

**Economics 852  
Public Choice I  
Fall Semester 2016  
Mondays, 1630-1910  
Mason Hall D005**

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This course is a graduate-level introduction to what is variously described as “public choice” or “political economy.” The course’s subject is collectively organized activity, mostly but not exclusively governmental. The course’s analytical orientation is explanatory and not hortatory. For instance, Amtrak typically receives over \$1 billion through federal budgetary appropriation. From a hortatory orientation, one might argue that this expenditure is wasteful or inefficient. From an explanatory orientation, however, it must be recognized that Amtrak secures this appropriation in competition with other claimants for appropriations. The analytical challenge in this course is to develop an economically sensible explanation of the transactional nexus that enables this outcome.

The analytical framework that I use to explore this transactional nexus is what for around ten years I have been calling “entangled political economy.” There is a weak analogy with quantum entanglement, though I don’t believe in theorizing by analogy because I think the humane sciences should be approached in *sui generis* fashion. Most economic theory and political economy operates at the atomic level by postulating relationships among such holistic entities as markets, firms, prices, demands, supplies, property rights, and numerous other familiar variables. None of these variables are primitive variables, for they don’t initiate anything. They all derive from primitive interactions among entities at the sub-atomic level. For instance, the billion or so appropriation that Amtrak receives stands at the end of transactional interaction among the particular individuals who participate in generating this outcome within a societal ecology where other people are trying to generate different outcomes.

While the course focusses on explanatory rather than hortatory topics, I would also note that economic theory unavoidably has relevance for hortatory matters because its central concern is with explaining the experienced qualities of the living together in close geographical space that societies entail. My particular hortatory belief in this respect is that societal cancers are emergent products from inside the organism that is a society. To explore those emergent processes, however, requires a scheme of thought that enables theoretical penetration into the inner workings of societies, and this penetration cannot be obtained from conventional theoretical perspectives which take as data what is the object to be explained.

Entangled political economy is approached directly in *Politics as a Peculiar Business: Insights from a Theory of Entangled Political Economy* (cited

as PPB below). This book will be published by Edward Elgar, late this year or early next year. While I cannot send you the complete manuscript, I am able to send you a sample of chapters that are directly relevant to the course. Furthermore, an earlier version of the manuscript is available in nine files through my SSRN page. That version underwent revision after a conference on the book that Mercatus sponsored in February 2015; however, the central ideas are still present in that earlier version, though the order of the chapters has been changed a bit. (In the SSRN version, Chapters 3-8 are listed with the PPB title followed by a subtitle that is the chapter's title. The first two chapters are listed only by the draft titles. These you will find as Ch. 1: Public Choice and the Virginia Tradition of Political Economy and Ch. 2: Systems Theory and the Public Policy Shell Game.)

I have adopted two texts for the course. One is *Beyond Politics*, by Randy Simmons (cited as BP below). You should read Chapters 1-5 before class starts, as the first class session on 31 August will be a full-scale working session. This is a fine introduction to contemporary public choice as it is generally construed at this time. My primary interest, however, resides not in established formulations but in formulations that remain to be developed. Hence, the course will start by reviewing standard public choice theory, after which the course will turn to exploring alternative paths for future theoretical development.

The second text is my 2007 book, *Fiscal Sociology and the Theory of Public Finance* (cited as FS below). You should read Chapters 1-3 before our first class session. When I wrote that book, I used the disjunctive-conjunctive polarity to express the alternative analytical orientation I wanted to convey about collective economic activity. Shortly thereafter, I replaced this polarity with the additive-entangled polarity. Both polarities, however, express the same bottom-up idea about the relationship between private and collective action.

The additive or disjunctive terms treat governments and firms as entities that operate independently of one another, as illustrated by firms maximizing profits and governments maximizing social welfare. Entanglement treats interaction among entities and, moreover, treats action as propelled by individuals from inside those entities. This is where the quantum analogy comes into play. For a theory of political economy, entanglement means that a firm can't determine sound commercial conduct without accounting for relevant political entities, any more than political entities can determine their conduct independently of relevant commercial entities. Moreover, it is not the entities that make that determination, but rather is particularly situated individuals inside those entities. For instance, most legislation is written in conjunction with representatives of business firms or trade associations.

Entanglement leads back to the classical recognition that economics is a theory of society and not a theory of rational individual action. Yes, individual action there is, though once other individuals become objects toward which any

particular individual acts, you are theorizing about society and not some representative individual within that society. In other words, you cannot get to society through a simple summation over individuals, once you recognize the nonlinear character of reality where structured patterns of relationships have significant analytical work to do.

