COURSE INFORMATION

1. Course Title: Institutional Economics
2. Department Name: Economics
3. Course Number: B10000 O 0643
4. Course Credits: 6
5. Semester Offered: Spring 2014
6. Course Meeting on: Fridays, 14:15-17:30 in room 3050, a total of 60 hours of lectures and class discussions, and 90 hours of individual work. The semester starts on Feb. 3, and ends on May 24.
7. Prerequisites: Introduction to Economics, Microeconomics, Macroeconomics
9. Language of instruction: English

INSTRUCTOR INFORMATION

1. Name: Dr. Petar Stankov
2. Office Phone: (+359 2) 483 97 41
3. Office Location: Office 4022 at the UNWE, Sofia
4. Office Hours: Tue, 13:00-16:00; Fri, 09:30-10:30
5. E-mail Address: petar.stankov[at]gmail.com

COURSE PURPOSE

This is an introductory course on how economists think about institutions – the formal and informal rules driving our everyday life. The course reviews how institutions emerge, evolve and how they shape the differences in economic development over time. It also looks at the micro decision making and discusses how institutions affect our behavior as citizen and as entrepreneurs.

More specifically, the course illustrates how the legal institutions of a market economy work, how new markets are created, and why is enforcement of contracts and laws so important for the economy. In addition, the course zooms in on the effects of government regulation on businesses, and brings out the origins and consequences of property rights. Furthermore, the course emphasizes on how institutions affect economic development and includes the other, non-institutional, factors that shape the differences between a successful and a failing economy.

MAIN TEXTS

There is no single best text to study from. Rather, there will be a list of seminal and influential papers for each of the topics discussed. Those will also serve to develop the lecture presentations. The mandatory readings will be announced in due course.

THEMATIC PLAN AND A TIMELINE

For the most recent version of the syllabus and class materials please visit the course website: http://home.cerge-ei.cz/pstankov/teaching/instecos14.htm
To pass the course with a satisfactory grade, please get familiar with the topics below. They will be discussed according to the timeline below. When a lecture was delivered, please find the corresponding content in the reading list. The lecture presentations, as well as some additional material for your exam preparation, are found on the class website. The following topics will be reviewed:

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part I: Institutions: The Basics</strong></td>
<td></td>
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<tr>
<td>Week 1</td>
<td>Course preliminaries. Introduction to Institutional Economics.</td>
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<tr>
<td>Week 2</td>
<td>Property Rights: the Classic Readings</td>
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<tr>
<td>Week 3</td>
<td>Property Rights: Further Studies</td>
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<td>Week 4</td>
<td>Ownership</td>
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<td>Week 5</td>
<td>Transaction Costs</td>
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<tr>
<td><strong>Part II: Economic Effects of Institutions</strong></td>
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<tr>
<td>Week 6</td>
<td>Institutions and Growth: Macro-level studies</td>
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<tr>
<td>Week 7</td>
<td>Institutions and Growth: Micro-level studies</td>
</tr>
<tr>
<td><strong>Part III: Political Economy of Institutions</strong></td>
<td></td>
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<tr>
<td>Week 8</td>
<td>Origin of Institutions</td>
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<tr>
<td>Week 9</td>
<td>Persistence of Institutions</td>
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<tr>
<td>Week 10</td>
<td>Institutional Change</td>
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<tr>
<td><strong>Part IV: Institutional Reforms in Practice</strong></td>
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<tr>
<td>Week 11</td>
<td>Institutional Reforms in Transition Economies</td>
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<tr>
<td></td>
<td>China’s Economic Transition</td>
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<tr>
<td><strong>Part V: The Impact of Culture and Corruption on Reforms and Growth</strong></td>
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<tr>
<td>Week 12</td>
<td>Corruption</td>
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<td></td>
<td>Informal Institutions</td>
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<tr>
<td>Week 13,14</td>
<td>Student presentations</td>
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<tr>
<td>Week 15</td>
<td>Preliminary Final Exam</td>
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Disclaimer: Please note that the list of topics is only indicative. Although I always try sticking to the thematic plan, the ultimate list of topics and weekly schedule may change.

**COURSE READINGS**

Please find the corresponding readings for each course topic below. They help build the class discussions and are very useful when students develop their term papers: they contain numerous further references. This list is by no means a mandatory reading list. The mandatory reading items will be a fraction of this list and will be announced on a weekly basis.

