I. Introduction

A. What is rational choice politics? Rational choice politics is the study of political decision making. using rational choice models from political science, game theory, and economics.

 i. It attempts to understand how public policies come to be adopted using individual based models of political decision making by voters, politicians, bureaucrats, and interest group members..

 ii. The predicted behavior tends to vary with individual circumstances, ideas, expectations and political institutions.

B. Generally speaking, the rational choice approach to political science differs from most political science research, because it assumes that political decisions as consequences of individual choices--even when individuals join groups and participate in collective activities..

 i. Most rational choice theorists assume that all the individual involved in politics are rational and self interested men and women.

 ii. As a first approximation, they often assume that individuals are "wealth maximizers" although this is not a necessary assumption, nor is it the only one ever used.

 iii. In principle rational choice is simply goal oriented decision making.

   a. You engaged in rational choice when you clicked on this website or when you take the steps necessary to attend class.

   b. You engage in rational choice when you make a sandwich, chose a bicycle, vote for a political party, or make time to visit with your friends.

 iv. Rational choice politics, or public choice, is sometimes said to be the application of economic models of human action to politics.

   a. There is some truth to this insofar as economists make far broader use of rational choice models than most political scientists do.

   b. On the other hand, it bears noting that the rational choice models of voting developed by Condorcet and Borda in the late 18th century took place nearly a century before economists began using rational choice models in their research.

C. For most of this course, I will use the terms rational choice politics and public choice interchangeably.

   a. They do have a slightly different meaning, but the difference is not very important for this course.

   b. For the most part, I will use the term "public choice" because it is a bit shorter and easier to say than "rational choice politics."

   c. (Public choice is a research program that began after WWII, and which for the most part was pressed forward by US academics, mostly economists. Although many important ideas were developed by political scientists and European economists.)

D. Public choice researchers (and/or rational choice political scientists) have developed a wide range of models of political action.

 i. Their models characterize: electoral equilibrium, the behavior of bureaucracy, the political power of interest groups, the differences between democracies and dictatorships, the logic of collective action, the importance of constitutions.

 ii. Thier models have been used to explore differences in constitutional design among democracies and among the entire spectrum of government types.

E. Why study rational choice politics - public choice?

 i. Reasons for applying rational choice models to politics vary.

 ii. First, there are methodological advantages to the rational choice approach.

   a. A fairly broad range of "off the shelf models" can be used to analyze individual behavior in a wide range of settings.

   b. The models allow the effects of particular relationships to be explored in an "other things being equal" environment which is not possible in most real world settings.

   c. Insofar as the choice settings studies are commonplace, the predictions of these models can be tested both in the laboratory and statistically in real world settings.

   d. The real world is often too complex to analyze all at once, and focusing carefully on a subset of relationships allows our understanding of those relationships to move forward one step at a time.

 iii. Second economists often model the formation of policy as if it were an exogenous variable.

   a. For example in principles of economics courses, one often analyzes the economic effects of a tax or subsidy without attempting to explain where those taxes (and other regulations) come from.

   b. Public Choice attempts to understand where those policies come from.

   c. This allows one to better understand the very wide range of economic regulations as the result of deliberate action rather than mistakes by politicians.

   d. At the same time, a better understanding of such politics allows one to predict and profit from policies, because most polices are adopted with their economic consequences in mind.

   e. Such analyses often reveal problems with existing policies and institutions and may also produce recommendations for improved policies and institutions.

 iv. Third, political scientists often adopt rational choice based models because they are unsatisfied with historical and sociological representations of political processes.

   a. They want to understand government in a more detailed way than those models allow, and to make forecasts of government policies or growth which are based on sharper models.

   b. History and sociology may still matter, but those forces can be analyzed the level of individual decision makers.

 v. Fourth, policy analysts from economics, political science, and law are nearly always interested in normative issues: how can government and its policies be improved?.

a. To make better policies will require better political decisions and/or better political institutions--but these require a better understanding of how individuals behave in particular choice settings.

