

# Governance in States, Communities, and Markets (ECON 695-002)

Fall 2017

Wednesdays 4:30-7:10pm

George Mason University, Arlington Campus

Founders Hall 318

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## Course Description & Objectives

This course is designed to introduce the idea that policy analysis is a type of institutional analysis, and to familiarize you with the mental models that will enable you to productively apply this idea to the research areas that are of interest to you.

The relationship between institutions and policy analysis is complex. Institutions are systems of rules, laws, and norms that govern the interpersonal actions taking place within them. These systems of rules are both (1) shaped by the policies that are or have been in effect within that system and (2) actively shape both the content of future policy and the process through which policy changes are proposed and enacted. Understanding institutions is therefore a critical prerequisite to the meaningful understanding and evaluation of policy.

Throughout this course, we will explore a wide range of existing institutional systems across markets, communities, and states through reading, discussion, and lecture. This will be done from both a theoretical perspective, to help build the tools necessary to connect institutional and policy analysis, and from an applied perspective, in order to critically evaluate the efforts others have made to connect the two bodies of knowledge.

## Course Readings & Required Books

The only readings for this class that are not available online are in Vlad Tarko, 2017, *Elinor Ostrom: An Intellectual Biography*, Rowman & Littlefield International. You will need to have read the first chapters from this book by September 27.

The remainder of the required readings are available online, either in an open access form or through the GMU library's electronic journal databases. In order to access an article through the GMU library, visit (<http://library.gmu.edu/>), select the "Articles & More" tab, and search for the

relevant journal. You will be prompted to log in with your GMU credentials. Once logged in to the journal, you can either search for the article on the journal's website or navigate directly to it by clicking on the link in the syllabus.

## Course Grading & Structure

Grades for this class will be based on three components.

- 1) **Reading quizzes (40%)**, to be given at the beginning of each class beginning in the second week of the semester. Once the quizzes for the class session have been collected, the quiz cannot be made up.

However, if you miss class or choose not to take the quiz, you may instead practice your skills as a researcher by submitting a ~500 word summary of a piece of original research related to the topic of the week's readings. You may select this option **up to three times** this semester. (If you attend class but prefer not to take the quiz, you must declare this *before* the quiz has been distributed.) The research you choose cannot be one of the required readings from this class—though the readings may contain within them good suggestions on where to find related literature. If you choose this option, the research summary will be due at the beginning of class the next time the class meets.

Note: The article summary is a substitute for a reading *quiz*, not for the reading itself. You are still responsible for having completed all readings regardless of whether or not you take the quiz.

- 2) **Contributions to discussion (20%)**. Throughout the semester, we will experiment in class with a variety of different discussion strategies in order to give all of you the opportunity to push yourselves to be able to apply, critique, and extend the content offered in the readings and the lectures. These strategies will include small group break-outs, round-table discussions, panel discussions, and more to be determined. Maybe even a friendly debate or two! In order to receive an "A" for this portion of the course, you must contribute substantively during class discussions throughout the semester (I will be keeping track), and you must volunteer to take on a discussion leadership role at least twice during the semester. The specifics of the discussion leadership role will be discussed during the previous class period.
- 3) **Final Exam (40%)**. The final portion of your grade for this class will be based on a take-home final exam. The exam will consist of essay questions that will require you to synthesize and apply the content you have studied throughout the semester. While attending class and doing the readings, always remember: you're not just adding pages read to your lifetime count, you're seeking *understanding*. If you don't feel like you understand the internal logic of a particular reading or branch of the literature, or are

unsure how that reading might relate to thinking about the reality of existing institutional systems, please ask. If you ask questions, you will be helping me figure out where you are in your understanding, so I can help you figure out how to proceed. Ideally much of this will take place during class so others can benefit from your questions as well, but if we run out of time or if inspiration strikes later, I'm *more* than happy to continue conversation after class or during office hours, so don't be shy!

## **Research Summaries**

Here are a few tips on how to complete an effective research summary. This will be useful for the up to three times per semester you might choose to submit one in lieu of a reading quiz, and also for the assignment scheduled for October 25. You might consider doing some version of this for other required readings in the class for your own benefit, even if it is shorter, in bullet point format, etc. In addition to being a good, easy way to practice writing, putting something you've read into your own words is a good way to process and remember the information.

