

## ECON 4650 (01) - Political Economy and Public Choice

Spring 2017

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“Man is by nature a political animal.” Aristotle.

“The division of labor...is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.” Adam Smith.

“Economists should cease proffering policy advice as if they were employed by a benevolent despot, and they should look to the structure within which political decisions are made.” Buchanan, 1986 Nobel Prize lecture.

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**Course Description:** Out of Aristotle’s observation developed the science of politics, with focus on man in the public arena. Out of Smith’s observation developed the science of economics, with focus on man in the marketplace. Out of Buchanan’s observation developed the field of public choice, which assumes that political man and economic man are one and the same. Public choice (also known as political economy, rational choice theory, or the economics of politics) uses the methods of economics to understand collective choices.

The course will survey a number of key topics in the field of public choice. After an introduction to the field, we’ll discuss the theory of rent-seeking and consider where rent-seekers come from and how they organize. We’ll then analyze bureaucracies and bureaucrats as well as voting rules and voters. We’ll wrap up the semester with a discussion of how political entrepreneurs can produce positive political change that improves the human condition.

**Course Objectives:** A primary objective of the course is to increase students’ understanding of the field of public choice and its lessons about collective choice. The course is also intended to improve students’ critical and reflective thinking skills; to enhance students’ ability to view the world from the perspective of an economist, especially through the application of economic reasoning in non-market contexts; and to develop students’ understanding of how policy can be used to advance the cause of human good in the world.

**Prerequisites:** ECON 314 - Intermediate Microeconomics, MATH 132 - Calculus.

**Textbook:** There is no standard undergraduate public choice textbook. (THE “book” on public choice is Mueller’s *Public Choice III*. It is a bit much for an undergraduate course, but we may use small portions of it.) We will rely largely on readings from the literature for material. We may wrap-up the semester by reading Ed Lopez and Wayne Leighton’s *Madmen, Intellectuals, and Academic Scribblers: The Economic Engine of Political Change*. (I’m not sure how quickly or slowly we will proceed through the course material. I.e., we may or may not get to the Lopez and Leighton book. Unless you want to read this book whether or not we cover it in class, you may want to postpone purchasing until it’s clear we’re going to have time to get it.)

**Attendance and Engagement:** The class will be run largely as a “readings” course - seminar style. There will be some lecture. Otherwise, my role as instructor will be largely to facilitate discussion. Your role will be to discuss - to discuss the ideas covered in assigned readings - and to listen and respond. So...Regular

attendance and preparation for class are key determinants of success in the course. Plan to dedicate weekly study time outside of class to reading, reflection, writing, and discussion preparation. Plan to actively participate in class. Please keep in mind that seminar discourse is not competition. The purpose is to create understanding through reflection, deliberation, and the sharing of views, questions, and confusions. If speaking in class is difficult for you, come see me - so that we can think about ways to help you succeed as an active discussant in class.

**Evaluation Procedure:** Students will be evaluated based on participation and exams.

**Exams:** There will be two non-cumulative exams during the regular semester, and a comprehensive final exam during finals week. If an exam is missed due to an unanticipated and valid circumstance, a make-up can sometimes be arranged. (For a make-up to be feasible, arrangements must typically be made within a day or two of the exam, and the make-up must typically be administered prior to the subsequent class meeting. I.e., if something bad happens and you miss an exam, get in touch with me as soon as possible, and we'll work together to figure out how to proceed.)

Expected exam dates:

Exam 1: Thursday, February 23 (week 6 of 15)

Exam 2: Tuesday, April 11 (week 12 of 15)

Final Exam: Thursday, May 11 (day 2 of 6), 8:00 - 9:50 am

**Grading:** Your exam average,  $e$  will be computed as follows, where  $f$  is the final exam score, and  $m_1$  and  $m_2$  are the scores on the first and second in-class exams, respectively:

$$e = 0.60 * f + 0.25 * \max\{m_1, m_2\} + 0.15 * \min\{m_1, m_2\}, \quad \text{if } \{m_2, m_1\} < f,$$
$$= 0.35 * f + 0.40 * \max\{m_1, m_2\} + 0.25 * \min\{m_1, m_2\}, \quad \text{otherwise.}$$

