

Economics of Non-Market Decision Making

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Tuesday, 4:30-7:10, Enterprise Hall 318

1 Overview

This course explores the economics of non-market decision making. It considers the application of rational choice theory to decision making by a variety of persons who are neither traditional buyers nor sellers in a variety of contexts that are not traditional markets. Gordon Tullock was a pioneer of this field and founded a journal devoted to its study: *Papers on Non-Market Decision Making*. The field and its journal were later renamed. Today both are called *Public Choice*.

The contemporary field of public choice focuses heavily on the economics of one non-market in particular: the realm of political decision making in contemporary, developed democracies. This course has one section that includes some papers that consider “politics” in this vein, but only one. Politics is a tremendously important non-market. But it is not always the most important non-market, nor is it always the most interesting one.

A conventional course in public choice will give you ample opportunity to explore in depth the economics of politics in the sense described above. If that is what you are looking for, please take such a course, not this one. Our program offers several.

It is my opinion that, over the decades, the field of public choice has become too focused on “politics” in the sense described above. I want to redirect attention to the field of public choice in the older, broader sense. The “economics of non-market decision making” captures and conveys this approach nicely. That is why this course bears this title instead of “public choice,” though an equally appropriate title would be “economic imperialism”—using rational choice theory to understand all manner of human behavior.

My purpose is to introduce you to some work on the economics of non-market decision making and to encourage you to develop your own work in this area. This is not a survey course.

It does not aim to, and will not, introduce you to a broad swath of “the classics.” It will introduce you to a handful of papers on a variety of themes in the economics of non-market decision making that reflect my personal taste. Some classics are included. But many of the papers are very recent, many are mine, and several are unpublished.

2 Grading

Below is a list of course readings divided into themes. All readings are mandatory. You can find them online or in the library.

Your final grade is based on participation in course conversations and papers, as described below. There are no make-ups, I do not accept late work, and no additional credit is available.

Participation in course conversations: Each week a student [or students] will be assigned the duty of leading class conversation on the readings for that week. All other weeks you will have the duty of participating actively in class conversation. Together your participation in these activities constitutes 50 percent of your final grade in this course.

Papers: Each week [except for today] you will turn in a short [1-2 page] paper that addresses the theme for the week’s assigned readings. That paper will consist of your original thinking on some subject connected to the theme. Consider these papers glorified abstracts. You should develop some new idea connected to the relevant theme and sketch your argument and how you would evidence that argument. The goal is for you to develop ideas for papers you might pursue that are suitable for publication in academic journals. Together your scores on your papers constitute 50 percent of your final grade in this course [each paper is weighted equally].

3 Readings

3.1 Religion

Allen, Douglas W. 1995. “Order in the Church: A Property Rights Approach.” *Journal of Economic Behavior and Organization* 27: 97-117.

Berman, Eli. 2000. “Sect, Subsidy, and Sacrifice: An Economist’s View of Ultra-Orthodox Jews.” *Quarterly Journal of Economics* 115: 905-953.

- Ekelund, Robert B. Jr., Robert F. Hebert, and Robert D. Tollison. 2002. "An Economic Analysis of the Protestant Reformation." *Journal of Political Economy* 110: 646-671.
- Ferrero, Mario. 2011. "The Infallibility of the Pope." *Economics of Governance* 12: 89-99.
- Iannaccone, Laurence, R. 2006. "The Market for Martyrs." *Interdisciplinary Journal of Research on Religion* 2: article 4.
- Iannaccone, Laurence R. 1989. "Sacrifice and Stigma: Reducing Free-Riding in Cults, Communes, and Other Collectives." *Journal of Political Economy* 100: 271-291.
- Leeson, Peter T. 2014. "God Damn: The Law and Economics of Monastic Malediction." *Journal of Law, Economics, and Organization*, forthcoming.
[http://www.peterleeson.com/God_Damn.pdf]
- Leeson, Peter T. 2013. "Vermin Trials." *Journal of Law and Economics* 56: 811-836.

3.2 Law

- Mahoney, Paul G. 2001. "The Common Law and Economic Growth: Hayek Might Be Right." *Journal of Legal Studies* 30: 503-525.
- Stigler, George J. 1992. "Law or Economics?" *Journal of Law and Economics* 35: 455-468.
- Suchman, Mark C. 1989. "Invention and Ritual: Notes on the Interrelation of Magic and Intellectual Property in Preliterate Societies." *Columbia Law Review* 89: 1264-1294.
- Tullock, Gordon. 1980. *Trials on Trial: The Pure Theory of Legal Procedure*. New York: Columbia University Press, "Technology: The Anglo-Saxons versus the Rest of the World" chapter.
- Tullock, Gordon. 2005. "Defending the Napoleonic Code over the Common Law." In Stuart S. Nagel, ed., *Research in Law and Policy Studies*. Greenwich, CT: JAI Press, pp. 3-27.
- Zywicki, Todd J. 2008. "Spontaneous Order and the Common Law: Gordon Tullock's Critique." *Public Choice* 135: 35-53.