If you have not yet selected the material you'd like to summarize, begin by using JStor, Google Scholar, Google Books, or another academic database to find a piece of original research relevant to the subject you're working to understand. This could be an academic journal article, a policy report, a book chapter, or any other treatment of the subject that is sufficiently serious to be worthy of your consideration. (For the purposes of the class, if you are in doubt, ask ahead of time.) If all else fails, consider a trip to a good old-fashioned library and browse through some books on the subject in question.

Once you find something that piques your interest, write up a ~500 word summary of the article or chapter. The most important pieces of information to capture will be the research question(s) asked, the methodology or mode of reasoning, and the key findings. If space permits, you might also discuss the relevance of those findings for the subject of our class. If this is something you're writing up in preparation for a larger research project, you'll want to jot down a note or two on how the paper relates to *your* project or research question.

## **Special Accommodations**

If you require any special accommodations, please see me immediately so that we can work together to make sure that you have what you need to succeed in this course. Visit <http://ds.gmu.edu/> for more information on resources available to students at GMU.

## Academic Integrity

When you applied to attend George Mason University, you agreed to adhere to the following as a condition of your admission to the university:

*To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set for this Honor Code: Student Members of the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.*

Penalties for violations of the honor code, including cheating and plagiarism, can range from receiving no credit on an assignment or in this class, to expulsion from the university. I do adhere to these principles and will report violations of academic integrity. Please visit <http://oai.gmu.edu/> to familiarize yourself with the full terms of the GMU Honor Code.

## Course Outline

As the conversation in this class evolves over the course of the semester, these readings may change in order to better serve the goals of our group. You will always be informed in writing and in class of any changes to the readings.

Any readings marked as BONUS are purely optional and listed here in case you would like to further extend your understanding of a particular topic. All other readings are required and will be covered on the quiz given at the start of that day's class.

### ❖ August 30, 2017 – Governance: What does it mean? Why does it matter?

An introduction to the class and to the subject.

### ❖ September 6, 2017 – What are institutions?

- Williamson, Oliver E. 1991. "Economic Institutions: Spontaneous and Intentional Governance." *Journal of Law, Economics, & Organization* 7: 159–87.
- North, Douglass C. 1994. "Economic Performance Through Time." *The American Economic Review* 84 (3): 359–68.
- BONUS: Hodgson, Geoffrey M. 2006. "What Are Institutions?" *Journal of Economic Issues* 40 (1): 1–25.
- BONUS: Hayek, F. A. 1973. *Law, Legislation and Liberty, Volume 1: Rules and Order*. University of Chicago Press.

### ❖ September 13, 2017 – Market Systems as Governance Mechanisms

- Hayek, F. A. 1945. "The Use of Knowledge in Society." *The American Economic Review* 35 (4): 519–30.
- Radford, R. A. 1945. "The Economic Organisation of a P.O.W. Camp." *Economica* 12 (48): 189–201.
- Sobel, Russell S., and Peter T. Leeson. 2007. "The Use of Knowledge in Natural-Disaster Relief Management." *The Independent Review* 11 (4): 519–32.
- BONUS: Ridley, Matt. 2010. *The Rational Optimist: How Prosperity Evolves*. Harper Collins.

### ❖ September 20, 2017 – Markets Extended: Partnership and Incorporation

- Smith, Adam. 1904 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*, Chapters I-III: "Of the Division of Labour," "Of the Principle which gives occasion to the Division of Labour," and "That the Division of Labour is Limited by the Extent of the Market." London: Methuen & Co., Ltd. Available at <http://www.econlib.org/library/Smith/smWN.html>.

- Coase, R. H. 1937. "The Nature of the Firm." *Economica* 4 (16): 386–405.
- Hessen, Robert. 2008. *The Concise Encyclopedia of Economics*. 2<sup>nd</sup> Ed. "Corporations." Available at <http://www.econlib.org/library/Enc/Corporations.html>.

❖ **September 27, 2017 – Communities: Solving the Problems We Share**

- Tarko, Vlad. 2017. *Elinor Ostrom: An Intellectual Biography*. Rowman & Littlefield International. "Introduction" and "Chapter One: Against Gargantua: The Study of Local Public Economies."
- Chamlee-Wright, Emily and Virgil Henry Storr. 2009. "Club Goods and Post-Disaster Community Return." *Rationality and Society* 21 (4): 429–58.
- BONUS: Storr, Virgil Henry, Stefanie Haefele-Balch, and Laura E. Grube. 2015. *Community Revival in the Wake of Disaster: Lessons in Local Entrepreneurship*. Palgrave Macmillan.

