

Public Choice: Rational Choice and Public Policy

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Office Hours: Tuesday and Wednesday 10:30 - 11:30, and by appointment

Optional Texts:

Mueller, D. (2003) *Public Choice III*. Cambridge: Cambridge University Press.

Hillman, A. L. (2009) *Public Finance and Public Policy, Responsibilities and Limitations of Government*. Cambridge: Cambridge University Press
(See also the class website for lecture notes and other readings.)

Overview:

This course provides a survey of the public choice literature and explores the connections between political institutions, politics, and public policy. In general, the rational choice approach to understanding politics and public policy assumes that essentially all public policies can be characterized as political equilibria among self-interested participants in some political process. Public policies change when these equilibria change. It is clear that political and legal institutions affect those equilibria, because they create the rules of the "political game."

The course is lecture oriented, in that all models relevant for the exams are developed during class time. Lecture notes are available on the class website.

Tentative Course Outline

17/5 I. Introduction: Positive and Normative Theories of the State

Positive and Normative Defined. An Overview of Theories of Anarchy and the Emergence of the State: Conflict in Hobbesian Anarchy as "Competitive Waste," Coordination and Conventions, Property Rights and Collective Action. The Reason for Rules and Collective Action.

18/5 II. Introduction to Voting Models

Voting rules: median voter outcomes in one and two dimensional issue spaces Pareto Inefficiency of some outcomes

24/5 III More Applications of the Median Voter Model

Majority rule and the collective provision of public services. Simultaneousness of tax and output decisions, Regulation, Redistribution

31/5 IV. Problems with Majority Rule

The Paradox of Voting, Majority Rule Intransitivity, Arrow's Impossibility Theorem, Coalitional Instability; Rational Ignorance and the Jury Theorem.

7/6 V. Stochastic Voting Models

Candidate induced uncertainty, voting as a lottery, Welfare and stability differences of stochastic and median voter models. Turnout: Mixed and Pure Strategies in Voting

14/6 VI. Voting and Institutions

Alternative Choice Mechanisms, Institution induced equilibria, Agenda Control

21/6 VII. Bureaucracy as a Special Interest Group

Niskanen: the Budget Maximizing Bureau, Committee Oversight, Agenda Control

28/6 VIII. Economic and Ideological Special Interests and Rent-Seeking Losses

Coalition Formation, Free Riding, and Political Pressure Rents from Government Regulation, Rent Seeking Expenditures Rent-Seeking Waste, Evidence of Rent Seeking: Tax Preferences, Trade Protection, Labor Law, Regulation

5/7 XI. Controlling Rent-Seeking: Special Interest Groups and Institutions

The Compensation Principal and Takings, The Generality Principle, Directing the form of competition

12/7 XII. Notes on Constitutional Design

Choosing Voting Rules: decision costs and consensus

19/7 XIII. Treaty Organizations

Regulatory Externalities and Gains from International Organization

20/7 **Conclusion and Review for Final Exam**

Evaluated Coursework :

Final Exam	100%
or a Term Paper	100%