



Constitutional Economics Tutorial Summer Term 2014

Time: Tuesday, 14-16 hrs.
Place: Alte Uni, HS 2
Tutor: Christoph Oberlack

First Session: May 13, 2014
Last Session: July 29, 2014

Schedule (Overview)

Date	Topic
May 13	1 Getting started, current policy problems in constitutional perspective, and an introduction to Constitutional Economics
May 20	2 Legitimizing state institutions from anarchy to social contract
May 27	3 Part I: The ordoliberal tradition in the Freiburg school of economics Part II: The Calculus of consent
June 3	4 Institutions of democracy, economic effects, and individual sovereignty
June 10	-- <i>Pentecost Holidays – enjoy the sun!</i>
June 17	-- <i>Tutorial rescheduled to Thursday, July 3rd!</i>
June 24	5 Governing the commons: Polycentricity and self-organization in public economies (E.+V. Ostrom)
July 1	6 Governance institutions and the feasibility of reforms (A. Dixit)
Thurs, July 3	7 (P)review of the exam <i>Location: Thursday, 16-18hrs., in lecture hall 3042 (KG III) !!</i>
July 8	8 The European public debt crisis in constitutional perspective
July 15	9 The resource curse and social contracts: a classroom game
July 22	10 The EU-Russian-Ukrainian crisis in constitutional perspective
July 29	11 Review, summary and preparation for the exam

Learning Objectives for the Tutorial

Participants deepen and broaden their knowledge gained in the Constitutional Economics lecture. The module (i.e. lecture, tutorial, and sub-tutorial) provides participants with a constitutional economic approach to understanding and responding to problems of economic policy, social order and environmental degradation. In the tutorial students learn analytical perspectives, key arguments and empirical findings in Constitutional Economics by means of class discussions, presentations by the tutor, instructed group work, a classroom game and selected readings.

In particular, successful participants will:

KNOW AND UNDERSTAND

- (1) have a clear understanding of the Constitutional Economics research program (analytical tool kit & key concepts, key arguments, varieties within this research program).
- (2) have a clear understanding of related concepts: polycentricity, self-organization, transaction cost politics
- (3) know key institutional properties of democracies and be familiar with patterns of their economic performance.

ANALYSE

- (4) be able to use their knowledge to identify and analyse constitutional dimensions in recent policy issues (e.g. public debt crisis, Ukraine crisis, South Sudan civil war)
- (5) be able to reflect their own individual and collective decision-making through the lens of concepts of constitutional economics (e.g. resource curse classroom game).
- (6) be able to use graphical and verbal techniques for constitutional analysis of policy problems.

THINK CRITICALLY

- (7) be able to formulate an informed position about 'recipes' to tackle problems of economic policy, social order and environmental degradation.

Teaching Methods

- Presentations by the tutor to explain the main lines of thoughts and argument.
- Class discussions.
- Instructed group work.
- Classroom game.
- Selected readings.

Detailed Schedule

+++ Version: July 28, 2014. This schedule is subject to possible changes. (Updates are available on www.wipo.uni-freiburg.de/Lehre/sose-2014/conecs-sose14) +++

