INSTITUTIONS AND ECONOMIC DEVELOPMENT
COURSE PARTICULARS

Prof. Örjan Sjöberg
Posted on the course web
15 January 2019
Rationale

Economies are often alike, yet rarely identical. Just as we need to form an idea of how the bits and pieces of the economic landscape relate to each other, and to the whole, as practitioners of the economist’s craft we also need to be able to understand if, and if so how, different (classes of) economies are structured and how they can be expected to behave. Think economic growth, for example. Or the nature and direction of structural change. Or, for that matter, political risk.

There are a number of candidates as to why economies differ. The level of development itself is one; combinations of size, resource endowment and factor availability another. Past experiences no doubt matter, as do current economic policies. An important source of divergence across economies is the underlying economic system (market based, cooperative or centrally planned), but with the demise of central planning formal and informal rules – in short, institutions – have come to dominate the discussion. Indeed, an important debate in development economics over the past two decades has been the relative importance of nature (“geography”) vs institutions.

The purpose of Institutions and economic development (course 750) is to provide an introduction to the role of institutions in economic development and change. As such it builds on and supplements previous courses on international economics (700), macro-economics and policy analysis (407/412) and the economics of organisation (652) that are offered as part of the bachelor programme. To this course 750 also adds components of economic history, development economics and economic geography to constitute something of a re-modelled successor to the sub-discipline of comparative economic systems. Now, instead, we may perhaps pointedly speak of comparative capitalism as is indeed other social scientists do.

Structure

The course is structured around three themes: institutional theory, structural change and the role of institutions in generating the outcomes observed. Each theme is developed over the course three lectures, followed by a compulsory small group seminar. The first theme focuses on the institutional theories as applied in economics and other social sciences, and theoretical frameworks designed to account for the existence of institutional variation across time and space. The second theme introduces the notions of economic development and structural change, including the role of general purpose technologies. A number of approaches are identified and discussed in some detail with a view to situating institutions in a wider setting. Finally, and actively using empirical examples, the third theme discusses the role of institutions in these developments. Examples of ex ante and ex post institutional change are identified, as are cases of institutional variation, complementarities and competition. The interaction and tension between developments at different scales – global, national, sub-national – are identified. The examples are mainly drawn from Sweden, the rest of Europe and Asia.

Learning outcomes

On completion of the course the course participant should be able to

- explain the notion of institutions and why they are important to economic development;
- identify and describe core concepts, theories and theoretical frameworks;
- apply these concepts, theories and frameworks;
- assess the applicability and appropriateness of competing sets of theories in analysing processes of structural change; and, finally,
- critically evaluate the role of institutions themselves in economic change and development (e.g., for analytical ends or for the purposes of policy formulation).
Lectures and seminars

There are twelve lectures, only the first one of which is compulsory. These are divided in three major parts, each part of which is concluded with a compulsory small group seminar; a summarising Part IV completes the lecture series. Readings, whether compulsory or recommended, are listed under the heading Literature below.

1. Introduction: what are institutions and why bother about them?

Part I: institutional theory

2. Institutional theories old and new, 1
3. Institutional theories old and new, 2
4. Comparative economics in a new guise
A. Seminar 1: Varieties of capitalism — the critique

Part II: economic development and structural change

5. Economic development and change
6. Structural change, 1: the temporal dimension
7. Structural change, 2: the spatial dimension
B. Seminar 2: Legal origins or some other context? Institutions vs geography/history

Part III: institutions in observed development and structural change

8. The structural cycle model in a real world setting, 1
9. The structural cycle model in a real world setting, 2: its wider applicability
10. The geography of institutional variation and structural change
C. Seminar 3: Institutional convergence and competition in East Asia

Part IV: some unresolved issues and summing up

11. Informal institutions, social norms
12. Summing up
Literature

# readings for the literature test; * recommended readings; unmarked = compulsory but not part of the literature test


NB Seminar readings are in addition to the above and will be posted separately.

