

ECON 742

Public Economics 2: Public Choice

11:30am-12:45pm, Tuesday & Thursday, Room 401 B&E Bldg.

Dr. Sobel

Spring 2009

Office Hours: 1:30-2:30pm Tues & Thurs or by appointment
Office Location: 403 Business and Economics Building
Office Phone: 293-7864
E-Mail: Russell.Sobel@mail.wvu.edu
Homepage: <http://www.be.wvu.edu/divecon/econ/sobel/>

Course Objectives:

This course will focus on the way in which individual preferences are translated into public sector policies through the political process. The goal of the course is to provide the student with a general framework within which public sector policies and decisions can be evaluated. A second objective of this course is to allow the student to become familiar enough with a body of literature that it can be used as a foundation for original scholarly research. The student will learn to work on effectively organizing and developing original ideas, and presenting them in writing.

Examinations and Grades:

Final grades will be based on seven short papers and a take-home final examination. Each paper will be worth ten percent of the final grade and the final examination will be worth thirty percent. The final exam will be due by 5:00 pm on the Wednesday of final exam week (Wednesday, May 6th). Papers are due at the beginning of the class period on the dates given below. Papers handed in after class on the due date will be counted as handed in the next day (late). One letter grade will be deducted from your work for each day it is handed in late.

Papers:

Papers should be typed, double-spaced, and should be brief developments of *original* ideas on the literature we are covering. Papers are not meant to be quizzes or overviews of an entire area, but rather original ideas, developing a theme related to a narrow set of the readings covered just prior to the paper due date. I do not want reviews or summaries of the readings. Ideally, these ideas could be further developed into a research paper suitable for publication in an academic journal. The purpose of the paper assignments is, first, to provide an incentive to give thoughtful attention to the topic, and second, to give you practice in developing and presenting your ideas in written form. You should never quote directly from another source (a one line quote is maybe OK under rare circumstances in the opening part to motivate an idea). You must reference ideas properly, but the ideas should be in your own words. I do not want on the papers (nor the final exam) words, phrases, paragraphs or anything else directly copied from other sources.

Paper Due Dates:	January 29	- On Sections 1 and 2
	February 12	- On Sections 3 and 4
	February 26	- On Section 5
	March 12	- On Sections 6 and 7
	April 2	- On Sections 8 and 9
	April 16	- On Sections 10, 11, and 12
	April 30	- On Sections 13, 14, 15, 16, and 17

Reading List:

The reading list is intended as a guide to some relevant literature. The readings denoted with an asterisk (*) are required readings. The other readings on the list that are not marked are classics in the area which are covered or summarized in your text or in another article in the section. You do not have to read these articles, but you should be aware that they are the foundations for the work that we cover.

I have prepared a CD of all of the required readings in PDF format. I would suggest always bringing printed copies of the articles to class, although don't get too far ahead because we may skip or alter the reading list. Note that many of these readings are available for free on the Internet at <http://www.jstor.org/> and if you are looking for additional cites on a topic the best place to search for references in the economics literature is on EconLit which can be found linked alphabetically on the WVU library page <http://www.libraries.wvu.edu/database/>

Required Book:

Cullis, John and Philip Jones, *Public Finance and Public Choice*. Second Edition. New York: Oxford University Press, 1998.

Other Useful Reference Books:

William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001. (*Available at bookstore*)

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

Buchanan, James M. and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press, 1962.

Hinich, Melvin J. and Michael C. Munger, *Analytical Politics*. Cambridge: Cambridge University Press, 1997.

Holcombe, Randall G., *Public Sector Economics: The Role of Government in The American Economy*. Upper Saddle River, NJ: Prentice Hall, 2006. This is a good undergraduate level public economics book.

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Reading List

*Introduction: Data Handout on Government Finance in the U.S. (Provided in class)

1. The Invisible Hand and the Market Process

*Smith, Adam, *The Wealth of Nations*. Two excerpts:

Book 1, Chapter 2 on the Principle giving occasion to the Division of Labor (the frequently cited “butcher, brewer, and baker” quote is from this chapter)

Book 4 (IV), Chapter 2 on the restraints on the importation of goods (especially look at the 4th paragraph starting with “every individual is continually exerting himself. . .” and the 9th paragraph where he introduces the concept and term “invisible hand”)

*Read, Leonard, “I, Pencil,” Copyright from the Foundation for Economic Education.

