

**Public Choice**  
ECON 410-D01, Summer 2020

**Instructor:** Joshua K. Bedi

**Class Time:** Asynchronous – I will post new material, including lectures and other videos, every Sunday

**Office Hours:** I will hold remote office hours through email. I will make myself available to quickly answer any questions on Mondays and Fridays from 12:00pm to 2:00pm.

**Email:** [jbedi2@masonlive.gmu.edu](mailto:jbedi2@masonlive.gmu.edu)

### Course Overview

The fundamental purpose of this course will be to delve into the topic of Public Choice, or the economics of collective decision-making. If traditional economics focuses on dyadic exchange, or exchange between two parties, then Public Choice is the study of triadic exchange, or exchange between three or more parties. More commonly, Public Choice is considered the economics of politics – if the study of traditional economics is the study of human action, as Ludwig von Mises once famously wrote, then the study of Public Choice is the study of public, political, or collective action. Throughout our discussions, we will cover a variety of topics including, but not limited to, voter models, public opinion, interest groups, and rent seeking.

### Prerequisites

I assume you are familiar with microeconomics and algebra.

### Texts

There are four required texts for this class. Any other readings I assign will be provided you via Blackboard.

Robert Cooter: *The Strategic Constitution*

Mancur Olsen, *The Logic of Collective Action*

Donald Wittman, *The Myth of Democratic Failure*

Bryan Caplan, *The Myth of the Rational Voter*

### Grading:

The following assignment weights are my contract with you. While I will not accept late work and will not provide make-up opportunities, I will also not deviate from this weighting system. However, if you miss a midterm exam because of an unforeseen emergency (medical emergencies, death in the immediate family, etc.), we will plan a make-up date that works for both of us, so I can proctor. You must provide detailed documentation, like a note from a doctor, for this to be accepted, and I must be provided ample notice. I cannot change the final exam date, as these dates are set by the registrar.

Weekly Reaction Papers: 20%

Final Exam: 30%

Midterm 1: 25%

## Midterm 2: 25%

The grading scale is as follows:

A+ = 97-100

A = 94-96

A- = 90-93

B+ = 86-89

B = 84-85

B- = 80-83

C+ = 76-79

C = 74-75

C- = 70-73

D+ = 66-69

D = 64-65

D- = 60-63

F = Below 60

### **Weekly Reaction Papers**

Each Sunday, starting June 7<sup>th</sup>, by midnight every student is required to email me at least a 1-page (and no more than 1-page, front and back) typed, double-spaced reaction to the assigned readings for the past week of material. This will be to make sure each of you are keeping up with class material. These reactions can be criticisms or thoughts about the assigned text or even questions about the content of assigned texts. These reactions are NOT intended to be summaries. The last reaction paper will be due August 2<sup>nd</sup>.

### **Disability Resource Centre**

If you are a student with a disability and you need academic accommodations, please email me, and contact Disability Services at 703-993-2474 or ods.gmu.edu. All academic accommodations must be arranged through that office. If you do require accommodations, it is up to you to provide both me and ODS adequate time to provide accommodations.

### **Honour Code**

Students must know and follow the George Mason University Honour Code. If I catch you cheating on an assignment, I will, at the very least, grant you a 0 on that assignment, and, at the most, I will grant you a 0 for the entire course. I lean towards the latter option, because the first time a student is caught cheating (much like the first time a thief is caught stealing) is rarely the first time that student has cheated.

### **Schedule**

Unlike the grading weights for this course, the schedule and readings are subject to change at my discretion, but I promise to leave you ample time to readjust your schedules if I decide to make such a change. Material will be posted to Blackboard every week on Monday. The following Sunday will be the day your reaction paper is due for that material.

### **Week 1: Public Choice, Public Goods, Externalities, and Comparative Institutions: June 1<sup>st</sup> – June 7<sup>th</sup>**

- What is Public Choice?
- Private benefits and costs
- Social benefits and costs
- The Tragedy of the Commons

- Negative externalities (aka “public bads”)
  - Ex: Pollution
- Positive Externalities (aka “public goods”)
  - Ex: Defence
- Understanding externalities
  - Bad but popular examples (externalities)
  - Good but unpopular examples (externalities)
- Externalities, efficiency, and fairness
- Coase, property rights, and externalities
  - Application: regulation vs. tradeable permits
- Externalities generalized
- The comparative institutions approach

Readings:

James Buchanan, *What Should Economists Do?*

Gordon Tullock, *Public Choice*

Harold Demsetz, *Toward a Theory of Property Rights*

**Week 2: The Logic of Collective Action and the Median Voter Model**

**June 8<sup>th</sup> – June 14<sup>th</sup>**

- Fallacies of group action
- Social benefits vs. private costs
- Individual impact: probability and magnitude
- Calculating the probability of decisiveness
- Efficiency and collective action
- Empirical evidence on collective action problems
- The paradox of public goods provision
- Rational (narrowly defined), instrumental voting
- Single-peaked preferences
- Two-party, winner-take-all elections
- Political competition and platform divergence
- Voter participation and franchise restrictions
- The effect of fringe parties
- Multi-peaked preferences
- Individual and social intransitivity
- Cycling and Condorcet winners
- Multiple voting dimensions

