

**Economics 852
Public Choice I
Fall Semester 2018
Mondays, 1630-1910
Buchanan Hall D180**

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This course is an advanced graduate-level exploration into what is variously described as “public choice” or “political economy.” At this level of instruction, I assume you can read and digest whatever has been published. Accordingly, this course focusses on the articulation of ideas that have not yet been published. Past work can provide insight and inspiration for the development of new work, but it is the articulation of new ideas and not the examination of old ones that is the focal point of this course.

This orientation toward advanced graduate instruction has two implications for the conduct of this course that you might find unfamiliar or disconcerting. First, aside from the first two class sessions, you will not find me explaining past work to you. Second, you will have six writing assignments during the semester, five short and one long. In none of these assignments do I have some “perfect response” in mind that it is your job to discover. To the contrary, I am hoping to be pleasantly surprised by reading something I had not expected, but which points in a potentially fruitful direction. If this were a math class, you would not be given explicit problems to solve. Instead, you would be asked first to create a problem and then to solve it, and with my evaluation depending on both the creative imaginativeness that informs your problem and the ability of your answer to address your problem. (If this were a class in diving, you would be judged both on the difficulty of your dive and the quality of its execution.)

Course Format

We will meet 14 times this semester. The class will follow a 2-10-2 structure. The first two weeks will entail mostly my lecturing on orthodox public choice and its historical development. I have ordered a copy of Randall Holcombe’s *Advanced Introduction to Public Choice* to serve as textual material for this part of the course. During these two sessions I will present my sense of what most theorists regard as the core of public choice theory, while also covering some highlights of its historical development.

The next 10 weeks will unfold in five units of two sessions each. Each unit will be organized around a hypothetical conference that I am organizing. For the first week of each unit, I will pass out a call for papers, which I will present and discuss during that session. For the second week of that unit, each of you will have written an abstract (approximately 3 pages or 700 words) of a paper you have submitted in the hope of being invited to the conference. This format will be repeated five times. Here are the hypothetical conference topics:

- #1: Eden, Babel, and the Mythological Foundations of Political Economy
- #2: Public Policy as Shell Game: A System-theoretic Perspective
- #3: Public Law within an Ecology of Enterprises
- #4: Public Administration and Parasitical Economic Calculation
- #5: Reflexivity, Lexicography, and Political Economy

The final two weeks of the semester will be dedicated to presentations and discussions of drafts of your research papers, which in most cases will probably emanate from one of the five abstracts you submitted during the semester. These research papers should be submitted electronically, and are due no later than 1630 on 17 December, which is the date scheduled for the final exam.

In addition to Holcombe's text, I have also ordered a copy of my *Politics as a Peculiar Business*. (During the semester, I will also make several references to *Fiscal Sociology and the Theory of Public Finance*, which I used as a text for a few years after its publication in 2007.) Where Holcombe's book proceeds in the standard fashion of stipulating aggregate-level equilibriums, I proceed under the presumption that if you are not able to construct or generate your phenomenon of interest from its constituent elements, you have not truly explained it.

In this regard, public choice theorizing, like economic theory, reflects too much what Mitchel Resnick described as "the centralized mindset" in *Turtles, Termites, and Traffic Jams*. By this mindset, Resnick meant the common practice of attributing observed outcomes to some choosing agent, when these are better explained as emergent products of interaction. For instance, rather than explaining budgetary outcomes as the solution to some median voter's optimization problem, those outcomes would be explained as emergent products of competition among differently situated persons. In this respect, many political phenomena are better conceptualized as emergent resultants of transactions and not as products of choices by rulers.

The analytical framework of "entangled political economy" entails a weak analogy with quantum entanglement. Most political economy operates at the atomic level by postulating relationships among such holistic entities as markets, firms, bureaus, and interest groups, among numerous other familiar variables. None of these entities, however, truly initiate action. Only individuals inside those entities initiate action, with that action inserted into society through interaction among various entities. For instance, the billion or so appropriation that Amtrak obtains each year stands at the end of transactional network among the individuals who participate in generating this outcome within a societal ecology where other people are trying to generate different outcomes.

