

History of Thought & Public Choice EC 801 (Ph.D.)

Tuesday 4:30pm-7:10pm, Sawyer 1122

Final Exam December 15th 5:40pm-7:30pm

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 Office Hours: Tuesday and Wednesday 2pm-3:30pm and by appointment

This course combines a survey of the history of economic thought with an introduction to graduate level public choice research. As such, it is impossible to fully cover many of the details of the history of all economic thought. So this course focuses on the history of political economy with an emphasis on the development of ideas that still have relevance to a modern applied public choice research program. 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 the history of where many of those ideas originated.

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:

Midterm:	20%
Final Exam:	35%
Research Paper & Presentation:	35%
Participation:	10%

Books:

Adam Smith	<i>The Wealth of Nations</i>
F.A. Hayek	<i>Individualism and Economic Order</i>
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>
F.A. Hayek	<i>A Tiger By the Tail</i>

Course Outline

1. Scottish Enlightenment

Smith, Adam (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*. Liberty Fund. BK I, Ch. 1-3; BK II, Ch. 3, 5, BK III, Ch. 1, 3-4, BK IV, Ch. 2.
 Smith, Adam (1982 reprint) *Lectures on Jurisprudence*. (Handout pp. 331-339 and 577-

579).

Smith, Vernon (1998) "The Two Faces of Adam Smith," *Southern Economic Journal* 65 (1): 2-19.

Evensky, Jerry (2005) "Adam Smith's theory of Moral Sentiments: On Morals and Why They Matter to a Liberal Society of Free People and Free Markets." *Journal of Economic Perspectives* 19 (3): 109-130.

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

2. Keynes and Hayek on Business Cycles

Keynes, John Maynard (1936) *The General Theory of Employment Interest and Money*. Preface, Chapter 1, and Chapter 12.

Hayek, F.A. *Monetary Theory and the Trade Cycle*. Chapters 3 and 4.

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.

3. The Public Choice Legacy of Keynesian Economics

Buchanan, James, and Richard Wagner (1977, 2000) *Democracy in Deficit: The Political Legacy of Lord Keynes*.

Hayek, F.A. (1972) *A Tiger By the Tail: The Keynesian Legacy of Inflation*. Available for purchase at: <http://mises.org/store/Tiger-by-the-Tail-A-P582.aspx>

Keynes, John Maynard (1936) *The General Theory of Employment Interest and Money*. "Concluding Notes on the Social Philosophy Towards Which the General Theory Might Lead."

4. Calculation Debate

Mises, Ludwig Von. (1920) "Economic Calculation in the Socialist Commonwealth." Available at www.mises.org

Hayek, F.A. (1948) *Individualism and Economic Order*. Chapters 4, 7, 8, 9.

Lerner, Abba (1934) "Economic Theory and Socialist Economy." *The Review of Economic Studies*. October: 51-61.

Lerner, Abba (1937) "Statics and Dynamics in Socialist Economics." *The Economic Journal* 47 (186): 253-270.

Lerner, Abba (1938) "Theory and Practice in Socialist Economics." *The Review of Economic Studies* 6 (1): 71-75.

5. Methodology

Kirzner, Israel (1960) "Economics as the Science of Human Action" from *The Economic Point of View*. Pp. 146-185

Buchanan, James (1964) "What should Economists Do?" *Southern Economics Journal* 30: 213-222.

Rothbard, Murray (1957) "In Defense of Extreme A Priorism" *Southern Economic Journal* 23 (3): 314-320.

Becker, Gary, (1976) "The Economic Approach to Human Behavior." From *The Economic Approach to Human Behavior*. Pp. 3-14.

Friedman, Milton (1953) "The Methodology of Positive Economics." From *Essays in Positive Economics*. Pp. 153-184.

Samuelson, Paul (1952) "Economic Theory and Mathematics – An Appraisal." *American Economic Review* 42 (2): 56-66.

Rothbard, Murray (1976) "Praxeology, Value Judgements and Public Policy." In *The Foundations of Modern Austrian Economics*. Pp. 89-111.

MIDTERM EXAM OCTOBER 13TH

6. Foundations of Public Choice

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

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

7. Origins of the State

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.

8. Interest Groups and Rent Seeking

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 (2008) "The Rent Seeking Costs of Immigration Restrictions." *Working Paper*.

9. Bureaucracy

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>

10. Federalism

- 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.
- Richard Wagner, "Self-governance, polycentricism and federalism," *Journal of Economic Behavior & Organization*, 57 (2) 2005: 173-188.
- Nozick, Robert (1974) *Anarchy, State and Utopia*. Book III.

11. Democratic Efficiency

- Becker, Gary (1983) "A Theory of Competition Among Pressure Groups for Political Influence." *Quarterly Journal of Economics* 98 (3): 371-400.
- Wittman, Donald (1989) "Why Democracies Produce Efficient Results." *Journal of Political Economy* 97 (6): 1395-1424.

12. Political Economy of Voter Irrationality

- Caplan, Bryan (2007) *The Myth of the Rational Voter*.
- Menken, H.L. (1926) *Notes on Democracy* Chapter II.

13. Non Democratic Governance

- Mueller, Dennis (2003) *Public Choice III*. Chapter 18.
- Olson, Mancur (2000) *Power and Prosperity*. Chapters 6, 7 and 8.
- Powell, Benjamin, and Edward Stringham (2008) "Public Choice and the Economic Analysis of Anarchy: A Survey." *Public Choice*. Forthcoming.
- Powell, Benjamin, Ryan Ford and Alex Nowrasteh (2008) "Somalia After State Collapse: Chaos or Improvement." *Journal of Economic Behavior & Organization* 67.

14. Research Presentations

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Final Exam December 15th 5:40pm-7:30pm