

Constitutional Economics
Economics 828
Spring 2010
Rm. 318 Enterprise Hall
Monday 7:20-10:00pm

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Alexander Hamilton argued in *Federalist #1* that the American experiment would reveal “whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend for their political constitutions on accident and force.” This class will explore Hamilton’s question and its implication for political economy. To provide a satisfactory answer, we will be forced to look at this question from a variety of perspectives that come to us from the disciplines of political philosophy, analytical economics, and historical interpretation. We will strive to learn from writings old and new that have been offered as contributions to tackling the question of how and with what means can men construct the “good society”.

Our primary method of learning will be reading and critical dialogue. In other words, if you are not committed to doing the reading and participating in the discussion, this is probably not the right class choice. I will assign responsibility for particular parts of the reading to class members each week (we will work through the class roster alphabetically) and those assigned will be responsible for providing a summary and also raising 3 questions to their classmates through our online discussion group. You will be judged on the questions you ask as well as the answers you can provide during the online and class discussion. I will reserve the right to steer the conversation at times, but I do not want to dominate the conversation.

In short, I want you to take ownership over your learning in the field of constitutional political economy and public choice. Once you take ownership over your learning, I believe, you will want to contribute to the literature in constitutional political economy since the questions are of such a fundamental nature to our existence as human beings living in societies made up of other human beings that you simply cannot stop seeking satisfactory answers once you open your mind to this intellectual journey. Jean-Paul Sartre famously stated in *No Exit* that “hell is other people.” This may indeed be true, but it is also true that our daily survival depends upon the cooperation of hundreds (perhaps thousands) of individuals who we will never know and who in most instances will never know each other. Adam Smith argued that: “In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons.” This cooperation in anonymity is at the core of our understanding of social order. As Ludwig von Mises put it “What alone enables mankind to advance and distinguishes man from the animals is social cooperation.” But our ability to realize the benefits of social cooperation under the division of labor is a function of the informal and formal rules of governance and their enforcement that are in place. Ultimately, answering these questions of governance and social cooperation will unlock the answers to the fundamental questions of the peaceful co-existence, generalized prosperity, and the progress of human civilization.

READINGS

- James M. Buchanan, “Economics as a Public Science” (distributed prior to class)
- Albert Hirschman, *The Passions and the Interests*

- Adam Smith, *The Wealth of Nations*, book 5 (online at Liberty Fund)
- Ludwig von Mises, *Liberalism* (online at Liberty Fund)
- Milton Friedman, *Capitalism and Freedom*
- Milton and Rose Friedman, *Free to Choose*
- F.A. Hayek, *The Road to Serfdom*
- F.A. Hayek, *The Constitution of Liberty*
- F.A. Hayek, *Law Legislation and Liberty* (3 vols.)
- James M. Buchanan, *The Logical Foundations of Constitutional Liberty* (vol. 1 of *Collected Works*)
- James M. Buchanan & Gordon Tullock, *The Calculus of Consent*
- James M. Buchanan, *The Limits of Liberty*
- James M. Buchanan & Geoffrey Brennan, *The Reason of Rules*
- Vincent Ostrom, *The Meaning of Democracy and the Vulnerabilities of Democracies*
- Elinor Ostrom, *Understanding Institutional Diversity*
- Paul Aligica and Peter Boettke, *Challenging Institutional Analysis and Development*
- Daron Acemoglu and James Robinson, *Economic Origins of Dictatorship and Democracy*
- Mancur Olson, “Dictatorship, Democracy and Development,” APSR, 1993 (online at jstor)
- Douglass North, John Wallis and Barry Weingast, *Violence and Social Order*
- Edward Stringham (ed.), *Anarchy and the Law*

GRADING

In theory, the questions on the reading as well as your participation in discussion will count for 1/3 of your grade. A take-home final intended to prepare you for the field exam in Constitutional Economics will represent another 1/3. Finally, a research paper that is intended for publication will represent 1/3. Despite this equal weighting in theory, honesty demands that I reveal that in practice I will tend to weight the research paper more than the others so if you are going to make a trade-off in your efforts, do not trade-off the work effort on the research paper. My personal pecking order in grading will be the paper, contribution to discussion, final exam. It is my sincere belief, though, that if you focus on the readings and the discussion, you will write a much better research paper and you will also be able to write the final exam with ease. In short, I do not see the trade-off that many students will assume is evident after looking at the syllabus. Instead, I see complementarities in the scholarly quest to understand.

DATE	TOPIC	READINGS
January 25	The Task of the Political Economist	Buchanan, “Economics as a Public Science”
February 1	Taming the Passions, Improving Governance	Hirschman, <i>The Passions and the Interests</i>
February 8	Classical Political Economy and Classical Liberal Political Philosophy	Smith, <i>The Wealth of Nations</i> ; Mises, <i>Liberalism</i>
February 15	The Restatement of Political and Economic Liberalism in the late 20 th Century	Friedman, <i>Capitalism and Freedom</i> ; Friedman and Friedman, <i>Free to Choose</i>

February 22	The Challenge of Socialism in the 20 th Century	Hayek, <i>The Road to Serfdom</i>
March 1	The Creative Powers of a Free Society and the Problems of Soft Socialism	Hayek, <i>The Constitution of Liberty</i>
March 8 (Spring Break)		
March 15	The Political Economy of a Free People	Hayek, <i>Law, Legislation and Liberty</i>
March 22	James Buchanan and the Rebirth of Political Economy	Buchanan, <i>CW</i> , Vol. 1
March 29	The Logical Foundations of Constitutional Democracy	Buchanan and Tullock, <i>The Calculus of Consent</i>
April 5	Analytical Foundations of Normative Political Economy	Buchanan, <i>The Limits of Liberty</i> ; Buchanan and Brennan, <i>The Reason of Rules</i>
April 12		
April 19	Self-Governing Citizens and Constitutional Craftsmanship	V. Ostrom, <i>The Meaning of Democracy and the Vulnerability of Democracies</i> ; E. Ostrom, <i>Understanding Institutional Diversity</i> ; Aligica and Boettke, <i>Challenging Institutional Analysis and Development</i>
April 26	Modern Political Economy and the Escape from Dictatorship and Poverty	Olson, "Dictatorship, Democracy and Development"; Acemoglu and Robinson, <i>Economic Origins of Dictatorship and Democracy</i> ; North, Wallis and Weingast, <i>Violence and Social Order</i>
May 3	Anarchism as a Progressive Research Program	Edward Stringham, ed., <i>Anarchy and the Law</i>

May 3 -- Research paper are due.

May 10 -- Final exams are due.