

PROPERTY RIGHTS AND POLITICAL INSTITUTIONS

A joint course by

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Economics

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Political Science

Overview: The goal of this course is to introduce students to a set of important topics in the political economy of property rights—and to use these topics to develop familiarity with the tools and methods of political economy. Readings range across history—from Ancient Egypt, to Medieval Genoa, to the 19th Century American Frontier, to current transitions from communism. Among other subjects, we study what property rights are, where they come from, how they affect countries' patterns of development and rates of economic growth, the relative advantages of private versus public ownership, and experiences with privatization around the world. Analysis draws on leading works in the economic theory of property rights, as well as political science scholarship on political institutions and development.

Requirements and Grades: Students will be expected to write: (1) weekly one-page critical assessments of some of the reading; (2) a 10-page discussion paper on how a particular question related to property rights might be researched. Students are particularly encouraged to use the discussion paper to explore possible dissertation topics. The discussion paper, weekly commentaries, and oral participation will each count for 1/3 of the grade.

Theme 1 [week 2]: Property rights problems—definition and review

- [1] Coase, R.H. "The Problem of Social Cost"
- [2] Barzel, Y. "The Economic Approach to Property Rights. 1-32
- [3] Demsetz, Harold, 1967. "Towards a Theory of Property Rights." The American Economic Review, Vol. 57, No. 2. pp 347-359.

Additional recommendations

- Alchian, Armen A., and Harold Demsetz, 1972. " Production, Information Costs, and Economic Organization." The American Economic Review, Vol. 62, No. 5. pp. 777-795.
- Davis, Lance, and Douglass North. 1971. Institutional Change and American Economic Growth. Cambridge University Press.

Theme 2 [week 3]: Where do property rights come from?

- [1] Riker, William H. and Itai Sened. 1991. "A Political Theory of the Origin of Property Rights: Airport Slots," *American Journal of Political Science*, 35, 4, pp. 951-69.
- [2] Wiggins, Steven N.; Libecap, Gary D., 1985. "Oil Field Unitization: Contractual Failure in the Presence of Imperfect Information" American Economic Review; 75(3), pp 368-85.
- [3] Shawn Kantor, "Razorbacks and Ticky Cows, and the Closing of the Georgia Open Range" Journal of Economic History, December 1991.

Additional recommendations

- Libecap, Gary D.; Wiggins, Steven N., 1985. The Influence of Private Contractual Failure on Regulation: The Case of Oil Field Unitization" Journal of Political Economy; 93(4), pp 690-714
- Evsey Domar, "The Causes of Slavery or Serfdom: A Hypothesis," Journal of Economic History. November 1970.
- Robert Allen, "Agriculture and the Origins of the State in Ancient Egypt. EEH April 1997.
- Kantor, Shawn, 1998. Politics and property rights: The closing of the open range in the postbellum South. Studies in Law and Economics. Chicago and London: University of Chicago Press.
- Chris Grandy, "New-Jersey Corporate Chartermongering 1875-1929. Journal of Economic History Sept. 1989.
- Libecap, Gary D. 1989. Contracting for Property Rights. New York: Cambridge University Press.

Ostrom, Elinor, 1990. Governing the commons: The evolution of institutions for collective action. New York: Cambridge University Press.

Theme 3 [week 4]: Property rights as contracts

[1] Hart, O. Firms, Contracts, and Financial Structure.

[2] Rosenthal, Jean Laurent, 1990. "The Development of Irrigation in Provence, 1700 1860: The French Revolution and Economic Growth." Journal of Economic History. 50(3), pp 615-38.

_____ Additional recommendations _____

Nugent, Jeffrey, and James Robinson, 1999. "Are Endowments Fate? On the Political Economy of Comparative Institutional Development," Mimeo.

Engerman, Stanley and Kenneth Sokoloff, 1997.. "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States." In Stephen Haber, Why Latin America Fell Behind. Stanford.

North, Douglass. 1981. Structure and change in Economic History. Norton.

Bates Robert, Markets and States in Africa. Cambridge

Alston, Lee, Gary D. Libecap, and Bernardo Mueller Titles, conflict, and land use : the development of property rights and land reform on the Brazilian Amazon frontier University of Michigan Press 1999

Theme 4 [week 5]: Property Rights and Violence

[1] Greif, Avner, 1994. "On the Political Foundations of the Late Medieval Commercial Revolution: Genoa during the Twelfth and Thirteenth Centuries." Journal of Economic History. 54(2), June 1994, pages 271-87.

[2] Bates, Robert Avner Greif, and Smita Singh "Organizing Violence: Wealth, Power, and Governance." 2000. Mimeo

_____ Additional recommendations _____

Bolton, Patrick, and Gerard Roland, 1997. "The Breakup of Nations: A Political Economy Analysis." Quarterly Journal of Economics;112(4), pp 1057-90.

Green, Edward J., 1993. "On the Emergence of Parliamentary Government: The Role of Private Information." Federal Reserve Bank of Minneapolis Quarterly Review;17(1), pp 2-16

Barzel, Yoram, and Edgar Kiser, 1991. "The Origins of Democracy in England." Rationality and Society 3 (4) 396-422.

Acemoglu, Daron, and James Robinson, 1999. "Why did the West extend the Franchise ? Democracy Inequality and Growth in Historical Perspective." Mimeo.

