
INSTITUTIONAL ECONOMICS

IE University

Professor: **ZUHEIR DESAI**

E-mail: zdesai@faculty.ie.edu

Academic year: 23-24

Degree course: SECOND

Semester: 2^o

Category: COMPULSORY

Number of credits: 6.0

Language: English

PREREQUISITES

Basic training in economic analysis and economic reasoning, as well as some background in statistics and econometrics.

SUBJECT DESCRIPTION

Institutions, broadly defined as the rules, structures, norms, and expectations that govern social and economic life, are an essential input into well-functioning markets and effective resource allocation. In this course, we will analyze the institutional foundations of productivity, wealth, and economic development. We first ask a series of core questions: What are institutions, what are organizations, and how institutional structures important for governance and economic activity? Furthermore, how do institutions come into being, evolve, and change? The course then assesses the distinct effects of political and economic institutions on efficiency, redistribution and economic development, as well as the role of governance and accountability in structuring economic and political life. The material comes to life through the use of key themes, such as the importance of property rights and democracy, the legacy of historical events, and the interactive of economic and political resources. Beyond these academic objectives, the course also seeks to provide students the practical skill set associated with institutional analysis and design.

OBJECTIVES AND SKILLS

- Understanding the role of institutions in economic activity.
- Gaining familiarity with the academic literature in insitutional and organizational economics.
- Conducting concrete institutional analyses of specific sectors and countries.
- Composing sound academic essays, policy reports, and effective presentations.

METHODOLOGY

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	20.0 %	30 hours
Discussions	6.67 %	10 hours
Exercises	40.0 %	60 hours

Group work	3.33 %	5 hours
Other individual studying	30.0 %	45 hours
TOTAL	100.0 %	150 hours

PROGRAM

SECTION 1: INSTITUTIONS: THE BIG PICTURE

SESSION 1 (LIVE IN-PERSON)

Course Intro - What are Institutions, and why do we Care?

SESSION 2 (LIVE IN-PERSON)

Course Intro - What are Institutions, and why do we Care?

Book Chapters: North, Chapters 1, 5, 6, and 7 (See Bibliography)

Article: Hodgson, 2006: What Are Institutions? (JOURNAL OF ECONOMIC ISSUES Vol. XL No. 1 March 2006) (ced)

SESSION 3 (ASYNCHRONOUS)

Institutional Equilibria

Book Chapters: Greif and Kingston, 2011: Institutions: Rules or Equilibria? (ced)

Book Chapters: Calvert, 1995: Rational Actors, Equilibrium, and Social Institutions (ced)

SESSION 4 (LIVE IN-PERSON)

Institutions and Economic Development

Institutional Change and Path Dependence

SESSION 5 (LIVE IN-PERSON)

Institutions and Economic Development

Institutional Change and Path Dependence

Book Chapters: Why Nations Fail, chapters 1, 2, and 3 (See Bibliography)

Article: Knack and Keefer, 1995: Institutions and Economics Performance: Cross-Country test using alternative institutional measures. (Economics and Politics , Vol. 7, No. 3, November 1995) (ced)

Article: Rodrik, 2006: Goodbye Washington Consensus, Hello Washington Confusion? (Journal of Economic Literature Vol. XLIV (December 2006), pp. 973–987) (ced)

SESSION 6 (LIVE IN-PERSON)

Institutions and Economic Development

Institutional Change and Path Dependence

Book Chapters: North, chapters 9, 10, 11 (See Bibliography)

Article: Pierson, 2000: Increasing Returns, Path Dependence, and the Study of Politics. (American Political Science Review, Vol. 94, No. 2, June 2000) (ced)

SESSION 7 (ASYNCHRONOUS)

Colonialism and Institutions - a Historical Linkage?

