

**Volume 20**

# **Public Choice, Political Economy, Law & War**

**Economics Reading Lists,  
Course Outlines, Exams,  
Puzzles & Problems**

# **Volume 20**

## **Public Choice, Political Economy, Law & War**

**Economics Reading Lists,  
Course Outlines, Exams,  
Puzzles & Problems**



Compiled by Edward Tower, *Duke University*, August 1990

## NOTES TO USERS AND POTENTIAL CONTRIBUTORS

*These teaching materials are drawn from both undergraduate and graduate programs at 93 major colleges and universities. They are designed to widen the horizons of individual professors and curriculum committees. Some include suggestions for term-paper topics, and many of the lists are useful guides for students seeking both topics and references for term papers and theses. Thus, they should enable faculty members to advise students more effectively and efficiently. They will also be useful to prospective graduate students seeking more detailed information about various graduate programs; to those currently enrolled in programs who are preparing for field examinations; and to librarians responsible for acquisitions in economics. Finally, they may interest researchers and administrators who wish to know more about how their own work and the work of their department is being received by the profession.*

*The exams, puzzles and problems include both undergraduate and graduate exams contributed by economics departments and individual professors. They should be especially useful to professors making up exams and problem sets and to students studying for comprehensive exams. They may also serve as the focus for study groups.*

*From time to time we will reprint updated and expanded versions. Therefore, we would welcome new or updated teaching materials, especially those which compliment material in this collection or cover areas we missed. Potential contributors should contact Ed Tower, Economics Department, Duke University, Durham, North Carolina 27706, U.S.A.*

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### Acknowledgement

*The associate compilers for this series are Cliff Garrubba, Maia Sisk, and Ron Temple. Cliff is a senior at Duke, majoring in Economics and Political Science. Maia is a senior at Duke, majoring in Economics and Computer Science. Ron is a graduate student at Harvard's John F. Kennedy School of Government. Andy Seamons, Kathy Shelley, and Geoff Some also provided important help with production of the volumes. The cover was designed by the Division of Audiovisual Education, Duke University, and the volumes were printed by Multiprint, Inc., New York.*

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# PUBLIC CHOICE, POLITICAL ECONOMY, LAW & WAR

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U = Undergraduate G = Graduate  
R&E = Reading Lists & Exams and/or Problems



Study of the nature, evolution and economic consequences of alternative institutional and contractual arrangements.

1. (Jan 18-20) Administrative comments. Introduction.

Alchian, A.A. "Some Economics of Property Rights," Il Politico 1965.

North, D.C. "Institutions, Transaction Costs, and Economic Growth," EI Jul 1987.

Posner, R. "The Economic Approach to Law," Texas LR 1975.

Suggested

Bush, W.C. "Individual Welfare in Anarchy," in G. Tullock (ed.) Explorations in the Theory of Anarchy (1972).

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Blaug, M. The Methodology of Economics (1980), Ch. 1.

De Alessi, L. "Nature and Methodological Foundations of Some Recent Extensions of Economic Theory," in Radnitzky & Bernholz (eds.), Economic Imperialism (1987): 51-7.

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Brunner, K. "The Perception of Man and the Conception of Society: Two Approaches," EI Jul 1987.

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Hayek, F.H. "The Use of Knowledge in Society," AER Sep 1945.

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Demsetz, H. "Information & Efficiency: Another Viewpoint," JLE Apr 1969: I-III.

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Akerlof, G.A. "The Market for 'Lemons': Qualitative Uncertainty and the Market Mechanism," QJE Aug 1970.

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Barzel, Y. "Measurement Cost and Organization of Markets," JLE Apr 1982.

Stiglitz, J.E. "Information and Economic Analysis: A Perspective," EJ Suppl 1985.

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Klein, B. "Transaction Cost Determinants of 'Unfair' Contractual Arrangements," AER May 1980.

Coase, R.H. "The Lighthouse in Economics," JLE Oct 1974.

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Samuelson, P.A. "Public Goods & Subscription TV: Correction of Record," JLE Oct 1964.