Long ago, Friedrich Hayek asserted that nearly all progress in economics has resulted from movements toward increasing subjectivism. Entangled political economy embraces such a direction of movement by ascribing all action to identifiable individuals acting within particular arenas of action. Indeed, entangled political economy is not some new development. It is rather an effort to escape the narrowing and debilitating character of the neoclassical period in economic analysis wherein the object of economic theory became some imagined rational individual and not society.

I regard advanced graduate courses as venues for exploring new lines of thinking where we are looking for ways to articulate what has not yet been articulated, and not as venues for explaining what is widely regarded as settled knowledge. You need to survey what is regarded as settled, but doing this serves only to provide a point of departure for scholarly work. Our primary course objective is to create new text; mastering old text is but a secondary by-product. Hence my classroom approach is one of “joint inquiry” and not “mental transfer.” If we were playing music, I would like to think that we resemble a jazz quintet where I insert some riffs here and there and not a sympathy orchestra where I am the conductor.

You will gain further insight into this distinction if you look at the earlier part of my essay “James Buchanan and Me: Reminiscing about a 50-Year Association,” which was published in 2013 in the *Journal of Public Finance and Public Choice* and is 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.)

It is important to read widely, but I don't supply lengthy reading lists even though it would be easy to do this just by taking bibliographies from some of my publications. Rather than trying to get everyone on that proverbial same page, I find that wrestling with different articulations stimulates the imagination. For this reason, I try systematically to err on the side of under-specifying your reading. While I will suggest readings throughout the semester, you should also create your own readings in light of your particular interests. If you haven't already done so, you might want to look at and reflect upon that well known cover from a long ago issue (sometime back in the 70s, I think it was) of *New Yorker* that portrayed a map of the United States looking west from Manhattan. You should aspire to construct your personal maps that orient your scholarly activities, rather than letting the *Journal of Economic Literature* dictate an orientation to you through its

JEL Codes (though in submitting papers to journals you often will have to assign JEL codes).

A baker's dozen items to read are listed after the course schedule (though you will see that I managed to cram about twice as many items into that baker's dozen). These are all books that treat broad themes related to the course material, and each is available in paperback. While I hope that you will examine some of these, I also hope you read other materials as well and, more significantly, mix those readings with your imaginations to generate new insights that might lead to interesting places. Students become accustomed to reading published work with an eye to taking exams. While I recognize that exams are part of our educational system, though not in this course, I suggest you cultivate the practice of reading with an eye that continually is looking for new ideas that you can articulate, as against absorbing old ideas that you can recollect.

The class will meet 14 Mondays during the semester; starting on 31 August and ending on 7 December. Due to the Columbus Day holiday, the class scheduled for 12 October will meet on Tuesday the 13<sup>th</sup>. (There will also be no class on 7 September, as this is Labor Day.) During the first four weeks of the semester, I will review standard public choice theory and will follow this review with a quick sketch of entangled political economy as an alternative orientation toward public choice. The remaining 10 weeks will be divided into five units of two sessions each that will be devoted to particular research topics within the penumbra of public choice and entangled political economy that I think hold strong prospects for further scholarly development. (Again, my focus in this course is on exploring for new articulations to inject into the literature of political economy, and is not on reciting what are now widely accepted articulations.)

### **Course Format**

The first four sessions will entail my quick survey of public choice and entangled political economy. For these sessions you should read Ch. 1-5 of *Beyond Politics* and Ch. 1-3 of *Fiscal Sociology*. You should also read Chapter 1 of *Politics as a Peculiar Business*, along with a paper that Meg Patrick and I just published: "From Mixed Economy to Entangled Political Economy: A Paretian Social-theoretic Orientation," *Public Choice* 164 (No. 1, 2015): 103-16.

The remaining 10 class sessions will be organized into five units of two sessions each. For each of these units, I will put myself in the position of being the organizer of a conference who has issued a call for paper proposals, and with each of you responding to that request. A week before the first of each of these units, I will send you the conference call for papers. Similar to other conference calls that a number of you probably have seen, my calls will start with some text to frame the conference and will follow that text with several bullet-point paragraphs that illustrate some themes that illuminate that topic.

For the first session of each of these five units, I will review the conference call in what I hope will be more a seminar than a lecture motif. For the second session, each of you will have prepared a proposal for a paper you are submitting to me for possible inclusion in the conference. I should stress that these are only proposals for papers; they are not papers or even half-drafts of papers. This means that you will have a maximum of three pages (800 words) to convince me that you have identified a potentially fertile topic. Your proposal should sketch the central idea behind your proposal and give some indication of what you see as the logic of development of your idea. You will present your proposals and we will have some in-class discussion.

