

**Economics 852  
Public Choice I  
Fall Semester 2014  
Mondays, 1630-1910  
Robinson Hall B 220**

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This course is a graduate-level introduction to what is variously described as “public choice” or “political economy.” As I explain in my statement of teaching philosophy on my web page, I regard advanced graduate courses as primarily concerned with the search for ideas that have not yet been articulated and only secondarily with ideas that have already been articulated. Hence my approach is one of “joint inquiry” and not “mental transfer.”

You will gain further insight into this distinction if you look at the earlier part of my essay on “James Buchanan and Me: Reminiscing about a 50-Year Association,” which is forthcoming in the *Journal of Public Finance and Public Choice* and is now available on my SSRN page. (The later part of that essay, moreover, is directly relevant to this course and my orientation toward public choice, and also social theory more generally.)

To bring yourself up to reasonable speed, you should read *Beyond Politics*, by Randy Simmons, before class starts. This is a fine introduction to contemporary public choice as it is generally construed at this time. My primary interest, to be sure, resides not in what is or has been but in what I think (or hope) will come to be through efforts of people like you and me.

In this respect the primary in-class work this semester will center on a preliminary draft of my book, *Politics as a Peculiar Business: Public Choice within a System of Entangled Political Economy*. Just now (12 August) the first two chapters are available on my SSRN page under the titles:

Public Choice and the Virginia Tradition of Political Economy [Ch. 1]  
Systems Theory and the Public Policy Shell Game [Ch. 2]

The Abstract for Chapter 1 announced that the Preface was attached as an Appendix. I forgot to do that, so I am including it with the mailing of this syllabus. Chapters 3-8 will be sent directly to you, probably in two batches, and with the last batch arriving in about a month.

The size of this class is too large to conduct in the seminar-like fashion, I have been using for some 20 years, and yet I want to follow the joint inquiry rather than mental transfer motif. Hence I am revising my approach from what I have been following for so many years. What this mostly means is that I will not devote the last few sessions to your presentations of your class papers. (Actually, I don't feel too badly about having to make this change because the Graduate Student Paper Workshop is now in place, whereas it didn't exist when I

began ending my classes with student seminars.) I don't, however, want to replace that amount of class time with lecturing by me. Hence I will follow a different format that still gives each of you an active voice in the generation of class material.

## **Course Format**

We will meet 14 times this semester, starting on 25 August and ending on 1 December. (Due to the Columbus Day holiday, the class scheduled for 13 October will meet on the 14<sup>th</sup>.) For the first day of class, 25 August, I will lecture on some key concepts of public choice theory, including some historical background. For this session, I will assume you have read *Beyond Politics*. This session is followed by the Labor Day holiday, and by the time we meet again on 8 September, I will have sent you the final four chapters of *Politics as a Peculiar Business*.

The period from 8 September through 17 November contains 11 sessions. During these sessions, the work of the class will derive from my manuscript in a manner that I will explain below. There will be no class on 24 November, as I will be in Atlanta then presenting a paper with Meg Patrick at the SEA/SDAE meetings.

This schedule leaves 1 December as a kind of orphan with respect to the previous weekly flow of manuscript-related discussions. This session I will devote to your very short (five minutes or so) presentations of your course papers, which themselves are due by 1630 on 15 December, and which I will say more about below. These papers are due at the time scheduled for final exams for this class period, only I will not give a final exam. I will, however, hand out a set of questions that illustrate the kinds of questions I could put on the public choice field exam.

## **Course Procedure regarding the Manuscript Sessions**

Starting with the second of these eleven weeks, each week half of you will have a short written assignment, absolutely no more than three pages in standard, double-spaced manuscript format. These essays will in some fashion be a response to or emendation of the material covered in the preceding session. In response to Guy de Maupassant's claim that there is a limitless supply of stories waiting to be written, someone handed him a piece of string and dared him to write a story about it. Maupassant did, and you need to be able to do the same thing.

