

Public Choice I

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Recommended texts

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

Congleton, R. D. and B. Swedenborg (2006) *Democratic Constitutional Design and Public Policy*. Cambridge Mass: MIT Press.

Persson, T. and Tabellini, G. E. (2000) *Political Economics: Explaining Economic Policy*. Cambridge Mass: MIT Press. ISBN: 0262161958

Other Useful Texts and References:

Buchanan, J. M. and G. Tullock (1962) *The Calculus of Consent*. Chicago: University of Chicago Press.

Olson, M. (1971) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge Mass.: Harvard University Press.

Tullock, G. (2005) *The Social Dilemma*. Indianapolis: Liberty Fund (reprints of the Social Dilemma, 1974, and Autocracy, 1987).

Hillman, A. L. (2009) *Public Finance and Public Policy: Responsibilities and Limitations of Government*. Cambridge: Cambridge University Press. ISBN 052173805.

Course Aims and Approach:

The rational choice approach to politics has produced a very broad literature in which there is some disagreement about the nature of that equilibria (for example, over the relative importance of voting, interest groups, the bureaucracy, and political institutions). In general, however, the rational choice approach 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."

This course provides a survey of the public choice literature and explores the connections between political institutions, politics, and public policy. The course is lecture oriented, in that all models relevant for the exams are developed during class time. Extensive "web notes" for the lectures are provided at the class website.

Planned Lectures and Associated Literature

Date	Topic	Reading
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9/03	I. Introduction: Rational Choice and Governance	M: 1-2, 18; PT: 2, CS: 1
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A brief history of public choice. Three main strands of the literature center on: elections, interest groups, and constitutions. The reductionist approach. Two economic theories of the state: stationary bandits and social compacts: force and/or cooperation.

- ◆ Buchanan, J. M. (1975) *The Limits of Liberty*. Chicago: University of Chicago Press. Chapters 2-4.
- ◆ Olson, M (1993) "Dictatorship, Democracy, and Development," *American Political Science Review* 87: 567-576.
- ◆ Brennan, G.; Buchanan, J. M. (1977) "Towards a Tax Constitution for Leviathan," *Journal of Public Economics* 8:255-273.
- ◆ Grossman, H. I. (1995) "Swords or Plowshares? A Theory of the Security of Claims to Property," *Journal of Political Economy* 103: 1275-1288.

Aristotle (350 BCE) *The Politics*. Athens. (The B. Jowett translation is available at: <http://classics.mit.edu/Aristotle/politics.html> .)

Hobbes, T. (1651) *Leviathan: the Matter, Form and Power of a Commonwealth*. (Various digitized versions are available at <http://www.gutenberg.org/etext/3207> .)

Montesquieu, C. L. (1748) *The Spirit of the Laws*. (Available at: http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php%3Ftitle=837&Itemid=999999999 .)

Madison, J., J. Jay, and A. Hamilton (1818/1776) *The Federalist Papers*. (Available at: http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php&title=788 .)

Grossman, Herschel I. (Sept., 1991) "A General Equilibrium Model of Insurrections," *American Economic Review*.

McGuire, M. C. and Olson, Mancur, Jr. (1996) "The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force," *Journal of Economic Literature* 34:72-96.

Skaperdas, S. (1992) "Cooperation Conflict, and Power in the Absence of Property Rights," *American Economic Review* 82: 720- 739.

Dixit, A. K. (1998) *The Making of Economic Policy, A Transaction Cost Politics Perspective*. Cambridge Mass: MIT Press.

9/10	II. Elected Governments	M: 7; PT: 3; CS: 1
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Organizational Designs: principal agent problems and delegation. Choosing and formalizing decision rules. Constitutional Political Economy. Majority rule and the median voter theorems. The median voter model as the political equivalent of the

competitive model in economics. Modeling public policy formation in well-functioning democracies.

- ◆ Buchanan, J. M. and Tullock, G. (1962) *The Calculus of Consent*. Ann Arbor: University of Michigan Press. (Chapters 5-8).
- ◆ Calvert, R. L., M. D. McCubbins, and B. R. Weingast (1989) "A Theory of Political Control and Agency Discretion," *American Journal of Political Science* 33: 588-611.
- ◆ Congleton, R. D. (2007) "Informational Limits to Democratic Public Policy," The Jury Theorem, Yardstick Competition, and Ignorance," *Public Choice* 132: 333-52.
- ◆ Coughlin, P. and Nitzan, S. (1981) "Electoral Outcomes with Probabilistic Voting and Nash Social Welfare Maxima", *Journal of Public Economics* 15: 113-21.
- ◆ Poole, K. T. and Rosenthal, H. (1991) "Patterns of Congressional Voting," *American Journal of Political Science* 35: 228-78.

