УНИВЕРСИТЕТ ЗА НАЦИОНАЛНО И СВЕТОВНО СТОПАНСТВО

UNIVERSITY OF NATIONAL AND WORLD ECONOMY

Adopted with Faculty Council decision
of Faculty of *General economics*
Protocol № ….. / ……

Approved by:
Dean of Faculty
Prof. Georgi Petrunov, PhD

SYLLABUS

Course		**INSTITUTIONAL ECONOMICS**	
Course Category		**OPTIONAL**	
Area of Study		**3. SOCIAL SCIENCES, ECONOMICS AND LAW**	
Field of Study		**3.8. ECONOMICS**	
Degree Programme		**ECONOMICS TAUGHT IN ENGLISH**	
Educational and Qualification Degree		**BACHELOR**	
Faculty		**GENERAL ECONOMICS**	
Department		**ECONOMICS**	
Academic Hours/classes		**Full Time**	60
		Distance Learning	--
Extracurricular activities		**Full Time**	90
		Distance Learning	--
Credits		**6**	
Lecturer		**Assoc. prof. Shteryo Nozharov, PhD** **Chief. Asst. prof. Antoan Shotarov, PhD**	

COURSE DESCRIPTION

1. The course „Institutional Economics“ is taught to students enrolled in “Economics taught in English“ degree programme for “masters/ bachelors” EQD, as of 2016/2017 academic year.

2. Content description:

This is an introductory course on how economists think about institutions – the formal and informal rules driving our everyday life. The course reviews how institutions emerge, evolve and how they shape the differences in economic development over time. It also looks at the micro decision making and discusses how institutions affect our behavior as citizen and as entrepreneurs.

More specifically, the course illustrates how the legal institutions of a market economy work, how new markets are created, and why is enforcement of contracts and laws so important for the economy. In addition, the course zooms in on the effects of government regulation on businesses, and brings out the origins and consequences of property rights. Furthermore, the course emphasizes on how institutions affect economic development and includes the other, non-institutional, factors that shape the differences between a successful and a failing economy.

3. Language of instruction: English

CONTENT

№	TOPIC	Academic Hours			
		Full Time		Distance Learning	
		L	S	L	S
1.	**COURSE PRELIMINARIES. INTRODUCTION TO INSTITUTIONAL ECONOMICS** *What are institutions? What is Institutional Economics (IE)? How did IE come to exist? Types of institutions. The importance of institutions. Emergence of the New Institutional Economics. Empirical applications of institutions.*	2	2		
2	**PROPERTY RIGHTS: THE CLASSIC READINGS** *What are property rights (PR)? Why are PR important? The structure of PR. Social costs and consequences of the distribution of PR. The Coase theorem.*	2	2		
3	**PROPERTY RIGHTS: FURTHER STUDIES** *How do property rights affect economic activity? Expropriation risk and costs to defend property. PRs and factor mobility. PR and collateral value. PR institutions and contracting institutions. The empirics of PR.*	2	2		
4	**OWNERSHIP** *Private ownership VS. state ownership. Ownership and incentives. Ownership and economic growth. Public Vs. Private ownership: evidence of the effects of property rights distribution. Policy implications for reform.*	2	2		

