

Public Choice and Government Failure

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Reader Abstract: This reader offers students a cursory overview of Public Choice theory and then applies some basic concepts to common government problems. The specific concepts deal with constitutions and *homo economicus* in the context of political analysis, and the problems covered in the reader include logrolling, rent-seeking, political lobbying, and pressure groups.

Session I: *What is the Public Choice Approach?* – 25 pages

Buchanan, James M. "Politics Without Romance." In *The Collected Works of James M. Buchanan, Volume 1: The Logical Foundations of Constitutional Liberty*, 45-59. Indianapolis: Liberty Fund, Inc., 1999.

Brennan, Geoffrey and James M. Buchanan. "The Normative Purpose of Economic Science." *International Review of Law and Economics* 1, no. 2 (December 1981): 155-166.

Session Abstract: The first reading introduces the students to the concept of public choice, offering a definition that relates to economics as well as some basic ideas that have grown out of the field of public choice. The second reading introduces the economic concept of *homo economics* and applies the concept to comparative political institutions.

Session II: *Factions, Interest Groups, and Self Interest* – 27 pages

Carey, George W. and James McClellan, eds. "Federalist No. 10." In *The Federalist*, 42-49. Indianapolis: Liberty Fund, Inc., 2001.

Tullock, Gordon, Arthur Seldon, and Gordon L. Brady. *Government Failure: A Primer on Public Choice*. Washington, D.C.: Cato Institute, 2002.

- Chapter 3, "Logrolling" (pages 29–41)
- Chapter 4, "The Cost of Rent Seeking" (pages 43–51)

Session Abstract: The first reading offers James Madison's view on the self-interest of public servants and the development of factions that arises out of this, as well as how governments could deal with the problems that come from self-interested lawmakers. The second reading deals with the specific political problem of logrolling or vote trading in parliamentary politics. The final reading covers the problem of rent-seeking.

Session III: Government Institutions, Transaction Costs, and Pressure Groups – 16 pages

Wittman, Donald. *The Myth of Democratic Failure: Why Political Institutions Are Efficient*. Chicago: University of Chicago Press, 1996.

- Chapter 4, “Transaction Costs and the Design of Government Institutions” (pages 31-37)
- Chapter 7, “Pressure Groups” (pages 76-86)

Session Abstract: These readings build off the concepts introduced in the previous session. The matter of transaction costs is covered, which applies to both logrolling and rent-seeking. The chapter on pressure groups deals with the rent-seeking, as well, but it elaborates on the particular transaction costs related to political pressure groups.

Session IV: Constitutions as Contracts for Liberty – 35 pages

Hayek, Friedrich A. “Coercion and the State.” In *The Constitution of Liberty*, 133-147. Chicago: University of Chicago Press, 1978.

Buchanan, James and Gordon Tullock. “A Generalized Economic Theory of Constitutions.” In *The Collected Works of James M. Buchanan, Volume 3: The Calculus of Consent: Logical Foundations of Constitutional Democracy*, 63-84. Indianapolis: Liberty Fund Inc., 1999.

Session Abstract: The final session circles back to the concepts laid out in the first session by elaborating on the concepts of coercion and constitutions. The Hayek piece defines coercion and places it in the context of the State. The Buchanan-Tullock piece offers the public choice approach to dealing with the coercion issue through the idea of political institutions or constitutions. The reading, in particular, discusses the decision-making costs of political matters.