

**PSCI 6323.001: Public Choice**  
**Wednesday, 4:00-6:45pm**  
**MC 1.608**  
**Spring 2013**

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**Professor Contact Information**

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Office Hours: M-W 1:00-3:00pm

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**Course Description**

This course covers the application of economic reasoning to non-market decision-making in situations involving collective choice. Topics include market and government failure, collective action, properties of different voting rules, design of constitutions, and the behavior of candidates, elected officials, bureaucrats, and voters. Recommended: POEC/PA 7317 or equivalent.

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**Student Learning Objectives/Outcomes**

- Introduce students to models of rationality and decision-making in political science and public choice
  - Provide an introduction to rational choice and related models in political science and political economy.
  - Cover the major models of non-market decision making that are informed by economic and political theory.
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**Required Textbooks and Materials**

Mueller, Dennis. C. 2003. *Public Choice III*. Cambridge: CUP

Amadae, S. M. 2003. *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism*. Chicago: University of Chicago Press.

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**Assignments**

There are four major required written components for this course:

1. **Weekly questions:** Each week you should submit three questions to the instructor about the week's readings. These questions will be the basis for class discussion and will be used to guide how we address the material each week. These questions are due by noon on the day of class.
2. **Weekly memos:** You are responsible for two weekly memos during the term. These are in addition to the questions described above. Memos should be a critical review of the weeks' readings. Memos should be about 2 single-spaced pages long and submitted via e-mail to me. Memos are due at noon on the day of class.

3. **Exam:** There will be a take-home final exam during the last week of the course. It will be due during the day of the regular exam date for this course. The exam will cover all of the material in the course and will consist of questions of the type that one would see on a comprehensive exam.
  4. **Application / critical review paper:** Each student will write a 10-15 page double-spaced critical review or application paper. You should make an appointment to discuss this paper with the professor *prior* to starting. The paper should either review the application of a decision theory model or approach to a political science problem or apply a public choice approach to theorizing about a question. For the latter, you need not fully derive or work out a model, but there should be a clear possibility of doing this and having it be a major theory. In sum, you should view this paper as a part of a larger project or dissertation—say a theory chapter, or part of the background work.
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### **Grading Policy**

*(including percentages for assignments, grade scale, etc.)*

Grades in this course will be based on 5 different kinds of assignments:

1. Weekly questions (15%)
2. Weekly memos (15%)
3. Exam (30%)
4. Application / critical review paper (30%)
5. Class attendance and participation (10%)

Grades are based on the standard grading scale: A = 100-90, B = 89-80, C = 79-70, etc.

Late assignments and papers will be penalized. Late assignments and papers will be penalized 10% per day. Papers or assignments submitted via e-mail will be considered received by the date and time stamp on the e-mail received in my e-mail inbox. The paper will be due on the last scheduled class date (May 1, 2013).

It should go without saying that in a class of this size your attendance is easily noted and therefore required. If you are unable to make a class or will be late, advise the instructor as far in advance as possible.

Failure to take either the exam or complete the final paper will result in failing the course. In addition, each weekly assignment (memos or questions) is worth about 2% of your final grade. Failing to complete these assignments will likely result in a failing grade.

If you have any questions about your grade on an assignment, please wait until 24 hours after receiving your assignment before discussing the grade with the professor. There are no exceptions to this policy.

If you wish to have an assignment re-graded, it must be returned to the professor within two days of the day it was returned (if I am not available that day, ask the staff of the School of Social Sciences to leave it in my box). Assignments to be re-graded must include a memo stating the reason why you believe they assignment should be re-graded. Finally, re-graded assignments can be graded higher, lower, or the same as the initial grade.

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## **Course & Instructor Policies**

*(make-up exams, extra credit, late work, special assignments, class attendance, classroom citizenship, etc.)*

The following rules apply in class:

Turn off your cell phone. I really do not care if they ring, but it is VERY distracting to others. (Exceptions to this policy can be made, come to talk to me.)