#	Date	Topic and Learning objectives	Key Terms	Readings (to be read <i>before</i> each session)
1	May 13	<p>Getting started, current policy problems in constitutional perspective, and introduction to Constitutional Economics</p> <ul style="list-style-type: none"> • Be able to explain the various meanings of the term “Constitutional Economics”. • Be familiar with Imre Lakatos’ concept of ‘research programs’. • Know the core analytical principles (“hard core”) of constitutional economics. • Be aware of the intellectual origins of Constitutional Economics. • Be able to distinguish between the constitutional and post-constitutional stages of decision-making. • Be able to use your knowledge to formulate a constitutional perspective on current issues in politics and collective decision-making. 	<ul style="list-style-type: none"> • Constitutional dimensions in problems of collective action and policy • Research program • Meanings of “Constitutional Economics” • Methodological hard core of constitutional economics • Constitutional and post-constitutional stage 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> • Buchanan (1987). <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> • Chalmers (1999/2001) about “what is this thing called science?” • Buchanan (1990) and Van den Hauwe (2005) about the CE research program.
2	May 20	<p>Legitimizing state institutions from anarchy to social contract</p> <ul style="list-style-type: none"> • Understand the social-contractarian line of legitimizing state institutions (from anarchy to social contract). • Be able to use this knowledge to identify and analyse constitutional dimensions in the current civil war in South Sudan. 	<ul style="list-style-type: none"> • Anarchy, Leviathan • Social contract • Constitution • Consent, Agreement • South Sudan 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> • Buchanan (1975), pp.69-95. <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> • Buchanan (1975). • Hobbes (1651):103-114.
3	May 27	<p>The ordoliberal tradition in the Freiburg school of economics and law</p> <ul style="list-style-type: none"> • Be familiar with the Freiburg School of Economics and Law (‘Ordnungsökonomik’). <p>The calculus of consent</p> <ul style="list-style-type: none"> • Have a clear understanding of the contractarian reasoning about the calculus of consent. 	<ul style="list-style-type: none"> • Freiburg School of Economics & Law • Calculus of consent 	<p><i>Mandatory readings:</i></p> <ul style="list-style-type: none"> • Mueller (2014). • Vanberg (1998). <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> • Goldschmidt/ Wohlgemuth (2008) on the German social market economy. • Mueller (1996) on constitutional democracy.
4	June 3	<p>Institutions of democracy, economic effects, and individual sovereignty</p> <ul style="list-style-type: none"> • Understand the meaning of democracy from a contractarian perspective. • Know key properties of institutions of democracies and be familiar with patterns of their economic performance. • Have a clear understanding of the normative foundations of public choice and be able to distinguish normative and positive economics clearly. 	<ul style="list-style-type: none"> • Institutions of democracy • Individual sovereignty vs. aggregate economic measures • Normative and positive constitutional economics 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> • Voigt (2011). <p><i>Optional recommended reading:</i></p> <ul style="list-style-type: none"> • Vanberg (2014) on the liberal foundations of constitutional economics. • Persson/ Tabellini (2004) on economic effects of constitutions.
-	June 10	Pentecost Holidays – enjoy the sun!		
-	June 17	Tutorial rescheduled to Thursday, July 3rd, 16-18hrs, HS 3042 KG III.		

