

## Collective Choice and Tax Policy EC 721/828 (MA/Ph.D.)

Wednesday 4:30pm-7:10pm, Archer 349

**Final Exam December 12<sup>th</sup> 5:40pm-7:30pm**

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Office Hours: Monday and Wednesday 11:30am-1pm and by appointment

This course combines the study of public choice (the economic analysis of politics) with an introduction to tax policy and how public choice economics effects optimal tax policy. At the conclusion of the course students should have a broad understanding of the main thrust of the modern public choice research program as well as an introduction to public finance.

Students enrolled in this course intend to become professional economists. Professional economists not only consume and understand the knowledge other economists produce but they also take that foundation and build new knowledge for others through their own research. In addition to teaching the formal material in this course an emphasis will be placed on learning how to become a professional economist yourself. We'll focus on teaching you how to "see" research ideas through the use of the readings in this course and students will be expected to produce a research paper of their own by the end of the semester.

Grading:

Ph.D.		MA	
Midterm:	20%	Midterm:	30%
Final Exam:	35%	Final Exam:	40%
Research Paper & Presentation:	35%	Book Review:	20%
Participation:	10%	Participation:	10%

MA Exams will have fewer questions and more flexibility than Ph.D. exams.

Books:

Dennis Mueller	<i>Public Choice III</i>
Mancur Olson	<i>Power and Prosperity</i>
Bryan Caplan	<i>Myth of the Rational Voter</i>
James Buchanan and Richard Wagner	<i>Democracy in Deficit</i>

## *Course Outline*

### **Introduction**

Sept. 5<sup>th</sup>

Boulding, Kenneth (1971) "After Samuelson, Who Needs Adam Smith?" *History of Political Economy* 3(2): 255-237.

### **Information and Calculation Problems**

Sept. 12<sup>th</sup>

Mises, Ludwig Von. (1920) "Economic Calculation in the Socialist Commonwealth."

Available at [www.mises.org](http://www.mises.org)

Hayek, F.A. (1945) "The Use of Knowledge in Society." *American Economic Review*.

Boettke, Peter (1998) "Economic Calculation: The Austrian Contribution to Political Economy." *Advances in Austrian Economics* 5: 131-158 (reprinted in *Calculation and Coordination*).

### **Foundations of Public Choice**

Sept. 19<sup>th</sup>

Buchanan, James (1979) "Politics Without Romance: A Sketch of Positive Public Choice Theory and It's Normative Implications." Handout from *The Collected Works of James Buchanan* Vol. 1.

Tullock, Gordon (2004) "Economic Imperialism," "Public Choice," and "Public Choice What I Hope for the Next Twenty Five Years." Handouts from *The Collected Works of Gordon Tullock* Vol. 1.

Buchanan, James (1986) "The Constitution of Economic Policy" *Nobel Prize Lecture*.

Available at:

[http://nobelprize.org/nobel\\_prizes/economics/laureates/1986/buchanan-lecture.html](http://nobelprize.org/nobel_prizes/economics/laureates/1986/buchanan-lecture.html)

Mueller, Dennis (2003) *Public Choice III*. Chapter 1.

### **Origins of the State**

Sept. 26<sup>th</sup>

Mueller, Dennis (2003) *Public Choice III*. Chapter 2.

Olson, Mancur (2000) *Power and Prosperity*. Chapters 1, 2, 3.

Buchanan, James (1990) "The Domain of Constitutional Economics." *Constitutional Political Economy*. Vol. 1 pp. 1-18.

Powell, Benjamin and Bart Wilson (2008) "An Experimental Investigation into Hobbesian Jungles." *Journal of Economic Behavior and Organization*. Vol. 66.

Rothbard, Murray (1973) "The State." From *For a New Liberty*. Handout.