Do not fall asleep. It is rude and distracting. Bring coffee if you need it (I do.)

Be polite and courteous to your fellow students.

Raise your hand when you want to be recognized to answer or ask a question. If you do not raise your hand I will not recognize you or your answer.

You are responsible for things: therefore if you miss something my response will be "How is this my problem?"

Note that this syllabus is not a contract. It is subject to change at my discretion. While we may be studying the political science, this class is not a democracy.

Class starts at 4:00pm, not 4:15. Please be here on time.

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## **Reading Assignments & Calendar**

*(Topics, Reading Assignments, Due Dates, Exam Dates, etc.)*

Readings listed with bullets are required for each week. All required readings should be available in the assigned texts or electronically through the UTD library.

Optional, supplemental or classics on the topic are listed separately for each week.

### **Week 1 (January 16): Introduction, What is Public Choice?**

During this first week we will review how this course is organized and what we will be doing. I will also provide a general overview of decision theory, rational choice, social choice, and game theory approaches to situate what public choice is about and where it fits intellectually.

The goal of this week's readings is to introduce you to some examples of rational / public choice modeling in political science and political economy. The first two readings provide an introduction to various assumptions about rationality and rational actor paradigms in the social sciences. The Krehbiel readings provide an example of how rational choice / game theoretical models are employed to describe and hypothesize about legislative behavior. These rational choice models are built upon a set of rule-bound institutions that define the incentives and institutions that shape choices. The Firmin-Sellers' reading provides a different example where institutional choice and design are important for producing a collective outcome. Here we see that there are tensions between individual and societal rational action. The final reading by Geddes extends the rational choice paradigm to explain the success and /or failure of political reform.

- Mueller, Chapter 1
- “Homo economicus, Homo sociologicus” in Hargreaves Heap et al. 1992. *Theory of Choice*. Chapter 5
- Krehbiel, Keith. 1988. “Spatial Models of Legislative Choice.” *Legislative Studies Quarterly*. 13(3): 259-318. <http://links.jstor.org/sici?sici=0362-9805%28198808%2913%3A3%3C259%3ASMOLC%3E2.0.CO%3B2-H>
- Krehbiel, Keith. 1996. “Institutional and Partisan Sources of Gridlock: A Theory of Divided and Unified Government.” *Journal of Theoretical Politics*. 8(1): 7-40.
- Kathryn Firmin-Sellers. 1995. “The Politics of Property Rights.” *American Political Science Review*, Vol. 89, No. 4. (Dec., 1995), pp. 867-881. Stable URL: <http://links.jstor.org/sici?sici=0003-0554%28199512%2989%3A4%3C867%3ATPOPR%3E2.0.CO%3B2-Y>
- Geddes, Barbara. 1994. "Reform as a Collective Good" Chapter 2 of *Politician's Dilemma: Building State capacity in Latin America* Berkeley: University of California Press. 24-42.

## **Week 2 (January 23): Foundational topics I: Social Choice and (Im)possibilities**

This week to turn to one of the initial areas of public choice: social choice theory. Social choice theory is concerned with optimal decision-making and the rules and criteria for evaluating such decisions. The analysis of the properties of decision rules and choices under certainty is known as social choice and it is the main topic for this week. The goal is to understand what social choice theory is and what it can and cannot tell us about decision-making. The most important result in social choice theory is Arrow's General (Im)possibility Theorem about social choice aggregation functions. We will discuss this and its implications this week.