#	Date	Topic and Learning objectives	Key Terms	Readings (to be read <i>before</i> each session)
5	June 24	<p>Governing the commons: Polycentricity and self-organization in public economics</p> <ul style="list-style-type: none"> Understand the concept of polycentric governance of public economies. Be able to distinguish the polycentric approach to a conventional neoclassical concept of collective choice (market vs. state). Understand Ostrom's design principles for governing the commons and be able to explain their economic relevance. 	<ul style="list-style-type: none"> Common-pool resource situation Tragedy of the commons Market-state dichotomy Self-organization Polycentric governance Design principles for governing the commons 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> Ostrom (2010a). <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> Ostrom (1990) on governing the commons. Ostrom (2010b) on polycentricity. Cox et al. (2010) on the design principles.
6	July 1	<p>Governance institutions and the feasibility of reforms</p> <ul style="list-style-type: none"> Understand Dixit's approach of Transaction-cost Politics and its relation to the Constitutional Economics paradigm. 	<ul style="list-style-type: none"> Governance Transaction cost politics, asymmetric information, special interests Feasibility of reforms Incentive compatibility Participation constraint Crisis = window of opportunity?! Endogenous creation of special interests Types of situations 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> Dixit (2003). <p><i>Optional recommended reading:</i></p> <ul style="list-style-type: none"> Dixit (2009). Dixit (1996).
7	Thurs, July 3	<p>(P)review of exam questions</p> <ul style="list-style-type: none"> See strategies how to pass the exam in Constitutional Economics successfully. 	<p>Please mind the date & lecture hall: !! THURSDAY, July 3, 2014, 16-18hrs, HS 3042 (tutorial rescheduled from June 17) !!</p>	
8	July 8	<p>The European public debt crisis in constitutional perspective</p> <ul style="list-style-type: none"> Know stylized facts about the recent public debt crisis in European countries. Understand the generic problem associated with the metaphor of "fiscal commons". Understand the three diagnoses of the "forced-debtor problem", the "institutional complexity of debt brakes" and the "responsibility-gap problem" and be able to explain how and why specific institutions may alleviate these problems. 	<ul style="list-style-type: none"> Public debt crisis in Europe Fiscal commons Forced-debtor problem Debt brakes Accountability 	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> Mause/ Groeteke (2012). <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> Wagner (2012a, 2012b).
9	July 15	<p>Resource curse and social contracts: a classroom game</p> <ul style="list-style-type: none"> Deepen your understanding about the emergence of constitutions by means of a classroom game and interactive class discussions. Reflect your own individual and collective decision-making in the resource curse game setting through the lens of concepts of constitutional economics. 	<ul style="list-style-type: none"> Resource Curse Constitutional choice: constitutional and post-constitutional stages of decision-making, social dilemma, disarmament contract, compliance/monitoring/enforcement, Leviathan Sequential structure of the constitutional design problem, post-constitutional information asymmetry Conflict technologies, veil of ignorance, fairness 	--

10	July 22	<p>The EU-Russian-Ukrainian crisis in constitutional perspective</p> <ul style="list-style-type: none"> • Be able to use core concepts of Constitutional Economics to analyze the 2014 crisis between the EU, Russia and Ukraine. 	<ul style="list-style-type: none"> • Ukraine 2014 • Nested conflicts at multiple levels of social organization (national political institutions; Crimea conflict; enhanced integration in EU or Eurasian Economic Union) • Assessment of political institutions through the lens of calculus of consent 	<p>Prepare the session by reviewing the lecture material and screen the media for the crisis between EU, Russia and Ukraine.</p>
11	July 29	<p>Review, summary and hints for the exam</p> <ul style="list-style-type: none"> • Gain an overview of the tutorial/module and reflect key learnings. 	-	--

Readings

Availability of readings:

- The mandatory readings will be provided on ILIAS.
- The articles of the optional-readings-list will be provided on ILIAS, too.
The books are available in libraries of the University of Freiburg.
- The password to access ILIAS will be given in the first lecture/ tutorial.

(1) Mandatory readings:

The following readings will be *used* in the tutorials, e.g. in group work. Participants are therefore strongly asked to read these texts *before* the respective session (except session 1) to facilitate their successful learning outcomes.

Session 1	Buchanan, J.M. (1987): The Constitution of Economic Policy. <i>American Economic Review</i> 77, 234-250.
Session 2	Buchanan, J.M. (1975): The Limits of Liberty. Between Anarchy and Leviathan. Chicago, chapter 4 'Constitutional Contract. The Theory of Law', pp. 69-95.
Session 3	Mueller, D. (2014): Constraining Leviathan. <i>Constitutional Political Economy</i> 25, 88-102. Vanberg, V. (1998): Freiburg School of Law and Economics, in: P. Newman (Ed.): The New Palgrave Dictionary of Economics and the Law, Vol. II. London, Macmillan, 172-179.
Session 4	Voigt, S. (2011): Positive Constitutional Economics II: A Survey of Recent Developments. <i>Public Choice</i> 146, 205-256.
Session 5	Ostrom, E. (2010a): Beyond Markets and States: Polycentric Governance of Complex Economic Systems. <i>American Economic Review</i> 100, 1-33.
Session 6	Dixit, A. (2003): Some Lessons from Transaction-cost Politics for Less-developed Countries. <i>Economics and Politics</i> 15, 107-130.
Session 7	[Exam (P)review]
Session 8	Mause, K. and F. Groeteke (2012): New Constitutional 'Debt Brakes' for Euroland? A question of institutional complementarity. <i>Constitutional Political Economy</i> 23, 279-301.
Session 9	--
Session 10	Prepare the session by reviewing the lecture material and screen the media for the crisis between EU, Russia and Ukraine.
Session 11	--

