

**Economics 852
Public Choice I
Fall Semester 2019
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, you should be able to 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.

You might find it helpful to think of yourselves as being in a position like that of Lewis and Clark. They set out from St. Louis in May 1804 to explore the Louisiana territory all the way to the Pacific Ocean, which they did and returned to St. Louis in September 1806. They began their journey with but modest knowledge of what lay ahead of them, gained mostly from reports from French missionaries and explorers. Their task was to acquire better knowledge of some of the territory between St. Louis and the Pacific Ocean.

You face a situation similar to what Lewis and Clark faced. Through your first-year courses you have acquired some reports about the territory of Economic Theory. Those reports, however, are incomplete, and in some instances might even be misleading. Your task in any case is to contribute to a deepening of that knowledge, particularly as it applies to the territory known as public choice or political economy.

This orientation toward advanced graduate instruction has two implications for the conduct of this course that some of 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, in none of the six writing assignments you will have, five short and one long, will you find that I have some “perfect response” in mind that it is your job to discover. To the contrary, I am looking to be pleasantly surprised by reading something I had not previously seen, 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 pattern. **The first two weeks** will entail 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 ten-session part of the course will be organized into five two-week units where each of those units will explore a topic that I think is amenable to taking public choice in new directions. These units will generally extend the orientation of entangled political economy that I set forth in *Politics as a Peculiar Business* (2016), and which I also explored with different material in *Fiscal Sociology and the Theory of Public Finance* (2007).

Most of you will doubtlessly recognize that *entanglement* is a concept that is present in quantum physics. While I do not seek to reduce social phenomena to physics, all the same I believe that insights from physics can sometimes prove useful for social theorizing. In this respect, I would recommend Ruth Kastner's 2015 book, *Understanding Our Unseen Reality: Solving Quantum Riddles*. Kastner presents a *transactional interpretation* of quantum theory wherein observed physical phenomena emerge out of unobservable clouds of possibility. Kastner's interpretation bears a family resemblance to the theorists of the Scottish Enlightenment who claimed that observed reality emerged out of relatively invisible interactions. Within this scheme of thought, collective phenomena emerge out of micro-level interaction as against acting directly on other collective phenomena.

Let me illustrate this quantum-like theme by giving a partial quote from a well-known author (I could just have easily quoted from the Holcombe book):

This paper analyzes ... **intragovernmental bargains** ... where there are **democratic pressures** that **motivate or constrain** the **procedures and constraints** that the **legislature and bureaucracy** use for adopting fiscal policies. When **democratic impulses are strong** **Electoral pressures** and **stable procedures** ... generate a **complex political bargaining equilibrium**

The bolded words in this excerpt reflect the common pattern of thought that describes relationships among macro-level variables. None of those variables are primitive variables. All of them are derivations from prior but unspecified processes. In contrast, this course focuses on exploring the generation or emergence of such relationships. For instance, standard public choice theory

mostly treats voting as optimizing the preference of a median voter. The alternative I will pursue in this class would start with recognition that the act of voting stands at the end of some process that led to a vote, and with significant analytical work to be done in uncovering the complete story about voting.

The five topics covered during this ten-session part of the course will each aim to import some hidden order, quantum-like insights into public choice theory. Here are the titles I have chosen to those five pairs of sessions:

- #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

I imagine that most of you have come across invitations to submit proposals for papers to be included in a conference; for instance, Abby Devereaux and I have been invited to Paris in October after responding to one such call. Each of these titles refers to a conference you should think of me as organizing. Each call for papers will start with a few paragraphs of text to illustrate the idea that undergirds that call. Those paragraphs will be followed by a list of relevant topics to provide further illustration of what I as the organizer am thinking about with respect to this conference.

Prior to the first session for a topic, I will pass out a call for papers where I invite submissions of proposals to be selected for presentation at the envisioned conference. The first session on that topic will proceed mostly through my description and commentary on the proposal. The second session will proceed mostly through discussion among all of us, with me serving more as a moderator than as a lecturer.

Following the second session on a topic, you will have until 1630 on the following Wednesday to submit your proposal. Your proposal should run around 700 words (about three pages). You should also append two or three references that give further insight into how you envision your potential paper, remembering that you are in open competition with others who are also seeking invitations. Your challenge in preparing your abstract is to convey to the reader a clear idea of the logic that will undergird your paper, as you see it at this time.

Under normal conditions I will read your essays on the Friday of that week and send you my appraisals by the end of the day. If you don't receive my report Friday, it means professional travel has interfered, in which case you will hear from me on Sunday.