Article: Acemoglu, Johnson, and Robinson, 2002: Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution, (The Quarterly Journal of Economics, Vol. 117, No. 4 (Nov., 2002)) (ced)

SECTION 2: DEMOCRATIC INSTITUTIONS AND THE ECONOMY

SESSION 8 (LIVE IN-PERSON)

Modernization Theory and its Critiques

SESSION 9 (LIVE IN-PERSON)

Modernization Theory and its Critiques

Article: Przeworski and Limongi, 1997: Modernization: Theories and Facts. (World Politics, 49, January 1997) (ced)

Article: Acemoglu, Johnson, Robinson, and Yared, 2009: Reevaluating the modernization hypothesis. (Journal of Monetary Economics 56 (2009) 1043–1058) (ced)

Article: Glaeser, La Porta, Lopez-de-Silanes, and Shleifer: Do Institutions Cause Growth? (Journal of Economic Growth, 9, 2004) (ced)

SESSION 10 (LIVE IN-PERSON)

The Institutions of Democracy

Article: Englebert, 2000: Pre-colonial institutions, post-colonial states, and economic development in tropical Africa. Political Research Quarterly; Mar 2000 (Political Research Quarterly; Mar 2000) (ced)

Article: Michalopoulos and Papaioannou, 2016: The Long-Run Effects of the Scramble for Africa. (American Economic Review 2016, 106(7): 1802–1848) (ced)

SESSION 11 (LIVE IN-PERSON)

The Institutions of Democracy

Book Chapters: Why Nations Fail, chapters 4-9 (See Bibliography)

Book Chapters: Why Nations Fail, chapters 4-9 (See Bibliography)

SESSION 12 (LIVE IN-PERSON)

Does Democracy Create Growth?

SESSION 13 (LIVE IN-PERSON)

Does Democracy Create Growth?

Article: Doucouliagos and Ulubasoglu, 2008: Democracy and Economic Growth: A Meta-Analysis. (American Journal of Political Science, vol. 52, No. 1, January 2008) (ced)

Article: Acemoglu, Naidu, Restrepo, and Robinson 2015: Democracy Does Cause Growth. (Democracy, Growth, Political Development, May 2015) (ced)

Article: Glaeser, Ponzetto, and Shleifer, 2007: -Wh does democracy need education? (Econ Growth 12 (2)(May 31)) (ced)

SESSION 14 (ASYNCHRONOUS)

Mid-term Assessment

Students will complete a reading assessment in a fixed-time period.

SESSION 15 (ASYNCHRONOUS)

Group Presentations

In a fixed 72 hour period, students will watch the presentations of other groups, and write responses to each presentation.

SECTION 3: POLITICAL INSTITUTIONS AND THE ECONOMY

SESSION 16 (LIVE IN-PERSON)

Electoral institutions

Article: Iversen, Torben, and David Soskice. "Electoral institutions and the politics of coalitions: Why some democracies redistribute more than others." (American political science review 100.2 (2006): 165-181) (ced)

Article: Cusack, Thomas R., Torben Iversen, and David Soskice. "Economic interests and the origins of electoral systems." (American Political Science Review 101.3 (2007): 373-391.) (ced)

SESSION 17 (LIVE IN-PERSON)

Electoral institutions

SESSION 18 (LIVE IN-PERSON)

Governance and Accountability

Working Paper: Kaufmann, Kraay, and Zoido-Lobaton, 2000: Governance Matters. Policy Research Working Paper (POLICY RESEARCH WORKING PAPER (2196))

Article: Mauro, 1995: Corruption and Growth. (The Quarterly Journal of Economics, Vol. 110, No. 3 (Aug., 1995)) (ced)

SESSION 19 (LIVE IN-PERSON)

Governance and Accountability

Article: Frank and Rainer, 2012: Does the Leader's Ethnicity Matter? Ethnic Favoritism, Education, and Health in Sub-Saharan Africa. (American Political Science Review. Vol. 106, No. 2 May 2012)

(ced)

SESSION 20 (LIVE IN-PERSON)

Decentralization: for Better or Worse?

Book Chapters: Faguet and Pöschl, 2015: s Decentralization Good for Development? Perspectives from Academics and Policy Makers. Oxford, England: Oxford University Press, 2015, pp. 1-29. (ced)

Book Chapters: Wantchekon, 2009: Clientelism in Decentralized States (chapter 9) (ced)

SESSION 21 (LIVE IN-PERSON)

Decentralization: for Better or Worse?

