

# Institutional Economics Preliminaries

## Lecture 0

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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
- Offer a possible answer to the ultimate question of social science: Why and how some countries have become rich while others remained poor?

# Bits of economic history

An example from centuries of growth (and stagnation)

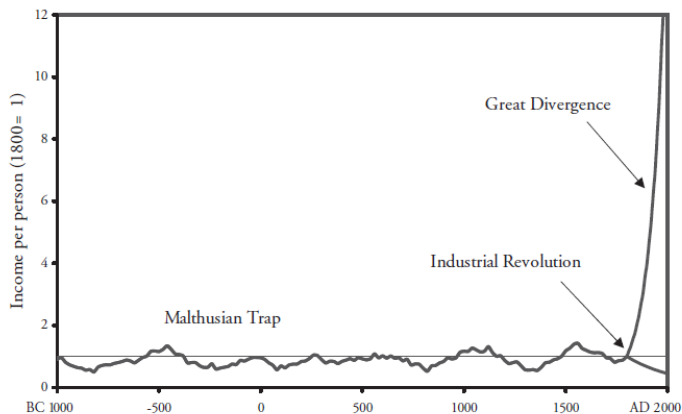


Figure 1.1 World economic history in one picture. Incomes rose sharply in many countries after 1800 but declined in others.

# What is this course about?

Use new concepts to develop novel arguments

Institutional Economics is a playground

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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 project proposal presentation: 20 pts.
- Peer review exercise: 10 pts.
- Replication and extension (group) exercise: 30 pts.
- Final: 30 pts.
- A&P: 10 pts.

# Grading Methods: Details

## Individual project proposal presentation

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.)



# Grading Methods: Details

## The Peer Review Exercise

**Your job:** Each of you will review another person's presentation.

- **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 + Protocol

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

Final exam:

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

CAREFULLY READ THE SYLLABUS for much more detail on each course requirement. Deadlines will be announced well in advance.

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