

Public Choice Economics (ECON 410)

Summer 2019

DATE AND TIME

George Mason University

LOCATION

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Email is the best way to reach both of us. We are available for office hours multiple days every week by appointment and would be happy to hear from you!

Course Description & Objectives

Public choice economics uses the tools of economic analysis to better understand policy, politics, and collective decision making. This course will provide an overview of the insights and limitations of the public choice perspective in the context of electoral politics, legislation, bureaucracy, regulation, and constitutional rule-making. An understanding of public choice economics will enable students to critically evaluate political actions and outcomes in a way that goes beyond ideological or 'great man' theories of politics. Instead, by focusing on the incentive structures within which political decisions are made, public choice economics facilitates the development of a more nuanced understanding of the behavior of voters, legislators, judges, and other political agents.

Course Readings & Required Books

All required readings for this course are available online, either in an open access form or through the GMU library's electronic journal databases.

Course Grading & Structure

Grades for this class will be based on four components:

- 1) **Contributions to discussion (10%).** Throughout the semester, we will experiment in class with a variety of different discussion strategies in order to give all of you the opportunity to push yourselves to be able to apply, critique, and extend the content offered in the readings and the lectures. These strategies will include pair-and-share

discussions, small group break-outs, round-table discussion, and possibly more.

- 2) **Reading quizzes (30%)**, to be given at the beginning of each class beginning with the second class meeting. Once the quizzes for the class session have been collected, the quiz cannot be made up.

You can choose to skip or miss the quiz for any reason **up to two times** this semester without penalty. If you attend class but prefer not to take the quiz, you must declare this *before* the quiz has been distributed.

- 3) **Midterm exam (30%)**, to consist of a combination of multiple choice, fill in the blank, and short answer essay questions that will require you to synthesize and apply the content you have studied throughout the course.
- 4) **Final exam (30%)**, to consist of a combination of multiple choice, fill in the blank, and short answer essay questions that will require you to synthesize and apply the content you have studied throughout the course.

Grading Scale

A+ 97-100;	A 93-96;	A- 90-92
B+ 87-89;	B 83-86;	B- 80-82
C+ 77-79;	C 73-76;	C- 70-72
D 60-69;		
F <60		

Special Accommodations

If you require any special accommodations, please see one of us immediately so that we can work together to make sure that you have what you need to succeed in this course. Visit <http://ds.gmu.edu/> for more information on resources available to students at GMU.

Academic Integrity

The George Mason University community, of which you are now a member, firmly believes in and strictly adhere to the following honor code:

*To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set for this Honor Code: **Student Members of the George Mason University community pledge***

not to cheat, plagiarize, steal, or lie in matters related to academic work.

Penalties for violations of the honor code, including cheating and plagiarism, can range from receiving no credit on an assignment or in this class, to expulsion. We do adhere to these principles and will report violations of academic integrity. Please visit <http://oai.gmu.edu/> to familiarize yourself with the full terms of the GMU Honor Code.

Course Outline

As the conversation in this class evolves over the course of the semester, these readings may change in order to better serve the goals of our group. You will always be informed in writing and in class of any changes to the readings.

Except for the first day we meet, readings and podcasts are required and will be fair game for the quiz given at the start of that day's class.

❖ Class 1 – What is public choice economics?

- An introduction to the class and to the subject.
- Optional reading:
 - Shughart, William F. "Public Choice." *The Concise Encyclopedia of Economics*. Library of Economics and Liberty. <http://www.econlib.org/library/Enc/PublicChoice.html>
 - Buchanan, James M. 1987. "The Constitution of Economic Policy." *The American Economic Review* 77 (3): 243–50.

Part 1: Public Goods, Private Interests, and Democracy

❖ Class 2 – Public Goods

- Cowen, Tyler. "Public Goods." *The Concise Encyclopedia of Economics*. Library of Economics and Liberty. <http://www.econlib.org/library/Enc/PublicGoods.html>
- Shughart, William F. 2011. "Disaster Relief as Bad Public Policy." *The Independent Review* 15 (4): 519-539. http://www.independent.org/pdf/tir/tir_15_04_2_shughart.pdf
- Coase, Ronald C. 1974. "The Lighthouse in Economics," *Journal of Law and Economics* 17 (2): 357-376. <https://www.journals.uchicago.edu/doi/abs/10.1086/466796?journalCode=jle>

❖ Class 3 – Private Interests

- Smith, Adam. 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Book 1, Chapter 1, “Of the division of labor” and Chapter 2, “Of the principle which gives occasion to the division of labor.”
<https://www.econlib.org/library/Smith/smWN.html>
- The Role of Self-Interest and Competition in a Market Economy, The Economic Lowdown Podcast Series, Episode 3.
<https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-3-the-role-of-self-interest-and-competition-in-a-market-economy> (~6 minutes)
- Luigi Zingales on Capitalism and Crony Capitalism, Econtalk podcast.
<http://www.econtalk.org/zingales-on-capitalism-and-crony-capitalism/> (~65 minutes)

