Property rights govern the use of resources. Most societies have fairly complete sets of formal rules, sanctioned by law, that specify who has rights to use what resources for which purposes and who has the duty to respect these rights. Enforcement of formal rules, however, may not be fully effective. Informal rules, such as social norms, often play an important role in supplementing, and sometimes overriding, the formal rules. We can think of relatively stable configurations of these rules in particular societies as institutions. Our objective in this course is to gain a better understanding of the institution of property rights.

We will emphasize two general questions. First, what are the economic, political, and social consequences of specific systems of property rights? Second, what are the origins of property rights systems and how do they evolve? In attempting to answer these questions, we will be considering a specific, and important, aspect of one of the fundamental puzzles in the social sciences: If institutions are stable configurations of rules, how do they change?

Only about one-third of class-time will be lecture. The rest will be organized as discussions around readings and research topics. Course grades will be based on a short paper (25 percent), class participation and presentations (50 percent), and a final examination (35 percent).

The short paper is on a topic of your choice. It should be clearly relevant to one of the sections of the course. Please consult with the instructor well in advance of the class in which the topic will be discussed. A copy of the paper should be distributed to everyone in the class the week before it will be discussed.

Expect to make almost weekly presentations on course readings. Specific assignments will be made during the first class.

I highly recommend purchase of the following materials:


Tentative Schedule

1. Introduction (September 13)

Course overview

General Discussion of rights

Property rights as institutions

Characteristics of property rights systems

   Ownership: private, state, common, open access.

   Effectiveness: clarity of allocation, alienability, security from trespass, credibility of persistence.

2. Open Access Resources, Common Property, and Externalities (September 13 and 20)

   a. Basic Theory

      Eggertsson, pp. 83-91

   b. Common Property in Practice

      Ostrom, Chapters 3, 4, 5, and 6


   c. Externalities and the Coase Theorem

      Eggertsson, pp. 101-116

   d. Responses to Missing Markets: Tort and Created Property

3. Rights to Persons (September 27)

   Eggertsson, pp. 203-213.


   Pedro C. de Mello, "Expectation of Abolition and Sanguinity of Coffee Planters in Brazil, 1871-


4. Organizational Property Rights (October 11)

Eggertsson, Chapters 2, 5, 6, and 7


5. Introduction to Game Theory and the Rational Choice Theory of Institutions (October 18 and 25)

a. Basic concepts

b. The Game Theoretic Model of Institutions


6. Transaction Costs and Property Rights (November 1)


7. **Origins of Property Rights** (November 8)

a. Competing Theories

Eggertsson, Chapters 8 and 9


b. Cases


8. **The Problem of Credibility in the Creation of Effective Property Rights** (November 15, 22, 29)


Hilton Root, "Tying the King’s Hands: Credible Commitments and Royal Fiscal Policy During the Old Regime," *Rationality and Society*, 1, no. 2 (October 1989), 240-258.


**9. The Evolution of Property Rights in Communist and Post-Communist Countries** (December 6)


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