

Economics 480: Economic Institutions and Economic Performance in a Global Context
Montana State University
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Rob Fleck
Andy Hanssen

Property Rights, Economic Performance, and the Origins of Democracy: Lessons from Ancient Greece

Instructors: Rob Fleck and Andy Hanssen (professors of economics) will jointly teach the course and lead the trip to Greece. Both have published extensively on the relationships between political institutions and economic performance, and they have jointly conducted research on the rise of democracy in ancient Greece and on women's rights in ancient Sparta.

Purpose of the Course: This is a 4-credit, upper division, seminar-format, research-oriented economics course that also includes a two-week trip to Greece. The subject matter focuses on one of the most prominent research topics in economics: the role of institutions in economic performance. There is a general consensus among economists that differences between institutions explain much about differences in living standards around the world, but the question of how countries with poor institutions can establish "good" ones (e.g., democracy, clearly defined property rights, and well functioning legal systems) remains a major research topic. Although the course will have the institutions of ancient Greece as a focal point, the approach to the material will be that of an economics course, not a Greek history course. The readings will include recent research using data from the modern world as well as material on the ancient world. Class discussions will explore how an understanding of the ancient world can help us understand the modern world, and vice versa.

Students who successfully complete the class will be able to use their 4 credits toward their major or minor in economics, specifically toward the requirement for 300-level economics electives (i.e., the credits would apply in the same manner as Econ 311, Econ 312, Econ 314, Econ 317, Econ 320, or Econ 332).

Can Traveling to Greece Really Help You Learn Economics? Yes. Traveling provides an excellent opportunity to learn about the world in which we live. Of course, the mere activity of visiting another country does not necessarily mean that you will gain much in the way of enlightenment, but then neither does enrolling at a university. The key is to approach the study-abroad experience (and university courses in general) from a scholarly perspective. Thus, the trip to Greece will be an academically focused, in depth experience that provides students with a unique opportunity to explore some of the really big economic issues – and to do so with two professors and a group of fellow students who have given serious thought to the links between institutions and economic performance.

For this type of scholarly travel, Greece provides an extraordinary "classroom" because it is both a fascinating modern country and the birthplace of many of what we now consider to be good institutions. Perhaps most famously, democratic forms of government (not all the same) arose and flourished roughly 2500 years ago among perhaps 1000 Greek city-states. Greece was not, however, a set of homogeneous city-states. For example, most women in ancient Greece had few rights and

little property, but Spartan women were famous for their wealth and influence. Some Greek city states enjoyed substantial economic growth and became very wealthy by the standards of the day. Moreover, we are all in some sense living under the legacy of the ancient Greeks, in part because their history had a large influence on the way democratic institutions were designed in the United States. Unsurprisingly, Greek democracies faced many of the same challenges that we do, including those related to property rights and economic incentives. Traveling to Greece will enable students not just to visit some of the world's most famous ruins and great museums, but to stand on the Acropolis while discussing why Athens became the legendary wealthy democracy it did, then visit the ruins of ancient Sparta and consider why it adopted institutions so different from Athens. Students will also see first-hand Greece's rugged landscape – something which has played a major role in shaping Greek history and institutions.

We will also visit key sites from other eras of Greek history. Indeed, it would be impossible to do otherwise because Greece is so densely packed with historical sites. For example, we will visit Mycenae, which pre-dates the ancient Greek democracies (from the top of the ruins at Mycenae, one can see in the distance the fortifications of Argos, one of the most famous and democratic ancient city states). We will visit the famous Byzantine ruins at Mystras (from the top of which one can see Sparta). We will also visit Nafplio (the first capital of modern Greece), which has impressive fortifications built by the Venetians, beautiful churches, and superb gelato. Of course, being on a scholarly adventure does not preclude eating great food, swimming in the Mediterranean, and enjoying the opportunity to meet Greeks.

Requirement for Enrollment: Permission of instructors.

Prerequisite Material: Econ 201 and Econ 102; or Econ 250. The material will be presented at a level appropriate for students who have a solid command of introductory macroeconomics and intermediate microeconomics.

Course Meetings: Our tentative plans are to meet once per week (probably in the evening for roughly two hours) during the spring semester. The meetings will be organized in a seminar format; over the course of the semester, each student will be a leader or co-leader for discussing several readings. The trip to Greece will also rely on student-led discussions, with each student choosing a particular topic (or topics) on which he or she will develop expertise. We will want at least one student to be prepared to discuss the highlights of each major site we visit in Greece, but the scope of what we discuss will be determined largely by student interest. Of course, the topics must relate to the subject matter in the course (institutions and economic performance), but that leaves a wide range of potential topics. For example, if a student has a particular interest in Italian cities states, he or she may choose to write a paper comparing Venice during the Renaissance to an ancient Greek city state; the city of Nafplio, with its Venetian architecture, would be the natural place to make such a presentation.

