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Econ 854

## Public Choice II Syllabus

### Course Focus:

This is a research-oriented course in public choice, also known as political economy, economics of politics, and rational choice theory. It introduces students to basic concepts and debates in public choice, including the logic of collective action, the Median Voter Model, information, bargaining, competition, and constitutions. But its main goal is to take students up to the research frontier, with a focus on what I think of as “cutting edge” topics: empirical public opinion research, ideology, Wittman's critique of the political failure literature, expressive voting, voter irrationality, behavioral political economy, dictatorship, and anarchy.

### Prerequisites:

I assume that you have taken Public Choice I (Econ 852), and are familiar with basic calculus and econometrics.

### Texts:

Most of the course material will consist in detailed notes that will be handed out in class. There are eight required texts:

Gordon Tullock, *The Social Dilemma*

Robert Cooter, *The Strategic Constitution*

Free version at: <http://www.law.berkeley.edu/faculty/cooterr/PDFpapers/stratcon.PDF>

Michael Delli Carpini and Scott Keeter, *What Americans Know About Politics and Why It Matters*

Geoffrey Brennan and Loren Lomasky, *Democracy and Decision*

Donald Wittman, *The Myth of Democratic Failure*

Bryan Caplan, *The Myth of the Rational Voter*

Scott Althaus, *Collective Preferences in Democratic Politics*

David Friedman, *The Machinery of Freedom* (2<sup>nd</sup> edition)

Hard-to-get-online readings are marked with a \*, and will be handed out in class.

All other readings should be accessible with a GMU email address from scholar.google.com, or remotely from library.gmu.edu's e-Journals link.

### **Grading and Exams:**

There will be one midterm and a final exam. The midterm counts 30%; the final exam is 50%; homework counts for the remaining 20%. These weights are fixed - improvement on later exams will not retroactively raise your grades on earlier exams.

There is no formal grade for participation, but if you are one of the students who (in my judgment) contributes most to the quality of class discussion you will be "bumped up" a fractional grade (e.g. B- to B).

### **Homework:**

There will be four homework assignments during the semester. Depending upon how good a job you do, your homework will receive a check-plus (4 points), a check (3 points), or a check-minus (2 points) if you turn it in; otherwise you receive 0 points. Late homework loses one point. *Late homework is no longer accepted after I pass out my suggested answers for a given assignment.*

### **Office Hours**

The best way to contact me is by email at bcaplan@gmu.edu. Many questions and requests can be satisfied by going to my homepage at <http://www.bcaplan.com>. My office is 11 Carow Hall; my office number is 3-2324. My official office hours are MTh 1:30-3:00, but you can also schedule an appointment or just drop by and see if I'm available.

### **Tentative Schedule:**

My proposed schedule for the semester follows. If it proves too ambitious, I will try to *simply say less about each topic* rather than cut the topics for the final weeks.

### **Week 1: The Logic of Collective Action**

- Pareto efficiency
- Kaldor-Hicks efficiency and deadweight costs
- The comparative institutions approach and "second best"
- Private versus social benefits and costs
- Negative externalities and "public bads"
- Positive externalities and "public goods"
- Bad but popular examples; good but unpopular examples
- Fallacies of group action
- Individual impact: probability and magnitude
- Calculating the probability of electoral decisiveness
- Empirical evidence on collective action problems

Readings:

Brennan and Lomasky, pp.54-65

Tullock, pp.174-85

**Week 2: Voting, I: The Basics**

- Rational, instrumental voting
- Single-peaked preferences
- Two-party, winner-take all elections
- Political competition and platform convergence
- Voter participation and franchise restrictions
- The effect of fringe parties
- Multi-peaked preferences
- Individual and social intransitivity
- Multiple voting dimensions
- Tiebout and inter-governmental competition
- Some perverse incentives of non-profit competition
- Federalism: for and against

Readings:

Cooter, chapters 2, 6

**Week 3: Voting, II: Information and Bargaining**

- The economics of imperfect information
- Political knowledge and rational ignorance
- Empirical evidence on political knowledge
- Informed voting as a public good
- Education and voter ignorance