Black, Duncan. (1987) *The Theory of Committees and Elections*. Dordrecht: Kluwer Academic Publishers.

Besley, Timothy; and Coate, Stephen Source (1997) "An Economic Model of Representative Democracy," *Quarterly Journal of Economics* 112: 85-114.

Mueller, Dennis C. (1996) *Constitutional Democracy*. New York: Oxford University Press.

Congleton, R. D. (2003) "The Median Voter Model," *Encyclopedia of Public Choice* (C. K. Rowley and F. Schneider, Eds.) Dordrecht: Kluwer.

9/17 III. Elections and Public Policies

M: 11, 13; PT: 6, 12

Most electoral models have equilibria at or near the center (median) of the distribution of voter positions. If the median voter gets what she wants, then public policies reflect his or her interests. Policy changes reflect changes in the median voters constraints and interests, if voters are well informed and candidates deliver on their campaign promises.

- ◆ Meltzer, A. H. and Richard, S. F. (1981) "A Rational Theory of the Size of Government," *Journal of Political Economy* 89: 914-927.
- ◆ Inman, Robert P. (1989) "The Local Decision to Tax: Evidence from Large U.S. Cities," *Regional Science and Urban Economics* 19: 455-91
- ◆ Glazer, A. (1989) "Politics and the Choice of Durability," *American Economic Review* 79: 1207-13.
- ◆ Alesina, A. and G. Tabellini (1990) "A Positive Theory of Fiscal Deficits and Government Debt," *Review of Economic Studies* 57: 403-14.
- ◆ Piketty, T. (1995) "Social Mobility and Redistributive Politics," *Quarterly Journal of Economics* 110: 551-84.
- ◆ Krehbiel K. (1996) "Committee Power, Leadership and the Median Voter: Evidence from the Smoking Ban," *Journal of Law Economics and Organization* 234-56.

Kau, J. B. and Rubin, P. H. (1979) "Self-Interest, Ideology, and Logrolling in Congressional Voting," *Journal of Law and Economic* 12.

Stratmann, T. (1992) "The Effects of Logrolling on Congressional Voting," *American Economic Review* 82: 1162-76.

Alesina, A., J. Londregan, H. Rosenthal (1993) "A Model of the Political Economy of the United States," *American Political Science Review* 87:12-33.

Coate, S. (1995) "Altruism, the Samaritan's Dilemma, and Government Transfer Policy," *American Economic Review* .

Congleton, R. D. and R. W. Bennett (1995) "On the Political Economy of State Highway Expenditures: Some Evidence of the Relative Performance of Alternative Public Choice Models." *Public Choice*.

Caselli, F. (1997) "On the Distribution of Debt and Taxes," *Journal of Public Economics*.

Evans, R. G. (1997) "Going for the Gold: the Redistributive Agenda behind Market-Based Health Care Reform," *Journal of Health Politics, Policy, and Law* 22: 427-65.

9/24 **IV. Democratic Cycles and Public Policy**

M: 5, 17; PT: 16

Democracies may be affected by a number of cycles. The most analyzed of these is the cyclic majorities--the potential intransitivity of the majoritarian decision rule. But, there are other cycles as well, for example there are electoral cycles each two year at the national level, and budget cycles every year. These may also affect policies and institutions through effects on policy maker incentives and policy uncertainty.

- ◆ Arrow, K. J. (1963) *Social Choice and Individual Values* 2nd Edition, New Haven: Yale University Press.
- ◆ Rogoff, K. (1990) "Equilibrium Political Budget Cycles," *American Economic Review* 80: 799-821.
- ◆ Alesina, A., G. D. Cohen, Gerald D. and N. Roubini (1993) "Electoral Business Cycle in Industrial Democracies," *European Journal of Political Economy* 9: 1-23.
- ◆ Stratmann, T. (1996) "Instability of Collective Decisions? Testing for Cyclic Majorities," *Public Choice* 88: 15-28.
- ◆ Levitt, S. D. (1997) "Using Electoral Cycles in Police Hiring to Estimate the Effect of Police on Crime," *American Economic Review* 87: 270-290.
- ◆ Congleton, R. D. (2003) "Economic and Cultural Prerequisites for Democracy" in *Rational Foundations of Democratic Politics*. Breton, A., Galeotti, G., Salmon, P., and Wintrobe, R. Eds. New York: Cambridge University Press, pp. 44-67.