Your challenge in writing these proposals is the same as you would face in submitting a proposal to a genuine call for conference paper proposals: to convince the organizer of the conference that the paper you propose will develop themes that will advance the organizer's desires for the conference as these are sketched in the conference call. Doing this requires you pay careful attention to how you organize and present your proposed paper.

### **The Five Conference Topics**

These five conference topics are crafted so as to get you to think about a variety of topics that contain much publishable potential. There is also an organizational logic to this selection of topics. That logic is a bit different from what I used in *Politics as a Peculiar Business*, and this difference perhaps illustrates some continued refinement in my thinking. The sequence of that logic is (1) individual action inside society, (2) political transactions, (3) democratic polities as quasi-market processes, (4) administration in political enterprises, and (5) interaction among power, ideology, emergence, and design with respect to constitutional evolution.

#### **1. Human Nature, Social Theory, Power, and Democracy**

This course theorizes about political economy in bottom-up and not top-down fashion. Social phenomena are not so much taken as data as they are generated through interaction among individuals that constitute a society. To be sure, those social configurations influence subsequent individual action. In this respect, Carl Menger averred that property rights, markets, and polities all originate in scarcity and the potential conflict that is always present. This insight suggests an orientation toward political economy quite different from the customary hortatory orientation where state is conceived as an entity of social correction and perfection. What is called for, I believe, is a different articulation of the theory of property rights, which can be seen by reflecting on the common roots of property and propriety, by reflecting on what it means to treat economics truly as a social science as distinct from a science of rational action, by exploring

the tangled relationship between conflict and cooperation, and by taking seriously and substantively deep heterogeneity among individuals.

*BP*, Ch. 6-8; *PPB*, Ch. 5

Wagner, R.E. and Yazigi, D. 2014. "Form vs. substance in selection through competition: Elections, markets, and political economy." *Public Choice* 159: 503-14.

Martin, A. and Wagner R.E. 2009. "Heterogeneity, voting, and the political economy of public policy." *Public Finance and Management* 9: 393-415.

## **2. Public Policy as Shell Game: A System-theoretic Perspective**

Public policy within a framework of additive political economy is portrayed in comparative static fashion, whereby public policy is an act of shifting society from one equilibrium to another. This formulation treats society as a mechanical system. In contrast, this course treats societies as creative systems of human interaction, which calls in turn for a different articulation of public policy. Policy is no longer an imposition from outside a society, but rather emerges from inside a society. As such, policy reflects a search for profits by dominant subsets of people inside the society. Democratic transactions yield anticipated gains to supporters, only those gains are realized indirectly in underground fashion rather than being realized through dividends or capital gains.

*BP*, Ch. 9-14; *PPB*, Ch. 3

Podemska-Mikluch, M. and R.E. Wagner. 2013. "Dyads, triads, and the theory of exchange: Between liberty and coercion." *Review of Austrian Economics* 26: 171-82.

Wagner, R.E. 2013. "Choice versus interaction in public choice: Discerning the legacy of the *Calculus of Consent*." in D.R. Lee, ed., *Public Choice, Past and Present*, New York: Springer, pp. 65-79. [Available on my SSRN page.]

## **3. Public Law and the Ecology of Political Enterprises**

I treat "state" not as an acting entity but as an ecology of politically organized enterprises. In other words, state is an order and not an organization; state is an order of organizations. In keeping with the theme of *Politics as a Peculiar Business*, a parliamentary assembly can be reasonably described as a *peculiar* investment bank. Parliaments intermediate in peculiar fashion between people who are seeking support for enterprises they favor and people who have the means to support those enterprises, even if some of those "supporters" might prefer to deploy those means in a different way. Carolyn Webber and Aaron Wildavsky, in their lengthy treatment of budgetary history, described budgeting as an on-going conflict among people over how they are to live together. This unit will seek to take that peculiar investment bank analogy further than it has been taken so far by exploring budgetary processes within an explanatory vein

where conflict, in contrast to usual presumptions of harmony, run deeply through society.

*FS* Ch. 4, 6; *PPB*, Ch. 7

Hebert, D. and Wagner, R.E. 2013. "Taxation as a quasi-market process: Explanation, exhortation, and the choice of analytical windows." *Journal of Public Finance and Public Choice* 31: 163-77.

Eusepi, G. and Wagner, R.E. 2011. "States as ecologies of political enterprises." *Review of Political Economy* 23: 573-85.

