

Institutions and Development: state, market and communities

Lecturer: Anil Duman

Credits: 4 Credits (8 ECTS)

Semester: Winter 2011

Course Level: 1 and 2 Year MAs

Course Objectives

This course will explore the field of development economics and the role of institutions in economic development. We will begin by investigating the effect of institutions on development in general, and then move onto a range of specific institutions and their linkages to economic success or failure. Economic performance is strongly dependent on the economic policies selected and on the manner in which these policies are implemented by government agencies. Performance is also affected by property rights and contract enforcement mechanisms in the business community and by patterns of participation in community organizations. These and other institutional arrangements as well as the determinants and consequences of international differences in economic and political institutions are analyzed in this course.

Additional topics include the effects of democratic political institutions on economic performance, the determinants of success or failure in community organization, the institutional challenges facing developing countries.

Learning Outcomes: At the end of this course, the students are expected to;

- understand the basic concepts in development economics
- have sufficient knowledge to apply institutional concepts in their research
- formulate researchable questions
- to be able to follow and understand the literature related to the subject matter

Grading

Class participation will count for 10% and the presentations will count for 20% of your grade for the course. Midterm will count for another 30% and finally, the term paper will count for 40%. The grades won't be based on a curve.

Participation:	10%
Presentations:	20%
Midterm Exam:	30%
Final Exam:	40%

Readings

1. Introduction: What is Development?

Required

- *Sen, A., (1988), “The Concept of Development”, in Chenery and T.N. Srinivasan, eds. *Handbook of Development Economics*, vol 1, pp: 10-25
- *Basu, K., (2001), “On the Goals of Development”, in G.M. Meier and J. E. Stiglitz, eds. *Frontiers of Development Economics*, NY, Oxford University Press, pp: 61-86.
- *Escobar, A., (1995), *Encountering Development: the making and unmaking of the Third World*, Princeton University Press, pp: 3-20

Recommended

- Huntington, S., (1987), “The Goals of Development”, in S. Huntington and M. Weiner, eds. *Understanding Political Development*, Little Brown Publishers
- Marx, K., “Eighteenth Brumaire”[excerpts], “The Future Results of British Rule in India” [excerpts]
- Nafziger, W., (2005), “From Seers to Sen: The Meaning of Economic Development”, *WIDER Working Paper*

2. The Field of Development: Historical Perspectives

Required

- * Hirschman, A., (1958), *The Strategy of Economic Development*, Westview Press, Chapter 2
- * Schumpeter, J., (1959), *The Theory of Economic Development*, Harvard University Press, pp: 57-94
- * Leys, C., (1996), *The Rise and Fall of Development Theory*, Indiana University Press, pp: 3-45

Recommended

- Bardhan, P., (1987), “Alternative Approaches to Development Economics”, in Chenery and T.N. Srinivasan, eds. *Handbook of Development Economics*, vol 1, pp: 39-71
- Adelman, I. and C. Taft Morris, “Development History and its Implications for Development Theory: An Editorial”, *University of California, Berkeley Working Paper*

3. Methodology of Research in Development Economics

Required

- *Friedman, M., (1953), “The Methodology of Positive Economics”, in *Essays in Positive Economics*, University of Chicago Press, pp: 3-30
- *Basu, K., (2000), *Prelude to Political Economy: a study of the social and political foundations of economic*, Oxford University Press, pp: 241-263
- *Shin, J., (2005), “The Future of Development Economics: a methodological agenda”, *Cambridge Journal of Economics*, Vol. 29, Issue 6, pp: 1111-1128
- *“The Evolution of Measures of Development” and “How to Read a Regression Table”, in *Leading Issues in Economic Development*, G. M. Meier and J. E. Rauch, eds. Oxford University Press

Recommended

- Popper, K., (1998), “Science Conjectures and Refutations”, in *Introductory Readings in the Philosophy of Science*, F.D. Klemke, R. Hollinger, D.W. Rudge, eds., Prometheus Books, pp:
- Coase, R.H., (1994), *Essays on Economics and Economists*, University of Chicago Press, pp: 3-63
- Haves, E., (1972), “Methodological Issues in the Study of Development”, *Sociologica Ruralis*, 12, pp: 252-72.