3.3 Anarchy

- Anderson, Terry L., and Peter J. Hill. 1979. "An American Experiment in Anarcho-Capitalism: The Not So Wild, Wild West." *Journal of Libertarian Studies* 3: 9-29.
- Becker, Gary S., and George J. Stigler. 1974. "Law Enforcement, Malfeasance, and

Compensation of Enforcers.” *Journal of Legal Studies* 3: 1-18.

Hogarty, Thomas. 1972. “Cases in Anarchy.” In Gordon Tullock, ed., *Explorations in the Theory of Anarchy*. Blacksburg, VA: University Publications, pp. 51-64.

Landes, William M., and Richard A. Posner. 1975. “The Private Enforcement of Law.” *Journal of Legal Studies* 4: 1-46.

Leeson, Peter T. 2007. “Trading with Bandits.” *Journal of Law and Economics* 50: 303-321.

Posner, Richard A. 1980. “A Theory of Primitive Society, with Special Reference to Law.” *Journal of Law and Economics* 23: 1-53.

Tullock, Gordon. 1972. “Edge of the Jungle.” In Gordon Tullock, ed., *Explorations in the Theory of Anarchy*. Blacksburg, VA: University Publications, pp. 65-75.

3.4 Judicial Decision Making

Cooter, Robert D. 1983. “The Objectives of Private and Public Judges.” *Public Choice* 41: 107-132.

Epstein, Lee, William M. Landes, and Richard A. Posner. 2011. “Why (and When) Judges Dissent: A Theoretical and Empirical Analysis.” *Journal of Legal Analysis* 3: 101-137.

Higgins, Richard S., and Paul H. Rubin. 1980. “Judicial Discretion.” *Journal of Legal Studies* 9: 129-138.

Leeson, Peter T. 2012. “Ordeals.” *Journal of Law and Economics* 55: 691-714.

Leeson, Peter T. 2011. “Trial by Battle.” *Journal of Legal Analysis* 3: 341-375.

Posner, Richard A. 1993. “What Do Judges and Justices Maximize? (The Same Thing Everybody Else Does).” *Supreme Court Economic Review* 3: 1-41.

3.5 War

Allen, Douglas W. 1998. “Compatible Incentives and the Purchase of Military Commissions.” *Journal of Legal Studies* 27: 45-66.

Anderson, Gary M., and Adam Gifford Jr. 1995. “Order Out of Anarchy: The International Law of War.” *Cato Journal* 15: 25-38.

- Anderson, Terry L., and Fred S. McChesney. 1999. "The Political Economy of Indian Wars." In Linda Barrington, ed., *The Other Side of the Frontier: Economic Explorations into Native American History*. Boulder, CO: Westview Press, pp. 206-223.
- Blomberg, S. Brock, Gregory D. Hess, and Yaron Raviv. 2009. "Where have All the Heroes Gone? A Rational-Choice Perspective on Heroism." *Public Choice* 141: 509-522.
- Frey, Bruno S., and Heinz Buhofer. 1988. "Prisoners and Property Rights." *Journal of Law and Economics* 31: 19-46.
- Leeson, Peter T. 2009. "The Laws of Lawlessness." *Journal of Legal Studies* 38: 471-503.
- Leeson, Peter T., and Alex Nowrasteh. 2011. "Was Privateering Plunder Efficient?" *Journal of Economic Behavior and Organization* 79: 303-317.
- Radford, R.A. 1945. "The Economic Organisation of a P.O.W. Camp." *Economica* 12: 189-201.

3.6 Alternative Institutions of Property Protection and Conflict Resolution

- Allen, Douglas W., and Vera Lantinova. 2013. "The Ancient Olympics as a Signal of City-State Strength." *Economics of Governance* 14: 23-44.
- Ellickson, Robert C. 1989. "A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry." *Journal of Law, Economics, and Organization* 5: 83-97.
- Leeson, Peter T. 2014. "Human Sacrifice." *Review of Behavioral Economics* 1: 137-165.
- Leeson, Peter T. 2014. "Oracles." *Rationality and Society*, forthcoming.
[<http://www.peterleeson.com/Oracles.pdf>]
- Leeson, Peter T. 2013. "Gypsy Law." *Public Choice* 155: 273-292.
- Schwartz, Warren F., Keith Baxter, and David Ryan. 1984. "The Duel: Can these Gentlemen be Acting Efficiently?" *Journal of Legal Studies* 13: 321-355.
- Volckart, Oliver. 2004. "The Economics of Feuding in Late Medieval Germany." *Explorations in Economic History* 41: 282-299.