Overview of Subject Matter: As noted above, this will be an economics course. In part because there is not a large economic literature on ancient Greece, most of our economics readings will not be focused on ancient Greece – they will, however, be useful for understanding what ancient Greece can tell us about the modern world, and vice versa.

The non-Greek readings will have three main objectives. First, we will discuss the classical liberal foundations of modern research on property rights and institutions. Having some exposure

to these foundations is essential for our purpose because although there is no longer much debate among economists over whether property rights – and the institutions that make property rights secure – play a critical role in economic performance, this was not always the case. Second, to put the performance of ancient Greece in perspective, we will consider briefly what economic principles can tell us about the causes of modern successes and some spectacular disasters in public policy. Third, we will review the current scholarly debate over how to establish secure property rights and foster good incentives; because the relevant literature is huge, we will study only a few examples drawn from the diverse set of methodological approaches and topics.

The literature on ancient Greece is huge – scholars have been studying the Greeks for millennia. Consequently, the core readings will be very selective; individual students can read more on particular topics of their own choosing.

Requirements and Grades: Grades for this course will be determined by class attendance, written assignments, presentations, and a paper. Students will be expected to come to class prepared to discuss the relevant readings. If a student must miss a class, he or she must write up answers to our discussion questions for that week. If a student must miss the trip to Greece, he or she will be required to complete an additional written assignment. Because the course will not be completed until roughly two weeks after the end of spring semester, we anticipate filing incomplete (“I”) grades during finals week, then upon completion of the trip substituting letter grades for those incomplete grades.

Paper: The paper may be relatively short (e.g., 15 double-spaced pages) or longer, but it must be well done. The purpose is to have every student pursue one of his or her specific interests in depth. The paper cannot be merely a literature review or merely a description of events in history: Your paper must incorporate your *own* analysis. Naturally, we recognize the likely constraints on writing papers (e.g., not enough time to gain fluency in the ancient Greek language), and new analysis need not be a new theory with new statistical evidence. Moreover, one can write an interesting analytical paper by using economic theory to evaluate an important debate, then lay out a potential research agenda that could, through the production of new evidence, resolve that debate. Alternatively, one can take a set of well accepted facts about ancient Greece and use those facts to illuminate a modern policy issue or academic debate. Or one can offer a potential explanation for why institutions (or economic outcomes influenced by institutions) differed between two locations or two time periods.

Readings:

- ** Indicates required readings (i.e., all students read).
- * Indicates readings that at least one student (usually two) will be responsible for reading and co-leading the discussion.
- ~ Additional readings for students particularly interested in a topic; potentially useful resources for research projects.

Topic 1: Setting the stage for the semester: What did the ancient Greeks do to warrant so much attention for thousands of years (including recent big-budget films about Hercules, Leonidas, and Alexander)? When did ancient Greek democracy rise and fall? Should we still care?

- ** Brief overview of Greek history during the archaic and classical periods. (Readings to be named later.)

Topic 2: Is the question of how institutions can promote/hinder growth new? If not, what are the new questions?

- ** Smith, Adam. “Of the Different Progress of Opulence in Different Nations.” In *The Wealth of Nations*, 1776.
- ** Shakespeare, William. *The Merchant of Venice*. (Just a few short passages on the rule of law.)
- ** Aristotle. *Politics*. (Just a few short passages on the relationship between land ownership and incentives within democracy.)
- ** Herodotus (Just a few short passages.)

Topic 3: Markets and information: What can we learn from major policy mistakes in recent times?

- ** Hayek, F.A. “The Use of Knowledge in Society.” *American Economic Review*, 1945.
- * Litwack, John M. “Discretionary Behavior and Soviet Economic Reform.” *Soviet Studies*, 1991.
- * Li, Wei, and Dennis Tao Yang. “The Great Leap Forward: Anatomy of a Central Planning Disaster.” *Journal of Political Economy*, 2005.
- * Various items on current financial crisis

Topic 4: Informal institutions, formal institutions, and the rule of law. How heterogeneous are “good” institutions? (And what is a “good” institution anyway?)

- ** Acemoglu, Daron, Simon Johnson, and James A. Robinson. “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics*, 2002.
- * Acemoglu, Daron, Simon Johnson, and James A. Robinson. “The Colonial Origins of Comparative Development: An Empirical Investigation.” *American Economic Review*, 2001.
- * Umbeck, John. “Might Makes Rights: A Theory of the Foundation and Initial Distribution of Property Rights.” *Economic Inquiry*, 1981.
- ~ Barzel, Yoram. *Economic Analysis of Property Rights*. Cambridge: Cambridge University Press, 1989.
- ~ Barzel, Yoram. 1992. “Confiscation by the Ruler: The Rise and Fall of Jewish Lending in the Middle Ages.” *Journal of Law and Economics* 35:1–13.
- ~ Greif, Avner. “Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition,” *American Economic Review*, 1993.
- ~ Greif, Avner, Paul Milgrom, and Barry R. Weingast. “Coordination, Commitment, and Enforcement: The Case of the Merchant Guild,” *Journal of Political Economy*, 1994.
- ~ Weingast, Barry R. “The Political Foundations of Democracy and the Rule of Law,” *American Political Science Review*, 1997.

