

I. Introduction to the Virginia School

- A. To appreciate the intellectual enterprise of Virginia political economy, one should begin by reviewing the table of contents of a typical micro-economics or public economics text book.
- i. Policy analysis in such a text will be conducted in two somewhat contradictory manners.
 - a. On the one hand there will be a section that analyzes public goods and externalities problems that demonstrates how government might usefully intervene in such areas to alter private incentives by establishing property rights or modifying incentives through appropriate taxes and subsidies.
 - b. On the other hand, there will be a section that discusses how price controls, taxes, quotas, tariffs and other government regulations may lead to suboptimal results.
 - Some gains to trade are unrealized because of government inaction, and others because the wrong actions are taken.
 - c. The fact that the same government is somehow responsible for the latter but may be hoped to correct the former is not very much analyzed or explained.
 - Yet both conclusions suggest that government policies can be improved.
 - Bad policies may be eliminated and better policies put in place, apparently one at a time.
 - In this sense, the policy discussions in most economic texts seem aimed at motivating civic action by students to improve public policy--and indeed many economists devote their lives to pursuing such policy improvements.
- B. Although there is no text book treatment of Virginia Political Economy, it is fair to say that the public policy perspective of Virginia political economy differs in several ways from that of the mainstream.
- i. First, rather than assume that government policy is more or less exogenous while at the same time discussing policy alternatives, the Virginia school, along with the rest of the public choice literature,
 - assumes that public policies reflect political equilibria of one kind or another.
 - That is to say, both good and bad economic policies on tariffs, industrial regulation, taxes, expenditure and transfer programs are considered to be outcomes of rational individuals operating within a particular political institutional arrangement.
 - a. From this perspective, undesirable public policies are not generally accidents or mistakes waiting to be corrected, but consequences of self interested rational choices in a particular institutional setting.
 - ii. Second, the Virginia school argues that to systematically improve the equilibrium outcomes of "the political game," it is necessary to change the rules of the game, not simply to provide the players with better guidance from economists.
 - The Virginia school does not claim that policy mistakes are never made, nor that ignorance on the part of policy makers and voter is unimportant, but rather that these and other aspects of the pattern of observed policy decisions are themselves results of incentives associated with the institutional setting under which policy choices are made.
 - iii. If the policies that we observe reflect the decisions of rational self interested persons operating within a particular collection of rules and institutions, improving public policy decisions will require at least marginal changes in the rules (constitutions) under which policy choices are made.
 - The emphasis on institutional reform found in Virginia political economy goes well beyond that of other analytical approaches to public policy.
 - iv. Third, institutional alternatives have to be appraised relative to each other, and relative to what is feasible.
 - a. Just as there can be no presumption that every governmental policy is a good one under existing institutions, there can be no presumption that "the right" institutions may yield such an ideal political process, only potential improvement.
 - b. Nor can there be a presumption that every constitutional reform generates an improvement.

- When a Virginia political economist hears someone claim that "X is a bad" or "the institution Z is a disaster," their instinctive and instructive reply is "compared to what?"
- v. Fourth, although members of the Virginia school are very interested in public policy, generally agree that government decision making can be improved, and would like to see governance improved, the Virginia methodology provides no clarion call to action.
 - After all, constitutions and other institutions can be distinguished from ordinary legislation mainly because they are especially durable procedures and constraints.
 - Consequently, the "rules of the game" can not be revised every day, essentially by definition.
 - In this, the Virginia perspective also differs from the public economics mainstream in that it more naturally leads to a detached scientific analysis of policy formation than to a plethora of proposals for social engineering.
- C. The breadth of the main currents of the Virginia research program can be further appraised by considering the contributions of four of its most prolific researchers.
 - These prolific scholars account for about a thousand published articles and fifty books.
- i. Buchanan's many articles and books on constitutional political economy examine a variety philosophical and scientific problems beyond the scope of mainstream economics: the nature of man, the justification of collective coercion, the appropriate methodology for evaluating policy alternatives, the advantages of various external and internal constraints such as the balanced budget amendment, generality rule or work ethic; the role of culture in economic development and political stability.
- ii. Tullock's books on legal systems, the bureaucracy, rent-seeking, and federalism direct attention to deficiencies in current American arrangements while suggesting alternatives.
- iii. Olson's books and articles include the analysis of collective action in general, the notion of encompassing interest, and theories of social inertia and transitions from Hobbesian-like roving bandit equilibria to Autocracy to Democracy.
- iv. Tollison's many books and articles on the political economy of regulation, on legislative processes, on the catholic church, on popular culture, on the impact of governmental institutions and on interest groups similarly range far beyond the normal index of typical industrial organization or microeconomics textbooks.
- v. Buchanan's public finance textbook provides one vantage point. McKenzie and Tullock wrote an elementary economic textbook, as did Tollison and Ekelund, which can be used to gain somewhat integrated Virginia perspectives on economics.
- D. Again, it would be wrong to suggest that the bulk of Virginia political economy can be accounted for by these well springs of research. Such a perspective would be a gross oversimplification.
 - i. It is clear, for example, that the many co-authors of the various Buchanan and Tollison projects have contributed much to their output and to that of the Virginia school.
 - Among these may be included many present and past faculty and students of George Mason including me, Richard Wagner, David Levy, and Mark Crain.
 - Similar, many past students of Mancur Olson and Dennis Mueller from the University of Maryland are "virginians" including Stephan Knack, Dennis Coates, and Jac Heckelman.
 - ii. Formal seminar life in lecture rooms and informal seminars in the hallways of the various public choice centers have also always been an important part of the ebb and flow of ideas at the "center."
 - iii. The academic meetings of the Southern Economic Association and the Public Choice Society have always been great trading posts and melting pots of Virginia school ideas and analyses in various meeting rooms and restaurants.
 - iv. Moreover, as noted above, research in the Virginia tradition extends well beyond Virginia.