- Mueller, Chapters 23-24.
- Hansen, Paul. 2002. “Another Graphical Proof of Arrow's Impossibility Theorem”. *Journal of Economic Education* 33(3): 217-35.
- “Social Choice” in Hargreaves Heap et al. 1992. *Theory of Choice*. Chapter 13.
- Morrow, James D. “Social Choice and System Structure in World Politics” *World Politics*, 41(1): 75-97. <http://links.jstor.org/sici?sici=0043-8871%28198810%2941%3A1%3C75%3ASCASSI%3E2.0.CO%3B2-H>

Optional:

- Suzumura, Kotaro. 1983/1990. *Rational Choice, Collective Decisions and Social Welfare*. Cambridge: CUP. Chapters 1 and 2.
- Austen-Smith, David and Jeffrey S. Banks 2005/2005. *Positive Political Theory I and II*. Ann Arbor: University of Michigan Press.
- Arrow, Kenneth J. 1951/1963. *Social Choice and Individual Values*/ New Haven: Yale University Press.
- Riker, William H. 1982. *Liberalism against Populism*. Prospect Heights, Illinois: Waveland Press.

## **Week 3 (January 30): Research Day; No class. Instructor has to be out of town for a meeting**

#### Week 4 (February 6): Social Contracts and Constitutions

This week looks at the contractarian approaches to social organization. This is a foundational topic in public choice since it sets the rules of the game in which other collective and societal decisions are cast. The social contract has to face the limitations of social choice rules as well as confront decisions about social welfare functions. It also determines the possible outcomes of political decisions. Crawford and Ostrom go further, proposing a “grammar” that can be used as an ontology for understanding how rules and institutions are interpreted in game-theoretic and rational choice contexts.

- Mueller, Chapters 25-26.
- Olson, Mancur. 1993. “Dictatorship, democracy, and development.” *American Political Science Review*. 87(3): 567-576.
- Ostrom, Elinor. 1986. "An Agenda for the Study of Institutions." *Public Choice*. 48:3-25.
- Crawford, Sue E.S. and Ostrom, Elinor. 1995. “A Grammar of Institutions.” *American Political Science Review*. 89(3): 582-600. <http://links.jstor.org/sici?sici=0003-0554%28199509%2989%3A3%3C582%3AAGOI%3E2.0.CO%3B2-A>

#### Week 5 (February 13): Decision theory, game theory and social choice comparisons

This week we will focus especially on the connections (or disconnect) between strategic decision-making and social choice. As an example, we will look at the theorem by Amartya Sen on the “Impossibility of the Paretian Liberal”. We will then discuss how strategic decision-making, uncertainty and institutions allow for the preservation of rights and choices.

- Mueller, Chapter 27.
- Sen, Amartya. 1974. “The Impossibility of a Paretian Liberal.” *The Journal of Political Economy*. 78(1):152-157. <http://links.jstor.org/sici?sici=0022-3808%28197001%2F02%2978%3A1%3C152%3ATIOAPL%3E2.0.CO%3B2-U>
- Sen, Amartya. 1999. “The Possibility of Social Choice.” *American Economic Review*. 89(3):349-378. <http://links.jstor.org/sici?sici=0002-8282%28199906%2989%3A3%3C349%3ATPOSC%3E2.0.CO%3B2-G>

#### Optional

- Ordeshook, Peter C, ed. 1989. *Models of Strategic Choice in Politics*. Ann Arbor: University of Michigan Press.
- Sen, Amartya. 1982. *Choice, Welfare and Measurement*. Cambridge: Harvard University Press.
- Hayek, Friedrich A. 1960. *The Constitution of Liberty*. Chicago: University of Chicago Press.

#### Week 6 (February 20): Collective Choice

This week we will review the main public choice rationale: applying economic analysis to collective allocation and distribution problems. The focus here is on the nature of political decisions and how transaction costs, collective action and decisions, have efficiency and allocation implications. Notice in the readings how the nature of political contracts and institutions are solving collective dilemmas yet facing tradeoffs in other areas

- Mueller, Chapters 2 and 3.
- Coase, Ronald. 1960. “The Problem of Social Cost.” *Journal of Law and Economics*. 3(1).

