political science and similar disciplines, who wish to collaborate in our great enterprise.

There is another aspect of our Society that I would like to mention. It is an international society. It is not an American society to which non-Americans can belong. The United States is now the dominant country in economics. But it is not so long ago that England was the dominant country. And in the past, important contributions to economics have been made by economists in France, Italy, Germany, Austria, Sweden and other countries. We can be sure that in the future major contributions will be made to the New Institutional Economics by scholars outside the United States. Our Society will encourage and support them. I have no doubt that members of our Society (American and non-American) will play a significant part in bringing about the restructuring of economics that is needed.

It is impossible to predict exactly what will be accomplished and I, personally, will never know. But many of you, I feel sure, will see in your lifetime significant improvements in economics brought about by the work of our members.

I take pleasure in having played a small part in the formation of our Society and in contemplating all that it will accomplish.

Ronald Coase
April 5, 1998

Ronald Coase,
Founding President of ISNIE

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Invitation to Join ISNIE

Ronald Coase and Douglass North

We invite you to join the International Society for New Institutional Economics, which has been formed to bring together people working in this area, particularly those doing empirical work. Scholars working in applied NIE include political scientists, anthropologists, sociologists, and lawyers, as well as economists in such diverse fields as economic history, law and economics, public policy, industrial organization, business, and microeconomics.

The Society aims to bring together scholars in countries all over the world who are working on transaction costs, contracting, political rules of the game, the rule of law, norms and culture, and so on, and who pursue these interests using standard scientific methods. While theorists are very welcome, the main emphasis is empirical.

St. Louis Conference 1997

Lee Benham

The founding of ISNIE originated in discussions held among Ronald Coase, Claude Menard, Mary Shirley, and faculty of the Center for New Institutional Economics at Washington University. Our objective was to provide an institutional framework to facilitate the production and exchange of ideas in this field. The first major effort was the initial conference announced for September 1997 in St. Louis. Information was disseminated through word of mouth and Web sites. After the number of persons registering for the conference far exceeded original estimates, fees were doubled, and registration finally had to be closed. The total number of people attending was three times the original estimate, well over 200 individuals from more than two dozen countries, including Argentina, Belgium, Brazil, Britain, Canada, Colombia, Denmark, Finland, France, Germany, Hungary, India, Israel, Italy, Japan, Mexico, Netherlands, New Zealand, Norway, Peru, Poland, Russia, Spain, Sweden, Taiwan, Tanzania, Venezuela, and the USA.

The 32 papers at the conference dealt with the present and future of the new institutional economics, current work in economics, political science, sociology, and anthropology; transaction costs, creating and monitoring institutions, and property rights in comparative systems.

Among many issues, the new institutional economics addresses the formal and informal prerequisites for market exchange. We believe this conference has provided a beginning for an improved market for these ideas.

Ronald Coase gave the founding presidential address, which is available on video tape for those who join the Society.

More details are available on the ISNIE website:

http://www.isnie.org

Legal Status of the Society

John Drobak

The International Society for New Institutional Economics has been incorporated under Missouri law as a nonprofit corporation. The Society has also been registered in France.

The officers of the Society are President — Douglass North: Vice President — Lee Benham; Treasurer — Mary Shirley; Secretary — John Drobak. Claude Menard and the four officers constitute the Executive Committee of the Board of Directors. Other members of the Board are Benito Arrunada, Ronald Coase, Harold Demsetz, Scott Masten, Rudolf Richter, Barry Weingast, and Oliver Williamson. The Board is responsible for overseeing the affairs of the Society, with the Executive Committee acting on behalf of the Board when issues arise between regular meetings of the Board. Day-to-day affairs are handled by the officers. All individuals serving as officers or directors are volunteers; none is paid.

The Society is awaiting confirmation from the U. S. Internal Revenue Service of its nonprofit status for federal income tax purposes. Once that is achieved, which should be sometime in May, contributions to the Society will be deductible for income tax purposes. The Bradley Foundation has agreed to provide initial financial support to help the Society get organized and to assist the 1998 annual conference in Paris.