**Part I: Institutions: The Basics**

Introduction


**Property rights: the Classic Reading**


**Property Rights: Further Studies**


**Ownership**


For the most recent version of the syllabus and class materials please visit the course website: [http://home.cerge-ei.cz/pstankov/teaching/instecos14.htm](http://home.cerge-ei.cz/pstankov/teaching/instecos14.htm)


**Transaction costs**


**Part II: Economic Effects of Institutions**

**Institutions and Growth: Macro-level studies**


**Institutions and Growth: Micro-level studies**


**Part III: Political Economy of Institutions**

**Origin of Institutions**


**Persistence of Institutions**


**Institutional Change**


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**Part IV: Institutional Reforms in Practice**

**Institutional Reforms in Transition Economies**


**China’s Economic Transition**


**Part V: The Impact of Culture and Corruption on Reforms and Growth**

**Corruption**

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Informal Institutions

**Bedtime readings**

[http://www.coase.org/niereadinglist.htm](http://www.coase.org/niereadinglist.htm)

**COURSE REQUIREMENTS**

1. **Reading**
   You will be required to familiarize yourself *in detail* with the mandatory readings before each class. Your final exam will be partly based on those readings. Please check below for a list of mandatory and additional papers.

2. **Term papers (20 pts.)**
   A crucial part of your grade will be determined by how well you formulate and defend a research idea in a written form. When you find a given idea from what you read at home or from our class discussions interesting, you are encouraged to put a provocative title on it and develop it along the following lines:
   2.1. (4 pts.) **Introduction and Motivation**: tell me why I should care about your idea, what is interesting in it for you, and what novel idea you expect to bring to the historical research table. The introduction should end with a specific hypothesis or a position you are trying to argue for or – why not – test by using empirical methods, including econometric methods.
   2.2. (4 pts.) **Literature**: tell me how other researchers approached your topic. Be specific about what they did, how they did it, and what they did not do. Compare the various sources on your topic and how they build upon each other. Use as many references as you can from top-tier economic journals. Give preference to more recent papers. Finally, try to find the gap in the current state of the debate on your topic. By the end of the literature review, you should be clear about what gap in the literature you are trying to fill.
   2.3. (4 pts.) **Research Methods**: tell me exactly how you are going to fill the gap you just identified. For example, if you are arguing in favor of a specific position you want to defend, tell me the steps you go through to convince me your position is right. Further, if you have formulated a hypothesis, tell me how you are going to test it, including a brief but informative data description.

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2.4. (4 pts.) **Results:** tell me what you got from empirically testing your hypothesis or from arguing on purely logical grounds in favor of your position. I will be also looking to see if your results flow naturally from applying your methods.

2.5. (4 pts.) **Conclusion:** tell me what you did, how you did it, and what new I learned from reading your paper. In other words, can you formulate your contribution to the topic you have just discussed?


**Specifics about the points on your term paper:** Please note that I insist on you following the above structure of term papers. Within each component of your paper, I will be giving you points as follows: 4 pts. for an excellent presentation, 3 pts. for a good one, 2 pts. for a mere satisfactory level argument, and just 1 point for a poorly written component. In rare cases, up to 2 bonus points could be given for an exceptionally well written term paper: a paper in which every component is in its right place, the flow of thoughts is coherent and natural, the hypothesis is testable and has indeed been tested, it is very easy to follow the argument, and I learn a new thing from reading it.

**Volume of work:** Your term paper should not exceed 2500 words, and penalties of 1 pt. apply for each 10% above the 2500 word limit. Please note that your term papers WILL be checked for plagiarism at [www.turnitin.com](http://www.turnitin.com), and anyone who did not cite properly even a minor part of his or her paper will fail this assignment. Both a paper-based and an e-version should be handed by due date. Due dates will be administered during the semester. Late submissions will be penalized with 10% of your term paper grade for each day of delay.

3. **Replication and extension of published results and group presentations (30 pts.)**

To be able to generate your own ideas, you need to be able to replicate well-established ideas first. Therefore, one or two classes will be devoted to group presentations on well-established results from the institutional economics literature. Moreover, those group presentations will not only focus on published results but also on their extensions done by the group presenting. Namely, you will be required to: 1) use a statistical software, preferably STATA, v.9.0 or above; 2) find a suitable empirical paper to replicate. It may be from the mandatory or additional reading list or it may be a paper you spotted and looks interesting to the group and relates well to the topics in class; 3) download the paper, the program, and the data (the .do file and the .dta file). Most recent published papers have supplementary materials online (e.g., see American Economic Review) containing exactly what you need.; 4) run the program at home, and see where the published results come from; 5) find a gap in the methodology or in the results, and fill it. This extension could come from more recent data to run the model on, or an additional variable to add to the existing data and the existing method, or – best option – a novel method applied on more recent data; 6) Describe the original methodology and results; and the extension you did. How are the original and the new results different?; 7) Present the original work and your extensions. Your grade in this component will depend on: success in replication (10 pts.), success in extension (10pts), and quality of presentation (10 pts). The quality of presentation will be judged on efficient use of time, clarity of thought, structure and coherence of argument. To evaluate your replication and extension efforts, you need to send me your .do and .dta file at least one week before the presentation.

