

**Syllabus**  
**ECON 827—The Economics of Property Rights & Corporate Organization**  
**Spring '06**

***Instructor:*** Michael T. Maloney, Professor of Economics  
223 Sarrine Hall  
Phone: 864-656-3430 (rolls to my cell phone)  
E-mail: maloney@clemson.edu  
Internet: 'www.clemson.edu/~maloney'

***Abstract:***

The economics of property rights is a loosely defined area of research. Obviously, there is the question of the exploitation of natural resources and the property right structures that have evolved to control this economic activity. However, on close inspection, every market transaction involves the definition of property rights. As Barzel says, every time you buy something it is crucially important that you know and can be sure about exactly what you are buying. The contractual provisions that control market exchanges essentially define the market and thereby define the rights in property that are exchanged.

Looked at in this way, we begin our study of the economics of property rights with an overview of the nature of the firm. While it may seem odd to begin the study of property rights with an investigation of the firm, it will quickly become clear why this is the most logical starting point. The firm is a property rights institution. While the neoclassical analysis of the firm treats it as an autonomous economic agent—a living and breathing thing—it is not that at all. The firm is a nexus of contracts, to use Jensen and Meckling's phrase. The firm is an entity defined by a very elaborate set of contractual (i.e., property rights) arrangements. When we can understand why the firm exists and where its limits are found, we begin to understand the problem of property rights.

***Class Outline:***

In my review of the scholarly work in the field of contracting or property rights I think that there are four categories of problems associated with forming efficient contracts. These are opportunistic behavior, shirking, pricing, and measurement. After a general overview of the problem of contracting, we investigate each of these problem areas. Finally, we will look at specific legal problems and at issues in controlling common access. This outline is embodied in the reading list.

***Materials:***

All class materials are posted on my web site: 'www.clemson.edu/~maloney'. This includes this syllabus, the reading list, a set of questions, lecture notes, and assignments. I will communicate to you via e-mail. Please reply freely with your own queries.

**Readings:**

The reading material for the class is found in journal articles. Nearly all the readings are now available electronically.

You may find the following text to have useful summaries of many of the ideas and readings: *Modern Industrial Organization*, by Dennis Carlton and Jeffrey M. Perloff, 2<sup>nd</sup> ed., Harper Collins, 1994; 3<sup>rd</sup> ed., Addison Wesley, 2000; 4<sup>th</sup> ed., Pearson Addison Wesley, 2003. All editions are similar.

**Question Set:**

An extensive set of questions has been developed. These follow the outline of the course. I will draw assignments from these and they will constitute the questions for the mid-term and final examinations.

**Grades:**

There will be two exams, one at mid-term and the final. There will be several short essays during the semester, possibly as many as eight. Finally, there will be a longer term paper due two weeks before the end of the semester. The final and the long term paper will each count 25 percent of your semester grade. The mid-term and short assignments will count 50 percent total. The papers should be typed and submitted via e-mail.

**Attendance:**

There is no formal attendance policy. You should come to class. If you have to miss class, you should inform me. You will be asked to give a presentation of your term paper at the end of the semester. This is required. Class participation especially in the discussion of the written assignments will count positively in the evaluation of your written work.

Generally, class notes will be distributed following each lecture. These represent an outline of the basic material. However, they cannot substitute for your own note taking, both in class and when reading the assignments. You should integrate my notes into your own.

**Office Hours:**

I will be available from 5:15 to 6:00 on class days and anytime by appointment. I am in my office a lot. Generally, I am in by 7a everyday. I usually exercise around 11a. I like to prepare for my classes on Monday and Wednesday from 1p on. Any other time that you find me, I am at your service. Call or e-mail me to set up an appointment, or just drop by.

**Lectures:**

The following is a list of lectures from the last time I taught this class. The lectures change from year to year, so you cannot count on this material constituting the major focus of the class. Rather, the reading list is your main guideline. You are responsible for everything there regardless of whether we cover it explicitly in class.

1. The Laws of Economic Motion
2. The Firm
3. Inter-firm Contracting
4. Measurement as a Contract Problem
5. Opportunism and Contract Choice
6. Payola
7. Mergers in Telecomm
8. Exclusive Dealing
9. Franchising
10. Tournaments
11. Tying Contracts
12. Pricing
13. Resale Price Maintenance
14. Automobile Dealing
15. Measurement
16. Brand Names
17. The Citizen & the State
18. The Institutions of Property Rights
19. The Theory of Government
20. Patents
21. Intangible Property