Second Annual Conference of the

International Society for New Institutional Economics

Paris, France September 18-19, 1998

Claude Ménard
Conference Organizer
University of Paris 1, ATOM
menard@univ-paris1.fr

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The second conference of the International Society for New Institutional Economics will be held in Paris on September 17-19, 1998, under the Presidency of Douglass C. North.

The Conference will be preceded by a special session in honor of Ronald Coase on Thursday afternoon, September 17. Douglass North, Lars Werin, and Oliver Williamson will deliver lectures. Professor Coase will then receive an honorary degree from the Sorbonne.

The official opening of the Conference will be on Friday, September 18. Thomas Schelling will deliver the opening address. Plenary sessions will follow on Friday morning. There will also be plenary sessions on Saturday afternoon. Plenary speakers will include: Lee Benham, Yoram Barzel, Harold Demsetz, Thrainn Eggertsson, Jean Ensminger, Yujiro Hayami, Margaret Levi, Scott Masten, Richard Nelson, Jean-Philippe Platteau, Mary Shirley, Oliver Williamson, Witt Ulrich, and Decio Zylbersztajn.

Parallel sessions (three at a time) will be held on Friday afternoon and Saturday morning. Forty-eight contributions from over 10 different countries will be presented. Douglass North is working on the final program that should be available in the coming days.

On Friday evening there will be dinner aboard a boat ("bateau-mouche") on the Seine River with the presidential address given by Douglass North. The closing address on Saturday afternoon, September 19, will be delivered by Masahiko Aoki.

A program is also being planned for persons accompanying conference attendees.

To Register:

Only members of the Society may register for the Paris conference. If you have not already submitted your 1998 membership form and fee, see the last page of this newsletter.

The conference fee is $125 US (800 FF) until June 1, l998. After June 1, l998, if space is still available, the fee will be $250 US (1600 FF). This fee includes two lunches and one dinner. Relevant information and registration forms are available on the web site:

http://www.univ-paris1.fr/ATOM/nie/nie.html

or by e-mail:

menard@univ-paris1.fr

or by fax: 331 55 43 43 20

Because of space constraints, the number of participants attending the conference must be limited. Registration is on a first-come/first-served, space-available basis. The 1997 conference was over-subscribed, and this is likely to happen again in 1998.

We hope to see you in Paris!

Claude Menard

Join the International Society for New Institutional Economics

Membership in the Society is open to everyone interested in the New Institutional Economics, regardless of academic discipline or professional employment. There is an annual membership fee of $40 US (FF 250). Members for 1998 will receive a videotape of Ronald Coase's presidential address at the inaugural conference in St. Louis 1997. They will also receive a subscription to the Society Newsletter and will be included in the NIE Network, a web-based directory and information service. To join the Society, fill out a copy of the form below (please type or print clearly) and send the completed form, along with a check or money order, to one of the following addresses:

<u>USA</u>

Send check or money order for $40 payable to "International Society for New Institutional Economics" to:

Mary E. Drobak
Department of Economics,
Campus Box 1208
Washington University
One Brookings Drive
St. Louis, MO 63130-4899
USA

<u>Europe</u>

Send check or money order for 250 FF payable to "AINEI (International Association for New Institutional Economics)" to:

Claude MENARD
ATOM - Université de Paris I
(Panthéon-Sorbonne)
106-112 bd. de L'Hôpital
75013 Paris
FRANCE

ISNIE Membership Form – 1998

Last Name: ______________________________

First Name: ______________________________

E-mail Address: ______________________________

Organization/Company: ______________________________

Street Address: ______________________________

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City, State, Postal (ZIP) Code: ______________________________

Country: ______________________________

Telephone: ______________________________

Fax: ______________________________

Personal homepage URL: ______________________________

Research Interests: ______________________________

Recent Publications/Working Papers: ______________________________

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