#### **4. Public Administration and Parasitical Economic Calculation**

While the establishment of an enterprise reflects some form of entrepreneurial vision, any such enterprise must confront a variety of challenges that are present in any framework of team production. Among other things, problems of agency must be dealt with, cash flows must be generated and distributed, and dispersed knowledge must be assembled and put to use. For market-based enterprises, the presence of transferable ownership does a good deal of work in securing well-working teams. For politically-based enterprises, ownership is not transferable so a different approach must be taken to the organization of team production, one that seeks to take account of parasitical interaction between market and collective entities: collective entities require market entities while they also degrade them through a form of predator-prey interaction. Stated differently, this unit pursues similarities and differences between public administration and business administration.

*FS*, Ch. 5; *PPB*, Ch. 6

Wagner, R.E. 2011. "Municipal corporations, economic calculation, and political pricing: Exploring a theoretical antinomy." *Public Choice* 149: 151-65.

Wagner, R.E. 2010. "Raising vs. leveling in the social organization of welfare." *Review of Law and Economics* 6: 421-39.

#### **5. Reflexivity, social agriculture, and political economy**

While my interest in and approach to the course material is largely explanatory, hortatory interests lurk in the background because economic theory speaks to the qualities of our common living together in close geographical territory. Due to human reflexivity, explanatory analysis can often carry more normative oomph when it is not couched in directly normative language, or at least I think this is the case. As a historical matter, the standard antinomy between markets and planning is wrongheaded. Markets and planning are unavoidably present in all social systems. The significant questions revolve around how particular systems are assembled and how different systemic patterns influence systemic qualities. Social agriculture invokes hortatory notions of identifying desirability, but it also invokes explanatory notions of what is attainable in light of the crooked timber that is humanity.

*BP* Ch. 16; *FS* Ch. 7-8; *PPB*, Ch. 8

Wagner, R.E. 2014. *American Federalism: How Well Does It Support Liberty?* Arlington, VA: Mercatus Center.

Wagner, R.E. 2014. "Richard Epstein's *Classical Liberal Constitution*: A Public choice refraction." *New York University Journal of Law & Liberty* 8: 360-88.

Rajagopalan, S. and Wagner, R.E. 2013. "Constitutional craftsmanship and the rule of law." *Constitutional Political Economy* 24: 295-309.

Runst, P. and Wagner, R.E. 2011. "Choice, emergence, and constitutional process: A framework for positive analysis." *Journal of Institutional Economics* 7: 131-45.

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

My evaluation of your five short essays will count collectively for 40 percent of your course grade. My evaluation of your course paper will likewise count for 40 percent. These papers must be prepared in standard manuscript style and I must receive them by 1630 on 14 December, which is the time that is assigned for our final exam, though I will not give a final exam. The maximum length is 20 pages, so pithiness is good. You can submit your papers electronically in either Word or PDF. The remaining 20 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." In this case, I am asking you to submit preliminary drafts of what you propose to write for the conference volume. Most likely, these papers will be a development and refinement of one of your earlier essays, though they need not be. With respect to this conference title, I might mention that volume 18 (2014) of *Advances in Austrian Economics* consisted of papers presented at a conference titled "Entangled Political Economy," for which I presented the keynote address which is available on my SSRN page.

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 20-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. 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, as well as to ourselves.

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: A Baker's Dozen of 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 an explanatory 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. To these books by Buchanan, I would add *Cost and Choice*. This slim book makes a simple point: cost and choice are reciprocal. 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.
3. 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.
4. 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.

5. 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*.

6. 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.

7. 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 and customs. 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.

8. 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 political economy has developed mostly as exercises in the economics of control. My alternative vision is a political economy of liberty. Gellner's treatment of civil society offers fecund insight into this challenge. So, too, does Bertrand de Jouvenel's *On Power*. Jouvenel explains that power in democracies is not a matter of a few thugs terrorizing the many but rather is something that emerges through widely held presuppositions.

9. 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.

10. 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. Agent-based computational modeling provides an analytical platform for escaping the centralized mindset, a recently published text on which is *Agent-Based Modeling*, by Uri Wilensky and William Rand. (Wilensky, by the way, developed the Net Logo platform for agent-based modeling, which is wonderfully easy to work with.)

11. Thomas Schelling, *Micromotives and Macrobehavior*. This has become an iconic work on how macro-level patterns can emerge that often provide little or 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 and Wilensky and Rand proceed within in this type of framework, as do I.

12. Mancur Olson, *The Logic of Collective Action*. This is a well-cited classic of public choice, and deservedly so despite some critical comments I registered (and still hold) in the very first edition of what became *Public Choice*, and which then was titled *Papers on Non-Market Decision Making*. Olson’s central claim is that free riding can be overcome by large groups by creating tied relationships between public and private goods.

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.