GV 481: PUBLIC CHOICE AND PUBLIC POLICY

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Teachers:  
Dr Valentino Larcinese  
Mr Andreas Warntjen  
Mr Joachim Wehner

Availability:  
Core course for the degree MSc Public Policy and Administration, MSc Public Policy and Administration (Research), and MRes/PhD students. Optional course for MSc Comparative Politics, MSc Comparative Politics (Empire), MSc Comparative Politics (Latin America), MSc Regulation and MSc Regulation (Research).

Content:  
The objective of the course is to provide an introduction to public choice theory and the ways in which it analyzes the political and policy processes of advanced liberal democratic states. The course focuses mainly on institutional public choice, although a brief introduction to social choice will be given in the first sessions. A one term course cannot offer a comprehensive introduction to the complex working of political systems. The emphasis is on introducing key concepts to simplify and analyze broad classes of situations. Topics covered include the theory of voting and party competition, collective action, interest groups and rent-seeking, lobbying strategies, coalition theory, log-rolling, legislative organization and principal-agent models. Some of the topics of this course are covered at an advanced level in GV482.

By the end of the course you should be able:

- to demonstrate a working knowledge of public choice theory - its assumptions, 'tools' and limitations.
- to critically evaluate and apply the core arguments of public choice theory, the principles of spatial analysis, and game theory.
- to apply these arguments and principles to political situations, institutions and complex political processes in liberal democracies.

Examples are mainly drawn from the U.S., Western Europe and the European Union. You are encouraged to use examples from other countries.

Public choice theory has a high level of technical sophistication. You are not expected to understand the mathematical proofs on which some of the arguments are based. You are, however, expected to familiarize yourself with the tools used in the lectures and presented in the core readings (e.g., spatial modelling). Please feel free to consult the seminar teacher if you have any questions on technical aspects.
Assessment:
The course is assessed by a long (about 2,000 words) essay handed in at the beginning of the second term (the last day of the end of the first week) and a two hour unseen examination in June, where two out of eight questions must be answered. The assessed essay constitutes 25% of the mark and the exam 75%. The essay topic has to be agreed upon with the seminar teacher by the end of week 6 in the Michelmas term. We require two copies of the assessed essay handed in to the departmental office. The cover sheet (available from the office) must be filled in and your name must not appear on this or the essay. Your essay will be identified by your exam number (not student ID number). Note that exam questions can be broader than seminar topics. This course and the exam vary from year to year. Please bear this in mind when looking at exam papers from previous years.

Coursework:
One formative essay (not more than 1,500 words) to be handed in at the end of the 6th week of the Michelmas term. This essay will be marked and handed back to students with comments. A separate mark for the assessed essay will not be communicated to students. Students are expected to make seminar presentations and actively contribute to seminar discussions. The coursework essay and presentation must be on different topics. Your assessed essay must be on a different topic to your coursework essay but may be on the topic of your presentation.
Introductory Reading

No single text is sufficient for the whole course. Shepsle and Bonchek (1997) provides an excellent starting point and will be the main reference for many topics. Mueller (2003) is a bit technical but covers many of the topics and is a useful summary of the state-of-the-art. Dunleavy (1991) is good for selected topics.

Recommended Texts

K. Shepsle & M. Bonchek

D.C. Mueller

P. Dunleavy

Useful Books for Beginners

M. Laver

S. Heap et al.

Classics:

A. Downs

M. Olson

W. Niskanen

For purely introductory reading, students should also consult the relevant entry in The New Palgrave Dictionary of Economics.

Journals which are especially useful for this course are Journal of Theoretical Politics, Public Choice, American Political Science Review, American Journal of Political Science, Journal of Politics, Quarterly Journal of Political Science. Economics journals sometimes have relevant articles too.
TOPICS COVERED

There will be a weekly one hour lecture during Michaelmas term on Tuesdays from 17.00-18.00. Weekly two-hour classes are associated with these lectures, which discuss the topics of the lecture from the previous week. The seminars are lead by the teacher giving the lecture with the exception of the lecture in week 9. The lecture on bureaucracy is given by JW but the seminars are taught by AW. There is no lecture for the first seminar (Concepts of Public Choice).