*Hayek, F.A., “The Results of Human Action but not of Human Design,” Chapter 6 in *Studies in Philosophy, Politics, and Economics*. Chicago: University of Chicago Press, 1967.

*Hayek, F.A., “The Use of Knowledge in Society,” *American Economic Review* Vol 35, no. 4 (September 1945), pp. 519-530.

*Friedman, Milton and Rose Friedman, “The Power of the Market,” Chapter 1 in *Free To Choose: A Personal Statement*. Harcourt Brace Jovanovich, 1979.

*Boettke, Peter J., “Introduction to Austrian Economics,” Chapter 1 in Peter J. Boettke, ed., *The Elgar Companion to Austrian Economics*. Cheltenham, UK: Edward Elgar, 1994, pp. 1-10.

*Kirzner, Israel M., “Entrepreneurship,” Chapter 15 in Peter J. Boettke, ed., *The Elgar Companion to Austrian Economics*. Cheltenham, UK: Edward Elgar, 1994, pp. 103-110.

*Holcombe, Randall G., “Entrepreneurship and Economic Growth,” *The Quarterly Journal of Austrian Economics* 1, No. 2 (Summer 1998): 45-62.

2. The Role, Functions, and Powers of Government

*Hyman, David N., *Public Finance: A Contemporary Application of Theory to Policy* (6th Edition). Fort Worth, TX: Dryden Press, 1999, pp. 66-68 (the section on market failure)

*Sobel, Russell S. “Welfare Economics and Public Finance,” Chapter 2 in *Handbook of Public Finance*, Edited by Jurgen G. Backhaus and Richard E. Wagner, Kluwer Academic Publishers, 2004, pp. 19-51.

*Rand, Ayn, “Man’s Rights,” *The Virtue of Selfishness*. New York: Signet Books, 1964, pp. 92-100.

*Rand, Ayn, “The Nature of Government,” *The Virtue of Selfishness*. New York: Signet Books, 1964, pp. 107-115.

**“Not Yours to Give” excerpted from *The Life and Times of Colonel David Crockett*.

*Holcombe, Randall G., “An Economic Theory of Rights,” Chapter 2 in *The Economic Foundations of Government*. New York: New York University Press, 1994.

*Holcombe, Randall G., “The Distinction Between Clubs and Governments,” Chapter 5 in *The Economic Foundations of Government*. New York: New York University Press, 1994.

*U.S. Constitution - please copy it (it’s in the packet) and **bring it with you to class**.

3. Public Choice and Government Failure

*Buchanan, James M., “Public Finance and Public Choice,” Chapter 10 in *What Should Economists Do?* Indianapolis: Liberty Press, 1979.

*Cullis, John and Philip Jones, Chapter 18 from an old edition of the book (provided in your copy packet, this has been removed from the textbook in the new edition).

*Mitchell, William C., “The Old and New Public Choice: Chicago versus Virginia,” Chapter 1 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 3-32.

*De Alessi, Louis, “Property Rights: Private and Political Institutions,” Chapter 2 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 33-58.

*Holcombe, Randall G. and Russell S. Sobel, “Public Policy Toward Pecuniary Externalities,” *Public Finance Review* 29, No. 4 (July 2001), pp. 304-325.

4. The Social Contract: Constitutional Foundations of Government

- *Buchanan, James M., "The Domain of Constitutional Economics," *Constitutional Political Economy* 1, no. 1 (Winter 1990), pp. 1-18.
- *Gordon, Scott, "The New Contractarians," *Journal of Political Economy* 84, no. 3 (June 1976), pp. 573-590.
- *Voigt, Stefan, "Positive Constitutional Economics - A Survey," *Public Choice* 90 (March 1997), pp. 11-53. Reprinted in: Charles K. Rowley (Ed.): *Constitutional Political Economy in a Public Choice Perspective*, Dordrecht et al.: Kluwer, 1997.
- *Holcombe, Randall G., "Constitutions as Constraints: A Case Study of Three American Constitutions," *Constitutional Political Economy* 2, no. 3 (Fall 1991), pp. 303-328.
- *Holcombe, Randall G., "The Distributive Model of Government: Evidence from the Confederate Constitution," *Southern Economic Journal* 58, no. 3 (January 1992), pp. 762-769.
- Sobel, Russell S., "The League of Nations Covenant and the United Nations Charter: An Analysis of Two International Constitutions," *Constitutional Political Economy* 5, no. 2, (Spring/Summer 1994), pp. 173-192.
- Buchanan, James M., *Explorations into Constitutional Economics*. College Station: Texas A&M University Press, 2000.