Kramer, G. (1971) "Short Term Fluctuations in U. S. Voting Behavior, 1896-1964", *American Political Science Review* 65: 131-43.

Weingast, B. R. and K. A. Shepsle (1981) "Structure-Induced Equilibrium and Legislative Choice," *Public Choice* 37: 503-19.

Feldman, A. M. and Lee, K. (1988) "Existence of Electoral Equilibria with Probabilistic Voting," *Journal of Public Economics* 35: 205-227.

Hammond, T. H. and G. J. Miller (1987) "The Core of the Constitution" *American Political Science Review* 81: 1155-74.

Alesina, A. and A. Drazen (1991) "Why Are Stabilizations Delayed?" *American Economic Review* 81: 1170-88.

Crain, W. Mark; Tollison, Robert D. (1993) "Time Inconsistency and Fiscal Policy: Empirical Analysis of U.S. States, 1969-89," *Journal of Public Economics* 51: 153-59.

Congleton, R. D., and Tollison, R. D. (1999) "The stability inducing propensity of unstable coalitions: some constitutional implications of the downward spiral of majoritarian rent seeking," *European Journal of Political Economy* 15: 193-206.

10/01 V. Elections and Interest Groups

M: 20, PT: 4

In a pure election model in which voters are perfectly informed, interest groups may cast their votes as single issue voters, but have no other channel by which they can influence policies. However, the information problems of voters and candidates potentially allow organized interest groups to influence policy in a number of ways--many of them legal.

(i) Interest groups may persuade voters to cast their votes as the interest group prefers/advises. (ii) Interest groups may induce candidates to take different positions during elections as a result of single issue voting or campaign contributions. (iii) Interest groups may persuade the elected representatives or the bureaucracy to adopt preferential policies after an election. (Such groups often propose drafts for legislation and regulations.) (v) Illegal methods can also be used, such a bribery or extortion.

- ◆ Congleton, R. D. (1986) "Rent-Seeking Aspects of Political Advertising" *Public Choice* 49: 249-63.
- ◆ Austen-Smith, D. (1987) "Interest Groups, Campaign Contributions, and Probabilistic Voting," *Public Choice* 54: 123-39.
- ◆ Dougan, William R.; Snyder, James M., (1996) "Interest-Group Politics under Majority Rule." *Journal of Public Economics* 61: 49-71.
- ◆ Grofman, B. and Skaperdas, S. (1995) "Modeling Negative Campaigning," *American Political Science Review* 89: 49-61.
- ◆ Persson, T., G. Roland, and G. Tabellini (2000) "Comparative Politics and Public Finance," *Journal of Political Economy* 108: 1121-61.

Olson, M (1965) *The Logic of Collective Action*, Cambridge, Mass: Harvard University Press.

Crain, W. M. and Tollison, R. D. (1979) "Constitutional Change in an Interest Group Perspective," *Journal of Legal Studies* 8: 165-75.

Congleton, R. D. (1991) "Information, Special Interests, and Single-Issue Voting," *Public Choice* 69: 39-49.

Mueller, D. C. and Stratmann, T. (1994) "Informative and Persuasive Campaigning," *Public Choice* 81: 55-77.

Grossman, G. M.; Helpman, E. (1996) "Electoral Competition and Special Interest Politics." *Review of Economic Studies* 63: 265-86..

Congleton, R. D., A. Hillman, and K. Konrad (2009) *40 Years of Research on Rent Seeking*. Heidelberg: Springer.

10/08 VI. How Efficient is Democracy?

M: 6, 23; PT: 9; CS: 6

If elections are competitive and majoritarian, there is a tendency for the median voter to get his or her way. However, the median voter is not perfectly informed about public policies or public policy alternatives. This allows the possibility of a variety of political agency problems and a variety of informational strategies to affect public policy outcomes. The informational problems of fiscal illusion are partially offset by the Jury Theorem, jury theorem, but this surprisingly powerful information aggregating property of majority rule cannot fully solve all informational and agency problems.