4. Theories of Institutional Change

Required

- *Grief, A. and D. Laitin, (2004), “A Theory of Endogenous Institutional Change”, *American Political Science Review*, 98 (4)
- *Kingston, C. and G. Caballero, (2006), “Comparing Theories of Institutional Change”, *Amherst College Working Paper*
- *Roland, G., (2004), “Understanding Institutional Change: fast moving and slow moving institutions”, *Studies in Comparative International Development*, 38 (4).

Recommended

- Campbell, J. (2004), *Institutional Change and Globalization*, Princeton university Press
- E. Ostrom, *Governing the Commons*, Cambridge University Press, Introduction and Conclusion
- Levi, M., (1990), “A Logic of Institutional Change”, in *The Limits of Rationality*, K. Schweers and M. Levi, eds., University of Chicago Press.

5. Do Institutions Matter?: Empirical Evidence

Required

- *Soysa, I. and J. Jutting, (2000), “Informal Institutions and Development: what do we know and what can we do?”, *OECD Working Paper*.
- *Rodrik, D., A. Subramanian, and F. Trebbi, (2002), “Institutions Rule: the primacy of institutions over geography and integration in economic development, *mimeo*
- * Przeworski, A., (2004), “Institutions Matter?” *Government and Opposition* 39 (4), pp: 527-540.

Recommended

- Bardhan, P., (2000), “The Nature of Institutional Impediments to Economic Development”, in *A Not-So-Dismal Science: a Broader View of Economies and Societies*, Oxford, chapter 10.
- Jutting, J., (2003), “Institutions and Development: a critical review”, *OECD, Working Paper No: 210*
- Knack, S. and P. Keefer, (1995), “Institutions and Economic Performance: cross-country tests using alternative measures”, *Economics and Politics*, 7, pp: 207-227.

6. Colonial Legacy

Required

- *Diamond, J., (1999), *Guns, Germs and Steel*, WW Norton, pp: 13-32 and pp: 402-425.
- *Acemoglu, D., S. Johnson and J.A. Robinson, (2001), “The Colonial Origins of Comparative Development: an empirical investigation”, *American Economic Review*, 91 (5).
- *Banerjee, A. and L. Iyer, (2005), “History, Institutions and Economic Performance: the legacy of colonial land tenure systems in India”, *American Economic Review*, 95(4)

Recommended

- Ronald Rogowski and Duncan MacRae. “Inequality and Institutions: What Theory, History, and (Some) Data Tell Us”.
- Glaser, E. R. La Porta, F. de Silanes, and A. Schleifer, (2004), “Political Institutions and Human Capital in Economic Development”, *Journal of Economic Growth*, 9, pp: 271-303.
- Engerman and Sokoloff. 2000. “Institutions, Factor Endowments, and Paths of Development in the New World.” *Journal of Economic Perspectives* XIV: 217-232.

7. Political Institutions

Required

- *Wade, R. (1990), *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*.
- *Schleifer, A. and R. Vishny, (1998), *The Grabbing Hand: government pathologies and their cures*, Harvard University Press, pp: 1-13
- *Mauro, P., (1997), "Why Worry about Corruption?", *IMF*, pp: 1-12
- *Nkurunziza, J.D. and R. Bates, (2002), "Political Institutions and Economic Growth in Africa", *CSAE WPS/2003-03*.

Recommended

- Boix, Carles and Susan Stokes. 2003. "Endogenous Democratization." *World Politics* 55: 517-49.
- Daron Acemoglu and James Robinson, "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective," *Quarterly Journal of Economics* 115 (November 2000): 1167-1199.
- Besley and Burgess, (2002), "The Political Economy of Government Responsiveness: theory and evidence from India", *Quarterly Journal of Economics*, 117, pp: 1415-1451

8. Economic Institutions I

Required

- *Sachs, J. and A. Warner, (1995), "Economic Convergence and Economic Policies", *NBER Working Papers*
- *Cernat, L., (2002), "Institutions and Economic Growth: which model of capitalism for Central and Eastern Europe?", *Journal for Institutional Innovation, Development and Transition*, Vol 6.
- * Fitzgerald, V., (2003), "Financial Development and Economic Growth", *mimeo*, World Bank
- *Rodriguez, F., and D. Rodrik, (2000), "Trade Policy and Economic Growth: a skeptic's guide to the cross-national evidence", *mimeo*.