5. The Voting Mechanism

5A. Voters: How and Why do they Vote?

- *Cullis and Jones, Chapter 4, pp. 72-75 (Section 4.2)
- *Tullock, Gordon, "The Charity of the Uncharitable," *Economic Inquiry* 9 (December 1971), pp. 379-392.
- *Wagner, Gary A. and Russell S. Sobel. "Expressive Voting and Government Redistribution: Testing Tullock's 'Charity of the Uncharitable'." *Public Choice* 119, No. 1/2 (April 2004), pp. 143-159.
- Brennan, Geoffrey, and Loran Lomasky, *Democracy and Decision: The Pure Theory of Electoral Preference*. Cambridge: Cambridge University Press, 1993.
- Mueller, Dennis C., *Public Choice III*. Cambridge: Cambridge University Press, 2003 (Chapter 14).

5B. Optimal Voting Rules

- *Cullis and Jones, Chapter 4, pp. 75-77 (Section 4.3)
- Buchanan, James M. and Gordon Tullock, *The Calculus of Consent*. Ann Arbor: Univ. of Michigan Press, 1962 (Chapter 6).
- Arrow, Kenneth J., *Social Choice and Individual Values* (2nd Edition). New Haven: Yale University Press, 1963.

5C. Voting Rules and Government Efficiency: The Role of Unanimity

- *Wicksell, Knut, "A New Principle of Just Taxation," in R.A. Musgrave and A.T. Peacock (eds.), *Classics in the Theory of Public Finance*, 1958, pp. 73-118.
- *Lindahl, Eric, "Just Taxation -- A Positive Solution," in R.A. Musgrave and A.T. Peacock (eds.), *Classics in the Theory of Public Finance*, 1958, pp. 168-176.
- *Sobel, Russell S. and Randall G. Holcombe, "The Unanimous Voting Rule is Not the Political Equivalent to Market Exchange," *Public Choice* 106, no. 3/4 (March 2001), pp. 233-242.

5D. Majority Rule, The Median Voter, and Voting Cycles

- *Cullis and Jones, Chapter 4, pp. 78-91 (Sections 4.4 to 4.7)
- *McKelvey, R.D., "Intransitivities in Multi Dimensional Voting Models and Some Implications for Agenda Control," *Journal of Economic Theory* 12, no. 3 (June 1976), pp. 472-482.
- *Romer, Thomas and Howard Rosenthal, "Political Resource Allocation, Controlled Agendas, and the Status Quo," *Public Choice* 33, no. 4 (1978), pp. 27-43.
- *Tullock, Gordon, "Why So Much Stability," *Public Choice* 37, no. 2 (1981), pp. 189-202.
- *Holcombe, Randall G. and Russell S. Sobel, "The Stability of International Coalitions in United Nations Voting from 1946 to 1973," *Public Choice* 86, no. 1/2 (January 1996), pp. 17-34.
- Bowen, Howard R., "The Interpretation of Voting in the Allocation of Economic Resources," *Quarterly Journal of Economics* 58 (November 1943), pp. 27-48.
- Black, Duncan, *The Theory of Committees and Elections*. Cambridge: Cambridge University Press, 1958.
- Downs, Anthony, *An Economic Theory of Democracy*. New York: Harper & Row, 1957.

5E. Empirical Median Voter Models

- *Holcombe, Randall G. and Russell S. Sobel, "Empirical Evidence on the Publicness of State Legislative Activities," *Public Choice* 83, no. 1/2 (April 1995), pp. 47-58.
- *Turnbull, Geoffrey K. and Peter M. Mitias, "Which Median Voter?" *Southern Economic Journal* 62, no. 1 (July 1995), pp. 183-191.

