

Department of Economics
American University

19.701: Heterodox Microeconomics

Professor Meurs
Spring 2008

This course will provide an overview of some recent, alternative work in Microeconomics. Most of the work covered in this course might be thought of as “radical institutionalist.” Students in the course will be required to complete a midterm and final exam (25% of grade each), as well as 8 assignments (6 homeworks, one short written exercise, and a quiz) (50%). Reading is to be completed before class; class time will often include discussion of readings, and all students are expected to participate in an informed manner in the discussion.

The Bowles text will be available for purchase from the AU bookstore. Readings in other books will be available in the reader from University Readers. Readings in journal articles are available in the periodicals area of the library or from various on-line sources of your choice. Locating the readings is your personal responsibility.

I) Introduction

Week 1 Introduction: PE Paradigms

Samuel Bowles, *Economic Institutions and Behavior*, Prologue and Ch. 1.

Myra Strober, “Rethining Economics Through a Feminist Lens,” *American Economic Review*, May 1994.

* Robin Hahnel and Michael Albert, *Quiet Revolution in Welfare Economics*, Introduction.

II) Coordination Problems in Economy and Society

Week 2: Spontaneous Order

Game Theory Quiz

Samuel Bowles, *Economic Institutions and Behavior*, Ch. 2

Bowles, “Cooperation, Reciprocity, and Punishment in Fifteen Small-Scale Societies,” *AER*, May 2001.

Simon Gächter and Benedikt Herrmann, “The Limits of Self-Governance when Cooperators Get

Punished: Experimental Evidence from Urban and Rural Russia,” University of Nottingham, Center for Decision Research and Experimental Economics Discussion Paper, no. 2007-11.

* Robert Sugden, “Spontaneous Order,” *Journal of Economic Perspectives* 3(4) 1989. (If you need support for the text, try reading this.)

Homework 1 hand out.

Week 3: Preferences (Endogenous and Alternative)

Samuel Bowles, *Economic Institutions and Behavior*, Ch. 3.

Ernst Fehr and Simon Gächter, “Fairness and Retaliation: The Economics of Reciprocity,” *Journal of Economic Perspectives* 2000 (14): 159-181.

* *Quiet Revolution in Welfare Economics*, Chs. 4 and 6.

* Hahnel, “Endogenous Preferences: The Institutional Connection,” in *Crossing the Mainstream: Ethical and Methodological Issues in Economics*, A.K. Dutt and K.P. Jameson editors (University of Notre Dame Press, 2001).

Homework 1 due.

III) Institutions for Coordination: Norms, Markets, and Communities

Week 4 Norms and Conventions

Bowles, *Economic Institutions and Behavior*, Chapter 4.

Elinor Ostrom, *Understanding Institutional Diversity*, chapters 4 and 8.

Homework 2 hand out.

Week 5 Markets

Samuel Bowles, *Economic Institutions and Behavior*, Chs. 6 and 7.

* Samuel Bowles and Herbert Gintis, “The Revenge of Homo Economicus,” *Journal of Economic Perspectives* 7(1) 1993.

* *Quiet Revolution in Welfare Economics*, Chs. 3 and 7 (except sections 7.1 and 7.2)

* “Are Markets Like Mushrooms and Other Neo-Liberal Quandries,” *Review of Radical Political Economics*, 2001.

Homework 2 due.

Week 6: Midterm Exam

Week 7 Institutional Evolution

Douglass North, *Institutions, Institutional Change and Economic Performance*, Chs. 1-11.

Douglass North, *Structure and Change in Economic History*, Ch. 12 (pp. 158-170).

Week 8: Institutional Evolution, cont

Jack Knight, *Institutions and Social Conflict*, chs. 4-5.

Kenneth Koford and Jeffrey Miller, "A Model of Contract Enforcement in Early Transition," U of Delaware Working Paper.

* Jack Knight, *Institutions and Social Conflict*, chs 1-3. (These chapters set up the problem. In part, they review material from Week 4. But you may want to skim them to get a grasp of Knight's terminology.)

Short written assignment, hand out.

Week 9: Property Rights

Thrainn Eggertsson, *Economic Behavior and Institutions*, Chs 2-4.

Richard C. Hoffman, *Medieval Origins of the Common Fields*, in William Parker and Eric Jones, eds., *European Peasants and Their Markets*, pp. 23-71.

Short written assignment due.

Homework 3 hand out.

Week 10: Firms

Bowles, *Economic Institutions and Behavior*, Ch. 8.

A. Falk, Ernst Fehr, and C. Zehnder, "Fairness Perceptions and Reservation Wages: The Behavioral Impact of Minimum Wage Laws," *Quarterly Journal of Economics*, Nov. 2006: 1347-1381.

Homework 3, due.

Homework 4, hand out.

Week 11: Credit Institutions

Bowles, *Economic Institutions and Behavior*, Ch. 9.

Timothy Guinnane, "A Failed Institutional Transplant: Raiffeisen's Credit Cooperatives in Ireland, 1894-1914," *Explorations in Economic History*, 1994, vol. 31 (1), pp. 38-61.

Homework 4, due.

IV) Differentiated Actors

Week 12 Class

John Roemer, *Free to Lose*, Ch. 2, 6,7.

Ashok Kotwal and Mukesh Eswaran, "Credit and Agrarian Class Structure," in Pranab Bardhan, ed., *The Economic Theory of Agrarian Institutions*.

* John Roemer, *Free to Lose*, Ch. 5.

Homework 5, hand out.

Week 13 Gender

Joris Ghysels, "Theoretical Models of Household Decision-Making" chapter 1 in *Work, Family and Childcare* (Edward Elgar, 2004).

Robert Pollack, "Bargaining Power in Marriage: Earnings, Wage Rates and Household Production," NBER Working Paper 11239, 2005.

Homework 5 due.

Homework 6, hand out.

V) Alternative Institutions and Actors:

Week 14 Participatory Economics

Homework 6, due.

Avner Ben-Ner and Derek C. Jones, "Employee Participation, Ownership and Productivity: A Theoretical Framework," *Industrial Relations*, 34(4), 1995.

Samuel Bowles and Herbert Gintis, "The Democratic Firm: an agency theoretic evaluation," in Samuel Bowles, Herbert Gintis, and Bo Gustafsson, eds., *Markets and Democracy* (1993).

Something new.