



Heidelberg, April 30, 2018

Institutional Economics Summer term 2018

Lecturer:

Prof. Christian Bjørnskov, PhD

Email: [chbj\[at\]econ.au.dk](mailto:chbj[at]econ.au.dk)

Tutor:

Gerda Asmus

Tel: 54 - 3855

Office hour: Upon request (Office: 01.021)

E-Mail: [gerda.asmus\[at\]awi.uni-heidelberg.de](mailto:gerda.asmus[at]awi.uni-heidelberg.de)

I. Contents

This course takes as its starting point the new literature on institutional economics. Institutions have proven important for economic and social development. Much discussion nevertheless revolves around which types of institutions matter, and to what extent these institutions change over time. The course covers these and other topics discussed recently in institutional economics.

II. Date and Time

Lectures		Mo	Tu	We	Th	Fr	Sa	Su	Month
May 23, 25, 30; June 1, 6, 8, 13, 20, 22, 27, 29; July 6, 11		21	22	23	24	25	26	27	May
Wednesday (starting May 23): 3pm-5pm, AWI room 02.036			T	L	T	L			
Friday (starting May 25): 2pm-4pm, AWI room 01.030		28	29	30	31	1	2	3	May/June
				L		L			
Tutorials		4	5	6	7	8	9	10	June
May 22, 24 – June 5, 7, 12, 14, 19, 21, 26 – July 3, 5, 10, 12			T	L	T	L			
Tuesday (starting May 22): 4pm-6pm, AWI room 02.036		11	12	13	14	15	16	17	June
Thursday (starting May 24): 4pm-6pm, AWI room 02.036			T	L	T				
		18	19	20	21	22	23	24	June
			T	L	T	L			
		25	26	27	28	29	30	1	June/July
			T	L		L			
		2	3	4	5	6	7	8	July
			T		T	L			
		9	10	11	12	13	14	15	July
			T	L	T				

III. Grading

- 90-minute exam at the end of the term (70%)
- ~ 3-page referee report (15%). The **deadline for the referee report is July 28 2018**, irrespective of whether students write the first or second exam.
- Presentation in tutorial (15%)
- 5 bonus points for the exam (see specifics below).

IV. Course requirements

Teaching will be in English. Make sure to read all papers before the corresponding lecture/tutorial and to work through the problem sets for each tutorial. The readings consist of a series of papers, published in international journals. The aim of the tutorial is to go through the problem sets together. In addition, there will be student presentations with follow-up questions and discussion.

Tutorials:

Tutorials aim to help you understand the content of the lecture and to foster your presentation and referee skills. Each student starts with a credit of 5 bonus points for the exam. Whether you keep them depends on your in-class (tutorial) participation.

This means that you can lose bonus points if you (i) are unprepared for the pop-up quiz (see participation section below), (ii) absent without excuse, or (iii) fail to participate during the discussion of problem sets and student presentations.

Participation. Active participation is strongly encouraged. As an incentive to come prepared there will be randomly assigned opportunities (pop-up quizzes) to share your understanding of papers on our reading list (from the previous lecture). In the case of un-excused absence, the bonus credit will vanish.

Presentations. Presentations will be assigned during the first two tutorials. The list of papers and presentation dates will be made available on moodle on May 22nd. You are required to work in groups of two (max. three if there are not enough slots). Each group of students will be responsible for a 20 minutes' presentation and a minimum of 10 minutes Q&A and discussions. The presentation should summarize the assigned paper, explain the identification strategy and discuss strengths and weaknesses. Please relate your paper to the articles discussed in the lecture and provide research prospects. Students in the audience are required to take notes and contribute comments and questions during the Q&A/ discussion part of the presentation. Referee reports are to be written in those same groups for the assigned paper.

Attendance. If you miss a class, please email me at [gerda.asmus\[at\]awi.uni-heidelberg.de](mailto:gerda.asmus[at]awi.uni-heidelberg.de) to ensure your absence is not counted a zero in case you get randomly assigned to the pop-up quiz.

Comportment. This class, like love, requires dedication and focus. In this spirit, we ask you to leave electronic toys shut off.