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There will be two revision seminars where we will go through past examination questions in weeks 1 and 2 of the Summer Term, in order to help you prepare for your examinations.

It cannot be sufficiently emphasised that reading lists offer only a flavour of the available literature. If a particular book is unavailable another (probably equally good one) can be found to take its place.
CONCEPTS OF PUBLIC CHOICE

Week 1 Class

You should be able to explain the following concepts:
- Ordinal utility
- Cardinal utility
- Expected utility
- Risk-averse
- Preferences
- Indifference curves
- Nash Equilibrium
- ‘Prisoners Dilemma’
- ‘Game of Chicken’
- ‘Battle of the sexes’

Core readings:

D. Morrow  
Game Theory for Political Scientists, Princeton: Princeton UP (1994)  
Ch. 2 (Utility Theory)

H. Varian  

E. Rasmusen  
Games & Information, Malden: Blackwell (2001), pp. 25-31 (Nash Equilibrium) + 70-72 (chicken)

Further readings:

Sheplse & Bonchek  Analyzing Politics, Ch. 2

S. Heap et al.  The Theory of Choice

P. Ordeshook  Game Theory and Political Theory, Cambridge: Cambridge UP (1986), Ch. 1 (pp. 10-52)


SOCIAL CHOICE: The Meaning of Democracy

a) Is democratic voting inaccurate?

c) Under what conditions does Arrow’s impossibility theorem hold?

c) What are the implications of Arrow’s impossibility theorem for the study of politics?

d) What are the effects of cycling? Is it ubiquitous?

Core readings:

G. Mackie  *Democracy Defended*, Cambridge: Cambridge University Press (2003), Ch. 3 (Is democratic voting inaccurate?)


Sheplse & Bonchek  *Analyzing Politics*, Ch. 5 (Spatial Models of Majority Rule), pp. 83-103

Further readings:

Sheplse & Bonchek  *Analyzing Politics*, Ch. 4 (Group Choice and Majority Rule) + Ch. 7 (Voting Methods and Electoral Systems)

Mueller  *Public Choice III*, Ch. 24 (The Impossibility of a Social Ordering)

Ordeshook  *Game Theory and Political Theory*, Ch. 2 (Individual preferences and social choice)

Hinich & Munger  *Analytical Polics*, Ch. 5 (Social Choice)


Elgar (1998)

Brian Barry & Russell Hardin (eds)  

J. Kelly  

John S. Dryzek & Christian List  

A. Lupia & M. McCubbins  
‘Lost in Translation: Social Choice is Misapplied in Legislative Intent’  

McCartan Humphreys & Michael Laver  
‘Spatial Models, Cognitive Metrics and Majority Voting Equilibria’  
THE SPATIAL MODEL OF POLITICAL CHOICE

a) Why does the Median Voter Theorem only apply in one dimension?

b) Explain the effect of agenda-setting and gate-keeping power. Give examples.

c) What is the relationship between veto players and policy stability?

Core readings:

Hinich & Munger Analytical Politics, Ch. 2 (Model of Downs and Black) + 3 (Elusive Equilibrium)

K. Krehbiel Pivotal Politics, Chicago: UP Chicago (1998), Ch. 2 (Theory)

G. Tsebelis Veto Players, Princeton: Princeton University Press (2002), Ch. 1 (individual veto players)

Further readings:

Sheplse & Bonchek Analyzing Politics, Ch. 5 (Spatial Models of Majority Rule), pp. 103-136

Mueller Public Choice III, Ch. 5 (Majority rule)

Ordeshook Game Theory and Political Theory, Ch. 2 (Individual preferences and social choice)

P. Moser The Political Economy of Democratic Institutions, Cheltenham: Elgar (2000), Ch. 1 + 2


G. Cox & M. McCubbins Setting the Agenda, Cambridge: Cambridge UP (2005), Ch. 3 (Modelling Agenda Power)


S. Ganghof  Promises and Pitfalls of Veto Player Analysis, Swiss Political Science Review, Vol. 9 (2003), No. 12, pp. 1-25
a) Under what conditions do public goods pose special problems for collective action?

b) How can the collective action problems be overcome? Give examples.