Moore, Barrington, 1966. The Social Origins of Dictatorship and Democracy, Boston.

McGuire Martin and Mancur Olson, 1996. "The economics of Autocracy and Majority Rule: The invisible hand and the Use of Force. J of Ec Lit.

Olson Mancur, "Dictatorship, Democracy and Development" American Political Science Rreview 87(3) 803-32.

Kiser, Edgar, and Yoram Barzel, 1995. "The Development and Decline of Medieval Voting Institutions: a Comparison of England and France. Mimeo U.W. }

Theme 5: Privatization: creating scarcity

[1]Andrei Shleifer. 1998. "State versus Private Ownership," *Journal of Economic Perspectives*, Fall, pp.133-50.

[2]Aizenman, Joshua. 2000. "Privatization in Emerging Markets," *Journal of Economic Integration*, 15, 1, pp. 145-61. (also NBER W6524).

[3]Vickers, John and George Yarrow. 1991. "Economic Perspectives on Privatization," *Journal of Economic Perspectives*, 5, 2, 111-32. JSTOR

[4]Geddes, Barbara. 1997. "The Political Uses of Corruption and Privatization," UCLA: manuscript.

Theme 6: The privatization process

World Experience

[1] Shirley, Mary M. and Patrick Walsh. 2000. "Public vs Private Ownership: The Current State of the Debate," World Bank policy research working paper.

[2] Andrei Shleifer. 1995. "Establishing Property Rights," in World Bank, *Proceedings of the World Bank Annual Conference on Development Economics 1994*, pp.93-117.

Latin America

[3] La Porta, Rafael and Florencio Lopez-de-Silanes. 1999. "The Benefits of Privatization: Evidence from Mexico," *QJE*, 114, 4, 1193-1242.

Europe

[4] Bishop, Matthew and John Kay. 1989. "Privatization in the UK: Lessons From Experience," *World Development*, 17, 5.

Theme 7: Privatization: inventing a property regime

Eastern Europe

- [1] Andrei Shleifer and Daniel Treisman. 2000. *Without a Map: Political Tactics and Economic Reform in Russia*, Chapter 2.
- [2] Frydman, Roman, Cheryl Gray, Marek Hessel, and Andrzej Rapaczynski. 1999. "When Does Privatization Work? The Impact of Private Ownership on Corporate Performance in the Transition Economies," *QJE*, 114, 4, 1153-92.
- [3] EBRD. *Transition Report 1999*. Chapter 9.

China

- [4] Li, Wei. 1997. "The Impact of Economic Reform on the Performance of Chinese State Enterprises, 1980-89," *Journal of Political Economy*, 105, 5. JSTOR
- [5] Weitzman, Martin and C. Xu. 1994. "Chinese Township-Village Enterprises as Vaguely Defined Cooperatives," *Journal of Comparative Economics*, 18, 2, 121-45.

_____ Additional recommendations _____

Turner, Mathew, Loren Brandt, and Scott Rozelle, "Local Government Behavior and Property Rights Formation in Rural China."

Theme 8: Commitment

- [1] North, Douglass, and Barry Weingast. 1989. "Constitutions and Commitment: Evolution of the Institutions Governing Public Choice in Seventeenth Century England." *Journal of Economic History* 49: 803-32.
- [2] Krozner Randall, 1999. "Is It Better to Forgive than to Receive: Repudiation of the Gold Indexation Clause in Long Term Debt During the Great Depression" Mimeo.
- [3] Sussman, Nathan, and Yishay Yafeh, "Institutions, Reforms, and Country Risk, Lessons from Japanese Government Debt in the Meiji Era." *JEH* 2000.

_____ Additional recommendations _____

Hoffman, Philip, and Jean Laurent Rosenthal, 1997. "The Political Economy of Warfare and Taxation in Early Modern Europe: Historical Lessons for Economic Development.", forthcoming in J. Drobback and J. Nye, eds., *Fontiers of Institutional Economics*. Academic Press 1997, 31-55.

Hoffman, Philip, Gilles Postel-Vinay, and Jean Laurent Rosenthal, "Redistribution and Long Term Private Debt in Paris, 1660 1726," *Journal of Economic History* 55 (June 1995): 256-282.

Theme 9: Instability and Economic Growth

- [1] Brunetti, Aymo, Gregory Kisunko and Beatrice Weder. 1997. "Credibility of Rules and Economic Growth: Evidence from a Worldwide Survey of the Private Sector," World Bank Policy Research Working Paper 1760. <http://econ.worldbank.org/docs/552.pdf>
- [2] La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, Robert Vishny. 1997. "Legal Determinants of External Finance," *Journal of Finance*, 52, 3, pp.1131-50. JSTOR
- [3] La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, Robert Vishny. 2000. "Investor Protection and Corporate Governance," *Journal of Financial Economics*, October. <http://www.sciencedirect.com/science>
- [4] Grossman, H and M Kim. 1995. "Swords of Plowshares: A theory of the security of claims to property," *Journal of Political Economy*, 103, 6, 1275-88. JSTOR
- [5] Johnson, Simon, John McMillan and Christopher Woodruff. 1999. "Property Rights, Finance and Entrepreneurship," manuscript.