- a. Such eminent scholars as Dennis Mueller, Geoffrey Brennan, Charles Plott, Melvin Hinich, Mark Pauly, Randall Holcombe, and David Barnes consider themselves "Virginians."
- b. Many prominent European political economists such as Bruno Frey, Friedrich Schneider, Peter Bernholz, Viktor Vanberg, Lars Feld, Stefan Voigt, and Martin Paldim, to name a few, also clearly work in the Virginia tradition, as do many scholars in Australia, Canada, Japan, Korea, and elsewhere.
- c. Many other notable scholars, including Elinor Ostrom, Douglas North, Wallace Oates, are collegial fellow travelers who work on complementary research programs with similar methodologies.
- v. The many and varied graduates of the public choice Ph. D. programs have made substantial contributions to the Virginia School's scientific research.
- vi. The two year backlog of articles forthcoming in Public Choice is partly attributable to the torrent of Virginia School research that continues to pour forth from around the world.

II. More on the Methodological Perspective and Contributions of the Virginia School

A. Methodological Individualism

- i. Subjectivism
 - a. Uniqueness of personal perspectives and tastes
 - b. Models of rule-driven personal behavior
 - c. Odysseus and the mast
- ii. Contractarian Logic
 - a. The veil of uncertainty
 - b. Consensus as a normative schema
 - c. Conventionalism and the world as we "know" it
- iii. (Also Utilitarian logic from Tullock and Tollison)

B. Public Finance:

- i. Need to simultaneously consider of demand for and supply of services

- ii. Models of Government Failure
 - a. failures to act
 - b. wrong (inefficient) policies
 - c. interest group politics
 - d. corruption
 - e. rent-seeking
- iii. Importance of the public debt
 - a. Intergenerational burden of the debt
 - b. Debt as politically "cheap" sources of government finance
 - c. The Connection between Keynesian Economics and National Debt
 - d. The need for constraints, balanced budget constraints

C. Rent Seeking and Interest groups

- i. Collective action as a public good
- ii. Losses from conflict
- iii. Conflict within democratic politics--losses from lobbying
- iv. Importance of the rules of the game: e.g. shape of contest success functions
- v. Institutions as a method of redirecting and reducing unproductive conflict

D. Models of Constitutional Design

- i. First application of rational choice models to think about democratic constitutional designs
- ii. Early Evidence of the Effects of Institutions
- iii. Models of Judicial Proceedings
- iv. The Generality Principle, as method of increasing political efficiency
- v. Encompassing interests

E. Models of the Origins of the State

- i. Models of Anarchy and escape from Anarchy
- ii. Conquest and renegotiation
- iii. Settled bandits
- iv. Contractarian
- v. From team production and monopoly power

F. Models of Autocracy

- i. Autocratic overthrows as palace coups
- ii. Unlikelihood of popular revolts
- iii. Need for support and possibility of instability
- iv. Use of committees for decision making
- v. The king and council template

G. Models and Analyses of Informational Dilemmas

- i. Rational ignorance
- ii. Biased public policy choices: policy mistakes
- iii. Role of Ideology as an “estimator”
- iv. Rationality of imperfect decisionmaking
- v. Importance of culture and rules as methods of reducing errors

H. Sportometrics

- Sports as laboratories for testing microeconomic and game theories
- Crime on Court