- Other group differences in political knowledge
- Voter ignorance, principal-agent problems, and optimal punishment
- The principle of aggregation
- Voter ignorance and the "miracle of aggregation"
- Uncertainty and platform convergence
- Divergence between median and mean preferences on a single dimension
- Log-rolling, bargaining, and the Coase theorem
- Bargaining to efficiency on one dimension
- Bargaining to efficiency on multiple dimensions
- Bargaining around intransitivity
- Pork barrel politics
- Restrictions on political competition: supermajority rules, term limits, spending limits

Readings:

Delli Carpini and Keeter, pp.68-95, 142-147, 154-161, 188-209

Cooter, chapter 3

**Week 4: Voter Motivation, I: Selfish, Group, and Sociotropic Voting**

- Is the median voter model correct?
- The self-interested voter hypothesis (SIVH)
- The Meltzer-Richards model
- Empirical evidence on the SIVH
- Sociotropic voting
- Group-interested voting
- Gelman on income and voting
- The SIVH versus the logic of collective action

Readings:

Meltzer, Allan, and Scott Richard. 1981. "A Rational Theory of the Size of Government." *Journal of Political Economy* 89, pp.914-27.

Peltzman, Sam. 1985. "An Economic Interpretation of the History of Congressional Voting in the Twentieth Century." *American Economic Review* 75, pp.656-75.

\* David Sears and Carolyn Funk, "Self-Interest in Americans' Political Opinions"

Green, Donald, and Ann Gerken. 1989. "Self-Interest and Public Opinion Toward Smoking Restrictions and Cigarette Taxes." *Public Opinion Quarterly* 53, pp.1-16.

Andrew Gelman et al. 2007. "Rich State, Poor State, Red State, Blue State: What's the Matter with Connecticut?" *Quarterly Journal of Political Science* 2, pp.345-67.

## **Week 5: Voter Motivation, II: Ideological Voting**

- The dimensionality of U.S. political opinion
- Ideological voting
- Education, ideology, income, and opinion
- Case study: the determinants of party identification
- Case study: the determinants of economic beliefs
- The ideology\*education interaction

### Readings:

Keith Poole, Howard Rosenthal. 1991. "Patterns of Congressional Voting." *American Journal of Political Science* 35, No. 1, pp. 228-278.

Steven Levitt. 1996. "How Do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation, and Senator Ideology." *American Economic Review* 86, pp.425-41.

Delli Carpini and Keeter, pp.242-258.

## **Week 6: Voter Motivation, III: Miscellaneous**

- Religion
- Personality
- Genes
- Mainstream and polarization effects
- How well does policy match voter preferences?

### Readings:

Gerber et al, "Personality Traits and the Dimensions of Political Ideology" - [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1412863](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1412863)

Alford et al. 2005. "Are Political Orientations Genetically Transmitted?" *American Political Science Review* 99, pp.153-167.

\* Zaller, *The Nature and Origins of Mass Opinion*, pp.97-113

Larry Bartels, "The Opinion-Policy Disconnect."

<http://web.mit.edu/polisci/research/apss/opinion-policy%20disconnect.pdf>

## **Week 7: MIDTERM**

## **Week 8: Wittman and Democratic Failure**

- Critiques of the economic approach
- Wittman's challenge to orthodox public choice
- "Extreme voter stupidity"
- "Serious lack of competition"
- "Excessively high transactions costs"
- The effect of asymmetric political information
- Wittman's sampler: Responses to diverse political failures
- Validity versus soundness

Readings:

Wittman, chapters 1-4, 6-8, 11-14

### **Week 9: Expressive Voting**

- The instrumental voting assumption
- Instrumental versus expressive value
- Decisiveness revisited
- Decisiveness and the relative prices of instrumental and expressive voting
- Expressive voting as political pollution
- Inefficient unanimity
- Application: Environmentalism
- Answering Wittman, I

Readings:

