

Public Choice

SOPP 5344 – Fall 2018

***** Draft – subject to modification *****

**School of Public Policy
Central European University**

No. of credits: 2

Course e-learning site: [CEU Moodle](#)

Wednesdays 17:20 – 19:00, N13 room 302

Instructor: [Dr. Michael Dorsch](#), Associate Professor

Contact: 327 3000 / ext. 2751, DorschM@ceu.edu

Office hours: Tuesdays 15:15 – 16:30, Okt6*7 room 239

Course description

This course provides an overview of the public choice literature, covering the field's foundational texts up to modern theoretical and empirical advances. Also known as the rational choice approach to politics, public choice uses microeconomics to analyze the decision making of political actors (voters, politicians, bureaucrats, interest groups, etc). Following the tradition of microeconomics, public choice theory assumes that actors in the political arena are self-interested and characterizes public policies as equilibria to emerge from the political processes of the self-interested actors. The political process itself is determined by political and legal institutions that set the rules of the "political game" and affect how individual actors behave and what are the equilibrium outcomes. Indeed, the field of public choice now seems more relevant than ever, as we grapple with the emergence of extreme public policies and realize the urgency of comprehending how political institutions can constrain policy-makers whose actions seem increasingly at odds with the public interest.

The course is broken up into three main areas of analysis: (i) elections and public policy outcomes, (ii) special interest groups and public policy outcomes, (iii) political institutions and comparative domestic politics. The course sessions will

be interactive lectures, encouraging critical reflection on assigned readings, completion of additional analytical exercises, presentation of student work, and exploration of related research topics. Student grades will be determined by their performance on reflective essays based on assigned readings, one critical review of a supplementary reading, and a take-home final exam. Doctoral students will have additional assignments, including a mock referee report and some work towards developing a research proposal. The course will be taught at the level of intermediate microeconomics, so students are required to have completed at least one previous course in microeconomics to be eligible for registration.

Primary learning objectives

1. Understand political actions and political processes through the lens of microeconomic theory
2. Strengthen analytical economic skills by covering a range of applied microeconomic models
3. Critical examination of how public policies are the product of political competition between self-interested political actors
4. Understand how the outcome of political processes depends on the political institutions in which the processes are embedded
5. Exposure to some frontier research in public choice and development of capacity to formulate research questions in the field of public choice

Primary text

Mueller D., 2003. *Public Choice III*. Oxford University Press. [Mueller]

Additional texts

Acemoglu, D. and Robinson, J.A., 2005. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press. [Acemoglu & Robinson]

Besley, T., 2006. *Principled Agents?: The Political Economy of Good Government*. Oxford University Press. [Besley]

Gehlbach, S., 2013. *Formal Models of Domestic Politics*. Cambridge University Press. [Gehlbach]

Persson, T. and Tabellini, G.E., 2002. *Political Economics: Explaining Economic Policy*. MIT Press. [Persson & Tabellini]

Requirements and evaluation

Reading response essays	Periodic	40 %
Book review	TBD	30 %
Take home final exam	TBD	30 %

Grading scale

93	≤	A	≤	100
86	≤	A –	<	93
79	≤	B +	<	86
72	≤	B	<	79
65	≤	B –	<	72
58	≤	C +	<	65
0	≤	F	<	58

Reading response essays

Starting from the second class session, students are required to submit brief critical reflections of the required reading. The critical reflection should be between 150 and 250 words and conclude with at least one suggested in-class discussion point (or critical question). Please put some effort into generating interesting discussion points, as we will spend around 45 minutes of each class meeting going over them. Students are required to submit at least eight reading response essays. The essays should be submitted before noon on the day of class meetings. Late submissions will not be considered.

Book review

All students will be required to write a short book review of one of the books listed at the end of the syllabus. Most of these books are classics in the public choice literature and were formative for contemporary research. They are also entertaining to read. I am happy to discuss the books with you individually to help you to decide which would be the closest to your intellectual interests. Your review should be of the quality that one finds in academic journals and provide some critical evaluation of the strengths and the weaknesses of the book that

you have reviewed. At the very least, your review should convince me that you've read the book from start to finish. Reviews should be between 1250 and 1500 words. Generally speaking, you should make your way through your chosen book throughout the semester, rather than crashing through it the week before the review is due.

