

Spontaneous Order and the Law
Law 7831
Spring, 2010
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Required Texts

Ellickson, R. *Order Without Law: How Neighbors Settle Disputes*, Cambridge, MA: Harvard University Press, 1991.
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.
Smith, A. *The Theory of Moral Sentiments*, Indianapolis: Liberty Fund, 1982.
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 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	20%
Laboratory Experiments	10%
Questions on Readings	10%
Essays (3 total)	25%
<u>Final Paper (including presentation)</u>	<u>35%</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 **final 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, double 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 will be expected to write **3 expository essays** in which you discuss the meaning that you have made or are attempting to make in exploring spontaneous order and the law. Develop this connection with references to the texts in a paper of a maximum of 750 words. Include the word count at the top of the paper.

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

Tuesday, 1/11

Discussion of syllabus

Hayek, Friedrich A. *The Fatal Conceit*, Introduction & Chapters 1-3.

Tuesday, 1/18

Hayek, Friedrich A. *The Fatal Conceit*, Chapters 4-7.

Tuesday, 1/25

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

Experiment

Tuesday, 2/1

Ellickson, R. *Order Without Law: How Neighbors Settle Disputes*, Chapter 11.

Goodall, J. "Order without Law" in Law, Biology, & Culture: The Evolution of Law, ed. M. Gruter and P. Bohannan.

Wilson, B., et al., "An Experimental Economic History of Whalers' Rules of Capture," Available here: <http://www1.chapman.edu/~bjwilson/papers/Whaling.pdf>.

Experiment

Tuesday, 2/8

Smith, V. "Markets as Economizers of Information: Experimental Examination of the 'Hayek Hypothesis,'" *Economic Inquiry*, April 1982.

Jevons, W.S. 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).

Hayek, Friedrich A. "The Use of Knowledge in Society," *American Economic Review*, September, 1945.

Hayek, Friedrich A. "Competition as a Discovery Procedure," The Essence of Hayek, Chapter 13.

Tuesday, 2/15

Hayek, Friedrich A., *Law, Legislation and Liberty: Rules and Order*, Introduction & Chapters 1-3

Tuesday, 2/22

Hayek, Friedrich A., *Law, Legislation and Liberty: Rules and Order*, Chapters 4-6

Tuesday, 3/8

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

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

Tuesday, 3/15

Hume, D. A Treatise of Human Nature: Book 3, *Of Morals*: Part 2, Sections 1-6.

Frazer, J.G. "Private Property," Psyche's Task: A Discourse Concerning the Influence of Superstition on the Growth of Institutions, Chapter III.

Experiment

Tuesday, 3/22

Cherry, T., et al. "Hardnose the Dictator," *American Economic Review*, 2002.

Hoffman, E., et al. "Preferences, Property Rights and Anonymity in Bargaining Games," *Games and Economic Behavior*, 1994.

Hoffman, E., et al. "Social Distance and Other Regarding Behavior in Dictator Games" *American Economic Review*, 1996.

Hayek, Friedrich A., *Law, Legislation and Liberty: The Mirage of Social Justice*, Chapters 7-8.

Adkins v. Children's Hospital, 261 U.S. 525 (1923)

West Coast Hotel Co. v. Parrish, 300 U.S. 379 (1937)

Tuesday, 3/29

Smith, A. The Theory of Moral Sentiments:

- Part I, Section I, Chapter I, *Of Sympathy*.
- Part II, Section II, *Of Justice and Beneficence*, Chapters I-III,
- Part III, Chapter I, *Of the Principles of Self-approbation and of Self-disapprobation*
- Part III, Chapter II, *Of the love of Praise...*, Paragraphs 1-10.
- Part III, Chapter VI, *In what cases the Sense of Duty ought...*, Paragraphs 1-11.
- Part IV, Chapter I, *Of the beauty which the appearance of UTILITY...*
- Part VI, Section II, Introduction and Chapter I, *Of the Order in which Individuals are Recommended by Nature to Our Care and Attention*
- Part VII, Section II, Chapter 1, only Paragraph 23.

Experiment

Tuesday, 4/5

de Waal, F.B.M. "How Animals Do Business," *Scientific American*, , April 2005.

McCabe, K., et al. "Positive Reciprocity and Intentions in Trust Games," *Journal of Economic Behavior and Organization*, October 2003.

Rigdon, M., et al. "Sustaining Cooperation in Trust Games," *Economic Journal*, June 2007.

Experiment

Tuesday, 4/12

Bernstein, W. A Splendid Exchange: How Trade Shaped the World. Chapter 1: Sumer.

Kimbrough, E., et al. "Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-distance Trade," *American Economic Review*, June 2008.
Smith, V. "Human nature: an economic perspective," *Daedalus*, Fall, 2004.
Experiment

Tuesday, 4/19

Grether, D. and Plott, C. "The Effects of Market Practices in Oligopolistic Markets: An Experimental Examination," *Economic Inquiry*, 1984.
Deck, C. and Wilson, B. "Experimental Gasoline Markets," *Journal of Economic Behavior and Organization*, July 2008.
Hayek, F.A. "The Meaning of Competition," in Individualism and Economic Order.
Surowiecki, J. The Wisdom of Crowds, Chapters 5, 6 (sections I-IV), 10 (section V), & 11.

Tuesday, 4/26

Student Presentations