

## **ECON 1486: The Economic Analysis of Political Behavior**

“The rapidly accumulating developments in the theory of public choice, ranging from sophisticated analyses of schemes for amalgamating individual preferences into consistent collective outcomes, through the many models that demonstrate with convincing logic how political rules and institutions fail to work as their idealizations might promise, and finally to the array of empirical studies that corroborate the basic economic model of politics—these have all been influential in modifying the way that modern man views government and political process. The romance is gone, perhaps never to be regained.”

- J.M. Buchanan, [1979] 1999, “Politics without Romance,” 57

“But nobody can be a great economist who is only an economist - and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.”

-F.A. Hayek, [1956] 1969 “The Dilemma of Specialization,” 123

### **Course Description**

In short, this course is about using the lens of economic theory to view “politics without romance.” Slow economic growth, over a decade of continuous war, and other controversial policies have led many to question the extent to which government is a force for the common good. Blame is often assigned to specific politicians or ideological perspectives. Public choice economics instead analyzes the incentive structure within which political decisions take place, seeking to uncover the forces guiding the behavior of voters, legislators, judges, and other political agents. This course will examine the insights and limitations of the public choice perspective in the context of electoral politics, legislation, bureaucracy and regulation, and constitutional rules.

### **Prerequisite**

Intermediate Microeconomics (ECON 1110 or 1130). Public choice economics begins with the assumption that the analytical tools used to understand human behavior in the marketplace can also be used to gain insight into the motivations of political agents and the effects of political organization. As such having taken Intermediate Microeconomics will be of great use to you as we work through the material in this course.

### **Texts**

Buchanan and Tullock (1962), *The Calculus of Consent*

Glazer and Rothenberg (2001), *Why Government Succeeds and Why it Fails*

Luigi Zingales (2012), *A Capitalism for the People*

(Optional): Dennis Mueller, *Public Choice III* (available electronically through library)

Assigned journal articles and excerpts are either available electronically through the Brown University Library or will be posted on Canvas.

## Course Outline

### Unit 1: Public Goods, Private Interests, and Collective Action

Date	Topic	Readings
Session 1	What is public choice economics?	* JM Buchanan, "Politics without Romance: A Sketch of Positive Public Choice Theory and its Normative Implications"
Session 2	Collective choice	* Buchanan and Tullock, <i>Calculus of Consent</i> , chapters 1-2
Session 3		* Buchanan and Tullock, <i>Calculus of Consent</i> , chapters 3-4 * Optional: Mueller pages 9-17, 44-65
Session 4	Public goods and private interests	* Samuelson (1954), "The Pure Theory of Public Expenditure," <i>Review of Economics and Statistics</i> * Cowen, "Public Goods," <i>The Concise Encyclopedia of Economics</i> <a href="http://www.econlib.org/library/Enc/PublicGoods.html">http://www.econlib.org/library/Enc/PublicGoods.html</a> * Coase (1974), "The Lighthouse in Economics," <i>Journal of Law and Economics</i>
Session 5		* Zingales, <i>A Capitalism for the People</i> , chapters 3-6
Session 6	When do individuals choose collective action?	* <i>Calculus of Consent</i> , chapters 5-6 * Coase (1937), "The Nature of the Firm," <i>Economica</i>
Session 7		* <i>Calculus of Consent</i> , chapters 7-8
Session 8	University closed	No class

### Unit 2: Majority Rule

Date	Topic	Readings
Session 9	Social welfare	* Arrow (1950), "A Difficulty in the Concept of Social Welfare," <i>The Journal of Political Economy</i> * Buchanan (1954), "Social Choice, Democracy, and Free Markets," <i>The Journal of Political Economy</i> * Sen (1970), "The Impossibility of a Paretian Liberal," <i>The Journal of Political Economy</i>
Session 10	The Median Voter	* Congleton 2002, "The Median Voter Theorem," <i>The Encyclopedia of Public Choice</i> * Holcombe 1989, "The Median Voter Model in Public Choice Theory," <i>Public Choice</i>

