1. Course Description

Title of the course: Introduction to Institutional Economics

Pre-requisites: Students should have an understanding of basic economic analysis up to the level of Introductory Microeconomics. Preliminary knowledge of quantitative research methods and econometrics is an asset, but not required.

Course Type: Compulsory

2. Abstract, Learning Objective and Learning Outcomes

The course is designed to give an introduction to the fields of new institutional economics and comparative political economy, with a focus both on the basic theory and on contemporary empirical research. We will look on how institutions shape the incentives of economic agents, and how this influences economic outcomes in various contexts. Students will also study the emergence of institutions, and compare institutionalist theories of economic development with theories that place other factors at the center of their analysis.

The objective of the course is to give students a solid foundation in the basic concepts of new institutional economics, as well as a first impression and understanding of the topics studied and the methodologies used at the frontier of institutional research today. Throughout the course, students will learn how to read research papers, how to judge the quality of a research paper (evaluate the data and methodology used), and how to read and interpret regression outputs and empirical results.
3. Course Plan

I. Introduction

Lecture 1: Introduction

II. New Institutional Economics: The Basic Theory

Lecture 2: Transaction costs
Lecture 3: Property rights
Lecture 4: Contracts
Lecture 5: Applications to Markets, the Firm and the State

III. Institutions and Economic Development

Lecture 6: The Long-Term Determinants of Economic Growth
Lecture 7: Institutions and Economic Development
Lecture 8: Institutions and Incentives

IV. Political Institutions and Governance

Lecture 9: Democracy, Elections and Political Machines
Lecture 10: The Politics of Information Control
Lecture 11: Corruption

4. Readings

Readings marked with two stars (**) are required, and an understanding of key concepts and key results from two-star papers and book chapters is necessary to pass the exam. Papers marked with one star (*) are important additional readings that are directly related to the subject of the lecture and will be discussed in detail during the class. Finally, a number of other interesting papers and books are indicated for each lecture, for those who want to dig further into a subject. All lecture slides will be available at https://sites.google.com/site/michaelrochlitz/teaching, and key readings will also be made available online.

5. Grading System / Guidelines for Knowledge Assessment

- 60% final exam / 40% presentations during the seminars and term papers
- The exam will take place in December, and will be composed of 6 questions. You will have 2 hours to answer all questions (i.e. approximately 20 minutes per question). Two weeks before the exam, I will provide you with a number of sample questions and answers, to give an idea about what to expect.
- In order to pass the exam, re-read the slides (accessible on my website), and make a five-lines summary of each two-star paper. If you are confident to have understood
the basic messages of the two star papers and the basic ideas from the lectures, you should be able to pass the exam without problems.

- Each student has to write one term paper (5-7 pages, 25% of the final grade). How to write the term paper will be discussed in detail during the seminars. You can also pass by at my office to discuss the term paper before handing it in (send me an email to make an appointment).
- Each student has to give one presentation about one of the papers in the syllabus during the seminars (10 minutes, 15% of the final grade).

6. Organization of the Seminars / Methods of Instruction

In parallel to the lectures, we will have 16 seminars in smaller groups. During the seminars, we will discuss more in detail research papers presented during the lectures, with a focus both on the content and on the data and methodologies used. During each seminar, two or three students will make a short presentation of a research paper. We will then look at the topic, research question and the strengths and weaknesses of each paper, before discussing their implications for the general topic of the class.
I. Introduction

Lecture 1: Introduction

Organization of the course. From Neoclassical Economics to New Institutional Economics and Comparative Political Economy. How to define institutions. How to measure institutions. From institutions to incentives and outcomes. Comparing North and South Korea, China and Russia.

- Кузьминов Я., Бендукидзе К., Юдкевич М. (2006) Курс институциональной экономики. Москва: Издательский Дом ГУ ВШЭ.
- Одинцова М. (2014) Институциональная экономика. Москва: Издательский Дом ГУ ВШЭ.
II. New Institutional Economics: The Basic Theory

Lecture 2: Transaction Costs


- *Одинцова М. (2014) Институциональная экономика. Москва: Издательский Дом ГУ ВШЭ, chapter 2*

Lecture 3: Property Rights


- *Одинцова М. (2014) Институциональная экономика. Москва: Издательский Дом ГУ ВШЭ, chapter 3*
Lecture 4: Contracts


- *Одинцова М. (2014) Институциональная экономика. Москва: Издательский Дом ГУ ВШЭ, chapter 4
Lecture 5: Applications to Markets, Firms and the State

Firms vs markets. Ownership structure of the firm. Separation of ownership and control. Opportunistic behaviour of managers and corporate control. Privatization in Russia, China and other transition economies. Corporate governance. The state as a firm with the monopoly of violence. Contractual theories of the state. Predatory theory of the state. The regulatory role of the state in Russia.

- *Одинцова М. (2014) Институциональная экономика. Москва: Издательский Дом ГУ ВШЭ, chapters 5 and 6

III. Institutions and Economic Development

Lecture 6: The Long-Term Determinants of Institutions and Economic Growth

The long-term determinants of growth. Institutions vs. climate vs. culture vs. geography. The reversal of fortune. Limited and open access orders. Institutional change and evolution. The long-term determinants of institutions.


Lecture 7: Institutions and Economic Development


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**Lecture 8: Institutions and Incentives**

Comparing China, Russia and East-Asia’s newly industrialized economies. From incentives to strategies and policy outcomes. Measuring incentives. Gubernatorial appointments in
China and Russia. Stationary and roving bandits. Incentives for regional officials and property rights security. Incentives for the police and state predation.

IV. Political Institutions and Governance

Lecture 9: Democracy, Elections and Political Machines


Lecture 10: The Politics of Information Control


Lecture 11: Corruption