Take home final exam

This assignment will test your analytical understanding of the main concepts from the semester. Students will be given 24 hours to independently complete the take home final exam.

Course outline

09/19: Rational choice and politics

Required reading:

- Mueller, chapter 1
- Congleton, R.D., 2018. Intellectual foundations of public choice, the forest from the trees. *Public Choice*, 175: 229 – 244.

Further reading:

- North, D.C., 1991. Institutions. *Journal of Economic Perspectives*, 5: 97 – 112.
- Olson, M., 1993. Dictatorship, democracy, and development. *American Political Science Review*, 87: 567 – 576.

09/26: Collective action and governance, an overview

Required reading:

- Mueller, chapter 2 (sections 2.1 – 2.3, 2.6, and 2.7)
- Mueller, chapter 3

Further reading:

- Persson & Tabellini, chapter xx
- Gelbach, chapter xx

10/03: Collective choice through majority rule, theory

Required reading:

- Mueller, chapter 5 (sections 5.1 – 5.3, 5.9, and 5.13)
- Mueller, chapter 11 (sections 11.1 and 11.3)

Further reading:

- Persson & Tabellini, chapter xx
- Acemoglu & Robinson, chapter xx
- Gelbach, chapter xx

10/10: Collective choice through majority rule, application to the size of government

Required reading:

- Meltzer, A.H. and Richard, S.F., 1981. A rational theory of the size of government. *Journal of Political Economy*, 89: 914 – 927.
- Mueller, chapter 21 (pp. 501 – 519)
- Mueller, chapter 22 (pp. 535 – 539)

Further reading:

- Muller, chapter 12
- Mueller, chapter 22
- Persson & Tabellini, chapter xx

10/17: Turnout and expressive voting

Required reading:

- Mueller, chapter 14

Further reading:

- Hamlin, A. and Jennings, C., 2011. Expressive political behaviour: Foundations, scope and implications. *British Journal of Political Science*, 41: 645 – 670.

- Pons, V. and Tricaud, C., 2018. Expressive voting and its cost: Evidence from runoffs with two or three candidates. Harvard Business School working paper.
- Gehlbach, chapter 2 (pp. 38 – 41)

10/24: Reading week – no class

10/31: The bureaucracy

Required reading:

- Mueller, chapter 16 (sections 16.1 – 16.5, and 16.7)
- Mueller, chapter 21 (pp. 523 – 527)

Further reading:

- Niskanen, chapter xx
- Breton, A., 1995. Organizational hierarchies and bureaucracies: An integrative essay. *European Journal of Political Economy*, 11: 411 – 440.
- Kennedy, J.B., 2015. “ ‘Do this! Do that!’ and nothing will happen.” Executive orders and bureaucratic responsiveness. *American Politics Research*, 43: 59 – 82.
- Gehlbach, chapter 5

11/07: Rent-creation and rent-seeking

Required reading:

- Mueller, chapter 15 (pp. 333 – 336 and 343 – 357)
- Mueller, chapter 22 (pp. 554 – 559)

Further reading:

- Mueller, chapter 15 (pp. 336 – 343)
- Stigler, G.J., 1971. The theory of economic regulation. *The Bell Journal of Economics and Management Science*, 3 – 21.
- Krueger, A.O., 1974. The political economy of the rent-seeking society. *The American Economic Review*, 64: 291 – 303.

- Peltzman, S., 1976. Toward a more general theory of regulation. *The Journal of Law and Economics*, 19: 211 – 240.
- Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., 2002. The regulation of entry. *The Quarterly Journal of Economics*, 117: 1 – 37.
- Congleton, R.D., Hillman, A.L. and Konrad, K.A., 2008. Forty years of research on rent seeking: An overview. *The Theory of Rent Seeking: Forty Years of Research*, 1: 1 – 42.

