

Summer Term 2007

Dr. Michael Wohlgemuth

Walter Eucken Institute, Freiburg

Constitutional Economics

- Program and Readings -

1. Institutions / constitutions matter!

Readings:

- a) Olson, Mancur (1996): Big Bills on the Sidewalk: Why Some Nations are Rich, and Others Poor, *Journal of Economic Perspectives*, Vol.10 (2), p. 3-24.
- b) North, Douglass C. (1990): *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press, ch.1 ["An introduction to institutions and institutional change"] and ch.12 ["Institutions, economic theory and economic performance"], p. 3-10 and p. 107-117.

2. Precursors of constitutional economics (Hobbes, Smith, Freiburg School, Hayek)

Readings:

- a) Vanberg, Viktor (1998): "Ordnungstheorie" as Constitutional Economics. The German Conception of a 'Social Market Economy", *ORDO*, Vol. 39, p. 17-31.
- b) Hayek, Friedrich A. (1963): Kinds of Order in Society, *New Individualist Review*, Vol. 3(2), p. 3-12.

3. Contractarianism

Readings:

- a) Brennan, G. and Buchanan, J. (2000). "The Contractarian Vision." In *The Reason of Rules: Constitutional Political Economy*. The Collected Works of James M. Buchanan, volume 10. Indianapolis, IN: Liberty Fund. (15 pages)
- b) Buchanan, J. M. (2001). "Rawls on Justice as Fairness." In *Moral Science and Moral Order*. The Collected Works of James M. Buchanan, volume 17. Indianapolis, IN: Liberty Fund. (7 pages)
- c) John Rawls (1993): *Political Liberalism*, Lecture I ["Fundamental Ideas"], New York: Columbia University Press, 3-46.

4. Moral requirements of the market order?

Readings:

- a) Buchanan, J. M. (2001). "Economic Origins of Ethical Constraints." In *Moral Science and Moral Order*. The Collected Works of James M. Buchanan, volume 17. Indianapolis, IN: Liberty Fund. (20 pages)
- b) Hayek, F.A. (1960): *The Constitution of Liberty*, Ch. 4, Chicago: University of Chicago Press (15 pages)

5. Public Choice and generality in politics

Readings:

- a) Buchanan, J. M. and Congleton, R. D. (2003). "Generality, Law, and Politics," "Majoritarian Democracy," "Eliminating the Off-Diagonals," and "The Political Efficiency of General Taxation." In *Politics by Principle, Not Interest: Toward Nondiscriminatory Democracy*. The Collected Works of James M. Buchanan, volume 11. Indianapolis, IN: Liberty Fund. (51 pages)
- b) Hayek, F.A. (1976): *Law, Legislation, and Liberty, Vol.2 (The Mirage of Social Justice)*, Ch. 8, Chicago: University of Chicago Press (30 pages)

6. The nature and evolution of law

Readings:

- a) Buchanan, J. M. (2001). "Law and the Invisible Hand." In *Moral Science and Moral Order*. The Collected Works of James M. Buchanan, volume 17. Indianapolis, IN: Liberty Fund. (14 pages)
- b) Buchanan, J. M. (2001). "Good Economics, Bad Law." In *Federalism, Liberty, and the Law*. The Collected Works of James M. Buchanan, volume 18. Indianapolis, IN: Liberty Fund. (11 pages)
- c) Hayek, Friedrich A. (1979). *Law, Legislation, and Liberty, Vol.3 (The Political Order of a Free People)*, Epilogue (23 pages)

7. Empirical constitutional economics: (how) do the rule of law, economic freedom and democracy affect human welfare?

Readings:

- a) www.heritage.org (economic freedom index 2007)
- b) www.freedomhouse.org (political rights and civil liberties index 2007)
- c) Barro. Richard J. (2000): Rule of Law, Democracy, and Economic Performance, in: M.A. Miles et al. (eds.), *2000 Index of Economic Freedom*. The Heritage Foundation, Washington D.C.

8. Some constitutional economics of European integration

Readings:

Michael Wohlgemuth and Clara Brandi (2006): Strategies of Flexible Integration and Enlargement of the European Union. A club-theoretical and constitutional economics perspective, *Freiburg Discussion Papers on Constitutional Economics*, # 06/7, Walter Eucken Institut, Freiburg.