3.7 Family

- Allen, Douglas W., and Margaret Brinig. 1998. "Sex, Property Rights, and Divorce." *European Journal of Law and Economics* 5: 211-233.

- Becker, Gary S. 1974. "A Theory of Social Interactions." *Journal of Political Economy* 82: 1063-1093.
- Cohen, Lloyd. 1987. "Marriage, Divorce, and Quasi Rents; Or, 'I Gave Him the Best Years of My Life.'" *Journal of Legal Studies* 16: 267-303.
- Grossbard, Amyra Shecthman. 1980. "The Economics of Polygamy." *Research in Population Economics* 2: 321-350.
- Hess, Gregory D. 2004. "Marriage and Consumption Insurance: What's Love Got to Do with It?" *Journal of Political Economy* 112: 290-318.
- Janus, Thorsten. 2013. "The Political Economy of Fertility." *Public Choice* 155: 493-505.
- Leeson, Peter T., Peter J. Boettke, and Jayme S. Lemke. 2011. "Wife Sales." Mimeo. [http://www.peterleeson.com/Wife_Sales.pdf]

3.8 Crime, Punishment, and Criminal Organization

- Allen, Douglas W., and Yoram Barzel. 2011. "The Evolution of Criminal Law and Police during the Pre-Modern Era." *Journal of Law, Economics, and Organization* 27: 540-567.
- Becker, Gary S. 1968. "Crime and Punishment: An Economic Approach." *Journal of Political Economy* 76: 169-217.
- D'Amico, Daniel J. 2010. "The Prison in Economics: Private and Public Incarceration in Ancient Greece." *Public Choice* 145: 461-482.
- Friedman, David. 1999. "Why Not Hang them All? The Virtues of Inefficient Punishment." *Journal of Political Economy* 107: S259-S269.
- Leeson, Peter. T. 2007. "An-arrgh-chy: The Law and Economics of Pirate Organization." *Journal of Political Economy* 115: 1049-1094.
- Leeson, Peter T., and Douglas Bruce Rogers. 2012. "Organizing Crime." *Supreme Court Economic Review* 20: 89-123.
- Skarbek, David B. 2011. "Governance and Prison Gangs." *American Political Science Review* 105: 702-716.

3.9 Politics

- Acemoglu, Daron. 2003. "Why Not a Political Coase Theorem? Social Conflict, Commitment, and Politics." *Journal of Comparative Economics* 31: 620-652.
- Caplan, Bryan. 2009. "The Myth of the Rational Voter: Why Democracies Choose Bad Policies." Cato Policy Analysis No. 594.
- Rowley, Charles K. 1997. "Donald Wittman's *The Myth of Democratic Failure*." *Public Choice* 92: 15-26.
- Stigler, George J. 1972. "Economic Competition and Political Competition." *Public Choice* 13: 91-106.
- Stigler, George J. 1981. "Economics or Ethics?" *The Tanner Lectures on Human Values*, vol. 2. Salt Lake City: University of Utah Press.
- Wittman, Donald. 1989. "Why Democracies Produce Efficient Results." *Journal of Political Economy* 97: 1395-1424.

3.10 Autocrats, Revolution, and Repression

- Allen, Douglas W. 2009. "A Theory of Pre-Modern British Aristocracy." *Explorations in Economic History* 46: 299-313.
- Batchelder, Ronald W., and Nicolas Sanchez. 2013. "The *Encomienda* and the Optimizing Imperialist: An Interpretation of Spanish Imperialism in the Americas." *Public Choice* 156: 45-60.
- Gregory, Paul R., Philipp J.H. Schroder, and Konstantin Sonin. 2011. "Rational Dictators and the Killing of Innocents: Data from Stalin's Archives." *Journal of Comparative Economics* 39: 34-42.
- Leeson, Peter T. 2010. "Rational Choice, Round Robin, and Rebellion: An Institutional Solution to the Problems of Revolution." *Journal of Economic Behavior and Organization* 73: 297-307.
- McGuire, Martin C., and Mancur Olson Jr. 1996. "The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force." *Journal of Economic Literature* 34: 72-96.
- Tullock, Gordon. 1971. "The Paradox of Revolution." *Public Choice* 11: 89-99.

- Tullock, Gordon. 1987. *The Social Dilemma: The Economics of War and Revolution*. Blacksburg, VA: University Publishers. “The Economics of Repression” chapter.
- Tullock, Gordon. 1987. *Autocracy*. Dordrecht, The Netherlands: Springer. “The Problem of Succession” chapter.