11/14: Special interests, rent-seeking and politics

Required reading:

- Mueller, chapter 20
- Mueller, chapter 21 (pp. 519 – 523)

Further reading:

- Ansolabehere, S., de Figueidero, J. and Snyder, J. 2003. Why is there so little money in U.S. politics?. *The Journal of Economic Perspectives*, 17: 105 – 130.
- Stratmann, T. 2005. Some talk: Money in politics. A (partial) review of the literature. *Public Choice*, 124: 135 – 156.
- Dorsch, M., 2013. Bailout for sale? The vote to save Wall Street. *Public Choice*, 155: 211 – 228.
- Grossman, G. and Helpman, E. 2001. *Special Interest Politics*. MIT Press.
- Gehlbach, chapter 3

11/21: Political agency and models of political selection

Required reading:

- Besley, chapter 2 (pp. xx – xx)
- Besley, chapter 3 (pp. xx – xx)

Further reading:

- Barro, R.J., 1973. The control of politicians: An economic model. *Public Choice*, 14: .19 – 42.

- Dal Bó, E. and Finan, F., 2018. Progress and perspectives in the study of political selection. *Annual Review of Economics*, forthcoming.
- Gehlbach, chapter 7

11/28: Dictatorship and politics

Required reading:

- Mueller, chapter 18
- Olson, M., 1993. Dictatorship, democracy, and development. *American Political Science Review*, 87: 567 – 576.

Further reading:

- Wintrobe, R., 1990. The tinpot and the totalitarian: An economic theory of dictatorship. *American Political Science Review*, 84: 849 – 872.
- Mulligan, C.B., Gil, R. and Sala-i-Martin, X., 2004. Do democracies have different public policies than nondemocracies?. *Journal of Economic Perspectives*, 18: 51 – 74.
- Acemoglu & Robinson, chapter xx
- Gehlbach, chapter 8

12/05: Globalization and populism

Required reading:

- Rodrik, D., 1997. Has globalization gone too far?. *California Management Review*, 39: 29 – 53.
- Rodrik, D., 2018. Populism and the economics of globalization. *Journal of International Business Policy*, 1 – 22.
- Colantone, I. and Stanig, P., 2017. The trade origins of economic nationalism: Import competition and voting behavior in Western Europe. *American Journal of Political Science*, forthcoming.

Further reading:

- Mukand, S. and Rodrik, D., 2015. The political economy of liberal democracy. *National Bureau of Economic Research*, working paper w2154.

- Inglehart, R. and Norris, P., 2016. Trump, Brexit, and the rise of populism: Economic have-nots and cultural backlash, Harvard University working paper

extra: Constitutional design

Required reading:

- Mueller, chapter 25

Book review list

Acemoglu, D. and Robinson, J.A., 2012. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. Crown Business.

Besley, T., 2006. *Principled Agents?: The Political Economy of Good Government*. Oxford University Press. [technical]

Brennan, G. and Buchanan, J.M., 2008. *The Reason of Rules: Constitutional Political Economy*. Cambridge University Press.

Buchanan, J. M., and Tullock, G., 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. University of Michigan Press.

Caplan, B. 2008. *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. Princeton University Press

Congleton, R.D., 2010. *Perfecting Parliament: Constitutional Reform, Liberalism, and the Rise of Western Democracy*. Cambridge University Press.

De Mesquita, B.B., Smith, A., Morrow, J.D. and Siverson, R.M., 2005. *The Logic of Political Survival*. MIT press. [technical]

Levitsky, S. and Ziblatt, D., 2018. *How Democracies Die*. Crown Publishing.

Niskanen, W.A., 1971. *Bureaucracy and Representative Government*. Transaction Publishers.

Olson, M. .1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Harvard University Press.

Olson, M., 1982. *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*. Yale University Press.

Ostrom, E., 1990. *Governing the Commons: The Evolutions of Institutions for Collective Action*. Cambridge University Press.

Riker, W. 1962. *The Theory of Political Coalitions*. Yale University Press.

Stiglitz, J.E., 2012. *The Price of Inequality: How Today's Divided Society Endangers Our Future*. WW Norton & Company.

Wintrobe, R., 2000. *The Political Economy of Dictatorship*. Cambridge University Press.