

# Public Economics

Dr. Ryan Safner

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ECON 410  
Rosenstock Hall 218  
TuTh 3:25-4:40 PM

*Email:* safner@hood.edu  
*Office:* Rosenstock Hall 118  
*Hours:* TuTh 9:30-11 AM

## Course Description

“What’s so great about democracy other than it’s democratic? – Gordon Tullock

Modern democratic governments directly control more than  $\frac{1}{3}$  of gross national product and strongly influence the remaining  $\frac{2}{3}$  through various fiscal and regulatory policies. How does “the government” make decisions, enforce laws, and provide the goods and services it is expected to? How does it interact with, and affect, the rest of the economy? A major part of this course is exploding the black box that we call “government” to examine and model the different political actors: voters, politicians, bureaucrats, & interest groups, and how they interact with one another to produce public policy and achieve their separate goals.

The major analytic framework used in this course is commonly known as “public choice:” the application of economic modeling (optimization and equilibrium) to study non-market decision-making. Markets use prices and voluntary exchanges to allocate scarce goods among competing uses based on individual preferences. Many other aspects of modern life do *not* rely on prices or voluntary exchanges; the primary arena we explore is *politics*—the realm of collective decision-making where a single choice is made for *everyone*. A simple summary of what we will be doing in this course is expanding and exploring answers to the question: **how do we choose in groups?**

Our primary focus will be the government of a modern liberal democracy, particularly the United States since 1789. In many ways, this is a more rigorous complement to your classic high school or college Civics course, but you will soon discover, it will at times emphasize key civic virtues of American governance, and at other times gore sacred cows and contradict popular myths. Time permitting, the end of the course will examine and compare other political systems such as autocracy, as well as other forms of non-market decision-making like law and religion.

As a 400-level course, I intend to treat this course as a seminar. **This implies a significant amount of reading, writing, and discussing, on your part, requiring you to take ownership of your own learning.** Against my strong instincts to lecture, this class will primarily be discussion-based and focused heavily on required readings for each

meeting. As an incentive to ensure everyone is keeping up with the readings, there will be reading-comprehension quizzes and class participation will be graded.

I have several learning goals for the course:

- Understand the incentives of different participants in a liberal democracy, particularly voters, politicians, bureaucrats, regulators, and special interest groups.
- Understand the processes by which *actual* public policy gets made by *actual* people.
- Understand the difference between constitutional-level rules and political rules and the importance of each.
- Explain current events and public policies in terms of individuals accomplishing separate political goals through political exchanges.
- Recognize the analytical and practical similarities and differences between individuals acting in markets and non-market institutions.
- Understand and explain real world differences in outcomes and in operations between political, cultural, economic, and social institutions in different societies.
- Overcome the nirvana fallacy.

My standard disclaimer: This class may challenge many of your existing beliefs and conceptions about how the world works, and how it should work. This is the most important and exciting part of a liberal arts education. This does *not* mean that I want to make you to see everything “my way.” In fact, if you come out of this class thinking exactly like me, then I have probably failed you as a teacher. To the best of my ability, I keep my opinions to myself unless relevant for purposes of discussion, and I respect and invite you to reach your own conclusions on all matters.

**Fair warning:** While we will make minimal use of formal mathematics in this class, using the economic way of thinking is a skill, it is literally retraining your brain to interpret and analyze the world in a novel way, and is not something that can be memorized. I will do my best to make this class intuitive and helpful, if not interesting. If at any point you find yourself struggling in this course for any reason, please come see me. Do not suffer in silence! Coming to see me for help does not diminish my view of you, in fact I will hold you in *higher* regard for understanding your own needs and taking charge of your own learning. There are also some fantastic resources on campus, such as the [Center for Academic Achievement and Retention \(CAAR\)](#) and the [Beneficial-Hodson Library](#).

In addition to Blackboard, you can find all course materials at [ryansafner.com/teaching/](http://ryansafner.com/teaching/).

I reserve the right to modify this syllabus with proper advance warning.

## Course Readings

We do not have a “textbook,” rather a series of journal articles, book chapters, and online articles that will either be made available to you on Blackboard, or linked to online. You can see these readings in the Class Schedule below. It is **recommended** that you purchase the following two books, but not required.

