Objective: to provide an introduction to fundamental microeconomic concepts relevant to the generic problem of coordinating social interactions among autonomous actors, with particular attention to conflict, competition, collective action, and coordination failures in capitalist economies, and the process of innovation and change in individual preferences and social structures.

Prerequisites: admission to the doctoral program in economics and economics 751 (may be taken concurrently), or permission of the instructor. Students from doctoral programs in resource economics, management, and the other social sciences, and other fields having adequate mathematics background are welcome. Except in unusual circumstances I do not welcome auditors.

Course requirements: fortnightly problem sets, two in class exams, and participation in class discussions of the readings (except in unusual circumstances late submissions of work will not be considered.)

Readings: The numbered sections are (roughly) topics for class meetings. Many of the readings will be from Samuel Bowles, Economic Institutions and Behavior: An Evolutionary Approach to Microeconomics (EI & B), which may be downloaded from my webpage. An asterisk * indicates optional, while o indicates a reading which I expect you to be ready to discuss at the meeting indicated. Knowledge of the material in Herbert Gintis=Game Theory Evolving is not presumed in the course, but you will find this a helpful source of theory and applications concerning strategic interaction. Additional readings on most of these topics are found in the reading list for the seminar Theoretical Institutional Economics, on my webpage.

Coordinates: You may contact my by email at bowles@econs.umass.edu (I will respond within 24 hours to questions about course material, copying your post and my response to the entire class (unless you ask me not to).) I also arrange office hours by email. If you are curious about my own research interests check my webpage: http://www-oit.umass.edu/~bowles.
Course Outline and Readings

1 Introduction: Old Problems, New Insights

1.1 Introduction: What Economics is (Really) About (Getting the Rules Right)

1.2 Post Walrasian Economics: Increasing returns, incomplete contracts, and non-standard preferences.


- Ernst Fehr and Simon Gachter, *Fairness and Retaliation: the economics of reciprocity*, forthcoming in *J.Econ.Perspectives*.


2 Social Structure and Individual Action
2.1 Social interactions as games

- EI & B, Chapter 1, *Social Interactions and Institutional Design*
  
  * Herbert Gintis, *Game Theory Evolving*, (Chapters 1-5).
  
  
  

2.2 Spontaneous order and the evolution of behaviors

- EI & B Chapter 3 *Spontaneous Order and the Evolution of Behavior*
  
  
  
  
  * David Lewis, *Convention*, ch 1 (Coordination and Convention) 1-51.

2.3 Preferences and Behavior

- EI & B, Chapter 2, *Preferences and Behavior*
  
  
  
  
  
  * H. Gintis, "Consumer Behavior and the Concept of Sovereignty: Explanations of Social


2.4 Coordination Failures and Institutional Responses


* EI & B, Chapter 4, *Coordination Failures and Institutional Responses*

2.5 Coordination failures and institutional responses (continued)

2.6 Bargaining, Fighting, and Sharing

- El & B, Chapter 5, *Dividing the Gains to Cooperation*


- Russell Hardin, *Collective Action*.


2.7 Exam

3 Contracts, Markets, and Organizations

3.1 Decentralized Coordination


457-459.


- EI & B, Chapter 6, *Decentralized Coordination*
  * Cass Sunstein, *After the Rights Revolution*, 47-73 ("The Functions of Regulatory Statutes.")

3.2 Markets, Contracts and Organizations

- EI & B, Chapter 7, *Markets, Contracts, and Organizations*

3.3 The Governance of Exchanges with Transaction Specific Assets


* David Kreps, "Corporate Culture and economic theory" in James Alt and Kenneth Shepsle, 
Perspectives on Positive Political Economy, 90-132.

3.4 Firms and Labor Markets as Social Institutions

- EI & B, Chapter 8, Firms and Labor Markets as Social Institutions


3.5 Firms (continued)

3.6 Credit Markets

- EI&B, Chapter 9, Credit Markets


3.7 Equilibrium Contracts


3.8 The economic institutions of capitalism.

- EI & B, Chapter 10, The Economic Institutions of Capitalism

* Albert Hirschmann, Exit, Loyalty, and Voice, ch 1 ("Introduction and Doctrinal Background") 1-5; 15-20.

* R.H.Coase, The Institutional Structure of Production, @Nobel Lecture, 1991, AER
4 The Evolution of Economic Institutions and Behavior

4.1 Economic Evolution: Dynamic Analysis

- EI&B, Chapter 11, *Institutional Change*

- Peyton Young, "Conventions" *J. Econ Perspectives* 10(1995):105-122.


4.2 Collective Action and Institutional Change

- EI & B, Chapter 12, *Collective action and institutional innovation*.

4.3 Social Structure and the Evolution of Human Sociality

- EI&B, Chapter 13, *Groups, Conflict, and the Evolution of Pro Social Norms*


* Elliott Sober, "What is Evolutionary Altruism?" *Canadian J. of Philosophy*, s14, 75-99.


* Frans de Waal, *Good Natured: the origins of right and wrong in humans and other animals.* (Cambridge, Harvard, 1996.)

4.4 The Coevolution of Institutions and Preferences

o EI & B, Chapter 14, *The Co-evolution of Institutions and Preferences*

5 Reprise: Getting the Rules Right Redux


* Samuel Bowles and Herbert Gintis, "Reciprocity, Self Interest and the Welfare State@ Nordic J. Econ., 2000,1(January) (appears in slightly different form as As equality passe≠@n Boston Review, with reactions by critics, December, 1998.)


* Jack Knight, *Institutions and Social Conflict*, ch 2 ("The Primary Importance of Distributional Conflict") 21-47.