- Ostrom, Vincent and Elinor Ostrom. "Public Goods and Public Choices: The Emergence of Public Economies and Industry Structures." Chapter 7 in Ostrom, Vincent. 1987. *The Meaning of American Federalism: Constituting a Self-Governing Society*.

### **Week 7 (February 27): Collective and Voting Choices**

This week introduces the main mechanism or choice rule used to make political decisions: voting. As we know from earlier weeks, the choice of voting rules is not innocuous and has implications for preference representation and the quality and properties of collective decisions. We start by looking at the positive and normative properties of the most common voting rule: majority rule.

- Mueller, Chapters 4-6
- Kato, Junko. 1996. "Institutions and Rationality in Politics - Three Varieties of Neo-Institutionalists." *British Journal of Political Science* 26(4): 553-582.  
<http://links.jstor.org/sici?sici=0007-1234%28199610%2926%3A4%3C553%3A%3E2.0.CO%3B2-3>
- Satz, Debra and John Ferejohn. 1994. "Rational Choice and Social Theory." *Journal of Philosophy*. 91(2): 71-87. <http://links.jstor.org/sici?sici=0022-362X%28199402%2991%3A2%3C71%3A%3E2.0.CO%3B2-2>

Optional:

- Ordeshook, Peter C. 1986. *Game Theory and political theory*. Cambridge; CUP.
- Tullock, Gordon. 1967. *Toward a Mathematics of Politics*. Ann Arbor: University of Michigan Press.
- Ordeshook, Peter C. 1993. "The development of contemporary political theory." In *Political Economy: Institutions, Competition, and Representation*. Williams A. Barnett, Melvin Hinich and Norman Schofield, eds. Cambridge: CUP. Pp. 71-106.
- Kreps, David M. 1988. *Notes on the Theory of Choice*. Boulder: Westview.

### **Week 8 (March 6): Alternatives to majority rule and multi-outcome rules**

This material covers voting systems that are variants on majority rule. The key insight here is that there are trade-offs in the normative and positive properties of alternative voting systems. This is a very technical and extensive topic.

- Mueller, Chapters 7-8, 13
- Young, H.P. 1988. "Condorcet's Theory of Voting" *American Political Science Review* 82(4): 1231-1244.

Optional

- Black, Duncan. 1958. *Theory of Committees and Elections*.

### **Week 9 (March 13): No class, Spring Break**

## **Week 10 (March 20): Spatial and Probabilistic Voting**

A workhorse voting and candidate issue position model in political science and political economy is due to Downs (1957). His spatial voting model determines how candidates stake out issue positions in a policy space. The probabilistic model takes the same idea and looks how probabilistic decisions by voters lead to a different version of the theory and the equilibrium voting outcomes.

- Mueller, Chapters 11-12
- Coughlin, P. and S. Nitzan. 1981. "Electoral Outcomes with Probabilistic Voting and Nash Social Welfare Maxima." *Journal of Public Economics*. 15(1): 113-121.
- Lin, T.M., James Enelow, and Han Dorussen. "Equilibrium in multicandidate probabilistic spatial voting." *Public Choice*. 98(1-2): 59-82.

Optional:

- Riker, William 1980. "Implications from Disequilibrium of Majority Rule for The Study of Institutions" *American Political Science Review*. 74: 432-446.
- McKelvey, Richard D. 1976. "Intransitivities in Multidimensional Voting Models And Some Implications for Agenda Control" *Journal of Economic Theory* 2:472-482.
- Riker, William H. 1982. *Liberalism against Populism*. Prospect Heights, Illinois: Waveland Press.
- Hinich, Melvin and Michael Munger. 1996. *Ideology and the theory of public choice*. Ann Arbor: University of Michigan Press.
- Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York: Harper & Row.

## **Week 11 (March 27): Federalism**

Federalism is a key innovation of the U.S. Constitution. It also, alters the scale and scope of a variety of governmental decisions from finance, voting, budgeting, and solving collective action problems of various scales. The theory of federalism has moved beyond a mere pluralistic set of interest politics to a theory of overlapping governance that is the subject of positive theory analysis.