SECTION 4: ECONOMIC INSTITUTIONS

SESSION 22 (LIVE IN-PERSON)

Varieties of Capitalism

SESSION 23 (LIVE IN-PERSON)

Varieties of Capitalism

Article: Hall and Gingerich, 2009: Varieties of capitalism and institutional complementarities in the political economy. (British Journal of Political Science 39(3): 449-482) (ced)

Book Chapters: Hall, Peter A., and David Soskice. "An introduction to varieties of capitalism."

Varieties of Capitalism (2001). Oxford University Press. (ced)

SESSION 24 (ASYNCHRONOUS)

International Institutions and Economic Globalization

Book Chapters: Rodrik, Dani. The globalization paradox: democracy and the future of the world economy. WW Norton & Company, 2011. Chapters 9 and 10 (IE Library)

SESSION 25 (LIVE IN-PERSON)

Labor Market Institutions and Monetary Policy

Book Chapters: Adolph, Christopher. Bankers, bureaucrats, and central bank politics: The myth of neutrality. Cambridge University Press, 2013. Chapters 2 and 3 (IE Library)

SESSION 26 (LIVE IN-PERSON)

Labor Market Institutions and Monetary Policy

Article: Calmfors, Lars, and John Driffill. "Bargaining structure, corporatism and macroeconomic performance." (Economic policy 3.6 (1988): 13-61.) (ced)

SESSION 27 (ASYNCHRONOUS)

Constitutional Rules - the Devil (or Angel) in the Details

Working Paper: Persson, 2003: CONSEQUENCES OF CONSTITUTIONS, NBER WORKING PAPER SERIES (NBER WORKING PAPER SERIES 10170)

Working Paper: Kselman, 2012: ELECTORAL PERSONALISM AND ECONOMIC POLICY. The Kellogg Institute, (Working Paper #382, Feb 2012)

SESSION 28 (ASYNCHRONOUS)

Group Presentations

In a fixed 72 hour period, students will watch the presentations of other groups, and write responses to each presentation.

SESSION 29 (LIVE IN-PERSON)

Final Exam

SESSION 30 (LIVE IN-PERSON)

Final Exam

BIBLIOGRAPHY

Compulsory

- Daron Acemoglu and James Robinson. (2012). *Why Nations Fail*. Currency. ISBN 9781846684302 (Digital)

- Douglas North. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge. ISBN 9780521394161 (Digital)

EVALUATION CRITERIA

The course will be assessed in the following way:

A. ESSAY

Students will conduct a case study on a country of their interest. Students will analyze the political and economic institutions and will discuss their impact on economic dynamics.

B. GROUP WORK

You will be preparing a presentation on a question related to the course. This will allow you to engage in more independent, though guided research. These case studies will be elaborated in group work. They will be allocated in session 3 and 14, depending on whether you will present in the first or second round. More details in class.

C. MID-TERM

The mid-term exam will consist of several questions that require a short or mid- extension answer to a reading assignment. It will be held in session 14 and will cover all contents, the assigned reading and class discussions of the course to the date.

D. FINAL EXAM

The final exam will check your understanding of basic concepts of the course. It will require that you apply those analytical tools and concepts to specific questions. They might involve also the analysis of a "mini" case study or to work on a short exercise. Hence, the purpose of the exam is to test your attainment of the course objectives, your grasp of important concepts and relationships, and your ability to apply this knowledge to different situations.

E. IN-CLASS PARTICIPATION

Three main criteria will be used in reaching judgment about your class participation:

- Depth and Quality of Contribution: The most important dimension of participation concerns what it is that you are saying. A high quality comment reveals depth of insight, rigorous use of case evidence, consistency of argument, and realism. This criterium will be particularly relevant to assess the participation in asynchronous exercises.
- Moving Your Peers' Understanding Forward: Great ideas can be lost through poor presentation. A high quality presentation of ideas must consider the relevance and timing of comments, and the flow and content of the ensuing class discussion. It demands comments that are concise and clear, and that are conveyed with a spirit of involvement in the discussion at hand.
- Frequency: Frequency refers to the attainment of a threshold quantity of contributions that is sufficient for making a reliable assessment of comment quality. The logic is simple: if contributions are too few, one cannot reliably assess the quality of your remarks. However, once threshold quantity has been achieved, simply increasing the number of times you talk does not automatically improve your evaluation. Beyond the threshold, it is the quality of your comments that must improve. In particular, one must be especially careful that in claiming more than a fair share of "airtime", quality is not sacrificed for quantity. Finally, your attempts at participation should not be such that the instructor has to "go looking for you". You should be attempting to get into the debate on a regular basis.