Recommended

- Barbara Evers, (1995), "Trade Liberalization and Employment in Indonesia," in Oliver Morrissey and Frances Stewart (eds.), *Economic and Political Reform in Developing Countries*, pp. 172-199
- K. Bayliss, (2000), "The World Bank and Privatization: a flawed development tool", *PSIRU, Working Paper*.

9. Economic Institutions II

Required

- *Schleifer, A., S. Djankov, R. La Porta, R. Vishny, and F. de Silanes, (1998), “Law and Finance”, *Journal of Political Economy*, 106 (6).
- *Besley and Burgess, (2004), “Can Labor Regulations Hinder Economic Growth: evidence from India”, *Quarterly Journal of Economics*, 119, pp: 91-134
- *De Soto, H., (2000), *The Mystery of Capital: why capitalism triumphs in the West and fails everywhere else*, Basic Books, Chapter 3
- *Riker, W. and I. Sened, 1996, “A Political Theory of the Origin of Property Rights: airport slots”, in Alston et al., *Empirical Studies in Institutional Change*

Recommended

- Armen A. Alchian, “Some Implications of Recognition of Property Rights Transaction Costs”, in Svetozar Pejovich, ed., 1997, *The Economic Foundations of Property Rights*, Edward Elgar.
- Christopher Clague, Phillip Keefer, Stephen Knack, and Mancur Olson, 1997, “Institutions and Economic Performance: Property Rights and Contractual Enforcement., in Cristopher Clague, ed., *Institutions and Development. Growth and Governance in Less-Developed and Post-Socialist Countries*. Johns Hopkins U. Press
- “Free Trade on Trial- Ten Years of NAFTA”, *The Economist*, May 4th, 2000.

10. Social Institutions

Required

- *Putnam, R., (2002), *Democracies in Flux: the evolution of social capital in contemporary society*, Oxford University Press, pp: 3-20
- *Mercer, Claire, (2002), “NGOs, civil society and democratization: a critical review of the literature”, *Progress in Development Studies*.
- *Knack, S. and P. Keefer, (1997), “Does Social Capital Have an Economic Payoff? A cross-country investigation”, *Quarterly Journal of Economics*, 112, pp: 1251-1288
- *Mary Kay Gugerty and Michael Kremer, (2000), “Outside Funding of Community Organizations: Benefiting or Displacing the Poor?”, *NBER Working Paper*, No. W7896

Recommended

- Kamat, Sangeeta, (2003), “The NGO Phenomenon and Political Culture in the Third World”, *Society for International Development*, 46: 88-93.
- Anthony Bebbington, “Social Capital and Rural Intensification: Local Organizations and Islands of Sustainability in the Rural Andes”, *Geographical Journal* 163 (1997): 189-97.
- Marina Ottaway and Thomas Carothers, *Funding Virtue: Civil Society and Democracy Promotion* (Washington, DC: Carnegie Endowment, 2000), chapters 1, 11, pp. 3-16, 293-310.
- Miguel, E., (2003), “Poverty and Witch Killing”, *Bread Working Paper*

11. International Institutions and Globalization

Required

- *Stiglitz, J. (2002), *Globalization and Its Discontents*, WW Norton.
- *Evans, P., (2002), “Beyond Institutional Monocropping: institutions, capabilities, and deliberative development”, *University of California Berkeley Working Paper*
- *Birdsall, Nancy. (2002), “*Asymmetric Globalization: Global Markets Require Good Global Politics*”.
- *Coleman, W.D., and T. Porter. (1999), “International Institutions, Globalization, and Democracy: assessing the challenges”, *GHC Working Paper 99/4*.

Recommended

- You Jong-Il., (2002), “The Bretton Woods Institutions: evolution, reform, and change”, in Nayyar, D (ed.), *Governing Globalization: issues and institutions*.
- Azariadis, Costas and John Starchurski .2004. “Poverty Traps?” Prepared for the Handbook of Economic Growth.
- Dervis, Kemal with Ceren Ozer. 2004. *A Better Globalization. Legitimacy, Governance, and Reform*. Washington, DC.,