Topic 5: Why expand the set of people who have political and/or economic rights?

A. Cases other than Greece

- ** North, Douglass C., and Barry R. Weingast. “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England,” *Journal of Economic History*, 1989.
- * Acemoglu, Daron, and James A. Robinson. 2000. “Why Did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective,” *Quarterly Journal of Economics* 115:1167–1199.
- * Lizzeri, Alessandro, and Nicola Persico. 2004. “Why Did the Elites Extend the Suffrage? Democracy and the Scope of Government, with an Application to Britain’s ‘Age of Reform.’” *Quarterly Journal of Economics* 119:707–65.

- * Llavador, Humberto, and Robert J. Oxoby. 2005. “Partisan Competition, Growth, and the Franchise.” *Quarterly Journal of Economics* 120:1155–92.
- ~ Acemoglu, Daron, and James A. Robinson. 2001. “A Theory of Political Transitions,” *American Economic Review* 91:938–963.
- ~ Barzel, Yoram. 2000. “Property Rights and the Evolution of the State.” *Economics of Governance* 1:25–51.
- ~ Geddes, Rick, and Dean Lueck. 2002. “The Gains from Self-Ownership and the Expansion of Women’s Rights.” *American Economic Review* 92: 1079–1092.
- ~ Kiser, Edgar, and Yoram Barzel. 1991. “The Origins of Democracy in England.” *Rationality and Society* 3:396–422.
- ~ Lipset, Seymour Martin. 1959. “Some Social Requisites of Democracy: Economic Development and Political Legitimacy.” *American Journal of Political Science* 53:69–105.
- ~ Londregan, John B., and Keith T. Poole. 1996. “Does High Income Promote Democracy?” *World Politics* 49:1–30.

B. Greek city-states

- ** Fleck, Robert K., and F. Andrew Hanssen. “The Origins of Democracy: A Model with Application to Ancient Greece.” *Journal of Law and Economics*, 2006.
- ** Fleck, Robert K., and F. Andrew Hanssen. “Rulers Ruled by Women: An Economic Analysis of the Rise and Fall of Women’s Rights in Ancient Sparta.” Forthcoming, *Economics of Governance*.

Topic 6: Lessons from ancient Greece; or what can economists do with the wealth of knowledge that historians have provided to us?

- ** Aristotle. *Politics*. (Just a few parts.)
- ** Ober, Josiah. 2008. *Democracy and Knowledge: Innovation and Learning in Classical Athens*. Princeton, N.J.: Princeton University Press. (Chapters 1 and 2 are required reading for all students; the rest of the book is recommended, not required.)
- * Ober, Josiah. 2005. *Athenian Legacies: Essays on the Politics of Going Together*. Princeton, N.J.: Princeton University Press. (Selected parts.)
- * Ober, Josiah. 1996. *The Athenian Revolution: Essays on Ancient Greek Democracy and Political Theory*. Princeton, N.J.: Princeton University Press. (Selected parts.)

- * Pomeroy, Sarah B. 2002. *Spartan Women*. New York: Oxford University Press. (Selected parts.)
- * Smith, Adam. 1776. *The Wealth of Nations*. Edited by Edwin Cannan, 1976. Chicago: The University of Chicago Press. (A few selected parts.)
- * Kaiser, Brooks. 2007. “The Athenian Trierarchy: Mechanism Design for the Private Provision of Public Goods.” *Journal of Economic History* 67:445-480.
- ~ Blundell, Sue. 1995. *Women in Ancient Greece*. Cambridge: Harvard University Press.
- ~ Cartledge, Paul. 2003. *The Spartans*. New York: Overlook Press.
- ~ Finley, Moses I. 1982. *Economy and Society in Ancient Greece*. New York: Viking Press.
- ~ Freeman, Charles. 1999. *The Greek Achievement*. New York: Viking.
- ~ Ober, Josiah. 1989. *Mass and Elite in Ancient Athens: Rhetoric, Ideology, and the Power of the People*. Princeton, N.J.: Princeton University Press.
- ~ Ober, Josiah. 1998. *Political Dissent in Democratic Athens: Intellectual Critics of Popular Rule*. Princeton, N.J.: Princeton University Press.
- ~ Pomeroy, Sarah B. 1975. *Goddesses, Whores, Wives, and Slaves: Women in Classical Antiquity*. New York: Shocken Books.
- ~ Pomeroy, Sarah B., Stanley M. Burstein, Walter Donlan, and Jennifer Tolbert Roberts. 1999. *Ancient Greece: A Political, Social, and Cultural History*. New York: Oxford University Press.
- ~ Robinson, Eric. 1997. *The First Democracies: Early Popular Government Outside Athens*. Stuttgart: Franz Steiner Verlag.