



THE  
RONALD  
COASE  
INSTITUTE





# THE RONALD COASE INSTITUTE

## Our Mission

To better understand how real economic systems work, so that individuals and societies have greater opportunities to improve their well-being.

## Our Vision and Purpose

The Ronald Coase Institute was founded in 2000 with the goal of helping people around the world improve their own lives. We do this by assisting outstanding young scholars to study how the economic systems of their own countries work, so that problems may be more readily identified and solved.

The Institute is named for Nobel laureate Ronald Coase and is inspired by his pioneering work in new institutional economics. Professor Coase serves as the Institute's research advisor.

The Coase Institute focuses on understanding institutions – what they are and how they work.

## Our Work

- ◆ We conduct and promote analysis of institutions using techniques that allow comparisons and collaboration across national boundaries.
- ◆ We find outstanding young scholars who are interested in understanding formal laws, informal social norms, and public policies governing economic interactions and their consequences.
- ◆ We build these scholars' capacity to analyze institutions, support their research, and involve them in a worldwide community of scholars.
- ◆ We help them communicate their findings to policymakers, other scholars, students, researchers, and the public.



Ronald Coase discusses research informally over lunch at a conference on transaction costs, organized in Chicago by the Coase Institute.

## Why Study Institutions?

Institutions - including formal rules and laws, customs, and social norms - profoundly affect the functioning of every society. We emphasize the institutional obstacles that impede the formation of efficiently functioning markets and that block individuals' opportunities to improve their living standard. These institutional obstacles include the weak enforcement of laws and contracts, insecure property rights, corrupt or inefficient bureaucracies, and societal norms that discourage cooperation. They result in high transaction costs which hinder exchange, employment, and growth.

High transaction costs are difficult to overcome. Rules and norms favor those who have a stake in maintaining the status quo, often allowing them to thwart reforms. Habits and alliances also frequently obstruct these reform efforts. Economic models that ignore such institutions fail to consider the many real barriers to progress.

To design good policies, it is crucial to have a thorough knowledge of institutions. Yet seldom are institutions well understood. And because institutions vary across countries, policies that have worked in some nations can produce disappointing outcomes when imported elsewhere.

Local scholars have a comparative advantage in understanding and affecting the institutions of their own country, but they often lack the tools, training, incentives, and funding needed to analyze those institutions and their effects on economic performance.

That is the role of the Coase Institute - to provide that support and encouragement.

*Institutions – including formal rules and laws, customs, and social norms – profoundly affect the functioning of every society.*

## What Distinguishes the Coase Institute?

The Coase Institute is distinct among economic research centers because it focuses on the impact that institutions have on economies and does it in a rigorous, translatable way.

We believe that a country's institutions are often best understood and analyzed by its local scholars. They know their country's institutions, and they also have greater incentives to study in depth the rules of the game that affect themselves and their countrymen. Political leaders are also more likely to accept institutional research concerning their country when it is conducted by local scholars working within their borders. This acceptance greatly improves the prospects for meaningful change.

Many organizations encourage scholars to stay in the USA or other developed countries for long periods of training and research, even permanently. In contrast, we offer researchers tools, brief concentrated training, a support network, and encouragement to conduct research at home. Scholars who work in their home countries enrich the local knowledge of institutions there and plant the seeds that encourage others to follow – a format for rapid, organic growth.

The Coase Institute encourages comparative and collaborative work. For instance, we believe that systematically measuring the transaction costs of starting a small business in Brazil can be useful in studying those costs in Ukraine. Creating such tools allows better measurement of the costs across countries and over time. These tools allow us to find more effective ways to track policy consequences and reduce high transaction costs. The Institute can broadly disseminate these tools and results.

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In an era when many organizations have reduced their research and training budgets, we devote many of our resources to selecting and training young scholars. Our scholars are rigorously screened by a set of established senior scholars. We seek young scholars who will produce research that is pragmatic, comparative, and effective. Their research performance is outstanding.