The ability to do this is something you can acquire through practice in conjunction with having the right state of mind. That state of mind is one where you think of yourself as a creator of economics and not just as a reader of

someone else's creations. Probably the only way you can convince yourself of that is through practice. You will have five such chances this semester on a bi-weekly basis. The Manuscript is a preliminary draft which is in need of refinement, clarification, extension, and whatever other suitable terms might come to you. Your challenge in these essays is to set forth one such idea or suggestion. How you do this is for you to determine. You might point to something previously published and explain how this might give useful insight. You might take a concept or claim in the manuscript, and work with it in some fashion—as in criticizing it, extending it, or anything else that gives you experience in articulating your thoughts.

Starting with class on 15 September, I will pick a few of you to present the gist of what you wrote. The exact number I will pick in any week is indefinite, as I will aim to limit the aggregate time devoted to these presentations to around 30 minutes. I will divide the class into two groups, each of which will have presentations due on alternating weeks.

### **My Appraisal of Your Work (Grading)**

My evaluation of your five short essays will count collectively for 45 percent of your course grade. My evaluation of your course paper will likewise count for 45 percent. These papers must be prepared in standard manuscript style and I must receive them by 1630 on 15 December, which is the time that is assigned for our final exam, though I will not give a final exam. The maximum length is 15 pages, so pithiness is good. You can submit your papers electronically in either Word or PDF. The remaining 10 percent of your course grade will be based on my evaluation of your contributions to classroom discussions throughout the semester.

For your course papers, you should think of me as sponsoring a conference on “entangled political economy.” I have asked for preliminary drafts of what you would like to give at the conference and include in the book. In this respect, the issue of *Advances in Austrian Economics* that is coming out this fall, edited by Roger Koppl, is titled *Entangled Political Economy*. I will make those papers available to you because the volume won't be available until mid-semester. (For those of you who are interested in presenting a paper at the Public Choice meetings in San Antonio in March 2015, I am willing to sponsor a session with papers from four of you, provided I think they are likely to be of suitable quality based on what you submit for your course paper.)

My teaching objective in this course is to help to cultivate among you an interest in and talent for advancing scholarship within the tradition of Virginia political economy. The future character of political economy and public choice will be forged through competition among theorists who inject competing visions into the scholarly arena. I evaluate all of your written work on the basis of what I

judge to be its publishable potential, recognizing that judging this potential is different for three page essays than for 15 page papers. In either case, a grade of **A** signifies that I think what I have read points in a publishable direction if carried to what I judge to be its destination. A grade of **B** indicates that while you have convinced me that you show good understanding of your material, you have not shown me that you are headed in a publishable direction. A grade of **C** means that I detect some significant holes in your knowledge and understanding of your material. A grade of **F** is a “none of the above” judgment that I hope I don’t have to make. (Various pluses and minuses are also possible grades, and I think that by extrapolation you can attach reasonable meaning to those grades.)

### **Some Miscellaneous Remarks**

My interest in the work we do this semester is in helping you to acquire the habits and practices of success. I have no interest in failure. For this reason, I do not accept late work nor do I give incomplete grades. Tardy work and incomplete grades are facets of a repertoire of failure which I will not countenance. If you are scheduled to give a paper at a conference but find you aren’t ready to do so, you won’t be given an incomplete and have the conference rescheduled. So don’t ask for incompletes or turn in late work.

I never give long lists of readings, though I could do so easily just by selecting items from the bibliographies of some of my publications. I prefer to mention only a few items and have you select the rest, and for two reasons. First, you need to cultivate the ability to select useful readings to advance *your* projects. Second, some variety among you in the particular things you have read can create interesting forms of classroom interaction that are less likely to occur when everyone has the same readings in mind.

Despite what the preceding paragraph states, I have attached an appendix to this syllabus that lists a baker’s dozen of books that I have found especially valuable and which I think provide good orientation for moving public choice and political economy forward over the coming years.

### **Three Quotations to End the Syllabus on an Advisory Note**

First, from Samuel Johnson comes this recognition that fits well with Joseph Schumpeter’s statement that theorizing starts with a pre-analytical cognitive vision that we try to articulate, with varying degrees of success:

Every man has often found himself deficient in the power of expression, big with ideas which he could not utter, and unable to impress upon his reader the image existing in his own mind.

