



Heidelberg, November 27, 2016

Winter term 2016 Institutional Economics

Lecture:

Prof. Christian Bjørnskov, PhD

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Tutorial:

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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

Lecture: December 2, 5, 7, 9, 12, 19, 21 – January 11, 13, 17, 20, 24
Monday (starting December, 5): 1pm-3pm, AWI room 02.036
Wednesday (starting December, 7): 2pm-4pm, AWI room 02.036
Friday (starting December, 2): 1pm-3pm, AWI room 02.036
(Lectures on Tuesday, January 17 and 24: 4pm-6pm, AWI room 02.036)

Tutorial: December 5, 7, 12, 14, 19 – January 9, 11, 16, 18, 23, 25, 30 – February 1
Monday (starting December 5): 3pm-5pm, AWI room 02.036
Wednesday (starting December 7): 8am-10am, AWI room 02.036

III. Literature

The readings consist of a series of papers published in international journals.

Note:

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 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. Active participation is strongly encouraged and helps you to prepare for the exam.

Plans regarding the referee reports will be made at the first tutorial.

IV. Grading

90-minute exam at the end of the term (80%)

4-5 page referee report (15%) – deadline: 2 weeks after the exam (tba)

Presentation in class (5%)

V. Preliminary lecture plan

Part 1 Main problems in institutional economics

1. What are institutions

Williamson (2000), North (1991)

Tutorial 1.

Introduction to tutorials and methods

2. Historical institutions in Europe

North and Weingast (1989), Greif (1989)

Tutorial 2.

How to write a referee report

How to give a short presentation on the paper

Problem set 1

3. Measuring institutions

Voigt (2013), Knack and Langbein (2010)

Tutorial 3.

Problem set 2 and presentation 1 (Kaufman et al., 1999)

4. Types of institutions

Acemoglu and Johnson (2005), Munck and Verkuilen (2002)

Tutorial 4.

Problem set 3 and presentation 2 (Berggren et al., 2012)

Part 2 Institutions in development

5. Institutions and growth

Sokoloff and Engerman (2000), Baumol (1990)

Tutorial 5.

Problem set 4 and presentation 3 (Easterly, 2007)

6. Institutional change

Kingston and Caballero. (2009), Méon et al. (2009)

Tutorial 6.

Problem set 5 and presentation 4 (Greif and Laitin, 2004)

Part 3 Informal institutions

7. The social capital school

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

Tutorial 7.

Problem set 6 and presentation 5 (Johnson and Temple, 1998)

8. Historical roots of informal institutions

La Porta et al. (1998b), Licht, Goldschmidt, Schwartz (2007)

Tutorial 8.

Problem set 7 and presentation 6 (Nunn, 2008)

9. Connecting formal and informal institutions

Boix and Posner (1998), Bjørnskov (2010)

Tutorial 9.

Problem set 8 and presentation 7 (la Porta et al., 1998a)

Part 4

Various topics

10. Corruption and Failed States

Méon and Weill (2010), Bjørnskov and Freytag (2016), Foreign Policy (2015)

Tutorial 10.

Problem set 9 and presentation 8 (Dreher et al., 2007)

11. Ideology and Institutions

Gerring (1997), Bjørnskov (2008)

Tutorial 11.

Problem set 10 and presentation 9 (TBA)

12. Open lecture

Students' choice

Tutorial 12.

Problem set 11 and presentation 10 (TBA)

Tutorial 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.

Berggren, Niclas, Andreas Bergh and Christian Bjørnskov. 2012. The Growth Effects of Institutional Instability. *Journal of Institutional Economics* 8(2): 187-224.

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.

Dreher, Axel, Christos Kotsogiannis and Steve McCriston. 2007. Corruption around the World: Evidence from a Structural Model. *Journal of Comparative Economics* 35: 443-466. (TUT)

Easterly, William. 2007. Inequality does cause underdevelopment: Insights from a new instrument. *Journal of Development Economics* 84, 755-776. (TUT)

- 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.
- Greif, Avner and David D. Laitin. A Theory of Endogenous Institutional Change. *American Political Science Review* Vol. 98, No. 4
- Johnson, Paul A. and Jonathan Temple. 1998. Social Capability and Economic Growth. *The Quarterly Journal of Economics* Vol. 113, No. 3.
- Kaufmann, Daniel, Aart Kraay and Pablo Zoido-Lobaton. 1999. Aggregating Governance Indicators. World Bank Policy Research Department Working Paper No. 2195. (TUT)
- 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. (TUT)
- La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny. 1998b. Law and Finance. *Journal of Political Economy* 106, 1113-1155.
- 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.
- Méon, Pierre-Guillaume and Laurent Weill. 2010. Is Corruption an Efficient Grease? *World Development* 38: 244-259.
- Michalopoulos, Stelios and Elias Papaioannou. 2016. The Long-Run Effects of the Scramble for Africa. *American Economic Review*, 106(7): 1802-48.
- Munck, G.L. and J. Verkuilen, 2002, Conceptualizing and Measuring Democracy: Evaluating Alternative Ideas, *Comparative Political Studies* 35, 1: 5-34.
- 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.

- Nunn, Nathan. 2008. The Long-term Effects of Africa's Slave Trades. *Quarterly Journal of Economics* 123, 139-176.
- 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. History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economic Perspectives* 14, 217-232.
- Voigt, Stefan. 2013. How (Not) To Measure Institutions. *Journal of Institutional Economics* Vol. 9, Issue 1.
- Williamson, Oliver E. 2000. The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature* 38: 595-613.
- Zak, Paul and Stephen Knack. 2001. Trust and Growth. *The Economic Journal* 111: 295-321.