5	**TRANSACTION COSTS** *What are transaction costs (TC)? The importance of TC: implications of the Coase theorem. Transaction costs economics. Empirical studies of the effects of transaction costs.*	2	2		
6	**INSTITUTIONS AND GROWTH: MACRO-LEVEL STUDIES** *Institutions as the fundamental cause of long-run growth. The settler mortality argument of Acemoglu-Johnson-Robinson (2001). South Vs. North Korean institutions and economic development. Endogeneity of economic and political institutions. De jure and de facto political power. Long-run institutions Vs. short-term policy choices. Deregulation and growth.*	2	2		
7	**INSTITUTIONS AND GROWTH: MICRO-LEVEL STUDIES** *Expected institutional outcomes on growth. Revision of the aggregate evidence. Do the theories work when brought to the data? Varieties of institutional reform outcomes. Explanations for the variety of outcomes. Empirical strategies to address institutional effects on the micro-level.*	2	2		
8	**ORIGIN OF INSTITUTIONS** *Theories of the origins of institutions. Efficiency theories. The role of ideology. Historical accidents. Social conflict theories. Examples of the social conflict views on institutional origin. Emergence of democracies.*	2	2		
9	**PERSISTENCE OF INSTITUTIONS** *Durability of institutions. The link between de jure political power, economic institutions, distribution of economic resources and the de facto political power. Incentives for institutional persistence. How to break a vicious institutional circle?*	2	2		
10	**INSTITUTIONAL CHANGE** *Who chooses to reform? Incentives for institutional change. Emergence of good institutions. How to make the de fact politically powerful groups less powerful? Elite-driven Vs. Conflict-driven institutional change. Internal Vs. external systemic shocks as windows of opportunity for change.*	2	2		
11	**INSTITUTIONAL REFORMS IN TRANSITION ECONOMIES (Part 1)** *Why socialist economies failed? Growth in the first years of transition. The institutional and economic differences across the CEE region. Institutional vacuum.*	2	2		
12	**INSTITUTIONAL REFORMS IN TRANSITION ECONOMIES (Part 2)** *Institutions and growth in the context of transition. Does institutional reform work? Contemporary issues of the post-transition economies.*	2	2		

13	**CORRUPTION, INFORMAL INSTITUTIONS AND DEVELOPMENT** *Corruption and economic growth. Why is corruption damaging for the economy? The relationships between politicians and firms. Estimating the value of political connections. Courts and property rights revisited. Private returns to public office. What are informal institutions? Do culture and social norms affect economic outcomes? Culture and development: evidence from Europe.*	2	2		
14	**STUDENT PRESENTATIONS**	2	2		
15	**STUDENT PRESENTATIONS**	2	2		
	Total	**30**	**30**		

Legend: L – Lectures; S – Seminars

TEACHING AND LEARNING METHODS

A combination of different teaching techniques and methods is applied in instruction such as lectures, seminars, discussions, outsourced training in a business environment or administration, individual assignments, reports, surveys, case studies, among other methods. If possible, part of the training in the discipline is organized in an external business environment or appropriate public institutions.

The necessary technical resources for the purpose of instruction are: multimedia, software, Information and communications technology (ICT), digitally-aided education, e-learning platforms (Teams, etc.) and other digital devices.

The preparation of the individual course designed for the students enrolled in distance form of education includes:

1. **Reading**

You will be required to familiarize yourself *in detail* with the mandatory readings before each class. Your final exam will be partly based on those readings. Please check below for a list of mandatory and additional papers.

2. **Term papers (20 pts.)**

A crucial part of your grade will be determined by how well you formulate and defend a research idea in a written form. When you find a given idea from what you read at home or from our class discussions interesting, you are encouraged to put a provocative title on it and develop it along the following lines:

2. 1. (4 pts.) **Introduction and Motivation**: tell me why I should care about your idea, what is interesting in it for you, and what novel idea you expect to bring to the historical research table. The introduction should end with a specific hypothesis or a position you are trying to argue for or – why not – test by using empirical methods, including econometric methods.

2.2. (4 pts.) **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 the various sources on your topic and how they build upon each other. Use as many references as you can from top-

tier economic journals. Give preference to more recent papers. Finally, try to find the gap in the current state of the debate on your topic. By the end of the literature review, you should be clear about what gap in the literature you are trying to fill.

2.3. (4 pts.) **Research Methods**: tell me exactly how you are going to fill the gap you just identified. For example, if you are arguing in favor of a specific position you want to defend, tell me the steps you go through to convince me your position is right. Further, if you have formulated a hypothesis, tell me how you are going to test it, including a brief but informative data description.

2.4. (4 pts.) **Results**: tell me what you got from empirically testing your hypothesis or from arguing on purely logical grounds in favor of your position. I will be also looking to see if your results flow naturally from applying your methods.