- ◆ Wagner, R. E. (1976) "Revenue Structure, Fiscal Illusion, and Budgetary Choice," *Public Choice* 25: 46-61.
- ◆ Poole, K. T. and Daniels, R. S. (1985) "Ideology, Party and Voting in the US Congress, 1959-1980," *American Political Science Review* 79: 373-99.
- ◆ Wittman, Donald (1989) "Why Democracies Produce Efficient Results," *Journal of Political Economy*.
- ◆ Feld, Lars P. and M. R. Savioz (1997) "Direct Democracy Matters for Economic Performance: An Empirical Investigation," *Kyklos* 50: 507-38.
- ◆ Frey, B. S. and A. Stutzer (2000) "Happiness, Economy, and Institutions," *Economic Journal* 110: 918-38.
- ◆ Congleton, R. D. (2007) "Informational Limits to Democratic Public Policy: the Jury Theorem, Yardstick Competition, and Ignorance," *Public Choice* 137: 333-352.

Noam, E. M. (1980) "The Efficiency of Direct Democracy" *Journal of Political Economy* 88.

Tideman, T. N. (1994) "Capacities and Limits of Democracy," *American Economic Review* 84: 349-52.

Wittman, Donald (1995) *The Myth of Democratic Failure*. Chicago: University of Chicago Press.

Lohmann, S. and H. Hopenhayn (1996) "Fire-Alarm Signals and the Political Oversight of Regulatory Agencies," *Journal of Law Economics and Organization* 12: 196-213.

Lott, John R. (1997) "Does Political Reform Increase Wealth?: or, Why the Difference between the Chicago and Virginia Schools is Really an Elasticity Question," *Public Choice*.

Persson, Torsten; Roland, Gerard; Tabellini, Guido (1997) "Separation of Powers and Political Accountability," *Quarterly Journal of Economics*.

Caplan, B. (2001) "Rational Irrationality and the Microfoundations of Political Failure," *Public Choice* 107: 311-31.

Afonso, A., L. Schuknecht, V. Tanzi (2005) "Public Sector Efficiency: An International Comparison," *Public Choice* 123: 321-47.

10/08 TAKE HOME EXAMS DISTRIBUTED

10/15 VII. Interest Groups, Regulatory Capture, and Rent Seeking M:15,16, PT: 7; CS: 9

Along side the election literature and for the most part independent of it, emerged a literature on interest groups and the manner in which they affect public policies. The interest group literature began as an explanation for specific regulations and public policies that did not advance broad public interests (at least according to economic theory) and gradually became a general model of policy formation.

In large number of cases, the details of policies are important for specific groups who actively attempt to manipulate those details to advance their own interests. Considerable resources tend to be invested in such activities, and much of that can be regarded as a deadweight loss from the perspective of welfare economics.

- ◆ Olson, M (1965) *The Logic of Collective Action*, Cambridge, Mass: Harvard University Press.
- ◆ Tullock, G. (1967) "The Welfare Costs of Tariffs, Monopolies, and Theft," *Western Economic Journal* 5: 224-232.
- ◆ Stigler, G. J. (1971) "The Theory of Economic Regulation," *Bell Journal of Economics* 2: 3-21.
- ◆ Krueger, A. O. (1974) "The Political Economy of the Rent-Seeking Society," *American Economic Review* 64: 291-303.
- ◆ Peltzman, S. (1976) "Toward a More General Theory of Regulation" *J of Law and Economics* 19.
- ◆ Becker, G. S. (1983) "A Theory of Competition among Pressure Groups for Political Influence," *Quarterly Journal of Economics* 98: 371-400.
- ◆ Murphy, K. M., A. Shleifer, and R. W. Vishny (1991) "The Allocation of Talent: Implications for Growth," *Quarterly Journal of Economics* 106: 503-30.
- ◆ Grossman, G. M. and E. Helpman (1994) "Protection for Sale," *American Economic Review* 84: 833-50.

Landes, W. M. and R. A. Posner (1975) "The Independent Judiciary in an Interest Group Perspective," *Journal of Law and Economics* 18: 875-901.

Walker, J. L. (1983) "The Origins and Maintenance of Interest Groups in America," *American Political Science Review* 77: 390-406.