Readings:

Olson, chapters 1-2 and 6

Cooter, pp. 17-30 and 37-43

**Week 3: Rational Ignorance, the “Miracle of Aggregation,” Efficiency, and Bargaining**

**June 15<sup>th</sup> – June 21<sup>st</sup>**

- 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
- Voter ignorance, principal-agent problems, and optimal punishment
- The principle of aggregation
- Voter ignorance and the “Miracle of Aggregation”
- Uncertainty and platform divergence
- Divergence between median and mean preferences on a single dimension
- Logrolling, bargaining, and the Coase Theorem
- Bargaining to efficiency on one dimension
- Bargaining to efficiency on multiple dimensions
- Bargaining around intransitivity
- Pork barrel politics
- Supermajority rules

Readings:

Cooter, pp. 63-65

Dye and Ziegler, *Irony of Democracy*, pp. 130-135 (“Mass Political Ignorance” and “Mass Political Apathy”)

Cooter, pp. 32-36 and 51-58

**Week 4: Basics of Public Opinion, Voter Motivation, and Empirical Accuracy of the Median Voter Model**

**June 22<sup>nd</sup> – June 28<sup>th</sup>**

**June 26<sup>th</sup> – Midterm I**

- Is the Median Voter Model correct?
- The Self-Interested Voter Hypothesis (SIVH)
- Empirical Evidence on the SIVH
- Sociotropic voting
- Ideological voting
- Education, ideology, income, and opinion
- Group-interested voting
  - Case study: the determinants of party identification
- The dimensionality of U.S. political opinion
- The SIVH vs. the logic of collective action
- The Median Voter Model vs. U.S. constitutional structure
- The case for simple models: Do constitutions really matter?
- U.S. government policy: an overview
- Does policy match public opinion?
- What are the unpopular policies?
  - Application: state-level policy
  - Adjusting for bargaining

Readings:

Dye and Ziegler, *Irony of Democracy*, pp. 121-130 (“Antidemocratic Attitudes Among the Masses,” “Are the Masses Becoming More Tolerant,” and “Changing Targets of Intolerance”)

Sears and Funk, *Self-Interest in Americans’ Political Opinions*

Cooter, pp. 43-47

## **Week 5: Division of Powers, Special Interests, and Rent-Seeking**

**June 29<sup>th</sup> – July 5<sup>th</sup>**

- Principal-agent problems, multiple agents, and overlapping principals
- Division of powers and minimum winning coalitions
- Bicameralism
- Presidential veto
- The role of the judiciary
- The logic of divided government – logrolling between branches of government
- Special interests and the Median Voter Model
- Campaign contributions, political advertising, and rational ignorance
- Concentrated benefits and diffuse costs
- Bureaus and budget maximization
- Lobbying in equilibrium: rent-seeking and rent dissipation
  - Application: Import substitution industrialization

### Readings:

Cooter, pp. 65-75, 96-98, 151-153, 185-191, 195-198, and 215-218

## **Week 6: Political Competition and Political Collusion**

**July 6<sup>th</sup> – July 12<sup>th</sup>**

- Restrictions on political competition: term limits and spending limits
- Pure vs. local public goods
- Tiebout and inter-governmental competition
- Some perverse incentives of non-profit competition
- Federalism: for and against
- Federal grants and the “race to the bottom”

### Readings:

Cooter, pp. 103-106 and 127-138

## **Week 7: Wittman’s *Myth of Democratic Failure***

**July 13<sup>th</sup> – July 19<sup>th</sup>**

- 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 asymmetrical political information
- Wittman’s sampler: Responses to diverse political failures
- Validity vs. soundness

### Readings:

Wittman, chapters 1-3, 6-8, and 11

## **Week 8: Expressive Voting**

**July 20<sup>th</sup> – July 26<sup>th</sup>**

**July 24<sup>th</sup> – Midterm II**

- The instrumental voting assumption
- Instrumental vs. 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:

Caplan, pp. 1-84

**Week 9: Systematic Bias vs. The Miracle of Aggregation**

**July 27<sup>th</sup> – Aug 2<sup>nd</sup>**

- Return to the “Miracle of Aggregation”
- Ignorance, irrationality, and systematic error
- Rational ignorance vs. rational irrationality
- Irrationality as political pollution
- Inefficient unanimity again
- Systematically biased beliefs about economics
- Availability cascades
  - Application: Protectionism
- Answering Wittman, II

Readings:

Caplan, pp. 94-162

**Week 10: Democracy, Dictatorships, and Markets**

**Aug 3<sup>rd</sup> – Aug 5<sup>th</sup>**

- The comparative institutions approach revisited
- Critically evaluating democracy
- Government as a solution for public goods problems
- Government in the real world
- Some political economy of dictatorship
- Constitutional reform and endogenous institutions
- Markets as the alternative to democracy
- Market failure vs. democratic failure
- Searching for asymmetries
- Concluding thoughts

Readings:

Wittman, chapters 13-14

Rothbard, *Power and Market*, “Utility Ex Post”

Martin McGuire and Mancur Olson, *The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force*”

**Final: Aug 7<sup>th</sup>**

**Other Important Dates:**

Last Day to Add/Drop: June 5<sup>th</sup>