



## Constitutional Economics Tutorial Summer Term 2013

Time: Wednesday, 16-18h.  
Place: Alte Uni, HS 1.  
Tutor: Christoph Oberlack

First Session: April 24, 2013  
Last Session: July 17, 2013

### Schedule (Overview)

#	Date	Topic
1	April 24	Getting started, current constitutional crises and the reciprocal exchange of restrictions to justify governmental institutions
--	May 1	<i>Labour Day – enjoy the sun!</i>
2	May 8	A century in a nutshell: On the roots, causes, and principles of the Constitutional Economics paradigm – Part I
3	May 15	A century in a nutshell: On the roots, causes, and principles of the Constitutional Economics paradigm – Part II
--	May 22	<i>Pentecost Holidays – enjoy the sun again!</i>
4	May 29	Political Economics vs. Public Choice: approaches to political economy between cat fight and mutual learning
5	June 5	On the Constitutional Economics of the public debt crisis in Europe
6	June 12	<u>Part I:</u> Constitutional Economics and Dixit's governance approach to economic policy reforms in 'less-developed countries' <u>Part II:</u> (P)review of exam questions
7	June 19	Constitutional Economics and E.&V. Ostroms' approach of polycentric governance of public economies
8	June 26	Design, reform, and evolution of rules: analytical perspectives and the UN Framework Convention on Climate Change case study
9	July 3	Economic effects of democratic constitutions – Part I
10	July 10	Economic effects of democratic constitutions – Part II
11	July 17	Review, summary and hints for the exam

## Learning Objectives for the Tutorial

Participants will deepen and broaden their knowledge gained in the lecture.  
In particular, successful participants will...

### KNOW AND UNDERSTAND

- (1) have a clear understanding of the paradigm of Constitutional Economics (roots, analytical perspective, and varieties within this paradigm).
- (2) be able to relate the Constitutional Economics paradigm to related approaches in institutional economics and political economy:
  - a. Political Economics.
  - b. Dixit's governance approach.
  - c. Ostrom's polycentric governance approach.
- (3) know key institutional properties of democracies and be familiar with patterns of their economic performance.
- (4) have a clear understanding of analytical perspectives to explain constitutional/institutional change (evolution, design, reform).

### ANALYSE

- (5) be able to use their knowledge to identify and analyse constitutional dimensions in recent economic policy issues:
  - a. Public debt crisis.
  - b. Constitutional reforms, e.g. in Hungary, Zimbabwe.
  - c. International climate change negotiations.
  - d. Natural resource governance.

### THINK CRITICALLY

- (6) be able to formulate an informed position about diverse 'recipes' to tackle economic policy crises.
- (7) be able to formulate an informed position about strengths and weaknesses of constitutional economics approach to economic policy.

## Teaching Methods

- Presentations by the tutor to explain the main lines of thoughts and argument.
- Instructed group work.
- Class discussions.
- Video sequences.

## Detailed Schedule

+++ Version: April 18, 2013. This schedule is subject to possible changes. (Updates are available on [www.wipo.uni-freiburg.de/Lehre/sose-2013/conecs-sose13](http://www.wipo.uni-freiburg.de/Lehre/sose-2013/conecs-sose13)) +++