Kalt, J. P. and Zupan, M. A. (1984) "Capture and Ideology in the Theory of Politics." *American Economic Review* 74: 279 - 300.

Marcouiller, D.; Young, L. (1995) "The Black Hole of Graft: The Predatory State and the Informal Economy," *American Economic Review* 85: 630-46.

Congleton, R. D., A. Hillman, and K. Konrad (2009) *40 Years of Research on Rent Seeking*. Heidelberg: Springer.

The rent-seeking literature took off during the 1980s following the publication of an edited volume *Toward a Theory of the Rent-Seeking Society* in 1980. The basic theme of that literature is that conflict over public policy--can itself be a source of dead weight loss, because it consumes resources that could better be used elsewhere. In effect such conflict is a "transactions cost" of collective decision making; a transactions cost that can potentially consume all of the net advantages that policies can confer. Corruption from this perspective is the illegal part of the rent-seeking industry.

Analysis of rent-seeking contests clearly demonstrates that the "rules of the game" matter. The rules determine much is lost to conflict between rent-seekers by creating specific modes of influence and "prizes" sought by rent seekers.

- ◆ Tullock, G. (1967) "The Welfare Costs of Tariffs, Monopolies, and Theft," *Western Economic Journal* 5: 224-232.
- ◆ Tullock, G. (1980) "Efficient Rent-Seeking," in *Toward a Theory of the Rent-Seeking Society* (Buchanan, Tollison and Rowley Eds) Ann Arbor: University of Michigan Press.
- ◆ Hillman, A. L. (1987) "Hierarchical Structure and the Social Costs of Bribes and Transfers." *Journal of Public Economics* 34: 129-47.
- ◆ McChesney, F. S. (1987) "Rent Extraction and Rent Creation in the Economic Theory of Regulation," *Journal of Legal Studies* 16: 101-18.
- ◆ Murphy, K. M., A. Schliefer, and R. W. Vishny (1993) "Why is Rent Seeking so Costly for Growth?" *American Economic Review* 83: 409-14.
- ◆ Mauro, P. (1995) "Corruption and Growth," *Quarterly Journal of Economics* 110: 681-712.
- ◆ Gupta, S. H. Davoodi, and R. Alonso-Terme (2002) "Does Corruption Affect Income Inequality and Poverty?" *Economics of Governance* 3: 23-45.

Banfield, Edward C. (1975) "Corruption as a Feature of Governmental Organization," *Journal of Law and Economics* 18: 587-605.

S. Rose-Ackerman (1978) *Corruption: A Study in Political Economy*. New York: Academic Press.

Congleton, R. D. (1980) "Competitive Process, Competitive Waste, and Institutions," in *Towards a Theory of the Rent-Seeking Society*, Edited by J. Buchanan, R. Tollison, and G. Tullock, Texas A & M Press, pp. 153-79.

Crain, W. M. and A. Zardkoohi (1980) "X-Inefficiency and Nonpecuniary Rewards in a Rent-Seeking Society: A Neglected Issue in the Property Rights Theory of the Firm," *American Economic Review* 70: 784-92..

Peters, J. G. and S. Welch (1980) "The Effects of Charges of Corruption on Voting Behavior in Congressional Elections." *American Political Science Review* 74: 697-708.

McCormick, R. E.; Shughart, W. F., and Tollison, R. D. (1984) "The Disinterest in Deregulation," *American Economic Review* 74: 1075-79.

Dudley, L. and C. Montmarquette (1987) "Bureaucratic Corruption as a Constraint on Voter Choice," *Public Choice* 55: 127-60.

Congleton, R. D. (1988) "Evaluating Rent Seeking Losses: Do the Welfare Gains of Lobbyists Count?" *Public Choice* 56: 181-184.

Roback, J. (1989) "Racism as Rent-Seeking" *Economic Inquiry* 27: 661-81.

Congleton, R. D., A. Hillman, and K. Konrad (2009) *40 Years of Research on Rent Seeking*. Heidelberg: Springer.

10/22 TAKE HOME EXAMS COLLECTED

10/29 IX. The Bureaucracy and Economic Regulation

M: 16,17; PT: 4; CS: 8

The normative theory of regulation tends to imply that policy debates are all framed in terms of social welfare, cost benefit analysis, or the Pareto criteria. The public choice approach suggests that politics: elections, interest groups, and the bureaucracy jointly determine public policies. The bureaucracy influences policies both by being an "inside" special interest group and through rule-making and discretion over the implementation of policy.