You may also accumulate participation points,  $p$ , towards your semester total. (A cap of  $p = 30$  may be imposed.) Your semester total  $t$ , will be computed according to  $t = p + (100 - p)/100 * e$ . This grading system implies that at the beginning of the semester, your grade is 100% determined by your performance on exams. As you accumulate participation points, the share of your grade determined by exams falls. Both discretion and the following guidelines will be used to assign letter-grades based on your total course average,  $t$ :  $A$  if  $t \in [93, 100]$ ,  $A-$  if  $t \in [90, 92]$ ,  $B+$  if  $t \in [87, 89]$ ,  $B$  if  $t \in [83, 86]$ ,  $B-$  if  $t \in [80, 82]$ ,  $C+$ , if  $t \in [77, 79]$ ,  $C$  if  $t \in [73, 76]$ ,  $C-$  if  $t \in [70, 72]$ ,  $D$  if  $t \in [60, 69]$ ,  $F$  otherwise.

**Academic Integrity:** The mission of Saint Louis University is “the pursuit of truth for the greater glory of God and for the service of humanity.” Our standards of academic integrity must be informed by and reflect this mission. As members of a scholarly community, it is essential for all of us to practice and promote high standards of thoughtfulness and honesty in our work. I will do my best to foster a classroom environment consistent with achieving these aims, and expect the same of you. Violations - including, but not limited to, cheating, fabrication, facilitating academic dishonesty, and plagiarism - will be punished in accordance with university policy and procedures.

**Course Web Site:** There is a link on my web-site ([sites.google.com/a/slu.edu/bonnie.wilson](https://sites.google.com/a/slu.edu/bonnie.wilson)) for this course. I will post course materials as well as announcements, exam scores (by ID only, not by name), and other items of interest as they come up during the semester.

## Course Outline and Related Readings:

### 1. Introduction

- ▷ Buchanan, J. 1976. Politics without Romance: A Sketch of Positive Public Choice Theory and Its Normative Implications. From Inaugural Lecture, Institute for Advanced Studies, Vienna, Austria. Reprinted in volume 1, *The Logical Foundations of Constitutional Liberty*.
- ▷ Brennan, G. and J. Buchanan. 1981. The Normative Purpose of Economic 'Science': Rediscovery of an Eighteen-Century Method. *International Review of Law and Economics* 1(2): 155-166.

### 2. Faction and Rent Seeking

- ▷ Olson, M. Dictatorship, Democracy, and Development. *The American Political Science Review* 87(3): 567-576.
- ▷ Madison, J. *Federalist* No. 10.
- ▷ Tullock, G. 1967. The Welfare Costs of Tariffs, Monopolies, and Theft. *Western Economic Journal* 5:3, 224 - 232.
- ▷ Stigler, G. 1971. The Theory of Economic Regulation. *The Bell Journal of Economics and Management* 2:1, 3 - 21.
- ▷ McChesney, F. S. 1987. Rent Extraction and Rent Creation in the Economic Theory of Regulation. *Journal of Legal Studies* 16: 101-118.
- ▷ Wittman, D. 1996. *The Myth of Democratic Failure: Why Political Institutions Are Efficient*. Chicago: University of Chicago Press. Chapters 4 and 7.

### 3. Collective Action

### 4. Bureaucracy

- ▷ Niskanen, W. 1968. The Peculiar Economics of Bureaucracy. *The American Economic Review* 58: 293-305.
- ▷ Coyne, C. 2008. "The Politics of Bureaucracy and the failure of post-war reconstruction." *Public Choice* 135: 11-22.

### 5. Voting

- ▷ Buchanan, J. 1954. Individual Choice in Voting and the Market. *Journal of Political Economy* 62: 334-343.
- ▷ MacKay, A. 1980. Social Choice and Arrow's Paradox. In *Arrow's Theorem: The Paradox of Social Choice*. New Haven, CT: Yale University Press.
- ▷ McEachern, W. 1978. Collective Decision Rules and Local Debt Choice: A Test of the Median-Voter Hypothesis. *National Tax Journal* 31: 129-135.

