

## Rational Choice and American Public Policy

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Spring 2007

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Office Hours: Wednesday and Friday 1:30 - 2:45, and by appointment

### Optional Texts:

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

All governments enact a broad range of laws and regulations that directly and indirectly affect the quality of life for their citizens. This course uses rational choice models to analyze the kinds of policies that democratic governments may be expected to select, with special attention paid to American policies. The first part of the course explores positive theories of the state and implications of democratic procedures for public policies. It develops the median voter theorem, interest groups, and rent seeking and analyzes the informational efficiency of democracy. The second part of the course explores normative issues concerning ideal policies and institutional design. Applications include American policies with respect to taxation, environmental regulation, terrorism, and institutional design.

The course is principally organized as a lecture course, although roundtable discussions of particular policies will be undertaken during the second half of the class period during the second half of the course.

### Tentative Course Outline

#### 1/2 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.

#### 8/2 II. Introduction to Voting Models

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

#### 15/2 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

22/2 IV. Problems with Majority Rule

The Paradox of Voting, Rational Ignorance, Majority Rule Intransitivity, Arrow's Impossibility Theorem, Coalitional Instability and Interest Groups.

1/3 V. Stochastic Voting Models

Candidate induced uncertainty, voting as a lottery, Mixed and Pure Strategies in Voting

8/3 VI. Voting and Institutions

Institution induced equilibria, Agenda Control, Alternative Choice Mechanisms

15/3 VII. Bureaucracy as a Special Interest Group

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

22/3 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

29/3 IX. Applications: Political Economy of Deficits

**5/4 Easter Holiday, No Class**

12/4 X. Applications: the Political Economy of Social Security

19/4 XI. Applications: Environmental Protection

26/4 XIII. Application: the Political Economy of Terrorism

3/5 XIV. Application: the Political Economy of International Treaties

10/5 XV. Application: TBA

**17/7 No Class Ascension Day**

10/24 XVI. Course Overview

**Evaluated Coursework :**

Final Exam (take home) 100%