b. Note that assessment of the relative merits of alternative institutions requires a clear understanding of the effects of those institutions on human behavior--of the sort that public choice models attempt to develop.

c. (Such analyses will necessarily be abstract--hypothetical--because it is too costly to just experiment with all kinds of institutions--at least at one time and place.)

d. *Indeed, if the people involved are clearly reasonably smart well-informed individuals, then institutional reform may be the only method to systematically improve policy decisions is to improve political institutions.*

e. The rational choice approach to politics provides a logically consistent and powerful set of tools for analyzing the properties of alternative political institutions.

f. (It is not perfect. Models continue to improve. But, it provides a very powerful insight into the basic "forces" of modern democratic politics.

vi. It is conventient for the purposes of this course that most of the early models of political processes focused on American institutions and policies.

II. Positive and Normative Analysis

A. In areas dealing with public policy, it is often important to distinguish between the scientific problems of explanation and prediction and the ethical problems of evaluation and recommendation.

i. While controversy may be associated with both positive and normative analyses, the scope for disagreement is generally larger for normative than for positive analysis.

ii. (Moreover, the intensity of the conflict over normative analysis tends to be more intense and less subject to "dispassionate" analysis and argument.)

B. Many philosophers of science distinguish between normative and positive statement. (see for example K. Popper)

i. A **Positive Statement** is a statement about what is, has been or will be.   It is a statement about the world.

ii. A **Normative Statement** attempts to evaluate the desirability of alternative states of the world.

iii. Generally, normative statements conclude that a particular policy is good or bad, is Pareto optimal or not, should be undertaken or not, etc.

a. Confusion often occurs because reasoned normative statements often include some positive statements to support their conclusions.

b. E.G. X is a bad policy *because* X increases unemployment.

c. (X increases unemployment is a positive statement. However, the conclusion that X is a bad policy (or not) depends on an individual's normative theory or intuition--whether he or she believe unemployment is a bad thing or not--even if he or she fully accepts the positive claim.)

iv. Positive statements are often confused with operational statements.

a. **Operational statements** are statements that can at least conceptually be tested to determine whether they are true or false.

b. Not all positive statements are testable, and moreover, give a normative theory, some normative statements are testable!

v. Examples of positive, normative, and operational statements:

a. The moon is made of green cheese. (p, but false)

b. Minimum wage laws always increase unemployment. (p, probably true)

c. Tariffs are a bad policy because they reduce consumer welfare. (n, probably true)

d. Mass transit reduces air pollution. (p, probably true)

e. Mass transit should be subsidized because it reduces highway congestion. (n, possibly true)

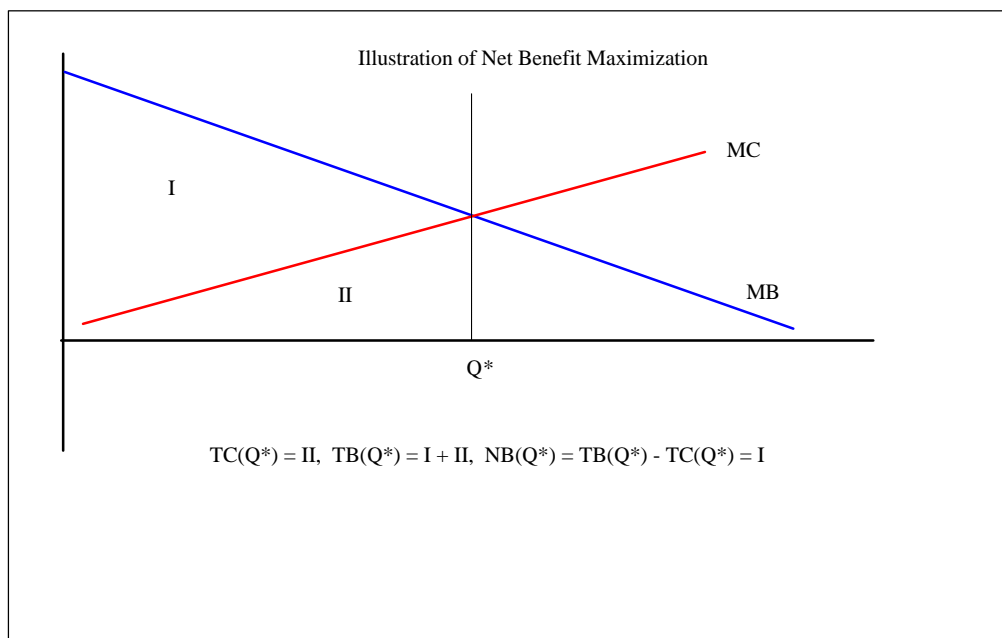f. The new EU constitution will be voted down by France. (p, and soon to be tested)

