Objectives

One of the most fundamental facts about modern societies is that they depend on exchange: almost all of the things we need for our daily lives are produced not by ourselves but by others. Many of these exchanges are conducted between complete strangers. Some exchanges take place through the institution of markets, others through firms and a great variety of non-market institutions. It might seem that a disposition to “truck, barter and exchange” (in Adam Smith’s words) is so natural to human beings that it needs no further explanation, but in fact a careful study of our prehistoric past suggests that it is a profoundly unnatural thing to do, and has become a universal feature of human existence only in the relatively recent past.

This course asks four questions:

1) How has exchange with strangers become a near-universal feature of human societies when everything suggests it was a very unnatural thing for our prehistoric ancestors to do?

2) Under what circumstances do markets provide a natural and relatively efficient means of undertaking these exchanges?

3) What kinds of non-market institution provide an alternative means of undertaking these exchanges, and under what circumstances do they work naturally and efficiently?

4) How are changes in the technology of information transmission and processing changing the nature of the institutions that mediate economic exchange?
Course Outline

The topics covered will be as follows (the timing is approximate):

Weeks 1 and 2: The psychological foundations of market exchange

Weeks 3 and 4: The evolution of markets through history

Weeks 5 and 6: Non-market institutions and their evolution through history

Weeks 7 and 8: The Coase question: the fluctuating frontiers of market and non-market exchange

Weeks 9 and 10: Signaling, networks and bidirectional choice

Weeks 11 and 12: The New Information Economy and the future of exchange

Requirements

There are no formal requirements for the course, but students are expected to be present and to participate actively in class discussion. Past experience suggests it is extremely unlikely that any student can pass the exam purely by reading the presentation slides – presence in class is essential.
Bibliography

There is no textbook for the course but you will be encouraged to read very widely, in psychology, biology, anthropology, history and current affairs as well as in economics.

Here are a few readings to get you started; these are all books that take a “big picture” approach to their respective topics, and contain many other useful references, including specialized ones. Other readings will be suggested as the course proceeds. Within topic the books are listed in alphabetical order:

1) Human psychology as related to economic and social decision making:


2) The evolution of human cooperative and social capacities:


3) Human societies during prehistory


Stringer, Chris (2013): *Lone Survivors: How We Came to be the Only Humans on Earth*, St. Martin’s Griffin.
4) The history of human violence
Morris, Ian (2014): War: What is it Good For?, Profile Books

5) The development of markets

6) Non-market organizations and organizational design

7) Signaling and sexual selection

8) The economic approach to human institutions

9) Institutions and Human Development in Historical Perspective
Websites:

A post on my website will contain updated copies of this syllabus as well as of the slides of the lectures, as well as any other handouts.

The URL is here:

http://paulseabright.com/?p=544

News websites:

We shall devote a certain amount of time in class to discussing current economic events, so I shall expect you to be up to date. Good websites where you can obtain economic news are:

www.economist.com
www.ft.com
www.guardian.co.uk
www.lemonde.fr
www.liberation.fr
www.nytimes.com
www.wsj.com

In addition you can find high quality discussion of economics issues on a number of blogs (alphabetical order by title):

Chris Blattman
The Conscience of a Liberal (Paul Krugman)
Grasping Reality with Both Invisible Hands (Brad DeLong)
Greg Mankiw’s blog
Library of Economics and Liberty (Bryan Caplan, Arnold Kling, David Henderson)
Marginal Revolution (Tyler Cowen and Alex Tabarrok)
Overcoming Bias (Robin Hanson)
Vox (Richard Baldwin/CEPR)

Grading Policy:

The course is examined by a 1.5 hour written exam. Previous year’s exam papers are available on my website. In 2013-14 the median mark was 11/20 and two-thirds of students sitting the exam obtained a mark of 10 or more. One in eight students obtained mark of 16 or more.