#	Date	Topic and Learning objectives	Key Terms	Readings (to be read <i>before</i> each session)
1	Apr 24	<b>Getting started, constitutional crises 2013 and the reciprocal exchange of restrictions to justify governmental institutions</b> <ul style="list-style-type: none"><li>Get an idea of constitutional deficiencies in current policy issues.</li><li>Understand the social-contractarian justification of governmental institutions (reciprocal exchange of restrictions).</li><li>Be able to use the social-contractarian lens to a current question of constitutional choice (Somalia case).</li></ul>	<ul style="list-style-type: none"><li>Constitutional dimensions of policy issues</li><li>Anarchy, Leviathan</li><li>Social contract</li><li>Constitutional mix</li></ul>	<i>Mandatory reading:</i> <ul style="list-style-type: none"><li>Buchanan 1975, pp.69-95.</li></ul> <i>Optional recommended readings:</i> <ul style="list-style-type: none"><li>Buchanan 1975 [Book ‘limits of liberty’].</li><li>Hobbes 1651:103-114.</li></ul>
-	May 1	<b>Labour Day – enjoy the sun!</b>		
2	May 8	<b>A century in a nutshell: On the roots, causes, and principles of Constitutional Economics – Part I + II</b> <ul style="list-style-type: none"><li>Be familiar with the term ‘scientific paradigm’.</li><li>Be familiar with the various meanings of the term ‘Constitutional Economics’.</li></ul>	<ul style="list-style-type: none"><li>Constitutional Economics</li><li>Wicksell, Buchanan</li><li>Freiburg School of Law and Economics (Eucken, Hayek)</li><li>Consent, Agreement</li><li>Constitution</li><li>Scientific paradigm</li></ul>	<i>Mandatory readings:</i> <ul style="list-style-type: none"><li>Buchanan 1987.</li><li>van den Hauwe 2005.</li></ul> <i>Optional recommended readings:</i> <ul style="list-style-type: none"><li>Chalmers (1999/2001) [‘What is this thing called science’].</li><li>Buchanan 1990 [on the CE paradigm].</li><li>Goldschmidt/ Goldschmidt 2008 [on social market economy].</li><li>Vanberg 1998 [Freiburg School of Law and Economics].</li></ul>
3	May 15	<ul style="list-style-type: none"><li>Have a clear understanding of the roots, causes and principles of the constitutional economics paradigm as advocated by Knut Wicksell and James Buchanan.</li><li>Be familiar with the Freiburg School of Law and Economics (‘Ordnungsökonomik’).</li><li>Understand the relation of Buchanan's work to the traditional ‘<i>Ordnungsökonomik</i>’ and Modern Constitutional Economics.</li></ul>		
-	May 22	<b>Pentecost Holidays – enjoy the sun again!</b>		
4	May 29	<b>Political Economics vs. Public Choice: approaches to political economy between cat fight and mutual learning</b> <ul style="list-style-type: none"><li>Understand the similarities and differences of the approaches of Political Economics and Public Choice to political economy.</li><li>Formulate an informed position on their relation.</li><li>Be able to use both approaches to structure and analyze recent issues in economic policy.</li></ul>	<ul style="list-style-type: none"><li>Political Economics</li><li>Public Choice</li></ul>	<i>Mandatory reading:</i> <ul style="list-style-type: none"><li>Blankart/Koester 2006.</li></ul> <i>Optional recommended reading:</i> <ul style="list-style-type: none"><li>Persson/Tabellini 2004.</li></ul>
5	June 5	<b>On the Constitutional Economics of the Public Debt Crisis in Europe</b> <ul style="list-style-type: none"><li>Know stylized facts about the recent public debt crisis in European countries.</li><li>Understand the analytical problems of the public debt crisis from a Constitutional Economics perspective.</li><li>Understand institutional requirements for effective implementation of a debt brake.</li></ul>	<ul style="list-style-type: none"><li>Fiscal commons</li><li>Conflicts in budgeting</li><li>Public debt</li><li>Constitutional debt brakes</li><li>Institutional complementarity</li></ul>	<i>Mandatory reading:</i> <ul style="list-style-type: none"><li>Mause/ Groeteke 2012.</li></ul> <i>Optional recommended readings:</i> <ul style="list-style-type: none"><li>Wagner 2012a, 2012b.</li></ul>