- ◆ Niskanen, W. A. (1968) "Nonmarket Decisionmaking, the Peculiar Economics of Bureaucracy," *American Economic Review* 58: 293-305.
- ◆ Breton, A. and R. Wintrobe (1975) "The Equilibrium Size of a Budget-Maximizing Bureau," *Journal of Political Economy* 83: 195-207.
- ◆ Weingast, B. R. and Moran, M. J. (1983) "Bureaucratic Discretion of Congressional Control? Regulatory Policy Making in the FTC," *Journal of Political Economy* 91:765-800.
- ◆ Cropper, M. L., Evans, W. N., Berardi, S. J., Ducla-Soares, M. M., and Portney, P. R. (1992) "The Determinants of Pesticide Regulation: A Statistical Analysis of EPA Decision Making," *Journal of Political Economy* 100: 175-97.
- ◆ Hoagland, P. and Farrow, S. (1996) "Planing versus Reality: Political and Scientific Determinants of Outer Continental Shelf Lease Sales," in *The Political Economy of Environmental Protection* (R. D. Congleton, Ed.).
- ◆ Krueger, A. O. (1996) "Political Economy of Agricultural Policy," *Public Choice* 87: 163-75.
- ◆ Hansen, W. L. and T. J. Prusa (1997) "The Economics and Politics of Trade Policy: An Empirical Analysis of ITC Decisionmaking," *Review of International Economics* 5: 230-45.
- ◆ J. v. Hagen, C. Waller, and M. Fratianni (1997) "Central Banking as a Political Principal-Agent Problem," *Economic Inquiry* 35: 378-93.

Tullock, G. (1965) *The Politics of Bureaucracy*. Public Affairs Press.

Niskanen, W. A. (1971) *Bureaucracy and Representative Government*. Aldine.

Niskanen, W. A (1975) "Bureaucrats and Politicians," *Journal of Law and Economics* 18: 617-43

Congleton, R. D. (1982) "A Model of Asymmetric Bureaucratic Inertia and Bias," *Public Choice* 39: 421-25.

Fama, E. F. and M. C. Jensen (1983) "Agency Problems and Residual Claims," *Journal of Law and Economics* 26: 327-49.

Tirole, J. (1986) "Hierarchies and Bureaucracies: On the Role of Collusion in Organizations," *Journal of Law Economics and Organization* 2: 181-214.

Crain, W. M. and R. D. Tollison, Eds. (1990) *Predicting Politics*. Ann Arbor: University of Michigan Press.

Congleton, R. D., Ed. (1996) *The Political Economy of Environmental Protection*. University of Michigan Press.

Rundquist, B. and T. M. Carsey (2002) *Congress and Defense Spending*. University of Oklahoma Press.

11/05 X. International Political Economy

M: 22; PT: 18; CS: 11

International political economy in many ways resembles anarchy. There is no super-national law enforcing agency. Consequently, wars often occur between neighboring countries. Yet there is much nonviolent intercourse between nations. How does this come about? Partly this is the result of "contracts" or treaties signed between nations to promote trade by providing various protections to traveling citizens and their property. Most treaties create (weak) international agencies with the authority to make recommendations to their governments. These new levels of government create a variety of new principal-agent problems.

- ◆ Vaubel, R. (1986) "A Public Choice Approach to International Organization," *Public Choice* 51: 39-57.
- ◆ Bolton, Patrick; Roland, Gerard Source (Nov 1997) "The Breakup of Nations: A Political Economy Analysis," *Quarterly Journal of Economics*.
- ◆ Feenstra, Robert C.; Lewis, Tracy R. (Nov 1991) "Negotiated Trade Restrictions with Private Political Pressure," *Quarterly Journal of Economics*.
- ◆ Grossman, G.; Helpman, E. (1994) "Protection for Sale," *American Economic Review* 84: 833-850.
- ◆ Grossman, G.; Helpman, E. (1995) "The Politics of Free-Trade Agreements," *American Economic Review*.
- ◆ Congleton, R. D. (2006) "International Public Goods and Agency Problems in Treaty Organizations," *Review of International Organizations* 1: 319-36.
- ◆ Broz, J. L. (2009) "Congressional Voting on Funding the International Financial Institutions," *Review of International Organizations* 3: 351-74.