C. There are many examples of Normative Theories used to assess public policies and institutions:

i.   The Pareto Criteria

ii. Utilitarian and/or Social Welfare Criteria

a. Cost Benefit Analysis

b. the Compensation Principle

iii. Natural right theories

iv. Contractarian theories

v. Communitarian theories

vi. Egalitarian theories

vii. Ideological theories of the "good " life or "good" society

III. A Digression on the Geometry of Net Benefit Maximizing Choice

A. Nearly all economic models can be developed from a fairly simple model of rational decision making that assume that individuals maximize their private net benefits.

i. Consumers maximize consumer surplus: the difference between what a thing is worth to them and what they have to pay for it. $CS(Q) = TB(Q) - TC(Q)$

ii. Firms maximize their profit: $\Pi = TR(Q) - TC(Q)$

B. The change in benefits, costs, etc. with respect to quantity consumed or produced is generally called Marginal benefit, or Marginal cost.

i. DEF: Marginal "X" is the change in Total "X" caused by a one unit change in quantity. It is the slope of the Marginal "X" curve. "X" $\in$ {cost, benefit, profit, product, utility, revenue, etc.}

ii. *Important Geometric Property*: Total "X" can be calculated from a Marginal "X" curve by finding the area under the Marginal l "X" curve over the range of interest (often from 0 to some quantity Q).   This property allows us to determine consumer surplus and/or profit from a diagram of marginal cost and marginal revenue curves.

C. If one attempts to maximize net benefits, it turns out that generally you will want to consume or produce at the point where marginal cost equals marginal benefit (at least in cases where Q is very divisible).

i. There is a nice geometric proof of this. (See class notes.)

ii. Even though this property will be true for all net-benefit maximizing decision makers.

  a. It does not imply that every person will agree about what the ideal level or output of a particular good or service might be.

  b. Individuals may have different marginal benefit or marginal cost curves.

Illustration of Net Benefit Maximization

MC

I

MB

II

Q*

TC(Q*) = II, TB(Q*) = I + II, NB(Q*) = TB(Q*) - TC(Q*) = I

IV. Economic Decision Making and Political Disagreements

A. Many other social scientists seem to believe that people disagree about political policies because they are more or less poorly informed.

i. That is to say, they seem to believe that if every one were well informed, people would agree about the "right" thing to do in a given policy area.

ii. Public choice scholars would admit that "information based disagreements" are possible, but generally assume that people are reasonably well informed and disagree because their circumstances differ or because they have different tastes or apply different normative theories.

B. Illustrations from Economics: Figures from class notes:

i. Who will lobby for minimum wage laws?

ii. Who will lobby for tariffs on foreign goods?

iii. Who will lobby for subsidies for higher education?

iv. Who will prefer progressive taxation?

V. Classic Authors/Books in Public Choice

A. Duncan Black

B. Kenneth Arrow

C. Anthony Downs

D. Gordon Tullock

E. William Riker

F. James Buchanan and Gordon Tullock

G. Mancur Olson

H. William Niskanan

VI. Next topic: why engage in collective action?