The Coase Institute is nonpartisan and embraces no political, social, or philosophical persuasion. We seek only to inspire outstanding scholarly research to facilitate improvements in countries around the world, their economies, and the lives of their citizens, regardless of race, creed, gender, or political alliance. The Institute is a nonprofit 501(c)(3) organization, tax exempt under the U.S. Internal Revenue Service code.



*Douglass North lectures on cognitive science and economics during a Coase Institute workshop.*



## Activities and Initiatives Workshops



Workshops held for scholars around the world are a major activity of the Coase Institute. Workshops have already been held in Budapest, Hungary; Rio de Janeiro, Brazil; São Paulo, Brazil; and within the USA in Berkeley, Cambridge, St. Louis, and Tucson. These workshops enable participants to exchange ideas with their peers, enhance their knowledge within their specific fields of study, build their research sophistication and presentation skills, and become part of an enduring scholarly network.

We encourage applications from around the world, particularly from promising scholars who might otherwise be overlooked. We choose participants competitively on the basis of their research abstracts, selecting those with the most potential to influence others. We offer several fellowships to scholars from developing countries, while those from developed countries bear a sizeable part of their own expenses.

Established scholars serve as our faculty, helping participants develop their research and presentation skills for the international arena. The faculty give lectures, assist with participants' revisions, and formally critique their research projects. Fifty-seven individuals - including two Nobel laureates - have already served as faculty, all donating their time and generally paying their own travel expenses to attend.

*Local scholars have a comparative advantage in understanding and affecting the institutions of their own country.*



“ The Institute experience – both as a student and as a lecturer – has significantly altered my research agenda. Now I try to focus more on the interrelationship of large scale institutional change and strategic decisions by significant individuals. ”

*Konstantin Sonin,  
New Economic School and Center for  
Economic and Financial Research, Russia*



*In São Paulo, Elizabeth Farina offers comments and guidance to participants as they prepare their presentations.*



“ I greatly appreciated the opportunity the Ronald Coase Institute granted to me to meet with and learn from the best experts in the field. It is very inspiring to meet in person with famous scholars and to hear their opinion about your own research and to get most valuable advice. My participation has had a great impact on my academic activities. RCI does a great job in disseminating institutional ideas, training young researchers and bringing people together for exchanging ideas and establishing valuable contacts.”

*Olga Nashchekina,  
Kharkov Polytechnic Institute,  
Kharkov, Ukraine*



*John Nye discusses research issues one-on-one with a young scholar attending the Budapest workshop.*



## Activities and Initiatives Research

Among the graduates of our workshops, we have identified a core group of outstanding and highly motivated researchers. We provide these scholars with additional mentoring, funding, and opportunities to disseminate their work, including through the Coase Institute's working paper series and research report series. In collaboration with the Institute our graduates have conducted studies in Brazil, Chile, Peru, Tanzania, Ukraine, and elsewhere.

Our first research initiative was to measure the costs of registering a new business. The creation of new businesses is a basic underpinning of economic self-help and development. The work has been generously supported by various foundations and other organizations. We have held two conferences on transaction costs and a conference on institutional reform in Latin America. We have been greatly encouraged that the work has already helped spur reforms in Brazil's procedures for registering new businesses.

The Coase Institute is also addressing issues raised by the Copenhagen Consensus, a meeting of leading economists who selected ten global challenges that would have the highest payoffs if they could be solved. The history of foreign aid indicates that the largest barriers to solving these challenges are institutions. We propose to investigate the institutional requirements for reform,

- ◆ examining past successes and failures around the world,
- ◆ inviting leading scholars to prepare research papers on the institutional features needed for implementing solutions, and
- ◆ inviting governments to try new reform efforts and tracking the effects of these reforms.

The Coase Institute aims to elevate the quality of institutional investigation worldwide and to build a critical mass of scholars whose work will have a positive and profound impact on individuals' lives. Although the full benefits of this research may only be realized in the long term, it is essential to invest now. We have made a good start, and we believe that we have a model that can produce results. It only needs nurturing.