1. Holcombe, Randall G, 2016, *Advanced Introduction to Public Choice*, Northampton, MA: Edward Elgar Publishing, ISBN: 978-1-78536-206-4
2. Buchanan, James M and Gordon Tullock, 1999, *The Calculus of Consent: The Logical Foundations of Constitutional Democracy*, Indianapolis, IN: Liberty Fund, Inc. ISBN: 978-0865972186

The first book is the closest thing to a “textbook,” as it provides a good introduction to the background theory for every lesson. We will only have required reading assignments from it a few times this course (which I will make available on Blackboard). However, I recommend that you read the (very short) chapters associated with each topic as we move through the course on your own.

The second book is one of the monumental books that is largely credited with revolutionizing the study of public economics that, in part, won James Buchanan the 1986 Nobel Prize in Economics. The entire book is free online, but as one of the classics in public economics, I highly recommend you purchase it and read beyond our required chapters at some point. Note there are several versions of the second book that can be found and should be equivalent (in the Collected Works of Buchanan or of Tullock, or by itself.)

Both books are quite cheap, and can be found both at the Hood Bookstore or online retailers like Amazon and eBay. I have no financial interest in requiring you to purchase either book.

I reserve the right to post and require additional readings as necessary. Check Blackboard **frequently** for announcements and updates to assignments and grading.

## Grading & Assignments

Final course grades will be a weighted combination of the following assignments, to be described in detail below:

1	Policy Paper	30%
1	Take-Home Midterm	20%
1	Take-Home Final	20%
-	Quizzes/Participation	30%

Course grades are based on the following traditional scale:

	A	93-100	A-	90-92	
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B+	87-89	B	83-86	B-	80-82
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C+	77-79	C	73-76	C-	70-72
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D+	67-69	D	63-66	D-	60-62
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	F	0-59			

These grades are firm cutoffs, but I round upwards ( $\geq 0.500$ ) for final grades. A necessary reminder, as an academic, I am not in the business of *giving* out grades, I merely report the grade that you *earn*. I will not alter your grade unless you provide a reasonable argument that I am in error (which does happen from time to time).

## Policy Paper

Each student will write a term paper on a public policy, non-market decision-making institution, or other approved topic using the toolkit in this course. We will discuss this at greater length over the semester and I will dedicate some class time to discussing how to write a good paper and giving some examples.

## Midterm & Final

The midterm and final will be a series of take-home essay questions. Students will have several days to email me their responses by a deadline.

## Quizzes

To have an active and rewarding discussion requires everyone to have done the required readings. To that end, each day we have a discussion, there will be a short, 5 minute reading-comprehension quiz at the beginning of class on the assigned reading. There will be up to 2 questions that will be simple to answer if you have done the reading. Quizzes are graded on a PASS/FAIL basis and I will drop your two lowest quiz grades.

## Participation

At the end of every class period, we will hold a discussion. During our discussions, we will follow the rules pioneered and perfected by the Liberty Fund seminars. I will provide you with a handout detailing the rules on the first discussion day. These discussions help shift the focus of the course away from me lecturing material at you more towards your learning and building upon material. This requires you to take ownership of your own learning. It is critical that you come to class having done the readings and are prepared for discussion. Everyone will receive a grade from 0-5 on each discussion day based on their participation.

No extra credit is available.

# Policies & Expectations

**Attendance and Participation:** I expect you to attend class and to come having already done the reading assigned for that day. I will remind you in class and possibly through Blackboard or email which readings I want you to read for the next class. You are all adults and I will treat you as such. I do not take attendance, but missing class will not go unnoticed, and a major portion of your grade is class participation. If you are too distracted or are not prepared to learn, I suggest you stay home, where you can check Facebook more efficiently. I reserve the right to boost the final grades of students that I believe have made consistent, quality contributions above and beyond their peers in class conversations by up to 2.5 points.

**Absences and Make-Ups:** You generally do *not* need to let me know if you are unable to make class, *unless* it is on the day of an exam. It will however, be your responsibility to acquire the notes from a classmate for any missed classes. If you are unable to attend an exam for a legitimate reason (e.g. sports/club events, traveling, illness, family issues), please notify me at least *one week* in advance, and we will schedule a

make-up exam date. If you are ill or otherwise unable to attend on the day of the exam, contact me ASAP to make arrangements. Failure to do so, including desperate attempts to make arrangements only *after* the absence will result in a grade of 0 and little sympathy. I reserve the right to re-weight other assignments for students who I believe are legitimately unable to complete a particular assignment.

**Email Accounts:** Students must monitor their Hood email accounts to receive important college information, including messages related to this class. Email is also the best means of contacting me. I will do my best to respond within 24 hours.