Ellickson, R.C. "On Coase and Cattle: Dispute Resolution Among Neighbors in Shasta County," Stanford LR Feb 1986.



4. (Feb 6-10) Nature and evolution of property rights.  
Alchian, A.A. "How Should Prices Be Set?" *Il Politico* Jun 1967.  
Demsetz, H. "Toward a Theory of Property Rights," *AER* May 1967.  
Baden, J., R. Stroup, & W. Thurman "Myths, Admonitions and Rationality: The American Indian as a Resource Manager," *EI* Jan 1981.  
Anderson, T.L. & P.J. Hill "The Evolution of Property Rights: A Study of the American West," *JLE* Apr 1975.  
Block, W. "Economics of the Canadian Bishops," *Contemp Policy Issues* Jan 1988.  
Suggested  
Furubotn, E. & S. Pejovich "Property Rights and Economic Theory: A Survey of the Literature," *JEL* Dec 1972.  
Demsetz, H. "Some Aspects of Property Rights," *JLE* Oct 1966.  
Demsetz, H. "The Exchange & Enforcement of Property Rights," *JLE* Oct 1964.
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Scott, A. "The Fishery: The Objective of Sole Ownership," *JPE* Apr 1955.  
Gordon, S. "Economics and the Conservation Question," *JLE* Oct 1958.  
Clark, C.W. "Profit Max. and the Extinction of Animal Species," *JPE* Jul/Aug 1973.  
Agnello, R.J. & Donnelley, L.P. "Prices & Prop Rights in the Fisheries," *SEJ* Oct 1975.  
DeVany, A.S. & Sanchez, N. "Land Tenure Structures and Fertility in Mexico," *REStat* Feb 1979.  
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Trosper, D.L. "American Indian Relative Ranching Efficiency," *AER* Sep 1978.  
Johnson, R.N. & Libecap, G.D. "Contracting Problems and Regulation: The Case of the Fishery," *AER* Dec 1982.  
Libecap, G.D. & Johnson, R.N. "Legislating Commons: The Navajo ..," *EI* Jan 1980.
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Simon, H.A. "New Developments in the Theory of the Firm," *AER* May 1962.  
Alchian, A.A. & H. Demsetz "Production, Information Costs, and Economic Organization," *AER* Dec 1972.  
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Williamson, O.E. "Transaction-Cost Economics: The Governance of Contractual Relations," *JLE* Oct 1979.  
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Williamson, O.E. "Managerial Discretion and Business Behavior," *AER* Dec 1963.  
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Alchian, A.A. & S. Woodward "Reflections on the Theory of the Firm," *JITE* Mar 1987.  
Shugart, W.F. & Tollison, R.D. "Corporate Chartering: An Exploration in the Economics of Legal Change," *EI* Oct 1985.  
Barzel, Y. "The Entrepreneur's Reward for Self-Policing," *EI* Jan 1987.  
De Alessi, L. & R.P.H. Fische "Why Do Corporations Distribute Assets?" *JITE* Mar 1987.

