

Institutional Economics Preliminaries

Lecture 0

Petar Stankov

`petar.stankov@gmail.com`

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What is this course about?

Understand causes and effects of economic institutions

- Learn what economic institutions are
- Analyze some major economic institutions
- Grasp how they affect firms and organizations
- Review their impact on economic growth
- Determine where institutions come from
- Explain how institutions change (and why they persist over time)
- Interpret the economic transition in CEE from an institutional perspective
- Study some informal institutions
- Answer the ultimate questions: Why and how some countries have become rich while others remained poor?

Bits of economic history

An example from the 1930s



Bits of economic history

An example from the 2010s



Bits of economic history

An example from centuries of growth (and stagnation)

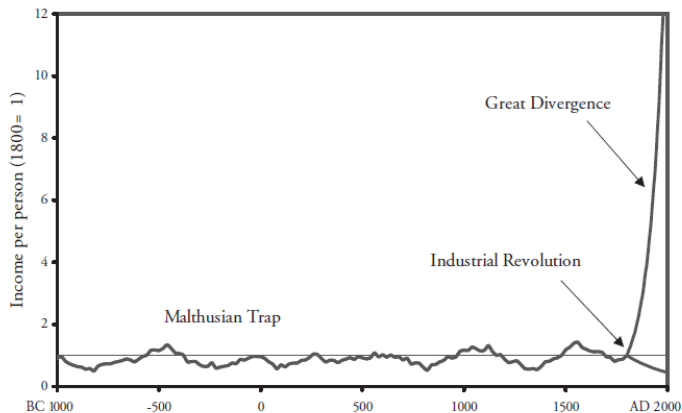


Figure 1.1 World economic history in one picture. Incomes rose sharply in many countries after 1800 but declined in others.

What is this course about?

Use new concepts to develop novel arguments

Institutional Economics is a playground

What is this course about?

Use new concepts to develop novel arguments

Institutional Economics is a playground:

- Start with an idea
- Look into how other people approached your idea
- Use a critical approach: Identify gaps in their approach
- Tell us exactly how you are going to fill those gaps
- Come up with results: Did you defend your idea?
- Conclude: what you did, how you did it and why should anyone care?
What is your **contribution**?

Reading

Five parts, major articles and book chapters only

- 1 Institutions: the basics
- 2 Economic Effects of Institutions
- 3 Political Economy of Institutions
- 4 Institutional Reforms in Practice
- 5 The Impact of Informal Institutions on Reforms and Growth

Required readings will be announced in due course.

Changes may occur.

Understanding long-term economic trends:

- Reading: –
- Individual term papers: 20 pts.
- Replication and extension (group) exercise: 30 pts.
- Peer review exercise: 10 pts.
- Final: 30 pts.
- A&P: 10 pts.

Grading Methods: Details

The Individual Term Paper

The following structure is required:

- **Introduction and Motivation:** why I should care about your idea? End with a specific hypothesis or a position.
- **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. Give preference to more recent work. End with the gap in the literature.
- **Methods:** exactly how you are going to fill the gap you just identified? If you have formulated a hypothesis, tell me how you are going to test it.
- **Results:** tell me what you got from empirically testing your hypothesis
- **Conclusion:** tell me what you did, how you did it, and what new I learned from reading your paper
- **References:** you must use APA reference style (6th ed.)

NB!!! All papers will be submitted to turnitin.com. Plagiarism will result in failing the entire course, no exceptions!

Grading Methods: Details

The Peer Review Exercise

Your job: Each of you will review a group's R& Ext. Work.

- **Introduction and Motivation:** How well did the author motivate the paper?
- **Literature:** Is there a critical lit. review, and outlining of the gap? Is there a hypothesis based on the literature?
- **Methods:** How appropriate are the methods used? Are there any methods which could do the job better? Is there a better data set to do the paper?
- **Results:** Are the results coming from the work of the author?
- **Conclusion:** How adequate are the conclusions, is the author failing to emphasize an important point he needs to make?
- **References:** Are references cited consistently?

My job: evaluate how well you evaluate: both strengths, weaknesses, and questions for further consideration for the author.

Grading Methods: Details

The Replication and Extension Exercise

The following tasks are expected:

- **Use STATA, ver. 9.0 or higher:** the mainstream statistical package; or other freeware
- **Find a paper to replicate:** many papers have data and programs posted together with the paper itself
- **Run the program:** See how the others got their results
- **Finding a gap:** What's missing in their method or results
- **Filling the gap:** What is the extension you do and why is it important?
- **Let me know what you did in advance:** Send me *your* program and .dta before you present
- **Present:** Present the original work and your extensions

Points are given for: success in replication (10 pts.), success in extension (20pts).

NB!!! A protocol to be submitted together with the .do and .dta file stating *each person's role* in the group.

Grading Methods: Details

The Final Exam and the A&P

30-50 questions, 90 minutes

Attendance: 0.7 pts for each full weekly attendance (10.5 pts max.)

Grading

Criteria

Pts.	Grade (BG)	Grade (US)
>80	6	A
>70	5	B
>60	4	C
>50	3	D
<=50	2	F

Contact:

P.Stankov

Office 4022

Phone (office, fixed): +35924839741

Phone (office, cell): +359884183741

Web: <http://pstankov.com>

Office hours:

Fri.: 14:00–15:00

Course website:

<http://home.cerge-ei.cz/pstankov/teaching/instecos16.htm>