**Core readings:**

M. Olson  
*The Logic of Collective Action*, pp. 22-52.

Michael Laver  
*Political Solutions to the Collective Action Problem*, Political Studies 28 (1980), pp. 195-209

M. Taylor & H. Ward  

K. Dowding  
*Power*, Buckingham: Open University Press, pp. 31-43

**Further readings:**

Sheplse & Bonchek  
*Analyzing Politics*, Ch. 9 (Collective Action) + 10 (Public Goods)

P. Dunleavy  
*Democracy, Bureaucracy and Public Choice*, Ch. 2.

Mueller  
*Public Choice III*, Ch. 2 (Reasons for collective choice)

R. Hardin  

Lars Udehn  

G. Marwell & P. Oliver  

J. Estaban & D. Ray  

M. Taylor  

Todd Sandler  

Richard Cornes & Todd Sandler  

Todd Sandler  
E. Ostrom  

J. Walker  

J. Hansen  

Dawes et al.  
INTERESTS GROUPS: Role and Impact on Public Policy

a) What aims does public choice theory attribute to interest groups?

b) When and how do interest group influence public policy?

c) What effects does interest group activity have?

Core readings:


Further readings:

Mueller Public Choice III, Ch. 20 (Interest Groups)

P. A. McNutt The Economics of Public Choice, Cheltenham: Elgar (1996), Ch. 6


G. Tullock The Economics of Special Privilege and Rent Seeking, Boston: Kluwer (1989)


I. Bischoff  ‘Determinants of the increase in the number of interest groups in western democracies’, *Public Choice*, Vol. 114 (2003), pp. 197-218


VOTING IN ELECTIONS: Proximity and Directional Theories

a) Under what conditions does the median voter always win elections?

b) What role does ideology play in the theory of Downs?

c) Explain the difference between proximity and directional theories of democracy. Give examples where their predictions differ.

Core readings:

- Downs Economic Theory of Democracy, Ch. 7 (Ideology) + 8 (Dynamics)
- Hinich & Munger Analytical Politics, Ch. 6 (Uncertainty) + 9 (mass elections)

Further readings:

- Mueller Public Choice III, Ch. 11 + 12
- V. Larcinese Models of electoral competition, available on the public folder
COALITION THEORIES AND GOVERNMENT FORMATION

a) Contrast theories of coalition formation. What are the differences in terms of assumptions and predictions?

b) Define and illustrate the concept of a strong and very strong Party.

c) Explain how minority governments occur according to Laver and Shepsle.

d) Can coalitions coalesce?

Core readings:


Further readings:


R. Axelrod: Conflict of Interest, Chicago: Markham (1970)

A. de Swaan: Coalition Theories and Government Formation, Amsterdam: Elsevier (1973)


LEGISLATIVE ORGANIZATION

a) Compare and illustrate the distributive, informational and partisan approaches to legislative committees. Are they mutually exclusive?

b) How does the committee structure affect policy stability according to Shepsle?

Core readings:

K. Shepsle & B. Weingast Positive Theories of Congressional Institutions, Legislative Studies Quarterly, Vol. 19 (1994), pp. 149-79 (reprinted in the volume edited by the authors of the same name)


Further readings:

Shepsle & Bonchek Analysing Politics, Ch. 11 + 12

Morrow Game Theory for Political Scientists, pp. 138-145


K. Krehbiel ‘Where’s the party?’, British Journal of Political Science, Vol. 23 (1993), No. 2, pp. 235-266

K. Krehbiel ‘Are congressional committees composed of outliers?’, American Political Science Review, Vol. 84 (1990), No. 1, pp. 149-163
DELEGATION AND OVERSIGHT

a) Explain adverse selection, moral hazard and transaction costs.

b) What role does expertise play in principal-agent relationships?

c) How do legislatures exercise oversight according to McCubbins and Schwartz?

d) What impact does the existence of multiple principals have on delegation?

Core readings:


Further readings:

Mueller Public Choice III, Ch. 16 + Ch. 17

Shepsle & Bonchek Analyzing Politics, Ch. 13 (Bureaucracy)

E. Rasmusen Games & Information, Malden: Blackwell (2001), Ch. 7, 8 +9


BUREAUCRACY