While the course focusses on explanatory rather than hortatory topics, economic theory also unavoidably has relevance for hortatory matters because economic theory is centrally concerned with the experienced qualities of the living together in close geographical proximity that societies entail. My particular

hortatory belief is that societal cancers are emergent products of interaction from inside a society. To explore those emergent processes, however, requires a scheme of thought that enables theoretical penetration into the inner workings of societies, and this penetration cannot be obtained from conventional theoretical perspectives which take as data what is the object to be explained.

In this regard I do not accept David Hume's long-standing dictum that "is" and "ought" belong to different realms of being. Here, it is useful to think of the lexicographer. The lexicographer primarily advance is statements about how people use language; however, people also treat those statements as having normative value.

Entangled political economy recurs to the classical recognition that economics is a theory of society and not a theory of rational action. Yes, rational action is present; however, once other individuals become objects toward which any individual acts, you are theorizing about society and not some representative individual within that society. In other words, you cannot get to society through a simple summation over individuals because the structured patterns of interaction that have previously emerged have significant analytical work to do.

Long ago, Friedrich Hayek asserted that nearly all progress in economics has resulted from movements toward expanding the realm of the subjective. Entangled political economy embraces that direction of movement by ascribing all action to individuals acting within various arenas of action. Indeed, entangled political economy is not some new development, but is a reinvigoration of classical political economy with some new schemes of thought brought forward.

It is important to read widely, but I don't supply lengthy reading lists even though it would be easy to do this just by taking bibliographies from some of my publications. Rather than trying to get everyone on that proverbial same page, I find that wrestling with different articulations stimulates the imagination. For this reason, I try systematically to err on the side of under-specifying your reading. While I will suggest readings throughout the semester, you should also create your own list of readings that reflect your interests. If you haven't already done so, you might want to reflect upon a cover from a long ago issue (in the 70s, I think it was) of *The New Yorker* that portrayed a map of the United States looking west from Manhattan. You should aspire to construct your personal maps that orient your scholarly activities, rather than letting the *Journal of Economic Literature* dictate an orientation through its JEL Codes (though in submitting papers to journals you often will have to assign JEL codes).

A baker's dozen items to read are listed below, though you will see that I managed to cram about twice as many items into that baker's dozen. These are all books that treat broad themes related to the course material, and each is available in paperback. While I hope that you will examine some of these, I also hope you read other materials as well and, more significantly, mix those readings

with your imaginations to generate new insights that might lead to interesting places. Students become accustomed to reading published work with an eye to taking exams. While I recognize that exams are part of our educational system, though not in this course, I suggest you cultivate the practice of reading with an eye that continually is looking for new ideas that you can articulate, as against absorbing old ideas that you can recollect.

My Appraisal of Your Work (Grading)

My evaluation of your five short essays will count collectively for 50 percent of your course grade. My evaluation of your course paper will count for 40 percent. These papers must be prepared in standard manuscript style. The maximum length is 20 pages of text, so pithiness is good. The remaining 10 percent of your course grade will be based on my evaluation of your contributions to classroom discussions throughout the semester.

The future character of political economy and public choice will be forged through competition among theorists who inject their visions into the scholarly arena. I evaluate all of your written work on the basis of what I judge to be its potential for publication, recognizing that judging this potential is different for three-page research proposals than for 20-page papers. In either case, a grade of **A** signifies that I think what I have read points in a publishable direction if carried to what I judge to be its destination. A grade of **B** indicates that while you have convinced me that you show good understanding of your material, you have not shown me that you are headed in a publishable direction. A grade of **C** means that I detect some significant holes in your knowledge and understanding of your material. A grade of **F** is a “none of the above” judgment that I hope I don’t have to make. (Various pluses and minuses are also possible grades, and I think that by extrapolation you can attach reasonable meaning to those grades.)

My interest in the work we do this semester resides in helping you to acquire the habits and practices of success. I have no interest in failure. For this reason, I do not accept late work nor do I give incomplete grades. Tardy work and incomplete grades are facets of a repertoire of failure which I will not countenance. If you are scheduled to give a paper at a conference but find you aren’t ready to do so, you won’t be given an incomplete and have the conference rescheduled. So don’t ask for incompletes or turn in late work.

Three Quotations to End the Syllabus on an Advisory Note

First, from Samuel Johnson comes this recognition that fits well with Joseph Schumpeter’s statement that theorizing starts with a pre-analytical cognitive vision that we try to articulate, with varying degrees of success:

Every man has often found himself deficient in the power of expression, big with ideas which he could not utter, and

unable to impress upon his reader the image existing in his own mind.