7. (Feb 27-Mar 3) Input market.  
Martin, D. "The Economics of Employment Termination Rights," JLE Apr 1977.  
Martin, D. "Job Property Rights and Job Defection," JLE Oct 1972.  
Alchian, A.A. "Decision Sharing and Expropriable Specific Quasi-Rents," SupCER 1982.  
Frey, B.S. & H. Buhofer "Prisoners and Property Rights," JLE Apr 1988.  
Oi, W.Y. "Neglected Women & Other Implications of Comparable Worth," Contemp Policy Issues Apr 1986.  
Galenson, D.W. "Market Evaluation of Human Capital: The Case of Indentured Servitude," JPE Jun 1981.  
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White, M.D. "Self-Interest Redistribution and the NFL Players Assoc." EI Oct 1986.
8. (Mar 6-10) Private nonproprietary firms. Regulatory agencies.  
Nicols, A. "Stock Mutual Savings & Loan Associations," AER May 1967.  
Pauly, M.V. "Nonprofit Firms in Medical Markets," AER May 1987.  
Frech, H.E. "The Property Rights Theory of the Firm: Empirical Results from a Natural Experiment," JPE Feb 1976.  
Hilton, G. "The Consistency of the Interstate Commerce Act," JLE Oct 1966.  
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Faith, R.L., D.R. Leavens & R.D. Tollison "Antitrust Pork Barrel," JLE Oct 1982.  
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Demsetz, H. "Why Regulate Utilities?" JLE Apr 1968.  
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9. (Mar 13-17) Spring recess.
10. (Mar 20-24) Government regulation.  
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Suggested  
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Pashigian, B.P. "Consequences and Causes of Public of Public Ownership of Urban Transit Facilities," JPE Dec 1976.  
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Eckard, E.W. "Effects of State Automobile Dealer Entry Regulation on New Car Prices," EI Apr 1985.

11. (Mar 27-31) Political firms.  
Ahlbrandt, R. "Efficiency in the Provision of Fire Services," PubC Fall 1973.  
McCheaney, F. "Government Prohibitions on Volunteer Fire Fighting in 19th Century America," JLS Jan 86.  
Lindsay, C.M. "A Theory of Government Enterprise," JPE Oct 1976.  
Davies, D.G. "Property Rights and Economic Behavior in Private and Government Enterprises: The Case of Australia's Banking System," ResLE 1981.  
Crain, M. & Zardkoohi, A. "A Test of the Property Rights Theory of the Firm: Water Utilities in the US," JLE Oct 1978.  
De Alessi, L. "On the Nature and Consequences of Private and Public Enterprises," Minn LR Oct 1982.  
Suggested  
West, E.G. "The Political Economy of American Public School Education," JLE Oct 1967.  
Davies, D.G. "Efficiency of Public vs Private Firms: The Case of Australia's Two Airlines," JLE Apr 1971.  
Clarkson, K.W. "Some Implications of Prop Rights in Hospital Manag.," JLE Oct 1972.  
De Alessi, L. "Managerial Tenure under Private and Government Ownership in the Electric Power Industry," JPE May/Jun 1974.  
De Alessi, L. "Some Effects of Ownership on the Wholesale Prices of Electric Power," EI Dec 1975.  
Foreman-Peck, J. & M. Waterson "The Comparative Efficiency of Public and Private Enterprise in Britain: Elect. Generation Between the World Wars," EJ Suppl 1985.
12. (Apr 3-7) Economic systems.  
Pejovich, S. "Lieberman's Reforms & Prop. Rights in the Soviet Union," JLE Apr 1969.  
Bajt, A. "Property in Capital and the Means of Production in Socialist Economies," JLE Apr 1968.  
Moore, J. "Agency Costs, Tech. Change, and Soviet Central Planning," JLE Oct 1981.  
Alexeev, M. "Market vs. Rationing: The Case of Soviet Housing," REStat Aug 1988.  
Bergson, A. "Comparative Productivity," AER Jun 1987.  
Cheung, S.N.S. "China in Transition," Contemp Policy Issues Oct 1986.  
Suggested  
Domar, E. "The Soviet Collective as a Producer's Cooperative," AER Sept 1966.  
Furubotn, E.G. "Long-Run Analysis of the Labor-Managed Firm: An Alternative Interpretation," AER Mar 1976.  
Schap, D. "Property Rights and Decision Making in the Soviet Union: Interpreting Soviet Environmental History," EI Jul 1988.  
Gregory, P.R. & Kohlhase J.E. "The Earnings of Soviet Workers," REStat Feb 1988.
13. (Apr 10-14) Intellectual property. Licensing (health care & legal services).  
Kitch, E. "The Nature and Function of the Patent System," JLE Oct 1977.  
Cheung, S.N.S. "Property Rights in Trade Secrets," EI Jan 1982.  
Liebowitz, S.J. "Copying and Indirect Appropriability: Photocopying of Journals," JPE Oct 1985.  
Lunn, J. "Roles of Property Rights and Market Power in Appropriating Innovative Output," JLS Jun 1985.  
Muris, T.J. & F. McCheaney, "Advertising and the Price and Quality of Legal Services: The Case for Legal Clinics," ABarFresJ Winter 1979.  
De Alessi, L. "Effect of Institutions on Choices of Consumers & Providers of Health Care," JTP 1989.  
Suggested  
Bittlingmayer, G. "Prop. Rights, Progress, & Aircraft Patent Agreement," JLE Apr 1988.  
Peltzman, S. "Health Effects of Mandatory Prescriptions," JLE Oct 1987.  
Kessel, R.A. "Price Discrimination in Medicine," JLE Oct 1958.  
Pauly, M. & Redisch, M. "The Not-for-Profit Hospital as a Physicians' Cooperative," AER Mar 1973.