The final two weeks of the course will be devoted to presentations and discussions of drafts of your research papers. In most instances, judging from

experience, you will select one of your five proposals, though I don't require that you do this. To set the stage in your mind for this part of the course, you should think of me as editing a book titled *New Directions in Public Choice*. These presentations will occur on 25 November and 2 December. How long you will have for your presentations will depend on the final size of the class, which won't be known until early in September. The final versions of your papers will be due by 1630 on 16 December, which is the time scheduled for the final exam, only there won't be a final exam. I will, however, end the semester by sending out a list of questions that could comprise a final exam, and could also appear on a field exam in public choice.

Your final essays should be in standard manuscript format (double spaced, one-inch margins, etc.) and the text should not exceed 20 pages (about 6000 words). These essays should be submitted electronically, and by return mail I will send you my editorial evaluations.

My Appraisal of Your Work (Grading)

My evaluation of your five short essays will count collectively for 40 percent of your course grade. My evaluation of your course paper will likewise count for 40 percent. The remaining 20 percent of your course grade will be based on my evaluations of your contributions to classroom discussions throughout the semester, as based on notes I make at the end of each class session.

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. The activities I have you undertake mirror the activities I undertake each year. 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.

Introducing Paul Dragos Aligica

Many of you doubtlessly know Paul Aligica from your participation in Mercatus activities, for his appointment at GMU is through Mercatus. What is especially noteworthy for this course is that he received a Ph.D. in political science from Indiana University, writing his dissertation under Vincent Ostrom's supervision. Ostrom, along with James Buchanan, were among the primary figures in getting public choice underway. Buchanan and Ostrom, moreover, became increasingly disenchanted with the direction public choice had been taking since the 1990s as it morphed from an adventure in extraordinary science into ordinary science, to invoke Thomas Kuhn's categorization from *The Structure of Scientific Revolutions*.

Aligica and I share Buchanan's and Ostrom's concern about the need to find some alternative path for public choice, one that would once again move it away from ordinary into the domain of extraordinary science. Aligica and I have decided to use this semester to explore whether there are any avenues along which we might join forces. To this end, Aligica will participate in around ten of our classes, though not the others because he has professional obligations elsewhere.

With respect to resisting ossification within public choice, Aligica's 2019 book *Public Entrepreneurship, Citizenship, and Self-Governance* clearly exemplifies that desire as fully as do my two related volumes *Politics as a Peculiar Business* (2016) and *Fiscal Sociology and the Theory of Public Finance* (2007). As for jointly written work, we have only one example, "Economic Coordination in Environments with Incomplete Pricing," written in 2015 and forthcoming in the *Review of Austrian Economics* as well as available on my SSRN page.

Whether Aligica and I will do more together is something we will be exploring this semester. Buchanan and Ostrom never wrote anything together despite the strong similarities in their interests and orientations, and even though they did have some discussions along those lines.

All the same, I should note that this course is *not* jointly taught. I am the instructor of record for this class. As such, I am the person who created the syllabus, who will read your work, and will evaluate your work. Aligica's presence is a bonus for all of us in that it will expand the range of ideas we will be able to explore in our effort to escape ossification. With respect to ossification, I would note my review article of *The Oxford Handbook of Public Choice*, forthcoming in

Constitutional Political Economy and available on my SSRN page, where I tackle ossification in a gentle manner.

Three Quotations to End the Syllabus on an Advisory Note

You are in the midst of a great adventure. That adventure can be exciting and fulfilling, but it can also be discouraging and frustrating. Below I append two quotations that I have carried with me forever it seems, and which speak to the persistence you must somehow muster to overcome the frustration that often accompanies efforts to engage in extraordinary science where you are not simply cleaning up after someone else.

Joseph Schumpeter famously noted in his *History of Economic Analysis* that theorizing starts with some pre-analytical cognitive vision that speaks to our uneasiness about existing formulations. We start by trying to articulate our uneasiness to ourselves and then to others. Two centuries before Schumpeter, Samuel Johnson recognized this situation crisply when he remarked that

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. Doing this isn't easy and is often frustrating and can even be tedious at times.

Without doubt, looking for that proverbial needle in the haystack epitomizes an activity that resides at the pinnacle of tediousness. All the same, Albert Einstein offered this sage counsel:

If we knew what it was that 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.

Besides these two directly relevant quotations with respect to the importance of employing persistence to overcoming frustration, let me mention a third item that speaks to a lifetime orientation toward the scholarly life. 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 it was rare for women to study 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 a lifetime project and not something for you to accomplish 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)

I never give long reading lists, though I could easily do so by sampling from the bibliographies of my writings. Rather than having everyone on that proverbial same page, I find that creative discussion is facilitated when people differ in the references that inhabit their minds. I will, however, give out a number of references in conjunction with your bi-weekly assignments. For now, here is a baker's dozen of relevant references, all in paperback.

1. James M. Buchanan and Gordon Tullock, *The Calculus of Consent*. Without doubt, this book is the ur-text that inspired the early development of public choice. 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 politics 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 Wilensky and William Rand. (Wilensky, 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 Wilensky 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.