Readings: instructions

Compulsory readings, including for the seminars, are to be read by all. Recommended readings are intended to provide additional depth and explanation or, in some cases, a possibility of acquainting yourself with the original ideas that are referred to in the lectures; in some cases they provide examples of empirical application. All material is available through the e-journal or e-book databases of the SSE library, except as noted above.

The only text not available electronically is the textbook by Lennart Schön, Sweden’s Road to Modernity: An Economic History (2010).¹ The book should be approached with a light touch, focusing on the following:

Chapter 1 (up to p. 34): analytical framework, including critical concepts (such as complementarities, development blocks, structural cycles), but above all the model of technological and structural change itself (pp. 29–32).

Chapter 3 (pp. 116–142): part of ‘Sweden and the breakthrough of industrialisation 1850–1890’.

Chapter 6: the third industrial revolution.

The rest can be read selectively; as such it is recommended, both on account of the information on Swedish economic development that it provides but primarily because it is a case of institutional and structural analysis in action. Note that the entire book is organised along the lines of the model introduced in the introductory chapter. Examples of development blocks and ex ante/ex post institutions can be found throughout the text.

¹ Page references refer to the first English language edition (so far used by most course participants). For greater detail as far as the relevant pages in the other editions of the same text that you may use, please refer to the abridged version of this course outlined sent by mail to all registered participants on 6 January 2019.

Please note that multiple editions of this textbook exist, including four in Swedish alone published under the title, En modern svensk ekonomisk historia. Tillväxt och omvandling under två sekler (SNS Förlag, Stockholm, 2000, 2007, 2012; Studentlitteratur, Lund, 2014). The first English language edition was published by SNS Förlag in 2010 as Sweden’s Road to Modernity: an Economic History, and in 2017 appeared in a second edition, now published by Studentlitteratur, Lund). In 2012, a second (this time prohibitively expensive hardback) English edition was published, under the title An Economic History of Modern Sweden (Routledge, Abingdon), a paperback version of which thankfully appeared in 2016 and it is also available as an eBook. Note that for the purposes of this course, any of these seven editions can be used.
Examination

Small group seminars (1/3 of total grade): compulsory attendance, active participation based on readings of about 125–200 pages per seminar (reading assignment: see separate announcement).

Literature test (1/3 of total grade): compulsory, takes place Friday 21 February 2019, 1015–1200, room 550. The test covers all literature marked #, i.e. that which is relevant to and covered by Lectures 2–7, including textbook by Schön and lecture notes.

Term paper (1/3 of total grade): compulsory, application of institutional theory to an empirical case written up to customary academic standards of 12–16 pages in length, to be written individually or in pairs, deadline 15 March 2019 at 2359 (term paper idea due by 14 February 2019 at 2359).
Schedule 2019