## **Interest Groups and Rent Seeking**

Oct. 3<sup>rd</sup>

- Olson, Mancur (2000) *Power and Prosperity*. Chapters 4 and 5.  
Mueller, Dennis (2003) *Public Choice III*. Chapters 15 and 20.  
Tullock, Gordon (1967) "The Welfare Costs of Tariffs, Monopolies, and Theft." *Western Economic Journal*. Vol. 5. No. 3: 224-232.  
Kruger, Anne (1974) "The Political Economy of the Rent Seeking Society. *American Economic Review*. Vol. 64. pp. 291-303.  
Powell, Benjamin and Evgeny Vorotnikov (2010) "Real Estate Continuing Education: Rent Seeking or Improvement in Service Quality." *Eastern Economic Journal*. Forthcoming.

## **Bureaucracy**

Oct. 10<sup>th</sup>

- Mueller, Dennis (2003) *Public Choice III*. Chapter 16.  
Niskanen, William (1975) "Bureaucrats and Politicians." *Journal of Law and Economics*. Vol. 18. pp. 617-643.  
Mises, Ludwig Von (1944) *Bureaucracy*. Chapters I, II, and III. Available online at: <http://mises.org/etexts/mises/bureaucracy.asp>

## **MIDTERM OCT. 17<sup>th</sup>**

### **Federalism**

October 24<sup>th</sup>

- Mueller, Dennis (2003) *Public Choice III*. Chapter 10.  
Buchanan, James (1965) "An Economic Theory of Clubs." *Economica*. pp. 1-14.  
Tiebout, Charles (1956) "A Pure Theory of Local Government Expenditures." *Journal of Political Economy*. Vol. 64. No. 5. pp. 416-424.  
Powell, Benjamin (2004) "Competition and Monopoly Power in Local Government: An Extension of Caplan (2001)." *Public Choice*, Vol. 120. 2004.  
Nozick, Robert (1974) *Anarchy, State and Utopia*. Book III.

### **Public Choice Macroeconomics**

Oct. 31<sup>st</sup>

- Keynes, John Maynard (1936) *The General Theory of Employment Interest and Money*. Preface, Chapter 1, and Chapter 12.  
Caldwell, Bruce (1995) *Contra Keynes and Cambridge*. Editor's Introduction and Chapter 1, Hayek "The Economics of the 1930s as Seen from London."  
Garrison, Roger (2001) *Time and Money: The Macroeconomics of Capital Structure*. Chapters 1, 3, and 4.  
Buchanan, James, and Richard Wagner (1977, 2000) *Democracy in Deficit: The Political Legacy of Lord Keynes*.

## **Self-Governance and the Public Choice of the Bloomington School**

Nov. 7<sup>th</sup>

Ostrom, Elinor (2010) "Beyond Markets and States: Polycentric Governance of Complex Economic Systems." *American Economic Review* 100(3): 641-672. (This is her revised Nobel lecture).

Ostrom, Elinor (2010) "A Long Polycentric Journey." *Annual Review Political Science* 13: 1-23.

Peter Boettke and Chris Coyne (2005) "Methodological Individualism, Spontaneous Order, and the Research Program of the Workshop in Political Philosophy and Policy Analysis: Vincent and Elinor Ostrom." *Journal of Economic Behavior and Organization* 57: 145-58.

Aligica, Paul, and Peter Boettke (2009) *Challenging Institutional Analysis and Development: The Bloomington School*. Chapters 6, Conclusion, and Post-script.

## **Democratic Efficiency vs. Voter Irrationality**

Nov. 14<sup>th</sup>

Wittman, Donald (1989) "Why Democracies Produce Efficient Results." *Journal of Political Economy* 97 (6): 1395-1424.

Caplan, Bryan (2007) *The Myth of the Rational Voter*.

Menken, H.L. (1926) *Notes on Democracy* Chapter II. (recommended for fun).

## **Non Democratic Governance**

Nov. 28<sup>th</sup>

Mueller, Dennis (2003) *Public Choice III*. Chapter 18.

Olson, Mancur (2000) *Power and Prosperity*. Chapters 6, 7 and 8.

Powell, Benjamin, and Edward Stringham (2009) "Public Choice and the Economic Analysis of Anarchy: A Survey." *Public Choice* 140.

Powell, Benjamin, Ryan Ford and Alex Nowrasteh (2008) "Somalia After State Collapse: Chaos or Improvement." *Journal of Economic Behavior & Organization* 67.

## **Research Presentations**

Dec. 5<sup>th</sup>

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