6. Congressional Voting & the Political Marketplace

6A. Congressional Voting & Ideology

- *Weingast, Barry R., Kenneth A. Shepsle, and Christopher Johnsen, "The Political Economy of Benefits and Costs: A Neoclassical Approach to Distributive Politics," *Journal of Political Economy* 89, no. 4 (1981), pp. 642-664.
- *Sobel, Russell S., "Political Incentives and Legislative Voting," *Journal of Public Finance and Public Choice* 10, no. 2/3 (1992), pp. 171-182.
- *Bender, Bruce and John R. Lott, Jr., "Legislator Voting and Shirking: A Critical Review of the Literature," *Public Choice* 87, no. 1/2 (April 1996): 67-100.
- *Rubin, Paul H., "Ideology," Chapter 15 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 328-336.
- Peltzman, Sam, "Constituent Interest and Congressional Voting," *Journal of Law and Economics* 27, No. 2 (April 1984), pp. 181-210.
- Kalt, Joseph P., and Mark A. Zupan, "Capture and Ideology in the Economic Theory of Politics," *American Economic Review* 74, no. 3 (June 1984), pp. 279-300.
- *Sobel, Russell S. and Gary A. Wagner. "On the Determinants of Congressional Bill Sponsorship and Voting Behavior with an Application to Government Growth Theories." *Journal of Public Finance and Public Choice* 42, no. 2/3 (1998), pp. 87-115.

6B. Logrolling

- *Browning, Edgar K. and Jacqueline M. Browning, *Public Finance and the Price System*. Englewood Cliffs, N.J.: Prentice Hall, 4th Edition, pp. 68-70.
- *Stratmann, Thomas, "Logrolling in the U.S. Congress," *Economic Inquiry* 33, no. 3 (July 1995), pp. 441-456.
- *Gilligan, Thomas W. and John G. Matsusaka, "Deviations from Constituent Interests: The Role of Legislative Structure and Political Parties in the States," *Economic Inquiry* 33, no. 3 (July 1995), pp. 383-401.
- Koford, Kenneth J., "Centralized Vote Trading," *Public Choice* 39, no. 2 (1982), pp. 245-268.

6C. The Political Marketplace

- *Crain, W. Mark, Donald R. Leavens, and Robert D. Tollison, "Final Voting in Legislatures," *American Economic Review* 76, no. 4 (September 1986), pp. 833-841.
- *Groseclose, Tim and James M. Snyder, Jr., "Buying Supermajorities," *American Political Science Review* 90, no. 2 (June 1996), pp. 303-315.
- *Handout on Minimum Winning Coalitions - in copy packet - copy and **bring to class**
- Kau, James B., Donald Keenan, and Paul H. Rubin, "A General Equilibrium Model of Congressional Voting," *Quarterly Journal of Economics* 97 (May 1982), pp. 271-293.
- Weingast, Barry R. and William J. Marshall, "The Industrial Organization of Congress," *Journal of Political Economy* 96, no. 1 (February 1988), pp. 132-163.

6D. Are Democracies Efficient? The Chicago View

- *Becker, Gary, "A Theory of Competition Among Pressure Groups for Political Influence," *Quarterly Journal of Economics* 98, no. 3 (August 1983), pp. 371-400.
- *Wittman, Donald, "Why Democracies Produce Efficient Results," *Journal of Political Economy* 97, no. 6 (December 1989), pp. 1395-1424.

6E. The Politics of Elections & Congressional Oversight

- *Garrett, Thomas A. and Russell S. Sobel, "The Political Economy of FEMA Disaster Payments," *Economic Inquiry* 41, No. 3 (July 2003): 496-509.
- Young, M., Reksulak, M. and Shughart II, W., "The Political Economy of the IRS," *Economics and Politics* 13 (2001), pp. 201-220.
- *Kubik, Jeffrey D. and John R. Moran, "Lethal Elections: Gubernatorial Politics And The Timing Of Executions," *Journal of Law & Economics* 46, No. 1 (April 2003), pp. 1-26.
- Hess, Gregory D. and Athanasios Orphanides, "War Politics: An Economic, Rational-Voter Framework," *American Economic Review* 85, no. 4 (September 1995): 828-846.

7. Interest Groups and the Political Process: Rent Seeking & Collective Action

*Cullis and Jones, pp. 93-99 (Section 5.2)

*Tullock, Gordon, "The Welfare Cost of Tariffs, Monopolies, and Theft," *Western Economic Journal* 5, no. 3 (June 1967), pp. 224-232.

