

Spontaneous Order and the Law
Law 7831
Spring, 2009
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Required Texts

Ellickson, R. *Order Without Law: How Neighbors Settle Disputes*, Cambridge, MA: Harvard University Press, 1991.
Ferguson, Adam, *An Essay on the History of Civil Society*, Eighth Edition.
Hayek, F.A. *Law, Legislation and Liberty: Rules and Order*, Chicago: University of Chicago Press, 1978.
Hayek, F.A. *The Fatal Conceit: The Errors of Socialism*, Chicago: University of Chicago Press, 1988.
Hume, D. *A Treatise of Human Nature*, New York: Oxford University Press, 2000.
Surowiecki, J. *The Wisdom of Crowds*, DOUBLEDAY, 2004.

Course Description

This course shows how experimental economics can be used to understand how spontaneous, self-generating and orders emerge (out of apparent chaos) in law and economics. This course uses a combination of hands-on learning in laboratory experiments and Socratic roundtable discussions of readings. In addition to current research in experimental economics, the readings range from works by 18th century Scottish enlightenment philosophers Adam Ferguson, Adam Smith, David Hume to Nobel economists, F.A. Hayek and Vernon L. Smith, and primatologists, Jane Goodall and Frans de Waal.

Students who take this course will learn how experimental economics can be used to understand how exchange systems work and how rules of law emerge to undergird exchange. Our two guiding texts will be Ellickson's *Order without Law* and Hayek's *Rules and Order*. By building on this experience students will develop projects to explore different public and private applications to law.

Requirements and Methods of Evaluation

Your course grade will be determined by your performance in accord with the following point distribution:

Class Participation	10%
Laboratory Experiments	10%
Questions on Readings	10%
Blog Posts/Comments	30%
<u>Paper (including presentation)</u>	<u>40%</u>
Total	100%

There will be no final exam.

Class participation includes: being informed, paying attention, and fully participating in the discussion. You should inform the instructors by email or phone message if you are unable to attend a class.

In the spirit of the Ellickson book, your research paper will be a case study of spontaneous order without law. Your task is to find an example where people have formed an order without law and discuss the incentive properties of it. The paper should also include a section on the design of an experiment that will shed light on the testable implications from the order concerning an unanswered question that you have regarding the order. Your paper should be a maximum of twelve, 1.5 line spaced, 12-point font typed pages, with 1" margins on all sides. You will be expected to present your paper to the class. There are four days at the end of the semester set aside for student presentations. Your performance in the classroom experiments before spring break will determine the due date for your presentation *and* paper. Students will be expected to participate in all student presentations.

You are expected to make one original post or comment each week, where a week is defined as Sunday through Saturday. Over the course of the semester half of your contributions to the blog should be posts and half comments. A typical post will contain 400-800 words and a comment at least 250 words.

Chapman University Academic Integrity Policy

Chapman University is a community of scholars, which emphasizes the mutual responsibility of all members to seek knowledge honestly and in good faith. Students are responsible for doing their own work, and academic dishonesty of any kind will not be tolerated anywhere in the university.

Tentative Course Schedule and Outline

Organizational Meeting

Monday, 1/12

Discussion of syllabus

Topic: Rationality, Rules, and Order

Wednesday, 1/14

Hayek, Friedrich A., *The Fatal Conceit* (Chapters 1-3)

Monday, 1/19

MLK Holiday

Wednesday, 1/21

Hayek, Friedrich A., *The Fatal Conceit* (Chapters 4-6)

Monday, 1/26

Experiment

Wednesday, 1/28

Ellickson, R. *Order Without Law: How Neighbors Settle Disputes* (Part I: Shasta County)

Monday, 2/2

Ellickson, R. *Order Without Law: How Neighbors Settle Disputes* (Part II: A Theory of Norms)
 Goodall, J. "Order without Law" in Law, Biology, & Culture: The Evolution of Law, ed. M. Gruter and P. Bohannan.

Wednesday, 2/4

Hayek, Friedrich A., *Law, Legislation and Liberty: Rules and Order* (Chapters 1-2)

Monday, 2/9

Hayek, Friedrich A., *Law, Legislation and Liberty: Rules and Order* (Chapters 3-4)

Wednesday, 2/11

Hayek, Friedrich A., *Law, Legislation and Liberty: Rules and Order* (Chapters 5-6)

Monday, 2/16

Ferguson, Adam, *An Essay on the History of Civil Society* (Part I, Sections I-VIII).