Dr. Johnson describes a situation with which we all must wrestle in trying to render our intuitive hunches intelligible to others, as well as to ourselves.

Second, from Albert Einstein via Roger Koppl comes this sage counsel:

If we knew what it was we were looking for, we wouldn't call it research, would we?

Research doesn't always yield happy endings. We write many more pages than we publish. The process of writing triggers thoughts that often lead us to recognize that where we thought we were heading isn't such a desirable place after all. So we change our angle of attack. Dead ends, cul-de-sacs, and just plain frustration are features of the research process, and you must learn to persist in the face of such setbacks.

Third, during my student days I came across this statement from George Shackle's *Uncertainty in Economics* about what it takes to be a good economist (to be sure, Shackle wrote this in the 1950s, when few women studied economics):

To be a complete economist, a man need only be a mathematician, a philosopher, a psychologist, an anthropologist, a historian, a geographer, and a student of politics; a master of prose exposition; and a man of the world with experience of practical business and finance, an understanding of the problems of administration, and a good knowledge of four or five languages. All this is, of course, in addition to familiarity with the economic literature itself.

As for the type of person best suited to the study of economics, Shackle later suggests it is

. . . the outstanding intellectual all-rounder with some leaning towards the arts rather than the natural science side. The person who finds mathematics fascinating without, perhaps, marching through the school course with that instinctive and professional certainty that would mark him as an out-and-out mathematician; who betrays a connoisseurship of words and a delight in language, a gift for expression in English and a sufficient pleasure in the classical languages to awaken thoughts of scholarships, without really promising to become a Porson's prizeman; who can find in every chapter of the history book the universal and eternal problems of man's dependence on his fellow-men side by side with

his rivalry and conflict with them, and can see with the historian's eye the age-long empirical struggle to reconcile self-interest and enlightened compassion; who delights in maps and finds them, perhaps, more interesting than test tubes—this is the potential real economist.

What Shackle describes is more on the order of a lifetime project than something to be accomplished during your few short years as students. But you will have post-student life ahead of you, and Shackle's statement is a lovely summary of an orientation toward economic theory that would allow it to occupy the pivotal position within the humane studies that I think it should occupy.

Appendix: A Baker's Dozen of Valuable References (all available in paperback)

1. James M. Buchanan and Gordon Tullock, *The Calculus of Consent*. Without doubt, this book is the ur-text of Virginia political economy. It is now available inexpensively and yet handsomely through Liberty Fund, and in two distinct versions: as a volume in the collected works of James Buchanan and as a volume in the collected works of Gordon Tullock. The other books by Buchanan or Tullock that are listed below are also available from Liberty Fund.
2. James M. Buchanan, *Public Finance in Democratic Process*; James M. Buchanan, *Demand and Supply of Public Goods*. These books were originally published in 1967 and 1968 respectively, well before such fields as public choice and constitutional economics appeared on the intellectual landscape. These books sought to pursue an explanatory theory of public finance at a time when the intellectual environment was much more hostile to such efforts than it is now. Buchanan's work subsequently moved in a more normative and constitutional direction. On several occasions, I have thought of my *Fiscal Sociology and the Theory of Public Finance* as an effort to bridge a 40-year gap in the articulation of an alternative vision for a theory of public finance. To these books by Buchanan, I would add *Cost and Choice*. This slim book makes a simple point: cost and choice are reciprocal. While the point is simple, the implications for political economy are huge. Among other things, aggregate budgetary magnitudes have no independent meaning or significance because meaning and significance resides in the appraisal of options by people in positions to make choices.
3. Gordon Tullock, *The Politics of Bureaucracy*. While the subject is bureaucracy and team production, Tullock is not concerned to develop comparative static statements about equilibrium conditions. Rather, he is concerned to explain the characteristic features of team production processes in the absence of market prices and firm values, and to do so within an environment where there is rivalry within organizations and not just rivalry among organizations. In other words, Tullock's theory of bureaucracy is situated within a treatment of politics as orders and not as organizations.

4. Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Societies*. I have great respect and affinity with Ostrom's orientation toward political economy. If there is any place where I differ from Ostrom, it is probably in my elevation of some such construction as civil society or civic republicanism over democracy. In any case, Ostrom is well worth reading on the problems and challenges of liberal governance. I should also mention two other books by Ostrom: *The Political Theory of a Compound Republic*, which is a kind of flying buttress to *The Calculus of Consent*, and *The Intellectual Crisis in American Public Administration*. Both of these works operate from a framework of distributed knowledge and treat polities as orders and not organizations.