2.5. (4 pts.) **Conclusion**: tell me what you did, how you did it, and what new I learned from reading your paper. In other words, can you formulate your contribution to the topic you have just discussed?

2.6. **References:** you must use APA reference style (6th ed.) when citing your sources. Your references should come after your conclusion. Penalties apply for mis-specified references.

Specifics about the points on your term paper: Please note that I insist on you following the above structure of term papers. Within each component of your paper, I will be giving you points as follows: 4 pts. for an excellent presentation, 3 pts. for a good one, 2 pts. for a mere satisfactory level argument, and just 1 point for a poorly written component. In rare cases, up to 2 bonus points could be given for an exceptionally well written term paper: a paper in which every component is in its right place, the flow of thoughts is coherent and natural, the hypothesis is testable and has indeed been tested, it is very easy to follow the argument, and I learn a new thing from reading it.

Volume of work, DEADLINES AND ACADEMIC INTEGRITY: Your term paper should not exceed 2000 words, and penalties of 1 pt. apply for each 10% above the 2000 word limit. Please note that your term papers WILL be checked for plagiarism at www.turnitin.com, and anyone who did not cite properly even a minor part of his or her paper will fail this assignment. Both a paper-based and an e-version should be handed by due date. Due dates will be administered during the semester. Late submissions will be penalized with 10% of your term paper grade for each day of delay.

3. Replication and extension of published results and group presentations (30 pts.)

To be able to generate your own ideas, you need to be able to replicate well-established ideas first. Therefore, one or two classes will be devoted to group presentations on well-established results from the institutional economics literature. Moreover, those group presentations will not only focus on published results but also on their extensions done by the group presenting. Namely, you will be required to: 1) use a statistical software, preferably STATA, v.9.0 or above; 2) find a suitable *empirical paper* to replicate. It may be from the mandatory or additional reading list or it may be a paper you spotted and looks interesting to the group and relates well to the topics in class; 3) download the paper, the program, and the data (the .do file and the .dta file). Most recent published papers have supplementary materials online (e.g., see American Economic Review) containing exactly what you need.; 4) run the program at home, and see where the published results come from; 5) find a gap in the methodology or in the results, and fill it. This extension could come from more recent data to run the model on, or an additional variable to add to the existing data and the

existing method, or – best option – a novel method applied on more recent data; 6) Describe the original methodology and results; and the extension you did. How are the original and the new results different?; 7) Present the original work and your extensions. Your grade in this component will depend on: success in replication (10 pts.), success in extension (10pts), and quality of presentation (10 pts). The quality of presentation will be judged on efficient use of time, clarity of thought, structure and coherence of argument. To evaluate your replication and extension efforts, you need to send me your .do and .dta file at least one week before the presentation.

4. **Final exam (40 pts.)**

A preliminary final exam will be given at the last class. It will be a comprehensive multiple choice exam of up to 50 questions for up to 90 minutes.

After summing up the points, a preliminary grade will be given to everyone in the course. After getting the preliminary grades, students may choose to stick with the given grade. In case you choose to stick with the grade, you need to inform me by email about it up to 24 hours after I have announced the preliminary grades. This grade will be your final grade for the course. If you decide to pass on your preliminary grade, you must attend the regular final exam during the official exam period. If a student chooses to go to the regular exam period, the student has no right to revert to their original grade once the final grade has been announced. In this case, the preliminary final exam will count for 0 points, and the regular final exam will count for 50 points.

Missed exams

If you miss an exam, it may not be retaken. The only exception is allowed for those who cannot show up on the exam for proven medical reasons or family emergencies. In those circumstances, you need to inform me **by email at least 12 hours** before the exam stating the reasons for your planned absence and requesting another exam take. I may request additional information to verify the reasons for your absence. Birthdays, sports competition participations, conflicting work or study duties outside of school, and any kind of trips are not a legitimate reason for asking for exam rescheduling.