❖ Class 4 –Acting together and the purpose of democracy

- Hamilton, Alexander. Federalist No. 1.
http://avalon.law.yale.edu/18th_century/fed01.asp
- Madison, James. Federalist No. 51.
http://avalon.law.yale.edu/18th_century/fed51.asp
- Buchanan, James M. 1949. “The Pure Theory of Government Finance: A Suggested Approach.” *Journal of Political Economy* 57 (6): 496–505.
<https://www.journals.uchicago.edu/doi/abs/10.1086/256880?journalCode=jpe>

❖ Class 5 – Power, privilege, and paradoxes in democracies

- Cowen, Tyler. Cowen, Tyler. 2010. “Why Politics Revolves Around the Median Voter.” *The New York Times*, February 6, 2010.
<https://www.nytimes.com/2010/02/07/business/economy/07view.html>.
- Excerpt from Mitchell, Mathew D. 2012. *Pathology of Privilege: The Economic Consequences of Government Favoritism*. Arlington, VA: Mercatus Center at George Mason University.
https://www.mercatus.org/system/files/Mitchell_Pathology_web_v3.pdf

Part 2: Practical Politics

❖ Class 6 – Regulation and Bureaucracy

- Excerpt from Dudley, Susan E. and Jerry Brito. 2012. *Regulation: A Primer*. Arlington, VA: Mercatus Center at George Mason University.
https://www.mercatus.org/system/files/RegulatoryPrimer_DudleyBrito_0.pdf
- Excerpt from Tullock, Gordon. *The Politics of Bureaucracy*
- Coyne, Christopher J. 2008. “The Politics of Bureaucracy and the failure of post-war reconstruction.” *Public Choice* 135 (1-2): 11-22.
<https://link.springer.com/article/10.1007/s11127-007-9243-0>

❖ Class 7 – Economic Regulation

- Hayek, F. A. 1945. "The Use of Knowledge in Society." *The American Economic Review* 35 (4): 519–30. <https://www.jstor.org/stable/1809376>
- Bastiat, Frédéric. 1848. "What is Seen and the Unseen." *Selected Essays on Political Economy*. Seymour Cain, trans. Library of Economics and Liberty. <http://www.econlib.org/library/Bastiat/basEss1.html>
- Munger on Price Gouging, EconTalk Podcast. http://www.econtalk.org/archives/2007/01/munger_on_price_1.html

❖ Class 8 – MIDTERM EXAM

❖ Class 9 – Consumer Protection

- Hoffer, Adam J., William F. Shughart II, and Michael D. Thomas. 2014. "Sin Taxes and Sindustry: Revenue, Paternalism, and Political Interest." *The Independent Review* 19 (1): 47-64. http://www.independent.org/pdf/tir/tir_19_01_04_hoffer.pdf
- Vlasits, Anna. 2017. "How 23andMe won back the right to foretell your diseases." *Wired*. <https://www.wired.com/2017/04/23andme-won-back-right-foretell-diseases/>
- Thomas, Diana. 2012. "Regressive Effects of Regulation." *Mercatus Working Paper*. Arlington, VA: Mercatus Center at George Mason University. <https://www.mercatus.org/publication/regressive-effects-regulation>

❖ Class 10 – Environmental Regulation

- McGartland, Al. 2013. "Thirty Years of Economics at the Environmental Protection Agency." *Agricultural and Resource Economics Review* 42 (3): 436–452. <https://www.cambridge.org/core/journals/agricultural-and-resource-economics-review/article/thirty-years-of-economics-at-the-environmental-protection-agency/E68EEC51EBAC679C1398619AD52020AE>
- Ostrom, Elinor. 2008. "Institutions and the Environment." *Economic Affairs*. <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-0270.2008.00840.x>

❖ Class 11 – Labor Law

- Casselman, Ben. 2016. "Licensing Laws Are Shutting Young People Out of The Job Market." *Five Thirty Eight*. <https://fivethirtyeight.com/features/licensing-laws-are-shutting-young-people-out-of-the-job-market/>
- Kopf, Dan. 2017. "Economists still can't decide whether the minimum wage is a good thing." *Quartz*. <https://qz.com/1034952/economists-still-cant-decide-whether-the-minimum-wage-is-a-good-thing/>

- Kliff, Sarah. 2017. "The truth about the gender wage gap." *Vox*.
<https://www.vox.com/2017/9/8/16268362/gender-wage-gap-explained>

Part 3: A Bigger Picture—Institutions and Institutional Change

❖ Class 12 – Why do institutions matter?

- North, Douglass C. 1994. "Economic Performance Through Time." *The American Economic Review* 84 (3): 359-68. <https://www.jstor.org/stable/pdf/2118057>
- Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, and Destructive." *Journal of Political Economy* 98 (5, Part 1): 893-921.
<http://www.jstor.org/stable/2937617>

❖ Class 13 –Rent-seeking and institutional change

- Tullock, Gordon. 1967. "The Welfare Costs of Tarrifs, Monopolies and Theft." *Economic Inquiry* 5 (3): 224-232.
<https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1465-7295.1967.tb01923.x>
- Boettke, Peter J., Christopher J. Coyne, and Peter T. Leeson. 2008. "Institutional Stickiness and the New Development Economics." *The American Journal of Economics and Sociology* 67 (2): 331–58.
<https://onlinelibrary.wiley.com/doi/full/10.1111/j.1536-7150.2008.00573.x>

❖ Class 14 – Final Exam