## Impact of Our Work

The Institute's achievements in its first years have been substantial. We have already trained 127 scholars from 37 countries. We have sponsored research in several countries. We have inaugurated a working paper series and a research report series to offer resources for ongoing investigation and for the rapid dissemination of information.

Although the pace of change in developing nations is often slow, the impact of the Coase Institute's work is already evident. As mentioned previously, the Brazilian Ministry of Justice formed a task force to investigate the high costs associated with starting a small business after a workshop graduate in Brazil published his study on this topic.

Several workshop graduates are moving into influential positions. They include:

- ◆ the deputy director of the China Center for Economic Research at Beijing University, who is also the editor of China Economic Quarterly,
- ◆ the president's adviser at the Brazilian public agency Conselho Administrativo de Defesa Econômica, working to make competition policy more effective,
- ◆ a founder of the Brazilian Center for Research on Democracy and Comparative Politics, examining the implications of political regimes' institutions and organizations for economic performance,
- ◆ the author of a report for the Russian government on reforming housing policy,
- ◆ the leader of the Bolivian National Industry Chamber project on corporate social responsibility.



Scholars who might otherwise never get the chance to meet can work together during and after Coase Institute workshops, as here in Tucson.

Graduates of our workshops have also had excellent success with scholarly research and activities. In worldwide research competitions conducted by the Global Development Network, our graduates in Russia, Argentina, and India have won four major prizes, while another in Nepal was a top-three finalist. The Economist magazine featured a study on child mortality and water supply by a workshop graduate in Argentina. A Russian graduate has been a Fellow at the Institute for Advanced Studies, Princeton. Another Russian graduate won the prize of the Central Mathematics and Economics Institute in Moscow. Two Hungarian graduates are founders of the Hungarian Society for New Institutional Economics. Many are publishing books and articles in scholarly journals. At least ten graduates have returned to serve as faculty in later workshops, helping to educate other young scholars.

As a service to researchers, the Institute's Web site provides a bulletin board for researchers everywhere to exchange ideas, seek input, and trade data. The web site also helps workshop alumni to stay in touch with one another, advance their knowledge, and forge strong bonds, despite distance and scarcity of resources.

*The impact of the Coase Institute's work is already evident in the Brazilian government's task force to investigate the high costs of starting a new business there.*



## Ronald Coase

For his discovery and clarification of the significance of transaction costs and property rights for the institutional structure and functioning of the economy, Ronald Coase received the Alfred Nobel Memorial Prize in Economic Sciences in 1991.

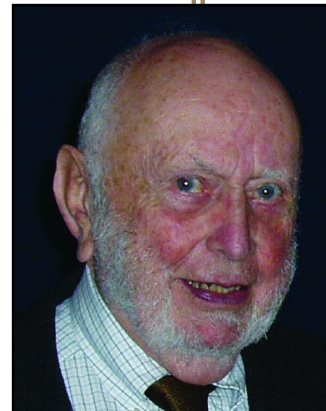
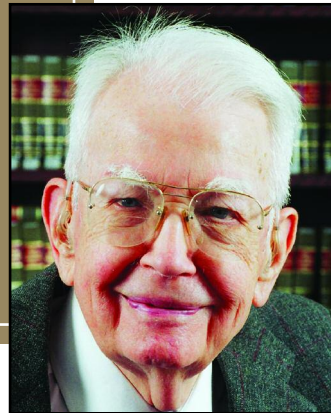
Professor Coase is the Clifton R. Musser Professor Emeritus of Economics at the University of Chicago Law School. He has been affiliated with the University of Chicago since 1964. Earlier, he served on the faculty of the Dundee School of Economics and Commerce (1932-1934), the University of Liverpool (1934-1935), the London School of Economics (1935-1951), the University of Buffalo (1951-1958), and the University of Virginia (1958-1964).

He was the editor of the Journal of Law and Economics (1964-1982). He was the founding president of the International Society for New Institutional Economics (1996-1997). He is the research advisor to the Ronald Coase Institute.