5. **Class Attendance and Participation (10 pts)**

Students are expected to actively participate in the class discussions, and conduct readings on a weekly basis. In line with school policies, everyone is expected to attend all the classes and return promptly from breaks. An excessive lateness may constitute an absence from the class. I will keep a record of attendance for each student at each class. If a student is missing more than half of the time (i.e. 8 classes or more), the student WILL fail the course and will have no right to show up on either the preliminary or the regular exam period. In that case, the student will go straight to the make-up exam period.

After summing up the points from the course requirements, the following grading table will be applied:

Points	GRADE (BG)	GRADE (US)
> 80	6 (Excellent)	A
> 70	5 (V. Good)	B
> 60	4 (Good)	C
> 50	3 (Pass)	D
<= 50	2 (Fail)	F

An example: 79,99 points is 5. No exceptions will be made for anyone, no excuses will be accepted. This table is subject to modification. The instructor will communicate any changes by email.

EXTRACURRICULAR ACADEMIC HOURS

Components	Number of Hours	
	Full Time	**Distance Learning**
1. Practical training	**10**	**-**
2. Course project	**30**	**-**
3. Essay	**-**	**-**
4. Case study	**-**	**-**
5. Individual assignment/ team activity	**30**	**-**
6. Laboratory training	**-**	**-**
7. Mid-term exam/ test	**-**	**-**
8. Ongoing assessment	**-**	**-**
9. Exam	**20**	**-**
Total	**90**	**-**

ASSESSMENT

The course assessment consists of several components.

For full time students the final grade is formed as follows:

FG = 0.5*E + 0.2*MTE + 0.2*OA + 0.1*IA,

where:

FG = Final Grade;
E = Exam
MTE = Mid-Term Exam;
OA = Ongoing assessment;
IA = Individual assignments.

Electronic platforms (such as MS Teams; Google Forms; Moodle) and other modern educational technologies are used, both for training and for assessing and controlling its results, including the use of a test center.

The final grade is based on a six-point scale, in which the lowest grade for successful completion of the course is 3. Converted to the ECTS the grading scale the grades are as it follows:

Excellent /6/	Very Good /5/	Good /4/	Average /3/		Poor /2/	
A	**B**	**C**	**D**	**E**	**FX**	**F**
The corresponding number of ECTS credit points is being allocated					No ECTS credit points are being allocated	

QUALIFICATION GOALS

This course is designed in compliance with the requirements of the National Qualification Framework[1] in terms of acquired knowledge, skills and competences for the corresponding EQD and Council Recommendation of Key Competences for Lifelong Learning[2].

The course provides the students with the knowledge of:

- why institutions are important for development;
- where they come from, and
- how they change;
- the institutional determinants of the cross-country differences in wealth and prosperity.

The course will help students acquire skills such as:

- how to make a contribution to a particular subfield within the economics discipline.

DISSEMINATION OF THE COURSE

Maastricht University (UM)
Vrije Universiteit Amsterdam
Philipps-Universität Marburg

LITERATURE

A. Basic

1. Ménard, C. and Mary M. Shirley (Eds.) (2005). Handbook of New Institutional Economics, Springer.

2. Besley, Timothy & Ghatak, Maitreesh (2010). Property Rights and Economic Development, In: Dani Rodrik and Mark Rosenzweig (Eds.) Handbook of Development Economics: Volume V, 4525-4595.

3. Williamson, Oliver (2010, Jun.). Transaction Cost Economics: The Natural Progression, American Economic Review, 100(3), 673-690.