The asynchronous work will also count for the participation grade.

Criteria	Percentage	Comments
Final Exam	40 %	
Intermediate Tests	20 %	
Group Presentation	15 %	
Class Participation	10 %	
Essay	15 %	

GENERAL OBSERVATIONS

Each student has four attempts over two consecutive academic years to pass this course.

For every BIR Program mandatory class aside from the IR Unplugged and BIR Electives, students are required to obtain the minimum grade of 5 required to pass the course. Students whose grade in the Final Exam (or the largest assignment) is below 5 will fail the course. The rule applies to whichever assignment carries the greatest weight to the final grade. Dates and location of the final exam will be posted in advance and will not be changed.

Students must attend at least 70% of the sessions. Students who do not comply with the 70% attendance rule will receive a 0.0 on their first and second attempts and go directly to the third one (they will need to enroll in this course again the following academic year).

Students who are in the third or fourth attempt must contact the professor during the first two weeks of the course.

The Bachelor's in International Relations pursues to develop the knowledge, skills and attitudes for bringing transformative and sustainable change in today's world. Therefore, all the courses follow the principles of sustainability and diversity. Firstly, this course considers the Agenda 2030 and builds upon the Sustainable Development Goal 8 (Decent Work and Economic Growth), Goal 10 (Reduced Inequalities) and Goal 16 (Peace, Justice and Strong Institutions). Secondly, this course is committed to an inclusive learning environment and looks to be enriched and enhanced by diversity along numerous dimensions, including race, ethnicity and national origins, gender and gender identity, sexuality, class and religion.

ATTENDANCE

In-person attendance is mandatory at IE University, as it is an essential factor of IE's learning methodology. While we do closely monitor attendance in each course, we also consider our students responsible for their own agenda and commitments, as adult university students. With that in mind, each student may miss up to 30% of the sessions within a given course and still maintain the possibility of passing that given course. This 30% "buffer" is to be used for any absences, such as: illnesses, personal emergencies, commitments, official/governmental matters, business and/or medical appointments, family situations, etc. Students should manage their various needs, and situations that may arise, within that 30% buffer. If a student is absent to more than the allowed 30% of the sessions (regardless of the reason), s/he will obtain a 0.0 grade for that course in both the ordinary and extraordinary calls of the current academic year, and s/he will have to retake the course during the following academic year.

Please pay close attention to your attendance. The program strongly encourages attending 100% of the sessions as it will improve your learning outcomes, it will increase the class performance and it will benefit your participation grade. Noncompliance with deadlines for Non-Classroom Learning activities or assignments will result in an absence for the session.

Extreme cases involving emergencies such as; extended hospitalizations, accidents, serious illnesses and other cases of force majeure; are to be consulted with the Program Management (bir.biemadrid@ie.edu) for assessment of the situation and corresponding documentation, in order to support and guide each student optimally.

For more information about the university attendance policy, please check; <https://www.ie.edu/student-guide/bir/policies-and-guidelines/attendance/>

THIRD CALL RETAKE POLICY

Any student in their third call of a course, also known as a "Retaker", is obliged to observe the following rules:

- Third call students must contact their professors before or during the first session to ask which work and or *sessions will be required to obtain a passing grade. The professor will determine which work will be required in their course.
*(e.g. when presenting group work, sitting for examinations or other work done in class)
- Retakers are exempt from failing the call due to absences; however, they are not exempt from work the professor designates as necessary to obtain a passing grade. This means some sessions may be mandatory to attend in order to complete the work within.
- Students in their third call are responsible for managing the conflicts in their schedule, should students need advice on how to manage their conflicts they should visit the program office.

EXTRAORDINARY EXAMINATION POLICY

Any student whose weighted final grade is below 5 will be required to sit for the retake exam to pass the course (except those not complying with the attendance rules, whom are banned from this possibility).

Grading for retakes will be subject to the following rules:

- The retakes will consist of a comprehensive exam or equivalent assignment. The grade will depend only on the performance on this exam; continuous evaluation over the semester will not be taken into account.
- Dates and location of the retakes will be posted in advance and will not be changed.
- The exam/assignment will be designed bearing in mind that the passing grade is 5 and the maximum grade that can be attained is 8 out of 10.