#	Date	Topic and Learning objectives	Key Terms	Readings (to be read <i>before</i> each session)
6	June 12	<p><b>Part I: Constitutional economics and Dixit's governance approach to economic policy reform in 'less-developed countries'</b></p> <ul style="list-style-type: none"> <li>Understand Dixit's governance concept and its relation to the Constitutional Economics paradigm.</li> <li>Be able to use this concept to understand recent policy issues in 'less-developed countries'.</li> </ul> <p><b>Part II: (P)review of exam questions</b></p> <ul style="list-style-type: none"> <li>Learn strategies how to tackle the type of exam questions in Constitutional Economics.</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Political process, asymmetric information, limited commitment possibilities</li> </ul>	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> <li>Dixit 2003.</li> </ul> <p><i>Optional recommended reading:</i></p> <ul style="list-style-type: none"> <li>Dixit 2009.</li> </ul>
7	June 19	<p><b>Constitutional economics and E. &amp; V. Ostroms' approach of polycentric governance of public economies</b></p> <ul style="list-style-type: none"> <li>Understand the concept of polycentric governance of public economies.</li> <li>Be able to distinguish the polycentric approach to a conventional neoclassical concept of collective choice.</li> <li>Understand relations (methodology- and content-wise) between the approaches of constitutional economics and polycentric governance.</li> </ul>	<ul style="list-style-type: none"> <li>Polycentric governance</li> <li>Public economies</li> <li>Self-organization</li> </ul>	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> <li>Ostrom 2010a.</li> </ul> <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> <li>Ostrom 1990.</li> <li>Ostrom 2010b.</li> </ul>
8	June 26	<p><b>Design, reform, and evolution of rules: Analytical perspectives and the UN Framework Convention on Climate Change (UNFCCC) case study</b></p> <ul style="list-style-type: none"> <li>Understand analytical perspectives to explain institutional change (evolution, design, reform) and constitutional choice.</li> <li>Be able to use your knowledge to analyze institutional change in the UNFCCC.</li> </ul>	<ul style="list-style-type: none"> <li>Constitutional choice</li> <li>Institutional change, evolution of rules, design of rules, reform of rules</li> <li>UNFCCC</li> </ul>	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> <li>Vatn 2005, ch. 7.</li> </ul> <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> <li>Kingston/ Caballero [Institutional change].</li> <li>Voigt 2013 [selected articles in part II of the volume].</li> <li>Bodansky/Rajamani (2013) [UNFCCC]</li> </ul>
9	July 3	<p><b>Economic effects of democratic constitutions – Part I + II</b></p> <ul style="list-style-type: none"> <li>Know key institutional properties of democracies.</li> <li>Be familiar with patterns of their economic performance.</li> <li>Understand the differences and relations between 'normative' and 'positive' constitutional economics.</li> <li>Be able to apply your knowledge to current questions of constitutional reform (e.g. Hungary, Simbabwe, Tunesia, Egypt).</li> </ul>	<ul style="list-style-type: none"> <li>Democracy, Separation of powers, electoral rules, forms of government, bicameralism, judiciary system, federalism, direct democracy, representative democracy, basic rights, procedural rules, veto players, autocracy.</li> <li>Normative and positive constitutional economics</li> </ul>	<p><i>Mandatory reading:</i></p> <ul style="list-style-type: none"> <li>Voigt 2011.</li> </ul> <p><i>Optional recommended readings:</i></p> <ul style="list-style-type: none"> <li>Persson/Tabellini 2003; 2004.</li> <li>Voigt 1997; 2013.</li> </ul>
10	July 10			
11	July 17	<p><b>Review, summary and hints for the exam</b></p> <ul style="list-style-type: none"> <li>Gain an overview of the module.</li> <li>Formulate 3-5 key messages you've learned in the module.</li> </ul>	-	-