<table>
<thead>
<tr>
<th>Activity</th>
<th>Title and tentative contents</th>
<th>Readings</th>
</tr>
</thead>
</table>
| **Lecture 1** 16 Jan. 1015–1200 348 | Introduction: what are institutions and why bother about them?  
(a) the benefits and limits of universal models  
(b) what are institutions and what do they add to the stew?  
(c) course structure and practicalities  
(d) literature, seminars, the term paper, grading | (a) *Commons (1931), Hodgson (2006), *Caballero & Soto-Oñate (2015)  
(b) Scott (2003) |
| **Part I: institutional theory** | | |
| **Lecture 2** 18 Jan. 0815–1000 348 | Institutional theories old and new, 1  
(a) Veblenian or sociological institutionalism  
(b) sociological institutionalism à la Scott | (a) *Coase (1937), *Williamson (1979), Williamson (2000)  
(b) North & Thomas (1970), *North (1979)  
(c) North (1991), Mantzavinos et al. (2004), Brownlow (2010) |
| **Lecture 3** 21 Jan. 1015–1200 348 | Institutional theories old and new, 2  
(a) transaction costs institutionalism: the contribution by Coase and Williamson  
(b) the early North: relative prices and transaction costs mitigation  
(c) the later North: irrational institutions and a cognitive turn | |
| **Lecture 4** 23 Jan. 1015–1200 348 | Comparative economics in a new guise  
(a) critiques of and alternatives to institutional economics  
(b) business systems: Whitley  
(b) Whitley (2000)  
(c) Hall & Soskice (2001), *Boyer (2005), Hall & Thelen (2009), Witt and Jackson (2016) |
| **Seminar 1** | Varieties of capitalism — the critique | Separate announcement (course web) |
| **Part II: economic development, structural change and institutions** | | |
| **Lecture 5** 1 Feb. 1315–1500 348 | Economic development and change  
(a) engineering the shift from low to high productivity activities: theories of economic growth past and present  
(b) a sample of frameworks: from big push to property rights | (a)(b) Mokyr (2005) plus, for reference purposes, any modern textbook in development economics (e.g. Perkins et al., *Economics of Development* 2012); for (b) also Chang (2011) |
(b) Jovanovic & Rousseau (2005)  
(c) Schön (2010) |
|---|---|---|
| 4 Feb.  
1015–1200  
348 | (a) cycles of structural change: Kondratiev waves and Kuznets cycles  
(b) the beauty of general purpose technologies  
(c) institutions and development blocks as agents and outcomes of change: the model of Schön |
| Lecture 7 | Structural change, 2: the spatial dimension | (a) (b) (c) Zukauskaite et al. (2017) |
| 5 Feb.  
1015–1200  
536 | (a) cost pressures and changing relative prices in spatial structural change  
(b) forms of spatial structural change: suburbanisation, filtering and off-shoring  
(c) the contribution of institutions, agglomeration economies and clusters |
| Term paper | Tentative objective and outline (1 page) | |
| 14 Feb.  
2359 | To be submitted to orjan.sjoberg@hhs.se |
| Seminar 2 | Legal origins or some other context? Institutions vs geography/history | Separate announcement (course web) |
| Literature test | Takes place on 21 February, at 1015-1200, in 550 | Covers core literature for Part I and II (including textbook by Schön) |
| Part III: institutions in observed development and structural change | |
| 22 Feb.  
0815–1000  
348 | (a) the bench mark case: Britain  
(b) Schön’s model applied to the Swedish economy: the general picture  
(c) Swedish examples of ex ante and ex post institutional change  
(d) institutional complementarities and development blocks in Swedish economic history |
| Lecture 9 | The structural cycle model in a real world setting, 2: its wider applicability | Kingston & Caballero (2009)  
(a) Lane (2008)  
(b) *Crouch et al. (2009), Scharpf (2010) |
| 25 Feb.  
1015–1200  
348 | (a) globalisation and regional integration: the role and nature of national and supra-national institutional change  
(b) institutional convergence and competition: the case of the European Union |
### Lecture 10
27 Feb.
1015–1200
328

The geography of institutional variation and structural change

(a) locational differentiation and change across scales

(b) the international dimension: MNCs as agents of institutional change

(c) putting Schön’s structural cycle model to a geographical test

(d) sub-national productive incoherencies: the role of institutional variation in the Swedish wooden furniture industry

(a) lecture notes only

(b) Jackson and Deeg (2008);
*Regnér and Edman (2014);
*Faulconbridge & Muzio (2015);
*Ascani et al. (2016)

(c) Henning et al. (2011)

(d) Rafiqui (2010), *Rafiqui et al. (2009)

### Seminar 3

Dynamic comparative, institutional convergence and competition in East Asia

Separate announcement (course web)

### Part IV: some unresolved issues and summing up

#### Lecture 11

7 March
1015–1200
133

Informal institutions, social norms

(a) narrowing in on informal institutions: what the literature says

(b) how to fit them in, if at all


#### Lecture 12

8 March
0815–1000
TBC

Summing up

(a) the contribution of institutional theory and institutional frameworks to our understanding of economic development and structural change

(b) the role of institutional complementarities

(c) the limits to institutional theory and current institutional frameworks, or the importance of acknowledging the role of non-institutions

(d) on balance, do institutions matter in economic development?

(f) practicalities: the term paper (due 17 March)

#### Term paper
Deadline: 15 March
2359

Analysing a case of institutional change and development (12–16 pages).

As needed