

The purpose of the paper is to develop some original research. As a point of departure, your paper should *integrate and apply the tools and concepts developed* during the semester. Second, the paper should attempt to extend the public choice literature in some fairly narrow area of research. The richer or more professional the application of public choice tools and concepts, the higher the grade will be. (Remember that a model does not have to be complicated to be sophisticated.)

Grades will be based upon the originality and quality of the economic analysis conducted in the paper. I will read them as if I were a referee for a third tier journal. Style counts--in so far as good reasoning is best revealed by clear well-organized prose.

All papers should be typed *double spaced* (at least 12 pt fonts and 1 inch margins) and be six to nine pages in length, as necessary. Complete references should appear in a bibliography at the end of the paper and do not count in the page target.

Some long-standing areas of public choice research include:

### 1. Governmental Growth

Develop a public choice explanation or a collection of explanations for government growth in general or in the level of a particular program or tax (say Medicare, Social Security, Defense, Public Parks, etc.). Given your analysis, discuss ways that a bias toward growth (if any exists) can be reduced.

Compare and contrast the ability of alternative public choice models to explain policy development in a particular area of policy, say welfare spending, education, defense, etc. Develop models of voter and/or interest group demands for the public service of interest, and estimate those models using readily available data. Determine which model explains the data better.

### 2. Deterministic and Stochastic Voting Models

One important difference between deterministic and stochastic voting models is that electoral equilibria are far more stable in the latter than in the former. On the other hand, deterministic voting models are more similar to ordinary economic models of consumer choice. Try to bridge the gap. Develop a model of voter choice which explains why a deterministic voter (with clear well understood

rankings over policy outcomes) might vote as if he or she were a stochastic voter. Compare the voting equilibrium that results from your model with the more ad hoc models elaborated in Mueller.

Subject these alternative models of voting behavior to some kind of empirical test (whether statistical or experimental) and determine which model best fits the data.

### 3. Public Goods and Externalities

Take some particular public good or free rider problem and analyze the likely method(s) that a democratic (or authoritarian) polity would use to "solve" public goods problems. Contrast politically feasible or likely solutions to public goods problems with economically efficient solutions.

### 4. Fiscal Illusion

Analyze the logic and effects of rational ignorance and fiscal illusion. To what extent might politicians attempt to use rational ignorance to promote their own interest? Is there any limit on the extent to which voter ignorance can be exploited. Discuss policies that might reduce fiscal illusion.

Empirically, attempt to estimate your model. Do the factors analyzed in your model explain the extent of fiscal illusion or the types of policies that we see adopted?

### 5. Fiscal Federalism

Develop an electoral rationale for the optimal level of fiscal decentralization, that is to say division of responsibilities among local, state and federal governments.

Consider whether the U. S. is over or under centralized. How would you determine which case obtains in the real world. Are there political problems that prevent us from reaching the ideal? How so?

Based on your analysis, estimate the determinants of centralization in the US or internationally. Are some states more likely to be centralized than others? What institutional, fiscal, and demographic factors account for this difference?

### 6. Democracy vs. Dictatorship

The majority of public choice theorists personally prefer majority rule institutions over dictatorship. Are there any institutional features of democracy that make democracies more pleasant places to live than dictatorships. Are rent seeking losses smaller in democracies than in authoritarian government? Explain.

Empirically test the positive proposition that dictatorships adopt systematically economic or political policies than democracies.

## 7. Rational Ignorance

What do voter efforts to economize on information imply about a special interest group's ability to affect public policy outcomes? If voter ignorance enhances the power of interest groups, does it also place constraints on that power? What institutional features will affect the degree of rational ignorance or biased expectations about public policy?

Can your hypothesis be tested empirically? If so, conduct a test using readily available data (such as that available in the *Statistical Abstract*.)

## 8. Single Issue Voting

Special interest groups have essentially two methods by which they can affect electoral outcomes. They can vote as a block or they can provide economic resources for the candidate of their choice. Try to distinguish between these two methods of influence. Does your theory suggest that interest groups strategies may differ according to the policy issues being decided?

Is there any evidence to support your model? What data would you need to conduct a test of your theory?

## 9. Bureaucracy

A government bureaucracy always has some autonomy to allocate its resources as it sees fit. Partly this reflects monitoring costs and partly it reflects the delegation of authority to experts. How much authority should be delegated to bureaucracy? Is government bureaucracy just a special case of the so-called agency problem or is government bureaucracy different from private bureaucracy?

Do specific institutional arrangements or demographics make bureaucratic agency problems less significant? Is there statistical support for your hypothesis.

## 10. Pressure Groups and the Efficiency of Public Policy

Suppose that special interest groups completely dominate political outcomes as is assumed by, for example, Becker's (1983) paper on interest groups. Is the outcome necessarily Pareto efficient? Are there institutional steps that can be taken to make rent-seeking activities more efficient? Analyze the effects that institutions can have on the costs and/or effectiveness of special interest group activities.

## 11. The Decline of Highway Quality

Casual observation suggests that highway expenditures have declined relative to highway demand over the last twenty years. Construct a model that explains this. Have roads gotten more expensive, the median voter's tastes and circumstances

changed, or has the balance of power among relevant interest groups changed during this time?

## 12. Relatively Declining Education and National Defense Budgets

Support for higher education and national defense has fallen for about two decades. Construct a public choice model (electoral, special interest, or combined) that explains one of these trends, and empirically test the model using readily available data.

## 13. Environmental Political Economy

Environmental regulations have increased substantially in the past twenty years. The arguments used are nearly always "public interest" arguments, yet environmental policies clearly have distributional consequences. Analyze incentives for voters and interest groups to advance environmental aims. Have public goods problems been "optimally" solved for the development of such policies?

Is there evidence supporting your hypothesis?

## 14. Endogenous Rent-Seeking

The rules of most rent-seeking games are determined by government policies. Explain why those rules may (i) promote excessive rent-seeking activity, (ii) tend to reduce the inefficiency of rent-seeking efforts, (iii) be unavoidable consequences of open political processes. What would distinguish accidental rent-seeking games from those that are intentional?

## 15. Trade Barriers: Interest Group or Voter Interests?

Is there a median voter model explanation of trade barriers of any sort? Try to construct a model of tariffs from a median voter model. Explain why "he" might prefer a tariff to, say a broad based tax on all commodities. (Hint: your model will need at least three goods, a domestically produced commodity, an imported commodity, and a government service financed by tax revenues.)

## 16. Any other topic that lends itself to a public choice analysis.

(Please clear other topics with me. I will try to give you a sense of whether your idea is sufficient or too much for the purposes of this class and the time that we have left in the semester.)