Session 11	Logrolling	* Buchanan and Tullock, <i>Calculus of Consent</i> , chapters 9-10 * Optional: Mueller 5.1-5.5, 5.11-5.12
Session 12		* Riker and Brams (1973), "The Paradox of Vote Trading," <i>American Political Science Review</i> * Ferejohn and Fiorina (1975), "Purposive Models of Legislative Behavior," <i>American Economic Review</i>
Session 13	Voting	* Fiorina (1976), "The Voting Decision: Instrumental and Expressive Aspects," <i>Journal of Politics</i> * Ferejohn and Fiorina (1974), "The Paradox of Not Voting: A Decision Theoretic Analysis," <i>American Political Science Review</i> * Aldrich 1993, "Rational Choice and Turnout," <i>American Journal of Political Science</i> * Optional: Mueller ch. 14, "The Paradox of Voting"
		<b>Last day to submit research proposal and annotated bibliography</b>

### Unit 3: Politics in Action

Date	Topic	Readings
Session 14	Rent-seeking	* Tullock (1967), "The Welfare Costs of Tarrifs, Monopolies and Theft," <i>Economic Inquiry</i> * Krueger (1974), "The Political Economy of the Rent-Seeking Society," <i>American Economic Review</i>
Session 15	Regulation	* Stigler (1971), "The Theory of Economic Regulation," <i>Bell Journal of Economics and Management Science</i> * Peltzman (1976), "Towards a More General Theory of Regulation," <i>Journal of Law and Economics</i> * Peltzman (1989), "The economic theory of regulation after a decade of deregulation," <i>Brookings Papers of Economic Activity</i>
Session 16	Bureaucracy	* Niskanen (1975), "Bureaucrats and Politicians," <i>Journal of Law and Economics</i> * Hayes and Wood (1995), "Utility maximizing bureaucrats: the bureau's point of view," <i>Public Choice</i> * Optional: Mueller ch. 16, "Bureaucracy"
Session 17		* Excerpt from Tullock, <i>The Politics of Bureaucracy</i> * Coyne (2008), "The Politics of Bureaucracy and the failure of post-war reconstruction," <i>Public Choice</i>
Session 18	Better government	* Glazer and Rothenberg, <i>Why Government Succeeds and Why it Fails</i> , chs. 1-3
Session 19		* Glazer and Rothenberg, <i>Why Government Succeeds and Why it Fails</i> , chs. 4-6
		<b>Last day to submit first draft of research paper</b>

#### Unit 4: The Political Economy of Institutions

Date	Topic	Readings
Sesison 20	Democracy	* Wittman (1989), "Why Democracies Produce Efficient Results," <i>Journal of Political Economy</i> * Caplan (2001), "Rational Irrationality and the Microfoundations of Political Failure," <i>Public Choice</i>
Session 21	Federalism	* Tiebout (1956), "A Pure Theory of Local Expenditures," <i>The Journal of Political Economy</i> * Ostrom, Tiebout, and Warren (1961), "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," <i>American Political Science Review</i> * Oates (1999), "An Essay on Fiscal Federalism," <i>Journal of Economic Literature</i> * Optional: Buchanan (1965), "An Economic Theory of Clubs," <i>Economica</i> * Optional: Leeson (2011), "Government, clubs, and constitutions," <i>Journal of Economic Behavior and Organization</i>
Session 22	Dictatorship	* Excerpt from Tullock 1987, <i>Autocracy</i> * Excerpt from Acemoglu and Robinson, <i>Economic Origins of Dictatorship and Democracy</i> * Optional: Mueller Ch. 18, Dictatorship
Session 23	Local Institutions	* Coase (1960), "The Problem of Social Cost," <i>Journal of Law and Economics</i> * Ellickson (1986), "Of Coase and Cattle: Dispute Resolution Among Neighbors in Shasta County," <i>Stanford Law Review</i>
Session 24		* Excerpt from Ostrom (1990), <i>Governing the Commons</i> * Ostrom (1997), "A Behavioral Approach to the Rational Choice Theory of Collective Action," <i>American Political Science Review</i>
	Reading Period	Finish mini workshops and/or make-up day if needed
		<b>Final papers due</b>

#### Course Requirements and Grade Distribution

**Participation in class discussions (20% of grade):** Participation requires being present (both physically and mentally), arriving prepared to discuss the readings, and offering questions or comments that contribute to the quality of class discussions. Please see the Active Engagement clause below.