Wednesday, 2/18

Ferguson, Adam, *An Essay on the History of Civil Society* (Part II and Part III, Sections I-II).

Topic: Impersonal Exchange

Monday, 2/23

Experiment

Wednesday, 2/25

- ❖ “Markets as Economizers of Information: Experimental Examination of the ‘Hayek Hypothesis,’” (V.L. Smith), *Economic Inquiry*, April 1982.
- ❖ W. Stanley Jevons, The Theory of Political Economy, Chapter 4 (Importance of Exchange in Economics, Ambiguity of the term Value, Definition of a Market, and Definition of Trading Body).
- ❖ F.A. Hayek, “The Use of Knowledge in Society,” *American Economic Review*, September, 1945.
- ❖ F.A. Hayek, “Competition as a Discovery Procedure,” The Essence of Hayek, Chapter 13.

Spring Break

Monday, 3/9

Surowiecki, James, *The Wisdom of Crowds*, Chapters 1-4.

Topic: Personal Exchange

Wednesday, 3/11

Experiment

Monday, 3/16

David Hume, A Treatise of Human Nature: Book 3, *Of Morals*: Part 1

Wednesday, 3/18

- ❖ David Hume, A Treatise of Human Nature: Book 3, *Of Morals*: Part 2, Sections 1-7.
- ❖ J.G. Frazer, “Private Property,” Psyche’s Task: A Discourse Concerning the Influence of Superstition on the Growth of Institutions, Chapter III.

Monday, 3/23

Experiment

- ❖ “Preferences, Property Rights and Anonymity in Bargaining Games,” *Games and Economic Behavior* (E. Hoffman, K. McCabe, K. Shachat, V.L. Smith), 1994.

- ❖ “Social Distance and Other Regarding Behavior in Dictator Games” *American Economic Review* (Elizabeth Hoffman, Kevin McCabe, V.L. Smith), 1996.
- ❖ “Hardnose the Dictator,” *American Economic Review* (T.L. Cherry, P. Frykblom, and J.F. Shogren), 2002.

Wednesday, 3/25

- ❖ Adam Smith, The Theory of Moral Sentiments:
 - Part I, Section I, Chapter I, *Of Sympathy*.
 - Part III, Chapter I, *Of the Principles of Self-approbation and of Self-disapprobation*
 - Part VI, Section II, Introduction and Chapter I, *Of the Order in which Individuals are Recommended by Nature to Our Care and Attention*

Experiment

Due dates for Papers and Presentations are Set

Monday, 3/30

- ❖ “Behavioral Foundations of Reciprocity: Experimental Economics and Evolutionary Psychology,” *Economic Inquiry* (Elizabeth Hoffman, Kevin McCabe, V.L. Smith), 1998.
- ❖ “How Animals Do Business,” *Scientific American*, (F.B.M. de Waal), April 2005.
- ❖ “Sustaining Cooperation in Trust Games,” *Economic Journal* (K. McCabe, M. Rigdon, and V. Smith), June 2007.
- ❖ “Positive Reciprocity and Intentions in Trust Games,” *Journal of Economic Behavior and Organization* (K. McCabe, M. Rigdon, and V. Smith), October 2003.

Wednesday, 4/1

Experiment

Monday, 4/6

- ❖ “Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-distance Trade,” *American Economic Review* (E. Kimbrough, V. Smith, and B. Wilson), June 2008.
- ❖ Bernstein, William. A Splendid Exchange: How Trade Shaped the World. Chapter 1: Sumer.
- ❖ “The Two Faces of Adam Smith,” *Southern Economic Journal* (V.L. Smith), 1998.

Wednesday, 4/8

Experiment

Topic: Asset Markets

Monday, 4/13

- ❖ “Bubbles, Crashes and Endogenous Expectations in Experimental Spot Asset Markets,” *Econometrica* (G. Suchanek, V.L. Smith, A. Williams), September 1988.
- ❖ James Surowiecki, The Wisdom of Crowds, Chapters 5, 6 (sections I-IV), 10 (section V), & 11.

Experiment

Topic: Antitrust

Wednesday, 4/15

- ❖ “The Effects of Market Practices in Oligopolistic Markets: An Experimental Examination,” *Economic Inquiry* (D. Grether and C. Plott), 1984.
- ❖ “Experimental Gasoline Markets,” *Journal of Economic Behavior and Organization* (C. Deck and B. Wilson), July 2008.

Topic: Student Presentations (Plan Now; Dates are Set on 3/25)

Monday, 4/20

Wednesday, 4/22

Monday, 4/27

Wednesday, 4/29