(2) Optional readings:

The following texts are recommended to participants who wish to deepen their knowledge about the covered topics. Please contact the tutor, if you wish further recommendations.

Session 1	* Buchanan, J.M. (1990): The Domain of Constitutional Economics. <i>Constitutional Political Economy</i> 1, 1-18. Chalmers, A.F. (1999): What is this Thing Called Science? Hackett. [German: "Wege der Wissenschaft", 5 th ed. 2001, Berlin et al., Springer.] * Van den Hauwe, L. (2005): Constitutional Economics. In: J. Backhaus (Ed.): Elgar Companion to Law and Economics. 2 nd Ed., Cheltenham, 223-238.
Session 2	Buchanan, J.M. (1975): The Limits of Liberty. Between Anarchy and Leviathan. Chicago. * Hobbes, T. (1651): Leviathan. Green Dragon in St. Pauls Churchyard. Chapters: 'Of the Causes, Generation, and Definition of a Commonwealth' (pp. 103-6) and 'Of the Rights of Sovereigns by Institution' (pp. 107-14).

Session 3	<p>* Goldschmidt, N. and M. Wohlgemuth (2008): Social Market Economy. Origins, Meanings and Interpretations. <i>Constitutional Political Economy</i> 19, 261-276.</p> <p>Mueller, D. (1996): Constitutional Democracy. New York, Oxford Univ. Press.</p>
Sessions 4	<p>* Persson, T. and G. Tabellini (2004): Constitutions and Economic Policy. <i>Journal of Economic Perspectives</i> 18(1), 75-98.</p> <p>* Vanberg, V. (2014): James M. Buchanan's contractarianism and modern liberalism. <i>Constitutional Political Economy</i> 25, 18-38.</p>
Session 5	<p>* Cox, M., G. Arnold and S. Villamayor-Tomás (2010): A Review of Design Principles for Community-based Natural Resource Governance. <i>Ecology and Society</i> 15(4), 38.</p> <p>Ostrom, E. (1990): Governing the Commons. The Evolution of Institutions for Collective Action. Cambridge et al., Cambridge University Press.</p> <p>* Ostrom, E. (2010b): Polycentric Systems for Coping with Collective Action and Global Environmental Change. <i>Global Environmental Change</i> 20, 550-557.</p>
Session 6	<p>* Dixit, A. (2009): Governance Institutions and Economic Activity. <i>American Economic Review</i> 99, 5-24.</p> <p>Dixit, A.K. (1996): The Making of Economic Policy. A Transaction-Cost Politics Perspective. MIT Press.</p>
Session 7	[Exam (P)review]
Session 8	<p>* Wagner, R.E. (2012a): Rationality, Political Economy, and Fiscal Responsibility: Wrestling with Tragedy on the Fiscal Commons. <i>Constitutional Political Economy</i> 23, 261-277.</p> <p>Wagner, R.E. (2012b): Deficits, Debt, and Democracy. Wrestling with Tragedy on the Fiscal Commons. Cheltenham/ Northampton, Edward Elgar.</p>
Session 9	<p>* Kingston, C. and G. Caballero (2009): Comparing Theories of Institutional Change. <i>Journal of Institutional Economics</i> 5, 151-180.</p> <p>Voigt, S. (2013, Ed.): The Design of Constitutions. Cheltenham/ Northampton, Edward Elgar.</p>
Session 10	--
Session 11	--

* These articles are available on ILIAS. The books are available in libraries at Univ. of Freiburg.