Hillman, Arye L. and Ursprung, Heinrich W. (1988) "Domestic Politics, Foreign Interests, and International Trade Policy," *American Economic Review*.

Hillman, A. L. (1989) *The Political Economy of Protection*. London: Routledge.

Congleton, R. D. (1992) "Political Institutions and Pollution Control." *Review of Economics and Statistics*.

11/12 XI. Institutions and Public Policy, and Economic Development

CS: 1-5

Public choice and the other rational choice approaches to understanding political decisionmaking tend to represent policy outcomes as temporary equilibria in various contests and games between politicians, voters, interest groups, and nation states. When those equilibria change, policies change. Rational-choice models imply that a variety of factors contribute to political equilibria, such as the information, tastes, and wealth of pivotal decisionmakers. They also imply that institutions matter, because these determine the "rules of the game." These rules (indirectly) determine the rate of return from various strategies and policies and also the requirements for political equilibria.

- ◆ Abrams, B. A. and Lewis, K. A. (1995) "Cultural and institutional determinants of economic growth: A cross section analysis," *Public Choice* 83: 273-289.
- ◆ Alesina, Alberto; Gatti, Roberta (1995) "Independent Central Banks: Low Inflation at No Cost?" *American Economic Review*
- ◆ Hirschman, Albert O. (1994) "The On-and-Off Connection between Political and Economic Progress," *American Economic Review* 84: 343-48.
- ◆ Persson, T. and G. Tabellini (2004) "Constitutions and Economic Policy," *Journal of Economic Perspectives* 18: 75-98.
- ◆ Congleton, R. D. (2001) "The Politics of Government Growth," in the *Elgar Companion to Public Choice* (Shughart and Razzolini, Eds.) Edward Elgar.
- ◆ Congleton, R. D. and B. Swedenborg (2006) "Rational Choice Politics and Political Institution," in *Democratic Constitutional Design and Public Policy, Analysis and Evidence*. Cambridge Mass.: MIT Press.

Anderson, T. L. and Hill, P. J. (1987) "Constitutional Constraints, Entrepreneurship, and the Evolution of Property Rights," Chapter 10 of *Public Choice and Constitutional Economics*, J. D. Gwartney and R. E. Wagner, Eds.

Hayek, F. A. (1973) *Law Legislation and Liberty*, Volume 1: Rules and Order, Chicago: University of Chicago Press.

Persson, Torsten; Roland, Gerard; Tabellini, Guido (1997) "Separation of Powers and Political Accountability," *Quarterly Journal of Economics* 112: 1163-1202.

11/19 TAKE HOME EXAMS DISTRIBUTED

11/19 XII. Political Institutions and Economic Development

M: 22; PT: 14; CS: 10

Economics predicts that public policies have a broad range of effects upon the economic development of a national economy. Public Choice predicts that public policies reflect private interests and the nature of political contests. Constitutional Political Economy predicts that political contests are substantially determined by political and legal institutions. Insofar as political institutions affect the decisions reached, institutions are predicted to affect economic growth and development.

For example, the western democracies have been the wealthiest places on the earth for the past century. Much of their success is evidently the result of their political institutions.

- ◆ Abrams, B. A. and Lewis, K. A. (1995) "Cultural and Institutional Determinants of Economic Growth: A Cross Section Analysis," *Public Choice* 83: 273-289.
- ◆ Alesina, Alberto; Gatti, Roberta (1995) "Independent Central Banks: Low Inflation at No Cost?" *American Economic Review*
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12/03 TAKE HOME EXAMS COLLECTED

12/3 XIII. Constitutional Design and Evolution

CS: 12, 13, *Perfecting Parliament*

Political institutions are not static. They are modified through time by political participants. How they do so is an important research issue. If institutions have significant effects on public policies, then so can institutional reform. There are essentially three models of reform, one based on revolutions and revolutionary threats, one based on constitutional bargaining and exchange, and one based on survivorship and natural selection.

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12/10 **XIV. Overview of Course**

Choosing Institutions: Relevance of Positive and Normative Theories / final paper workshop / Roundtable on Public Choice

12/17 FINAL DRAFT OF RESEARCH PAPER DUE AT CAROL HALL