Dr. Johnson describes a situation we all have to wrestle with in trying to render our intuitive hunches intelligible to others.

Second, from Albert Einstein via Roger Koppl comes this sage counsel:

If we knew what it was we were looking for, we wouldn't call it research, would we?

Research doesn't always yield happy endings. We write many more pages than we publish. The process of writing triggers thoughts that often lead us to recognize that where we thought we were heading isn't such a desirable place after all. So we change our angle of attack. Dead ends, cul-de-sacs, and just plain old frustration are part of the research process, and you must learn to persist in the face of such setbacks.

Third, during my student days I came across this statement from George Shackle's *Uncertainty in Economics* about what it takes to be a good economist (to be sure, Shackle wrote this in the 1950s, when few women studied economics):

To be a complete economist, a man need only be a mathematician, a philosopher, a psychologist, an anthropologist, a historian, a geographer, and a student of politics; a master of prose exposition; and a man of the world with experience of practical business and finance, an understanding of the problems of administration, and a good knowledge of four or five languages. All this is, of course, in addition to familiarity with the economic literature itself.

As for the type of person best suited to the study of economics, Shackle later suggests it is

. . . the outstanding intellectual all-rounder with some leaning towards the arts rather than the natural science side. The person who finds mathematics fascinating without, perhaps, marching through the school course with that instinctive and professional certainty that would mark him as an out-and-out mathematician; who betrays a connoisseurship of words and a delight in language, a gift for expression in English and a sufficient pleasure in the classical languages to awaken thoughts of scholarships, without really promising to become a Porson's prizeman; who can find in every chapter of the history book the universal and eternal problems of man's dependence on his fellow-men side by side with his rivalry and conflict with them, and can see with the historian's eye the age-long empirical struggle to reconcile self-interest and

enlightened compassion; who delights in maps and finds them, perhaps, more interesting than test tubes—this is the potential real economist.

What Shackle describes is more on the order of a lifetime project than something to be accomplished during your few short years as students. But you will have post-student life ahead of you, and Shackle's statement is a lovely summary of an orientation toward economic theory that would allow it to occupy the pivotal position within the humane studies that I think it should occupy.

### **Appendix: Some Valuable References** (all available in paperback)

1. James M. Buchanan and Gordon Tullock, *The Calculus of Consent*. Without doubt, this book is the ur-text of Virginia political economy. It is now available inexpensively and yet handsomely through Liberty Fund, and in two distinct versions: as a volume in the collected works of James Buchanan and as a volume in the collected works of Gordon Tullock. The other books by Buchanan or Tullock that are listed below are also available from Liberty Fund.
2. James M. Buchanan, *Public Finance in Democratic Process*; James M. Buchanan, *Demand and Supply of Public Goods*. These books were originally published in 1967 and 1968 respectively, well before such fields as public choice and constitutional economics appeared on the intellectual landscape. These books sought to pursue a positive theory of public finance at a time when the intellectual environment was much more hostile to such efforts than it is now. Buchanan's work subsequently moved in a more normative and constitutional direction. On several occasions, I have thought of my *Fiscal Sociology and the Theory of Public Finance* as an effort to bridge a 40-year gap in the articulation of an alternative vision for a theory of public finance.
3. James M. Buchanan, *Cost and Choice*. This slim book makes a simple point: cost and choice are reciprocal. All choice entails the bearing of cost at the moment of choice, as that cost is the perceived value of the option not chosen. While the point is simple, the implications for political economy are huge. Among other things, aggregate budgetary magnitudes have no independent meaning or significance because meaning and significance resides in the appraisal of options by people in positions to make choices.
4. Gordon Tullock, *The Politics of Bureaucracy*. While the subject is bureaucracy and team production, Tullock is not concerned to develop comparative static statements about equilibrium conditions. Rather, he is concerned to explain the characteristic features of team production processes in the absence of market prices and firm values, and to do so within an environment where there is rivalry within organizations and not just rivalry among organizations. In other words,

Tullock's theory of bureaucracy is situated within a treatment of polities as orders and not as organizations.

5. Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Societies*. Ostrom is cited often throughout *Fiscal Sociology*, and I have great respect and affinity with his approach toward this material. If there is any place where I differ from Ostrom, it is probably in my elevation of some such construction as civil society or civic republicanism over democracy. In any case, Ostrom is well worth reading on the problems and challenges of liberal governance. I should also mention two other books by Ostrom: *The Political Theory of a Compound Republic*, which is a kind of flying buttress to *The Calculus of Consent*, and *The Intellectual Crisis in American Public Administration*. Both of these works operate from a framework of distributed knowledge and treat polities as orders and not organizations.

6. Elinor Ostrom, *Governing the Commons*. Ostrom presents a variety of cases where people have been able to work out arrangements for governing a commons that encompasses the participants. What she describes is quite at variance with portraits of the tragedy of the commons. What enables commons governance to proceed well in some cases and tragically in others will be a prime topic of exploration this semester in light of my conceptualization of *Politics as a Peculiar Business*.

7. Carolyn Webber and Aaron Wildavsky, *A History of Taxation and Expenditure in the Western World*. This is a fine book, full of interesting and thoughtful material. It's also lengthy. It is a history woven around a presumption that societies are arenas of continuing contestation, which I find far more appealing and enlightening than presumptions grounded in concord and the placidity of equilibrium where everything of interest is an injection into rather than a feature of the conceptual framework that the analyst is using.

8. Norbert Elias, *The Society of Individuals*. Elias was a sociologist from the early to middle 20<sup>th</sup> century who worked with notions of spontaneous order (which have been pretty much absent from sociology for a good half-century, though a revival seems in the offing), and who was deeply thoughtful about the reciprocal character of the I-We relationship. He is best known for *The Civilizing Process*, which is much longer and which is a spontaneous order treatment of the evolution of manners. Elias was displaced to London in the 1930s, where he roomed with Asik Radomysler, who died way too young, having published but one paper, in *Economica* in 1946, and which I commend strongly to all of you.

9. Ernest Gellner, *Conditions of Liberty: Civil Society and its Rivals*. This book advances a concept of civil society as a form of human governance, and which he contrasts with three other forms of governance. In 1944, Abba Lerner published *The Economics of Control*, and contemporary public economics has developed mostly as exercises in the economics of control. My alternative vision

is a public economics of liberty or civil society, as sketched in Chapter 8 of *Deficits, Debt, and Democracy*, and in contrast to the widespread treatment of a public economics of control, and Gellner offers fecund insight into this challenge.

10. Jane Jacobs, *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics*. This book unfolds as a dialogue among several characters over the claim that human action and social life involves a continuing contest between two moral syndromes, which she labels as commercial and guardian. She also explores what she calls “monstrous moral hybrids” where the syndromes commingle. Her later book, *Dark Age Ahead*, also in paperback, also pursues some themes of relevance for an entangled orientation toward political economy.

11. Mitchel Resnick, *Turtles, Termites, and Traffic Jams*. Resnick argues that people are overly eager to attribute what they sense to be orderly patterns to some source of organizing power. He describes this willingness as “the centralized mindset.” This centralized mindset is at work in political economy and public choice. It appears most prominently when theorists attribute collective outcomes to a median voter. It is through trying to articulate an enterprise-based public choice that I am seeking to escape the centralized mindset.

12. Thomas Schelling, *Micromotives and Macrobehavior*. This has become an iconic work on how macro-level patterns can emerge that can provide no information about the underlying micro-level actions or preferences that generated those patterns. Most economic theory reduces macro to micro by invoking equilibrium and a representative agent. Schelling sketches an alternative program of emergence-based theorizing, and Resnick proceeds in this framework, as do I.

13. David Primo, *Rules and Restraint: Government Spending and the Design of Institutions*. This book treats government not as an acting entity whose actions reflect some objective function but as a process of interaction among many participants where the course of that interaction is shaped by some framework of governing rules. This framework fits well my enterprise-based orientation toward public choice and political economy, particularly with its focus on process and not equilibrium states.