**Mini workshop presentation (10% of grade):** Beginning February 20, we will start each class with one mini workshop. Every day, one assigned person will share their research with the group. This has two

benefits: (1) being able to concisely articulate an idea helps you clarify your thought process, and (2) the group can provide feedback that will help you think through your research question and develop a stronger product. If your research project is the assigned topic of the day, you will have **5 minutes** to present your research question, and then the class will have **10 minutes** for comments and questions.

**Paper proposal and annotated bibliography (20% of grade):** A summary of a research question in public choice/ political economy that you intend to explore during this class, with a (briefly) annotated bibliography of at least 10 sources. The proposal should articulate the thesis or question you are posing and outline how you plan to address that question in your final paper.

**First draft of research paper (20% of grade):** A preliminary draft of your final research paper. Since the final paper is the capstone of this course and an important component of your grade, this draft gives you the opportunity to have your work reviewed ahead of time so you have every opportunity possible to produce a high quality research product.

**Final research paper (30% of grade):** A 10-15 page research paper that addresses an important theoretical or empirical question in the intersection of politics and economics.

Note: For additional assistance with written communication, please consult the Student Services Writing Center at [http://www.brown.edu/Student\\_Services/Writing\\_Center/](http://www.brown.edu/Student_Services/Writing_Center/).

## **Other Expectations and Policies**

### **Active Engagement**

This class offers the opportunity to engage in discussion and academic work on whatever ideas within the intersection of economics and politics are of interest to you. In order to keep the discussion lively and challenging, coming to class ready and prepared to engage with the readings is a very important component of the course. Missing too much of the discussion weakens the group and deprives others of your contribution. As such, in order to minimize free riding and solve an important collective action problem (concepts we will be learning a great deal about in this course), participation and attendance are important parts of your grade.

However, I understand that some circumstances are beyond our control. To that end you may miss up to 3 hours of class completely excused. You are not required to notify me or provide explanations for your absence—the cost-benefit calculation is all up to you.

### **Academic Integrity**

Honesty and integrity are important components of academic life, and these principles will be taken seriously. I am including below an excerpt of the description of the “Brown Academic Code” from the website, but please familiarize yourself with the entire Code:

“Academic achievement is ordinarily evaluated on the basis of work that a student produces independently. Students who submit academic work that uses others’ ideas, words, research, or images without proper attribution and documentation are in violation of the academic code. Infringement of the academic code entails penalties ranging from reprimand to suspension, dismissal, or expulsion from the University.

Brown students are expected to tell the truth. Misrepresentations of facts, significant omissions, or falsifications in any connection with the academic process (including change of course permits, the academic transcript, or applications for graduate training or employment) violate the code, and students are penalized accordingly. This policy also applies to Brown alums, insofar as it relates to Brown transcripts and other records of work at Brown.

Misunderstanding the code is not an excuse for dishonest work. Students who are unsure about any point of Brown’s academic code should consult their courses instructors or an academic dean, who will be happy to explain the policy.”

The full Code is available at <http://www.brown.edu/academics/college/degree/policies/academic-code>.

### **Accessibility Services**

Students with a disability or other condition that might require accommodations or modification of any of these course procedures should see Student and Employee Accessibility Services. SEAS will provide you with a letter that will help you communicate with me and other professors about required accommodations. You may share this letter with me at any time, and I will keep the letter and its contents strictly confidential. For more information contact Student and Employee Accessibility Services at 401-863-9588 or [SEAS@brown.edu](mailto:SEAS@brown.edu).