PLAGIARISM / ACADEMIC HONESTY

Plagiarism is the dishonest act of presenting another person's ideas, texts or words as your own. This includes in order of seriousness of the offence:

- providing faulty sources;
- copy-pasting material from your own past assignments (self-plagiarism) without the instructor's permission;
- copy-pasting material from external sources even while citing them;
- using verbatim translations from sources in other languages without citing them;
- copy-pasting material from external sources without citing them;
- and buying or commissioning essays from other parties.

IEU students must contact the professor if they don't know whether the use of a document constitutes plagiarism. For help with your academic writing, contact the Writing Center (writingcenter@faculty.ie.edu). The professor will also advise the student on how to present said material. All written assignments must be submitted through Turn-it-in, which produces a similarity report and detects cases of plagiarism. Professors are required to check each student's academic work in order to guarantee its originality. If the originality of the academic work is not clear, the professor will contact the student in order to clarify any doubts. Students using external tutorial support should report it to the professor and the BIR Program from the moment they began receiving this support. In the event that the meeting with the student fails to clarify the originality of the academic work, the professor will inform the Director of the Bachelor Program about the case, who will then decide whether to bring the case forward to the BIR Academic Review Panel. Very high similarity scores will be automatically flagged and forwarded to the Academic Review Panel. Plagiarism constitutes a very serious offense and may carry penalties ranging from getting a zero for the assignment to expulsion from the university depending on the severity of the case and the number of times the student has committed plagiarism in the past.

PROFESSOR BIO

Professor: **ZUHEIR DESAI**

E-mail: zdesai@faculty.ie.edu

Zuheir Desai

Zuheir Desai is an Assistant Professor of Political Economy at IE University. He studies electoral competition and political accountability in his research. His work spans both theoretical models of elections, voting, and policymaking, as well as empirical applications of these models on developing democracies such as Brazil and India. He received his Ph.D. in political science from the University of Rochester in 2020, and was previously a Postdoctoral Research Associate in the Program for Quantitative and Analytical Politics (QAPS) at Princeton University.

OTHER INFORMATION

Office hours available by appointment only

CODE OF CONDUCT IN CLASS

1. Be on time. Students arriving more than 5 minutes late will be marked as "Absent". Only students that notify in advance in writing that they will be late for a specific session may be

- granted an exception (at the discretion of the professor). Students attending online must always have their cameras on during the session or risk being marked absent.
2. If applicable, bring your name card and strictly follow the seating chart. It helps faculty members and fellow students learn your names.
 3. Do not leave the room during the lecture: Students are not allowed to leave the room during lectures. If a student leaves the room during lectures, he/she will not be allowed to re-enter and, therefore, will be marked as "Absent". Only students that notify that they have a special reason to leave the session early will be granted an exception (at the discretion of the professor).
 4. Do not engage in side conversation. As a sign of respect toward the person presenting the lecture (the teacher as well as fellow students), side conversations are not allowed. If you have a question, raise your hand and ask it. If you do not want to ask it during the lecture, feel free to approach your teacher after class. If a student is disrupting the flow of the lecture, he/she will be asked to leave the classroom and, consequently, will be marked as "Absent".
 5. Use your laptop for course-related purposes only. The use of laptops during lectures must be authorized by the professor. The use of Social Media or accessing any type of content not related to the lecture is penalized. The student will be asked to leave the room and, consequently, will be marked as "Absent".
 6. No cellular phones: IE University implements a "Phone-free Classroom" policy and, therefore, the use of phones, tablets, etc. is forbidden inside the classroom. Failing to abide by this rule entails expulsion from the room and will be counted as one absence.
 7. Escalation policy: 1/3/5. Items 4, 5, and 6 above entail expulsion from the classroom and the consequent marking of the student as "Absent." IE University implements an "escalation policy": The first time a student is asked to leave the room for disciplinary reasons (as per items 4, 5, and 6 above), the student will incur one absence, the second time it will count as three absences, and from the third time onward, any expulsion from the classroom due to disciplinary issues will entail 5 absences.