4. **Final exam (40 pts.)**
A preliminary final exam will be given at the last class. It will be a comprehensive multiple choice exam of up to 50 questions for up to 90 minutes. After summing up the points, a preliminary grade will be given to everyone in the course. After getting the preliminary grades, students may choose to stick with the given grade. In case you choose to stick with the grade, you need to inform me by email about it up to 24 hours after I have announced the preliminary grades. This grade will be your final grade for the course. If you decide to pass on your preliminary grade, you must attend the regular final exam during the official exam period. If a student chooses to go to the regular exam period, the student has no right to revert to their original grade once the final grade has been announced. In this case, the preliminary final exam will count for 0 points, and the regular final exam will count for 50 points.

Missed exams
If you miss an exam, it may not be retaken. The only exception is allowed for those who cannot show up on the exam for proven medical reasons or family emergencies. In those circumstances, you need to inform me by email at least 12 hours before the exam stating the reasons for your planned absence and requesting another exam take. I may request additional information to verify the reasons for your absence. Birthdays, sports competition participations, conflicting work or study duties outside of school, and any kind of trips are not a legitimate reason for asking for exam rescheduling.

5. Class Attendance and Participation (10 pts)
Students are expected to actively participate in the class discussions, and conduct readings on a weekly basis. In line with school policies, everyone is expected to attend all the classes and return promptly from breaks. An excessive lateness may constitute an absence from the class. I will keep a record of attendance for each student at each class. If a student is missing more than half of the time (i.e. 8 classes or more), the student WILL fail the course and will have no right to show up on either the preliminary or the regular exam period. In that case, the student will go straight to the make-up exam period.

GRADING
After summing up the points from the course requirements, the following grading table will be applied:

<table>
<thead>
<tr>
<th>Points</th>
<th>GRADE (BG)</th>
<th>GRADE (US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 80</td>
<td>6 (Excellent)</td>
<td>A</td>
</tr>
<tr>
<td>&gt; 70</td>
<td>5 (V. Good)</td>
<td>B</td>
</tr>
<tr>
<td>&gt; 60</td>
<td>4 (Good)</td>
<td>C</td>
</tr>
<tr>
<td>&gt; 50</td>
<td>3 (Pass)</td>
<td>D</td>
</tr>
<tr>
<td>&lt;= 50</td>
<td>2 (Fail)</td>
<td>F</td>
</tr>
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</table>

An example: 79.99 points is 5. No exceptions will be made for anyone, no excuses will be accepted. This table is subject to modification. The instructor will communicate any changes by email.

ACADEMIC HONESTY
The teacher has zero tolerance for plagiarism, cheating and other forms of academic dishonesty. Cheating on any exams or detected plagiarism on your term papers WILL result in
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you failing the entire course. This policy will be strictly enforced. No exceptions will be made under any circumstances.

OTHER CLASS POLICIES

1) Mobile phones can be switched on but their sound MUST be off! Mobile phone usage is NOT allowed. If you need to use your phone, please quietly leave the room.

2) Mobile phones are NOT calculators. Using your mobile during an exam will be considered an attempt to cheat. Students who attempt cheating will fail the exam. You may need a calculator on the exam, and your mobile phone will be switched off during the exam. Therefore, bring a calculator for the exam. If you forgot your calculator, it would be at your own expense. Handing a calculator to another person who takes an exam will be considered cheating as well.

3) Laptops are allowed in class for taking notes only. At all times, they should be offline.

4) All emails to the teacher regarding either a class question or a request for an appointment will have the subject: “Institutional Economics: a Question.” If you do not address the email in the above way, it risks being considered as spam. Do not expect an immediate answer over a weekend.

5) All appointments will be arranged for on the premises of UNWE only. It is advised that students use the office hours provided instead of scheduling a special appointment.

6) Ideally, all class lecture notes and presentations will be distributed BEFORE each lecture on the class web-site, so that students can print them and take notes on them. Therefore, students are responsible for checking the class website at least once a week, and their emails more often. Please let me know your group email so that I can send you class materials by email in case I am not able to update the website.

7) Open door policy: Whenever a student or another teacher enters my office, the door remains open at all times.

8) Additional class policies may be distributed via email. Therefore, check your group emails regularly too.

Good luck!
Petar Stankov