Econ 476b. Economics of Rules and Governments

**Day / time:** T 3:30 - 5:20pm  
**Course Type:** Undergraduate  
**Course term:** Not offered  
**Year:** 2014  
**Instructor(s):** John Wallis

Permission of Instructor Required

This Seminar will focus on how governments create and enforce rules. The nature of governments and the nature of rules will be the primary subject, as well as the dynamics of how governments are able to create rules that powerful individuals have incentives to obey.

One of the key elements in the historical development of modern societies is the ability of those societies to create and enforce impersonal rules. Impersonal rules “treat everyone the same” in the sense that they apply equally to a large class of people and are enforced in an unbiased manner. The ability to enforce impersonal rules is an integral part of the rule of law, of secure property rights, and of limited government (governments that obey their own rules). Because impersonal rules must be widely known and their enforcement visibly unbiased, any organization that creates and enforces impersonal rules is a government. This class concentrates on how economics and the social sciences more generally think about the problem of governments and rules. The traditional approach, at least since Hobbes, has been to think of the government as the organization with a comparative advantage in violence. Because the government is capable of coercing everyone, particularly the powerful members of society, it is able to enforce rules through coercion — the threat of violence. This approach has inherent limits. Governments that are powerful enough to protect property rights are powerful enough to expropriate property rights, and historically they usually do. The class explores the conditions under which powerful members of society will voluntarily agree to abide by impersonal rules, and thus grant to the government a monopoly on the “legitimate use of violence” (a la Weber).

The first quarter of the class will examine main lines of thinking about the state in economics, political science and sociology. The second quarter will look closely at the nature of rules, the incentives people have to follow rules, and the effect of enforcement, including the idea that some rules may be “self-enforcing.” The third quarter the ways by which governments can create and enforce rules. The final quarter focuses on the transition to impersonal rules in some societies over the last 200 years.

**Prerequisite:** Intermediate Macroeconomics.

[Also EP&E 288b]

**Undergrad Course Category:** Political Economy

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