Brennan and Lomasky, chapters 1-3, 5-7

### **Week 10: Ignorance, Irrationality, and Aggregation: Theory and Evidence**

- Return to the "miracle of aggregation"
- Ignorance, irrationality, and systematic error
- Rational ignorance versus rational irrationality
- Systematically biased beliefs about economics
- Group differences in economic beliefs
- Systematically biased beliefs about other subjects?
- The Enlightened Preference Approach

Readings:

Caplan, preface and chapters 1-5

\* Mosca, *The Ruling Class*, chapter 7

Althaus, *Collective Preferences in Democratic Politics*, chapter 4

## **Week 11: Behavioral Political Economy**

- Irrationality in the median voter model
- Application: Protectionism
- The efficiency of political irrationality
- The interaction of voter motivation and cognition
- Supply side of politics
- Irrationality and slack
- Answering Wittman, II [include exchanges]
- Availability cascades
- The idea trap
- Government growth and crisis

### Readings:

Caplan, chapters 6-7

Machiavelli, *The Prince*, chapters 14-19

Robert Higgs. 1985. "Crisis, Bigger Government, and Ideological Change: Two Hypotheses on the Ratchet Phenomenon." *Explorations in Economic History* 22, pp.1-28.

Tyler Cowen, "Does Technology Drive the Growth of Government?" <http://www.mps2009.org/files/Cowen.pdf>

## **Week 12: Dictatorship**

- The stationary bandit model
- Constrained dictatorship
- The paradox of revolution
- The sociopathic bandit model?
- Totalitarianism and economic calculation
- Democratic transitions

### Readings:

Martin McGuire and Mancur Olson. 1996. "The Economics of Autocracy and Majority Rule." *Journal of Economic Literature* 34: 72-96.

Tullock, pp.33-106, 186-224

Jones, Benjamin, and Benjamin Olken. 2005. "Do Leaders Matter? National Leadership and Growth Since World War II." *Quarterly Journal of Economics* 120(3): 835-64.

Bryan Caplan, "'Mises' Democracy-Dictatorship Equivalence Theorem." 2008. *Review of Austrian Economics* 21(1), pp.45-59.

Bryan Caplan, "The Totalitarian Threat." In Bostrum, Nick, and Milan Ćirković, eds. *Global Catastrophic Risks*. Oxford: Oxford University Press, pp. 504-519.

### **Weeks 13: Constitutions**

- The comparative institutions approach revisited
- Alternatives to dictatorship and democracy
- Are constitutional politics different?
- Constitutional reform and endogenous institutions
- Futarchy

#### Readings:

\* Buchanan, *Freedom in Constitutional Contract*, pp.81-85.

Wittman, chapter 10

Caplan, chapter 8 and conclusion

Hanson, Robin. "Shall We Vote on Values, But Bet on Beliefs?" *Journal of Political Philosophy*, forthcoming

### **Week 14: Anarchy**

- Economic arguments for government
- The paradox of public good provision
- Are the functions of the night watchman state really public goods?
- Dispute resolution as a private good
- Rule formation as a private good
- Enforcement as a private good
- Moderate versus radical privatization
- Main objections to radical privatization
- Cowen, anarchism, and collusion
- National defense
- The transition problem

#### Readings:



Tyler Cowen, and Gregory Kavka. 2003. "The Public Goods Rationale for Government and the Circularity Problem." *Politics, Philosophy, and Economics* 2, pp.265-77.

Murray Rothbard, *For a New Liberty*, pp.219-246 <http://mises.org/rothbard/foranewlb.pdf>

David Friedman, *The Machinery of Freedom*, pp.114-163, 201-218 (chapters 29-40, 44-45).

Tyler Cowen. 1992. "Law as a Public Good." *Economics and Philosophy* 8, pp.249-267.

Bryan Caplan and Edward Stringham. 2003. "Networks, Law, and the Paradox of Cooperation." *Review of Austrian Economics* 16(4), pp.309-26.

Bryan Caplan, "Persuasion, Slack, and Traps: How Can Economists Change the World?" <http://www.mps2009.org/files/Caplan.pdf>