### 6. Political Entrepreneurship

## Other Various and Sundry Statements Required by the Cook School or SLU:

**Academic Integrity Syllabus Statement:** Academic integrity is honest, truthful and responsible conduct in all academic endeavors. The mission of Saint Louis University is “the pursuit of truth for the greater glory of God and for the service of humanity.” Accordingly, all acts of falsehood demean and compromise the corporate endeavors of teaching, research, health care, and community service via which SLU embodies its mission. The University strives to prepare students for lives of personal and professional integrity, and therefore regards all breaches of academic integrity as matters of serious concern.

The governing University-level academic integrity policy was adopted in Spring 2015, and can be accessed on the Provost’s Office website: [www.slu.edu/the-office-of-the-provost/policies](http://www.slu.edu/the-office-of-the-provost/policies)

Additionally, each SLU College, School, and Center has adopted its own academic integrity policies, available on their respective websites. All SLU students are expected to know and abide by these policies, which detail definitions of violations, processes for reporting violations, sanctions, and appeals. Please direct questions about any facet of academic integrity to your faculty, the chair of the department of your academic program, or the Dean/Director of the College, School or Center in which your program is housed.

**Cook School Academic Honesty Policy:** It is the policy of the John Cook School of Business at Saint Louis University that the “Giving and receiving of unauthorized assistance on any graded exercise constitutes academic dishonesty and may result in grade reductions and/or probation, suspension, or dismissal.”

**Title IX Syllabus Statement:** Saint Louis University and its faculty are committed to supporting our students and seeking an environment that is free of bias, discrimination, and harassment. If you have encountered any form of sexual misconduct (e.g. sexual assault, sexual harassment, stalking, domestic or dating violence), we encourage you to report this to the University. If you speak with a faculty member about an incident of misconduct, that faculty member must notify SLU’s Title IX coordinator, Anna R. Kratky (DuBourg Hall, room 36; [akratky@slu.edu](mailto:akratky@slu.edu); 314-977-3886) and share the basic fact of your experience with her. The Title IX coordinator will then be available to assist you in understanding all of your options and in connecting you with all possible resources on and off campus.

If you wish to speak with a confidential source, you may contact the counselors at the University Counseling Center at 314-977-TALK. To view SLU’s sexual misconduct policy and for resources, please visit the following web address: [www.slu.edu/general-counsel-home/office-of-institutional-equity-and-diversity/sexual-misconduct-policy](http://www.slu.edu/general-counsel-home/office-of-institutional-equity-and-diversity/sexual-misconduct-policy).

**Student Success Center Syllabus Statement:** In recognition that people learn in a variety of ways and that learning is influenced by multiple factors (e.g., prior experience, study skills, learning disability), resources to support student success are available on campus. The Student Success Center, a one-stop shop, which assists students with academic and career related services, is located in the Busch Student Center (Suite, 331) and the School of Nursing (Suite, 114). Students who think they might benefit from these resources can find out more about:

Course-level support (e.g., faculty member, departmental resources, etc.) by asking your course instructor. University-level support (e.g., tutoring services, university writing services, disability services, academic coaching, career services, and/or facets of curriculum planning) by visiting the Student Success Center or by going to [www.slu.edu/success](http://www.slu.edu/success).

**Disability Services Academic Accommodations Syllabus Statement:** Students with a documented disability who wish to request academic accommodations are encouraged to contact Disability Services to discuss accommodation requests and eligibility requirements. Please contact Disability Services, located within the Student Success Center, at [Disability\\_services@slu.edu](mailto:Disability_services@slu.edu) or 314.977.3484 to schedule an appointment. Confidentiality will be observed in all inquiries. Once approved, information about academic accommodations will be shared with course instructors via email from Disability Services and viewed within Banner via the instructors course roster.