

SIMON FRASER UNIVERSITY

Department of Economics

ECONOMICS 482

Professor Douglas Allen, WMC 2670

Office hours: Announced first week of class.

This is a special topics course on the economics of property rights. We begin with a detailed study of Coase and the property rights approach developed by Alchian, Barzel, and Cheung (the ABC's of property rights). Then we will discuss a number of issues from contract choice and the nature of the firm, to non-market institutions and the law. The theme of the course is: how are production and exchanged organized?

Some of the material covered can be quite technical, but the course will emphasize the economics of the models rather than their mechanics, and the tests will only be concerned with economic ideas rather than modelling. Only those suffering from extreme mathphobia should avoid it. The most demanding aspect of the course will be the level of reading. Students can expect to read two-three articles per week. The second most demanding aspect is participation. If you don't like to talk and argue with others, ... you're in trouble. There is no getting around it. This is a seminar class, and students are expected to participate fully in discussions and make one classroom presentation. The term paper will apply one of the ideas learned in the course.

The distribution of grades will be as follows.

Paper Presentation	5%
General Participation	20%
Term Paper	15%
Midterm Exam	25%
Final Exam	35%

The texts for the course will be Yoram Barzel's *Economic Analysis of Property Rights*. A detailed reading list will be handed out during the first week of classes. The course material is some of the most interesting and fun in all of economics. If you are willing to work hard, this will be the best course you'll ever take.

COURSE OUTLINE

The Property Rights Approach to Organization

1. The Property Rights Approach

- a. Barzel, Chapter 1.

2. The Coase Theorem

- a. Coase "The Problem of Social Cost" JLE 1960.
- b. Coase "Notes on the Problem of Social Cost" Chapter 6 in *The Firm, The Market, and The Law* (Univ. of Chicago Press, 1988.)
- c. Allen "Transaction Costs?" *Encyclopedia of Law and Economics* 1999.

3. Simple Applications of Coase

- a. Cymrot et al "Who's on First: An Empirical Test of the Coase Theorem in Baseball." *Applied Economics* 2001.
- b. Hazlett, T. "Property Rights and Wireless License Values" *Journal of Law and Economics* 51 August 2008.
- c. Leeson, P. "Trading with Bandits" *Journal of Law and Economics* 50 May 2007.

4. Rationing By Waiting and Price Controls

- a. Barzel Chapter 2.

5. Contract Choice

- a. Barzel Chapter 3.
- b. Allen and Lueck “Contract Choice in Modern Agriculture” *J. of Law and Economics* Oct. 1992.
- c. Leffler and Rucker “Transactions Costs and the Efficient Organization of Production: A Study of Timber harvesting Contracts” *J. of Political Economy* 1991.

6. The Theory of the Firm

- a. Barzel Chapter 4 and 5.
- b. Allen and Lueck “The Nature of the Firm” *J. of Law and Econ.* Oct. 1998.
- c. Hall “Market Enforced Information Asymmetry: A Study of Claiming Races” *Economic Inquiry* 1986.
- d. Whinston, M. “Assessing the Property Rights and Transaction-Cost Theories of Firm Scope” *American Economic Review* 91(2) May 2001.

7. Property Rights in Pre-Modern English History

- a. Allen *The Institutional Revolution* manuscript, SFU 2009.
- b. Mokyr, J. “Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth” *American Economic Review: Papers & Proceedings* 99(2) May 2009
- c. *Pride and Prejudice* Jane Austen. Watch the BBC/A&E 1995 TV mini series with Colin Firth and Jennifer Ehle.

8. Property Rights in Economic Development

- a. Acemoglu, D., S. Johnson, and J. Robinson. “Institutions as the Fundamental Cause of Long-Run Growth” Manuscript, April 29, 2004

- b. Anderson, T. and D. Parker. "Sovereignty, Credible Commitments, and Economic Prosperity on American Indian Reservations" *J. of Law and Economics* 51 November 2008.

9. Emerging Property Rights

- a. Barzel, Chapter 6.
- b. Umbeck "The California Gold Rush: A Study of Emerging property Rights" *Explorations in Economic History* 14, 1977.
- c. Allen, "The Rhino's Horn" *J. Legal Studies* (2002).
- d. Lueck "The Rule of first Possession and the Design of the Law." *J. of Law and Econ.* Oct. 1995.
- e. Haddock and Keisling "Black Death and Property Rights" *J. Legal Studies* (2002)
- f. Lueck, "The End of the Bison" *J. Legal Studies* (2002).

8. Slavery

- a. Barzel, Chapter 7.
- b. Thornton, M., M. Yanochik, and B. Ewing. "Selling Slave Families Down the River Property Rights and the Public Auction" *Independent Review*, 14(1), Summer 2009

8. Restrictions on Property Rights

- a. Barzel Chapter 8.
- b. Allen "Homesteading and Property Rights" *J. of Law and Econ.* April 1991.
- c. Anderson and Hill "The Race for Property Rights" *J. Law and Econ* April 1990.

10. Non-Market Allocation

- a. Barzel Chapter 9.
- b. Cornell and Kalt "Constitutional Rule Among Sioux and Apache" *Economic Inquiry* July 1995.

- c. Order In the Church: A Property Rights Approach” *Journal of Economic Behavior and Organization* July 1995.
- d. Barzel and Sass “The Allocation of Resources by Voting” *Quarterly Journal of Economics* 1990.