V. Preliminary lecture plan

Part 1

Main problems in institutional economics

1. What are institutions

Williamson (2000), North (1991)

2. Historical institutions in Europe

North and Weingast (1989), Greif (1989)

3. Measuring institutions

Voigt (2013), Knack and Langbein (2010)

4. Types of institutions

Acemoglu and Johnson (2005), Dell, Lane and Querubin (2018)

Part 2 Institutions in development

5. Institutions and growth

Sokoloff and Engerman (2000), Baumol (1990)

6. Institutional change

Kingston and Caballero (2009), Méon, Sekkat and Weill (2009)

Part 3 Informal institutions

7. The social capital school

Putnam (1993, last chapter), Bjørnskov and Sønderskov (2013)

8. Historical roots of informal institutions

La Porta, Lopez-de-Silanes, Shleifer and Vishny (1998), Licht, Goldschmidt and Schwartz (2007)

9. Connecting formal and informal institutions

Boix and Posner (1998), Bjørnskov (2010)

Part 4 Various topics

10. Corruption and Failed States

Bjørnskov and Freytag (2016), Hodler and Raschky (2014), Foreign Policy (2015)

11. Ideology and Institutions

Gerring (1997), Bjørnskov (2008)

12. Open lecture

Students' choice

13. Q&A and exam preparation

IV. Literature

- Acemoglu, Daron and Simon Johnson. 2005. Unbundling institutions. *Journal of Political Economy* 113: 949–997.
- Baumol, William J. 1990. Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy* 98: 893–921.
- Bjørnskov, Christian. 2008. The Growth-Inequality Association: Government Ideology Matters. *Journal of Development Economics* 87: 300-308. (TUT)
- Bjørnskov, Christian. 2010. How does Social Trust Lead to Better Governance? *Public Choice* 144: 323-346.
- Bjørnskov, Christian and Andreas Freytag. 2016. An Offer You Can't Refuse: Murdering Journalists as an Enforcement Mechanism of Corrupt Deals. *Public Choice* 167: 221-243.
- Bjørnskov, Christian and Kim Mannemar Sønderskov. 2013. Is Social Capital a Good Concept? *Social Indicators Research* 114: 1225-1242.
- Boix, Carles and Daniel N. Posner. 1998. Social capital: explaining its origins and effects on government performance. *British Journal of Political Science* 28: 686-695.
- Dell, Melissa, Nathan Lane and Pablo Querubin. 2018 (forthcoming). The Historical State, Local Collective Action, and Economic Development in Vietnam. *Econometrica*.
- Foreign Policy. 2015. The Failed States Index 2015. *Foreign Policy* (<http://foreignpolicy.com/2015/06/17/fragile-states-2015-islamic-state-ebola-ukraine-russia-ferguson/>)
- Gerring, John. 1997. Ideology: A Definitional Analysis. *Political Research Quarterly* 4: 957-994.
- Greif, Avner. 1989. Reputations and Coalitions in Medieval Trade: Evidence on Maghribi Traders. *Journal of Economic History* 49: 857-882.

- Hodler, Roland and Paul A. Raschky. 2014. Regional Favoritism. *The Quarterly Journal of Economics* 129: 2. 995–1033.
- Kingston, Christopher and Guillermo Caballero. 2009. Comparing theories of institutional change. *Journal of Institutional Economics* 5: 151-180.
- Knack, Stephen and Laura Langbein, 2010, The worldwide governance indicators and tautology: six, one, or none? *Journal of Development Studies* 46: 350-370.
- La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny. 1998a. The Quality of Government. *Journal of Law, Economics and Organization* 15: 222-279.
- Licht, Amir N., Chanan Goldschmidt and Shalom H. Schwartz. 2007. Culture rules: The foundations of the rule of law and other norms of governance. *Journal of Comparative Economics* 35: 659-688.
- Méon, Pierre-Guillaume, Khalid Sekkat and Laurent Weill. 2009. Institutional Changes Now and Benefits Tomorrow: How Soon Is Tomorrow? *Economics & Politics* 21: 319-357.
- North, Douglass. 1991. Institutions. *Journal of Economic Perspectives* 5: 97-112.
- North, Douglass and Barry Weingast. 1989. Constitutions and commitment: The evolution of institutions governing public choice in seventeenth-century England, *Journal of Economic History* 49: 803-832.
- Putnam, Robert. 1993. *Making Democracy Work*. Princeton University Press, Princeton. *We will be using only the last chapter!*
- Sokoloff, Kenneth L. and Stanley L. Engerman. 2000. Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economics Perspectives* 14: 217-232.
- Voigt, Stefan. 2013. How (not) to Measure Institutions. *Journal of Institutional Economics* 9: 1-26.
- Williamson, Oliver E. 2000. The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature* 38: 595-613.