4. Jan Babecky & Tomas Havranek (2013, Aug.) Structural Reforms and Economic Growth: A Meta- Analysis, Working Papers, 2013/08, Czech National Bank, Research Department

[1] The National Qualification Frame of Bulgaria gives the definition of the knowledge, skills and competences which are required as a result of the education process in the corresponding EQD in higher education.
[2] Council Recommendation on Key Competences for Lifelong Learning (OJ 2018/C 189/01)

5. Commander, Simon and Jan Svejnar (2011, Feb.). Business Environment, Exports, Ownership, and Firm Performance, Review of Economics and Statistics, 93(1), 309-337

6. Stankov, Petar (2020). The Political Economy of Populism. An Introduction, Routledge, https://doi.org/10.4324/9780429355691

7. Stankov, Petar (2017). Economic Freedom and Welfare Before and After the Crisis, Palgrave Macmillan, https://doi.org/10.1007/978-3-319-62497-6

8. Stankov, Petar (2018). The Political Economy of Populism: An Empirical Investigation, Comparative Economic Studies, 60(2), 230–253: https://doi.org/10.1057/s41294-018-0059-3

9. Nozharov, Shteryo. (2018). The institutional economics of collective waste recovery systems: An empirical investigation. Economic Studies journal, 27(5), 172-180

10. Nozharov, Shteryo (2018). Transaction Costs in Collective Waste Recovery Systems in the EU. Economic Archive, (1), 18-30.

11. Acemoglu, Daron, Davide Ticchi and Andrea Vindigni (2011). Emergence and Persistence of Ineffient States, Journal of the European Economic Association, 9(2), 177-208

12. Acemoglu, Daron, Davide Cantoni, Simon Johnson and James A Robinson (2011, Dec.). The Consequences of Radical Reform: The French Revolution, American Economic Review, 101(7), 3286-3307

13. Xu, Chenggang (2011). The Fundamental Institutions of China's Reforms and Development, Journal of Economic Literature, 49(4), 1076-1151.

14. Banerjee, Abhijit, Rema Hanna, and Sendhil Mullainathan (2012, Mar.). Corruption. MIT Dept. of Economics WP 12-08. Published In: Robert Gibbons & John Roberts (Eds.) Handbook of Organizational Economics, Princeton Univ. Press, Chapter 27, 1109-1147

15. Ménard, C., & Shirley, M. M. (2022). Advanced introduction to new institutional economics. In Advanced Introduction to New Institutional Economics. Edward Elgar Publishing. DOI: https://doi.org/10.4337/9781789904499

16. Whalen, C. J. (Ed.). (2022). A Modern Guide to Post-Keynesian Institutional Economics. Edward Elgar Publishing.

B. Additional

1. Acemoglu, Daron and James Robinson (2011). Why Nations Fail: The Origins of Power, Prosperity, and Poverty, Random House.

2. Bradley, P. (2021). An institutional economics framework to explore sustainable production and consumption. Sustainable Production and Consumption, 27, 1317-1339. https://doi.org/10.1016/j.spc.2021.02.035

3. Valentinov, V. (2023). Stakeholder theory: Toward a classical institutional economics perspective. Journal of Business Ethics, 188(1), 75-88. https://link.springer.com/article/10.1007/s10551-022-05304-w

4. Valentinov, V. (2021). Sustainability in classical institutional economics: A systems theory view. Sustainable Production and Consumption, 28, 1500-1507. https://doi.org/10.1016/j.spc.2021.09.001

5. Schultz, F. C., Valentinov, V., & Pies, I. (2024). Looking behind the continuum: An institutional economics perspective on Schilke and Lumineau's "How Organizational Is

Interorganizational Trust?". Academy of Management Review, (ja), amr-2024. https://doi.org/10.5465/amr.2024.0101

6. van Staveren, I. (2024). How Institutional Economics May Support the Analysis of Individual and Collective Capabilities. Journal of Human Development and Capabilities, 25(2), 206-231. https://www.tandfonline.com/doi/full/10.1080/19452829.2024.2334415

7. Głuszak, M. (2022). New institutional economics and the digital economy. The Digital Economy and the European Labour Market, 75-88. https://www.taylorfrancis.com/chapters/edit/10.4324/9781003254638-8/new-institutional-economics-digital-economy-micha%C5%82-g%C5%82uszak

Electronic and web-based resources

http://www.coase.org/niereadinglist.htm

https://www.britannica.com/money/institutional-economics

https://www.econlib.org/library/Topics/HighSchool/EconomicInstitutions.html

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