14. (Apr 17-21) Torts (product liability). Law Enforcement.  
McKean, R. "Products Liability: Implications of Some Changing Property Rights," QJE Nov 1970.  
De Alessi, L. & R.J. Staaf "Liability, Control, and the Organization of Economic Activity," IRLJ Jun 1987.  
Shukaitis, P.V. "A Market in Personal Injury Tort Claims," JLS Jun 1987.  
Becker, G.S. & G.J. Stigler "Law Enforcement, Malfeasance, and Compensation of Enforcers," JLS Jan 1974.  
Klein, B. & Leffler, K. "The Role of Market Forces in the Enforcement of Contracts," JPE Aug 1981.  
Suggested  
Calabresi, J. & D. Melamed "Property Rules, Liability Rules, and Inalienability: One View of the Cathedral," Harvard LR 1972.  
Demsetz, H. "When Does the Rule of Liability Matter?" JLS Jan 1972.  
Oi, W.Y. "The Economics of Product Safety," Bell J Spring 1973.  
Epstein, R. "A Theory of Strict Liability," JLS Jan 1973.  
Posner, R.A. "Epstein's Tort Theory: A Critique," JLS Jun 1979.  
De Alessi, L. "Property Rights and the Judiciary," Cato J Winter 1985.
15. (Apr 24-28) Contract. Specific performance. Efficiency.  
Goldberg, V.P. "Impossibility and Related Excuses," JITE Feb 1988.  
Joskow, Paul L. "Asset Specificity and the Structure of Vertical Relationships: Empirical Evidence," JLEO, Spring 1988.  
Libecap, G.D. & Wiggins, S.N. "Contractual Responses to the Common Pool: Prorating of Crude Oil Production," AER Mar 1984.  
Buchanan, J.M. "Market Failure and Political Failure," Cato J Spr/Sum 1988.  
Suggested  
Joskow, P. "Commercial Impossibility, the Uranium Market and the Westinghouse Case," JLS Jan 1977.  
Muris, T.J. "Cost of Completion or Diminution in Market Value: The Relevance of Subjective Value," JLS Jun 1983.  
De Alessi, L. & R.J. Staaf, "Property Rights and Choice," in Mercurio (ed.) Law and Economics (1988): 184-93.  
Cohen, L. "Marriage, Divorce, and Quasi Rents; or, 'I Gave Him the Best Years of My Life,'" JLS Jun 1987.

# ABBREVIATIONS

ABarFresJ	American Bar Foundation Research Journal
AER	American Economic Review
AEA	<u>AEA Readings in Price Theory</u> , Stigler and Boulding, eds. (1952).
Bell J	Bell Journal
Cato J	Cato Journal
Ec	Economica
Em	Econometrica
EI	Economic Inquiry
EJ	Economic Journal
IRLE	International Review of Law & Economics
JB	Journal of Business
JF	Journal of Finance
JEL	Journal of Economic Literature
JITE	Journal of Institutional & Theoretical Economics
JHumanRes	Journal of Human Resources
JIndustE	Journal of Industrial Economics
JLE	Journal of Law & Economics
JLEO	Journal of Law, Economics, & Organization
JLS	Journal of Legal Studies
JMonetaryE	Journal of Monetary Economics
JPE	Journal of Political Economy
JTP	Journal of Theoretical Politics
PubC	Public Choice
QJE	Quarterly Journal of Economics
REStat	Review of Economics & Statistics
REStud	Review of Economic Studies
ResLE	Research in Law & Economics
SupCER	Supreme Court Economic Review (now defunct)
SEJ	Southern Economic Journal
WEJ	Western Economics Journal (now EI)
..LR	.... Law Review