**Office Hours:** I am generally in my office Monday-Thursday during normal 'business hours.' You are always welcome to walk-in and chat about class, college, careers, or whatever you like. Please try to use the official office hours stated at the head of the syllabus if possible. If you need to meet at a different time, I request that you send me an email or let me know after class so I know when to expect you. If you want to go over material from class, please have *specific* questions you want answered.

**Enrollment:** Students are responsible for verifying their enrollment in this class. The last day to add or drop this class is **Tuesday, September 5**.

**Honor Code:** Hood College has an Academic Honor Code which requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. All violations of the Honor Code are taken seriously, will be reported to appropriate authority, and may result in severe penalties, including expulsion from the college. See [here](#) for more detailed information.

**Students With Disabilities:** Hood College complies with the Americans with Disabilities Act of 1992. Students who are in need of special assistance/accommodation should contact me by the end of the first week of classes. Appropriate reasonable assistance/accommodation will be provided for such students.

# Class Schedule

The following schedule is a tentative outline of topics covered in the course. I may alter required readings, topics, or the ordering, to be announced in advance.

Tu 1/16	INTRODUCTION	None
Th 1/18	REVIEW	How to Read an Article
<b>What Role for Government?</b>		
Tu 1/23	EXTERNALITIES & BARGAINING	Coase (1960)
Th 1/25	PROPERTY RIGHTS	Demsetz (1969)
Tu 1/30	PUBLIC GOODS & COLLECTIVE ACTION I	Olson (1982, Ch. 2)
Th 2/1	PUBLIC GOODS & COLLECTIVE ACTION II	Ostrom and Ostrom (1999)
Tu 2/6	EFFICIENCY & JUSTICE	Sandel: Nozick & Rawls Videos (5 & 14)
Th 2/8	CONSTITUTIONAL POLITICAL ECONOMY I	Madison (1778) Plunkitt (2013, Chs. 1-3) Machiavelli (1532, Chs. XV-IX)
Tu 2/13	CONSTITUTIONAL POLITICAL ECONOMY II	Buchanan and Tullock (1962, Chs. 3, 5, 6)
<b>The Economics of Liberal Democracy</b>		
Th 2/15	VOTING I: SOCIAL CHOICE THEORY	Holcombe (2016, Chs.2, 3, 5)
Tu 2/20	VOTING II: IGNORANCE & IRRATIONALITY	Somin (2004) Caplan (2007)
Th 2/22	INTEREST GROUPS I	Tullock (1967) Mitchell (2012)
Tu 2/27	INTEREST GROUPS II	Stigler (1971) Yandle (1983)
Th 3/1	BUREAUCRACY	Niskanen (2001) von Mises (1949, Ch. XV.10)
Tu 3/6	POLITICIANS & LEGISLATORS I	Acemoglu (2003, §1, 6) Holcombe (2016, Chs. 8, 10, 11)
Th 3/8	POLITICIANS & LEGISLATORS II	Martin and Thomas (2013) Safner (2013)
<b>Spring Break</b>		
Tu 3/20	SNOW DAY	
Th 3/22	POLITICIANS III: REFORM	Rauch (2015)
Tu 3/27	FEDERALISM I	Weingast (1995)
Th 3/29	FEDERALISM II	Hirschman (1970, Chs. 1 (Skim), 2, 3)
<b>Current Issues in Politics</b>		
Tu 4/3	THE SHARING ECONOMY	Munger: Tomorrow 3.0 (Video)
Th 4/5	BASIC INCOME GUARANTEE	Econtalk: Munger on the Basic Income Guarantee
Tu 4/10	WILL BLOCKCHAIN DISRUPT GOVERNANCE?	Medium: How Does the Blockchain Work Part I Part II
Th 4/12	NET NEUTRALITY	Faulhaber (2012)
<b>Other Forms of Non-Market Decision-making</b>		
Tu 4/17	AUTOCRACY I	Olson (1994) Econtalk: Buena de Mesquita on Power
Th 4/19	AUTOCRACY II: COUPS & REVOLUTIONS	Tullock (1971), Kuran (1989)
Tu 4/24	LAW I	Benson (1989)

Th 4/26 LAW II  
Tu 5/1 LAW III  
Th 5/3 RELIGION

Leeson (2011)  
Friedman (1995)  
Iannaccone (1998); Leeson and Russ (2018)

## References

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