

Prof. Bryan Caplan

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Econ 410

Public Choice Syllabus

Course Focus:

The course provides a survey of public choice, also known as political economy, rational choice theory, or the economics of politics. It covers voting models, public opinion, interest groups, rent-seeking...

Prerequisites:

I assume that you are familiar with basic microeconomics and algebra.

Texts:

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

Robert Cooter, *The Strategic Constitution*, available at:

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

Mancur Olson, *The Logic of Collective Action*

Donald Wittman, *The Myth of Democratic Failure*

Bryan Caplan, *The Myth of the Rational Voter*

I will also hand out miscellaneous readings, marked with a *, in class.

Grading and Exams:

There will be one midterm and a final exam - essentially, an exam for each Part of the course. The midterm counts 30%; the final exam is 45%; homework counts for the remaining 25%. 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 fraction grade (e.g. B- to B).

Homework:

There will be approximately five 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 in 8 Carow Hall; my office number is 3-2324. My official office hours are MW 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. Cooter book pagination is given first, followed by Cooter online pdf pagination in italics.

PART I: Voting Models

Week 1: Public Goods, Externalities, and Comparative Institutions

- 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: Defense
- Bad but popular examples
- Good but unpopular examples
- Externalities, efficiency, and fairness
- Coase, property rights, and externalities
- Application: Regulation versus tradeable permits
- Externalities generalized
- The comparative institutions approach

Readings:

none

Week 2: The Logic of Collective Action

- Fallacies of group action
- Social benefits versus 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 good provision

Readings:

Olson, chapters 1-2, 6

Week 3: The Median Voter Model

- 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
- Cycling and Condorcet winners
- Multiple voting dimensions

Readings:

Cooter, pp. 17-30, 37-43 {42-62, 73-82}

Week 4: Rational Ignorance and the "Miracle of Aggregation"

- 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 convergence

Readings:

Cooter, pp. 63-65 {108-110}

* Dye and Zeigler, *Irony of Democracy*, pp.130-135 ("Mass Political Ignorance" and "Mass Political Apathy")

Week 5: Efficiency and Bargaining

- 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
- Supermajority rules

Readings:

Cooter, pp. 32-36, 51-58 {66-71, 92-101}

Week 6: Basics of Public Opinion and Voter Motivation

- 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 versus the logic of collective action

Readings:

* Dye and Zeigler, *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"

Week 7: Empirical Accuracy of the Median Voter Model

- The median voter model versus 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:

Cooter, pp. 43-47 {82-87}

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PART II: Advanced Topics

Week 8: Division of Powers, Special Interests, and Rent-Seeking

- 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; log-rolling between the branches of government
- Special interests and the median voter model
- Campaign contributions, political advertising, and rational ignorance
- Concentrated benefits, 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, 215-218 {111-125, 158-161, 238-241, 288-297, 303-307, 330-334}

Week 9: Political Competition and Political Collusion

- Restrictions on political competition: term limits and spending limits
- Pure versus 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, 103-106, 127-138 {167-171, 197-218}

Weeks 10-11: Wittman's *Myth of 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 1-3, 6-8, 11

Week 12: 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:

Caplan, pp.1-84

Week 13: Systematic Bias Versus the Miracle of Aggregation

- Return to the "miracle of aggregation"
- Ignorance, irrationality, and systematic error
- Rational ignorance versus 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 14: Democracy, Dictatorship, and Markets

- 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 versus democratic failure
- Searching for asymmetries
- Concluding thoughts

Readings:

Wittman, chapters 13-14

Rothbard, *Power and Market*, “Utility *Ex Post*”,
http://mises.org/rothbard/mes/chap14.asp#2E._Utility_ExPost_

FINAL EXAM