## Readings

### Availability of readings:

- The mandatory readings will be provided on ILIAS.
- The articles from 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. (1975): The Limits of Liberty. Between Anarchy and Leviathan. Chicago, chapter 4 'Constitutional Contract. The Theory of Law', pp. 69-95.
Sessions 2&3	Buchanan, J.M. (1987): The Constitution of Economic Policy. <i>American Economic Review</i> 77, 234-250. Van den Hauwe, L. (2005): Constitutional Economics. In: J. Backhaus (Ed.): Elgar Companion to Law and Economics. 2 <sup>nd</sup> Ed., Cheltenham, 223-238.
Session 4	Blankart, C.B. and G. Koester (2006): 'Political Economics' versus Public Choice: Two views of Political Economy in Competition. <i>Kyklos</i> 59, 171-200.
Session 5	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 6	Dixit, A. (2003): Some Lessons from Transaction-cost Politics for Less-developed Countries. <i>Economics and Politics</i> 15, 107-130.
Session 7	Ostrom, E. (2010a): Beyond Markets and States: Polycentric Governance of Complex Economic Systems. <i>American Economic Review</i> 100, 1-33.
Session 8	Vatn, A. (2005): Institutions and the Environment. Edward Elgar, Cheltenham. Chapter 7: 'Explaining Institutional Change', pp. 169-91.
Sessions 9&10	Voigt, S. (2011): Positive Constitutional Economics II: A Survey of Recent Developments. <i>Public Choice</i> 146, 205-256.
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## (2) Optional readings:

The following texts are recommended to participants who wish to deepen their knowledge in some of the covered topics. Additional texts can be recommended by the tutor upon individual request.

Session 1	Buchanan, J.M. (1975): <i>The Limits of Liberty. Between Anarchy and Leviathan</i> . Chicago. * Hobbes, T. (1651): <i>Leviathan</i> . 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).
Sessions 2&3	Chalmers, A.F. (1999): <i>What is this Thing Called Science?</i> Hackett. [German: "Wege der Wissenschaft", 5 <sup>th</sup> ed. 2001, Berlin et al., Springer.] * Buchanan, J.M. (1990): The Domain of Constitutional Economics. <i>Constitutional Political Economy</i> 1(1), 1-18. * Goldschmidt, N. and M. Wohlgemuth (2008): Social Market Economy. Orgins, Meanings and Interpretations. <i>Constitutional Political Economy</i> 19, 261-276. * Vanberg, V. (1998): Freiburg School of Law and Economics, in Peter Newman (Ed.): <i>The New Palgrave Dictionary of Economics and the Law</i> , Vol. II. London, Macmillan, 172-179.
Sessions 4	* Persson/ Tabellini (2004): Constitutions and Economic Policy. <i>Journal of Economic Perspectives</i> 18(1), 75-98.
Session 5	* 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. Wagner, R.E. (2012b): <i>Deficits, Debt, and Democracy. Wrestling with Tragedy on the Fiscal Commons</i> . Cheltenham/ Northampton, Edward Elgar.
Session 6	* Dixit, A. (2009): Governance Institutions and Economic Activity. <i>American Economic Review</i> 99, 5-24.
Session 7	Ostrom, E. (1990): <i>Governing the Commons. The Evolution of Institutions for Collective Action</i> . Cambridge et al., Cambridge University Press. * Ostrom, E. (2010b): Polycentric Systems for Coping with Collective Action and Global Environmental Change. <i>Global Environmental Change</i> 20, 550-557.
Session 8	* Kingston, C. and G. Caballero (2009): Comparing Theories of Institutional Change. <i>Journal of Institutional Economics</i> 5, 151-180. Voigt, S. (2013, Ed.): <i>The Design of Constitutions</i> . Cheltenham/ Northampton, Edward Elgar. * Bodansky, D. and L. Rajamani (2013): The Evolution and Governance Architecture of the Climate Change Regime, forthcoming in: D. Sprinz and U. Luterbacher (Eds.): <i>International Relations and Global Climate Change</i> . 2 <sup>nd</sup> ed., MIT Press.
Sessions 9 &10	Persson/ Tabellini (2003): <i>Economic Effects of Constitutions</i> . Cambridge, Mass., MIT Press. * Persson/ Tabellini (2004): Constitutions and Economic Policy. <i>Journal of Economic Perspectives</i> 18(1), 75-98. * Voigt, S. (1997): Positive Constitutional Economics: A Survey. <i>Public Choice</i> 90, 11-53. Voigt, S. (2013, Ed.): <i>The Design of Constitutions</i> . Cheltenham/ Northampton, Edward Elgar.
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\* The articles are available on ILIAS. The books are available in libraries at the Univ. of Freiburg.