- Mueller, Chapter 10
- Tiebout, C.M. 1956. "A Pure Theory of Local Expenditures" *Journal of Political Economy*. 64(5): 416-424.
- Ostrom, V., C.M. Tiebout, and R. Warren. 1961. "The organization of government in metropolitan areas: a theoretical inquiry." *American Political Science Review*. 55(4): 831-842.

## **Week 12 (April 3): Rent Seeking**

- Mueller, Chapter 15
- Tullock, G. 1967. "The welfare costs of tariffs, monopoly, and theft." *Economic Inquiry*. 5(3): 224-232.
- Stigler, G.J. 1971. "The theory of economic regulation." *Bell Journal of Economics and Management*. 2(1): 3-21
- Peltzman, S. 1976. "Toward a more general theory of regulation". *National Bureau of Economic Research*. <http://www.nber.org/papers/w0133>

## **Week 13 (April 10): Legislatures and Bureaucracies**

Institutions are one solution to decision-making and preference aggregation problems. Baron and Ferejohn look at how legislative rules affect bargaining outcomes while Gilligan and Krehbiel show how institutional design can help or hinder voting and policy bargaining in legislatures. Note though that these institutional features are critical to the results: institutional design matters.

- Mueller, Chapters 16-17
- Baron, David P. and John A. Ferejohn. 1989. "Bargaining in Legislatures." *American Political Science Review*, 83(4): 1181-1206. <http://links.jstor.org/sici?sici=0003-0554%28198912%2983%3A4%3C1181%3ABIL%3E2.0.CO%3B2-N>
- Gilligan, Thomas W. and Keith Krehbiel, 1994. "The Gains from Exchange Hypothesis of Legislative Organization." *Legislative Studies Quarterly*, 19(2):181-214. <http://links.jstor.org/sici?sici=0362-9805%28199405%2919%3A2%3C181%3ATGFEHO%3E2.0.CO%3B2-B>

Optional:

- Riker, Williams H. 1986. *The Art of Political Manipulation*. New Haven: Yale.
- Williamson, Oliver. E. 1985. *The Economic Institutions of Capitalism*. New York: Free Press.

#### **Week 14 (April 17): Criticisms of public choice and rational choice theory models I**

The final two weeks readings address criticisms of rational choice and decision theory models in political science. This has been a major epistemological debate for the last 20 years and one that you need to be aware of. A major salvo at the rational choice approach was launched by Green and Shapiro's (1994) *Pathologies of Rational Choice* with responses by many rational choice practitioners in a special issue of *Critical Theory*. Rather than read this (which you should if you work in this tradition) we will begin with Mueller's critical appraisal of the contributions of rational choice approaches to political science and economy. We then turn to Cox's rejoinder to Green and Shapiro. In the final week we will look at S. M. Amadae's recent intellectual history and critique of the rational choice approach in political science.

- Mueller Chapters 28-29.
- Cox, Gary. 1999. "The Empirical Content of Rational Choice Theory: A Reply To Green and Shapiro," *Journal of Theoretical Politics* 11: 147-169.

Optional:

- Donald P. Green and Ian Shapiro, 1994. *Pathologies of Rational Choice: A Critique Of Applications in Political Science*. New Haven, CT: Yale University Press.

#### **Week 15 (April 24): Criticisms of public choice and rational choice theory models II**

As a close to the course, we will look at Amadae's intellectual history of game theory and public choice in the U.S. and Europe. This serves as an appropriate coda to understand how the broad fields of game theory, public choice, and rational choice theory in general are connected to each other.

- Amadae, all.

#### **Week 16 (April 1): Last class. Papers due by 5pm in my office.**

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## **UT Dallas Syllabus Policies and Procedures**

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

***The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.***