❖ **October 4, 2017 – Communities Extended: Common Pool Resources**

- Hardin, Garrett. 1968. "The Tragedy of the Commons." *Science* 162 (3859): 1243–48.
- Tarko, Vlad. 2017. *Elinor Ostrom: An Intellectual Biography*. Rowman & Littlefield International. "Chapter Three: Escaping the Tragedy of the Commons"
- Ostrom, Elinor. 2010. "Beyond Markets and States: Polycentric Governance of Complex Economic Systems." *The American Economic Review* 100 (3): 641–72.

❖ **October 11, 2017 – States and Nations: Government as Governance**

- Tarko, Vlad. 2017. *Elinor Ostrom: An Intellectual Biography*. Rowman & Littlefield International. "Chapter Five: Hamilton's Dilemma: Can Societies Establish Good Governments by Reflection and Choice?" and "Conclusion"
- Buchanan, James M. and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Chapters 5-8, "The Organization of Economic Activity," "A Generalized Economic Theory of Constitutions," "The Rule of Unanimity," and "The Costs of Decision-Making." Available online at <http://www.econlib.org/library/Buchanan/buchCv3.html>.

❖ **October 18, 2017 – States and Nations Extended: Federalism and Jurisdictional Competition**

- Ostrom, Vincent, Charles M. Tiebout, and Robert Warren. 1961. "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry." *The American Political Science Review* 55 (4): 831–42.

- Frey, Bruno S. 2001. "A Utopia? Government Without Territorial Monopoly." *Journal of Institutional and Theoretical Economics (JITE)* 157 (1): 162–75.
- Leeson, Peter T. 2011. "Government, Clubs, and Constitutions." *Journal of Economic Behavior & Organization* 80 (2): 301–8.
- BONUS: Henry N. Butler. 1985. "Nineteenth-Century Jurisdictional Competition in the Granting of Corporate Privileges." *The Journal of Legal Studies* 14 (1): 129–166.

❖ **October 25, 2017 – Choose Your Own Adventure**

Class will not meet today. Instead, find a journal article, book chapter, or essay on a topic of interest to you within the fields of institutional economics or policy analysis and write up a research summary, as described on page 3 of this syllabus. Turn in a hard copy of your research summary at the start of the next class.

❖ **November 1, 2017 – Application: Minority Interests in Majoritarian Systems**

- Lemke, Jayme S. 2016. "Interjurisdictional Competition and the Married Women's Property Acts." *Public Choice* 166 (3–4): 291–313.
- Roback, Jennifer. 1986. "The Political Economy of Segregation: The Case of Segregated Streetcars." *The Journal of Economic History* 46 (4): 893–917.
- BONUS: Higgs, Robert. 2008. *Competition and Coercion: Blacks in the American Economy 1865-1914*. Cambridge University Press.

❖ **November 8, 2017 – Application: Economic Development and Foreign Policy**

- Boettke, Peter J., Christopher J. Coyne, and Peter T. Leeson. 2008. "Institutional Stickiness and the New Development Economics." *The American Journal of Economics and Sociology* 67 (2): 331–58.
- Easterly, William. 2008. "Institutions: Top down or Bottom Up?" *The American Economic Review* 98 (2): 95–99.
- Rodrik, Dani. 2008. "Second-Best Institutions." *The American Economic Review* 98 (2): 100–104.
- BONUS: Coyne, Christopher J. 2013. *Doing Bad by Doing Good: Why Humanitarian Action Fails*. Stanford University Press.

❖ **November 15, 2017 – Application: Culture and Institutions**

With guest lecturer Dr. Arielle John, readings to be announced.

❖ **November 22, 2017 – Thanksgiving Recess**

Class will not meet this week.

❖ **November 29, 2017 – The Role of the Policy Analyst in the Process of Governance**

- Hayek, F. A. 1989. "The Pretence of Knowledge." *The American Economic Review* 79 (6): 3–7.
- Mankiw, N. Gregory. 2006. "The Macroeconomist as Scientist and Engineer." *The Journal of Economic Perspectives* 20 (4): 29–46.
- BONUS: Buchanan, James M. 1964. "What Should Economists Do?" *Southern Economic Journal* 30 (3): 213–22.

❖ **December 6, 2017 – Take-Home Final Exam**

Stop by at any time during today's class period to pick up your last graded reading quiz and your take-home final exam. Your completed exam can be submitted electronically and will be due no later than 7:15pm on Wednesday, December 13.