5. Elinor Ostrom, *Governing the Commons*. Ostrom presents a variety of cases where people have been able to work out arrangements for governing a commons that encompasses the participants. What she describes is quite at variance with portraits of the tragedy of the commons. What enables commons governance to proceed well in some cases and tragically in others will be a prime topic of exploration this semester in light of my conceptualization of *Politics as a Peculiar Business*.

6. Carolyn Webber and Aaron Wildavsky, *A History of Taxation and Expenditure in the Western World*. This is a fine book, full of interesting and thoughtful material. It's also lengthy. It is a history woven around a presumption that societies are arenas of continuing contestation, which I find far more appealing and enlightening than presumptions grounded in concord and the placidity of equilibrium where everything of interest is an injection into rather than a feature of the conceptual framework that the analyst is using.

7. Norbert Elias, *The Society of Individuals*. Elias was a sociologist from the early 20th century who worked with notions of spontaneous order and who was deeply thoughtful about the reciprocal character of the I-We relationship. He is best known for *The Civilizing Process*, which is much longer and which is a spontaneous order treatment of the evolution of manners and customs. Elias was displaced to London in the 1930s, where he roomed with Asik Radomysler, who died way too young, having published but one paper, in *Economica* in 1946, and which I commend strongly to you.

8. Ernest Gellner, *Conditions of Liberty: Civil Society and its Rivals*. This book advances a concept of civil society as a form of human governance, and which he contrasts with three other forms of governance. In 1944, Abba Lerner published *The Economics of Control*, and contemporary political economy has developed mostly as exercises in the economics of control. My alternative vision is a political economy of liberty. Gellner's treatment of civil society offers fecund insight into this challenge. So, too, does Bertrand de Jouvenel's *On Power*. Jouvenel explains that power in democracies is not a matter of a few thugs terrorizing the many but rather is something that emerges through widely held presuppositions.

9. Jane Jacobs, *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics*. This book unfolds as a dialogue among several characters over the claim that human action and social life involves a continuing contest between two moral syndromes, which she labels as commercial and guardian. She also explores what she calls “monstrous moral hybrids” where the syndromes commingle. Her later book, *Dark Age Ahead*, also in paperback, also pursues some themes of relevance for an entangled orientation toward political economy.

10. Mitchel Resnick, *Turtles, Termites, and Traffic Jams*. Resnick argues that people are overly eager to attribute what they sense to be orderly patterns to some source of organizing power. He describes this willingness as “the centralized mindset.” This centralized mindset is at work in political economy and public choice. It appears most prominently when theorists attribute collective outcomes to a median voter. It is through trying to articulate an enterprise-based public choice that I am seeking to escape the centralized mindset. Agent-based computational modeling provides an analytical platform for escaping the centralized mindset, a recently published text on which is *Agent-Based Modeling*, by Uri Wilinsky and William Rand. (Wilinsky, by the way, developed the Net Logo platform for agent-based modeling, which is wonderfully easy to work with.)

11. Thomas Schelling, *Micromotives and Macrobehavior*. This has become an iconic work on how macro-level patterns can emerge that often provide little or no information about the underlying micro-level actions or preferences that generated those patterns. Most economic theory reduces macro to micro by invoking equilibrium and a representative agent. Schelling sketches an alternative program of emergence-based theorizing, and Resnick and also Wilinsky and Rand (above) proceed within in this type of framework, as do I.

12. Mancur Olson, *The Logic of Collective Action*. This is a well-cited classic of public choice, and deservedly so despite some critical comments I registered (and still hold) in the very first edition of what became *Public Choice*, and which then was titled *Papers on Non-Market Decision Making*. Olson’s central claim is that free riding can be overcome in large groups by creating tied relationships between public and private goods.

13. David Primo, *Rules and Restraint: Government Spending and the Design of Institutions*. This book treats government not as an acting entity whose actions reflect some objective function but as a process of interaction among many participants where the course of that interaction is shaped by some framework of governing rules. This framework fits well my enterprise-based orientation toward public choice and political economy, particularly with its focus on process and not equilibrium states.