Harvard University  
Economics Department

U&G

Course Description  
Economics 1026: Political Economy of Global Macroeconomics

Tariq Banuri

Littauer 111

Phone: 5-3759

This is an eclectic survey of world capitalism, including both theory and applications to current developments, particularly in the third world. Topics include: "governance" as the central problem of macroeconomics; labor-capital conflict and the system of production; finance-industry conflict and the macroeconomic structure; the rules of coordination and the role and legitimacy of the state; global interdependence and the international economic order, with special attention to third world debt, financial openness, and the problems of stabilisation; the economics of gender and the household; the role of ethnicity and social conflict; the current crisis; possibilities for the future.

Required Texts

1. Stephen A. Marglin and Juliet B. Schor (eds.) The Golden Age of Capitalism: Lessons for the 1990s, Oxford: Clarendon Press, 1990. Unfortunately this book has just come out so it may take some time before it becomes available in the Coop. Until then, we will have to use copies of the first two chapters placed on reserve in Littauer library.

2. Amit Bhaduri Macroeconomics: The Dynamics of Commodity Production, New York: M. E. Sharpe, Inc. 1986

3. De Soto, Hernando The Other Path: The Invisible Revolution in the Third World, New York: Harper & Row. 1989

Recommended Books

4. John Maynard Keynes The General Theory of Employment, Interest, and Money

5. Shahid Alam Governments and Markets in Developing Countries, New York: Praeger. 1989

6. Lance Taylor Structuralist Macroeconomics, New York: Basic Books. 1983

Course Requirements

Final exam (60%), term paper (30%), and assignments (10%).

Reading List

### I. Perspectives on Macroeconomics

Bhaduri, Macroeconomics, pp. 1-4

Banuri, "A WIDER Perspective on Macroeconomics", Helsinki: WIDER, mimeo

Stephen Marglin, "Introduction", in Marglin and Schor (eds.), The Golden Age of Capitalism, Chapter 1

Keynes, The General Theory, Chapter 2, Chapter 24

Lance Taylor, Structuralist Macroeconomics, Chapter 1

Edward Amadeo and Tariq Banuri, "Policy, Governance, and the Management of Conflict", in Banuri (ed.) The Limits of Economic Liberalization: No Panacea, (manuscript on reserve at Littauer, Lamont and Hilles libraries), Chapter 2

Introductory chapter of any standard Macroeconomic textbook (e.g. Dornbusch and Fischer)

### II. Demand Side: The Finance-Industry Conflict

Bhaduri, Chapter 2, 3

Keynes, Chapters 3-7, 12-17

Billazonick, "Controlling the Market for Corporate Control: The Historical Significance of Managerial Capitalism", mimeo

Stephen Marglin and Amit Bhaduri, "Profit Squeeze and Distribution Theory", in Marglin and Schor (eds.) The Golden Age, Chapter 3

Hyman Minsky, Can It Happen Again?, New York: M. E. Sharpe, Inc.

### III. Supply side: Labour-Capital conflict

Bhaduri, Chapter 3

Keynes, Chapters 19, 20, 21

George Akerlof and Janet Yellen, (eds.) Efficiency Wage Models of the Labour Market, Cambridge UP

Richard Freeman and James Medoff, What do Unions Do?

Sam Bowles and Robert Boyer, "Labour Discipline, the Profit Rate and Employment in an Open Economy", in Marglin and Schor (eds.), The Golden Age, Chapter 5

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