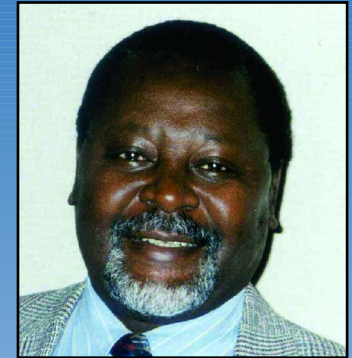
"I am proud of what the Institute bearing my name has been able to accomplish. I am particularly delighted with the workshops for young academics from former Communist and less-developed countries, from which they and we will benefit for years to come."

– Ronald Coase, Nobel laureate



"The Ronald Coase Institute is implementing the thoughts and wisdom of Ronald Coase, whose pioneering research turned our attention to the crucial role of institutions in shaping economic performance. The Institute carries out research exploring the transactions costs that shape economic exchange, trains young scholars from all over the world on the role of institutions in economic development, and sponsors conferences aimed at implementing economic development."

– Douglass North, Nobel laureate



“The RCI workshop is making a huge impact on my work, particularly on how to do institutional analysis in the area of cost of exchange. The work at RCI has converted me into believing in the power of institutional analysis in addressing complexities of the development agenda in poor countries.”

*Estomih Nkya,  
Mzumbe University, Tanzania*





“I have learned much about an area of research, new institutional economics, that I had not had the chance to study before. I learned many useful things about how to conduct and disseminate my research, including a must-attend session by Alexandra Benham about how to present your work in 10 minutes.”

*Sebastian Galiani,  
Universidad de San Andrés, Argentina*



## Donors

The Coase Institute thanks the organizations and individuals whose great generosity and past support have made our work possible. These include:

Bakewell Foundation  
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## Funding Opportunities for Future Programs

Since ours is a lean organization, virtually all funds are used to assist scholars from developing nations and to conduct and disseminate research globally. New funding will be used to:

- ◆ Provide fellowships for young scholars from developing and transitional countries to participate in workshops and utilize the Institute's other resources.
- ◆ Provide small grants to support scholars' research.
- ◆ Assist young scholars with publishing and obtaining recognition for their work.
- ◆ Compensate faculty for participating in workshops.
- ◆ Expand our research concerning the costs of exchange, corruption, the impact of the judiciary, and more.
- ◆ Track the long-term impact of scholars' research.
- ◆ Offer more workshops, a newsletter, occasional papers, and books.
- ◆ Establish a permanent organizational structure for the Institute, to direct and oversee future work.
- ◆ Improve the quality of research in developing and transitional countries.
- ◆ Elevate the level of policy debate around the world.



*Coase Institute activities help young scholars build professional relationships within a strong network of beginning and established scholars.*

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## For more information

To assist the work of the Institute and learn about project-naming opportunities, please contact:

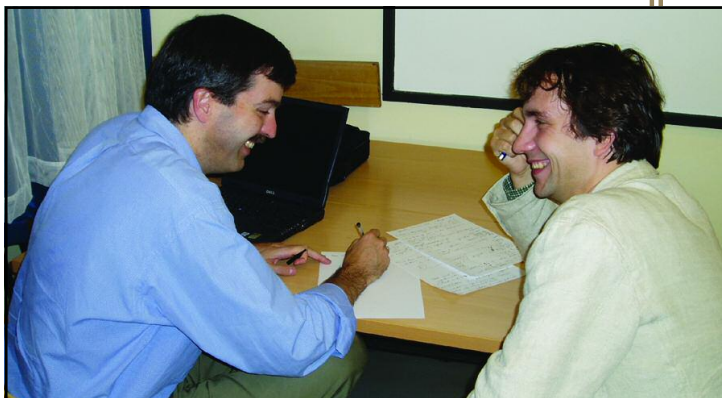
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*During an informal work session, Philip Keefer shares wit and wisdom over a research project .*