*Tullock, Gordon, "The Transitional Gains Trap," *Bell Journal of Economics* 6 (Autumn 1975), pp. 671-678.

*Azfar, Omar, "The Logic of Collective Action," Chapter 3 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 59-82.

*Ekelund, Robert B. and Robert D. Tollison, "The Interest-group Theory of Government," Chapter 17 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 357-378.

*Sobel, Russell S. and Thomas A. Garrett, "On the Measurement of Rent Seeking and its Social Opportunity Cost," *Public Choice* 112, No. 1/2 (July 2002), pp. 115-136.

*Dinopoulos, Elias, "The Optimal Tariff with Revenue-Seeking: A Contribution to the Theory of DUP Activities," Chapter 9 in David Colander (ed.) *Neoclassical Political Economy*, Cambridge, MA: Ballinger Publishing Company.

Kreuger, Anne O., "The Political Economy of a Rent-Seeking Society," *American Economic Review* 64 (June 1974), pp. 291-303.

Olson, Mancur, *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press, 1965.

8. The Size and Growth of Government

8A. Bureaucracy Theory

*Cullis and Jones, pp. 354-355 (Section 14.5)

*Niskanen, William A., "Bureaucracy," Chapter 11 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 258-270.

Niskanen, William A., "Nonmarket Decision Making: The Peculiar Economics of Bureaucracy," *American Economic Review* 58 (May 1968), pp. 293-305.

Niskanen, William A., "Bureaucrats and Politicians," *Journal of Law and Economics* 18 (December 1975), pp. 617-643.

Niskanen, William A., *Bureaucracy and Representative Government*. Chicago: Aldine-Atherton, 1971.

Breton, Albert and Ronald Winetrobe, "The Equilibrium Size of a Budget Maximizing Bureau," *Journal of Political Economy* 83, no. 1 (February 1975), pp. 195-207.

8B. Explanations of the Growth of Government

*Cullis and Jones, pp. 357-369 (Sections 14.7-14.9)

*Husted, Thomas A. and Lawrence W. Kenny, "The Effect of the Expansion of the Voting Franchise on the Size of Government," *Journal of Political Economy* 105, no. 1 (February 1997), pp. 54-82.

*Holcombe, Randall G., "Veterans Interests and the Transition to Government Growth: 1870-1915," *Public Choice* 99, no. 3-4 (June 1999), pp. 311-326.

*Sobel, Russell S. "Can Public Choice Theory Explain the U.S. Budget Surpluses of the 1990s?" *Journal of Public Finance and Public Choice*, 23, No. 3 (2004), pp. 169-182.

Higgs, Robert, *Crisis and Leviathan: Critical Episodes in the Growth of American Government*. New York: Oxford University Press, 1987.

Meltzer, Allan H. and Scott F. Richard, "A Rational Theory of the Size of Government," *Journal of Political Economy* 89, no. 5 (October 1981), pp. 914-927.

Peltzman, Sam, "The Growth of Government," *Journal of Law and Economics* 23, No. 2 (October 1980), pp. 209-287.

Holcombe, Randall G. and Donald J. Lacombe, "The Growth of Local Government in the United States from 1820 to 1870," *Journal of Economic History* 61, no. 1 (March 2001), pp. 184-189.

9. The Public Choice Approach to Taxation

9A. Introduction to Politically Optimal Taxation

- *Buchanan, James M., "Taxation in Fiscal Exchange," *Journal of Public Economics* 6 (July-August 1976), pp. 17-29.
- *Holcombe, Randall G., "Public Choice and Public Finance," Chapter 19 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 396-421.
- *Poterba, James M., "Public Finance and Public Choice," *National Tax Journal* 51, no. 2 (June 1998), pp. 391-396.
- Holcombe, Randall G., "Tax Policy from a Public Choice Perspective," *National Tax Journal* 51, no. 2 (June 1998), pp. 359-371.
- Winer, Stanley L. and Walter Hettich, "What is Missed if We Leave Out Collective Choice in the Analysis of Taxation?" *National Tax Journal* 51, no. 2 (June 1998), pp. 372-390.
- Slemrod, Joel, "Optimal Taxation and Optimal Tax Systems," *Journal of Economic Perspectives* 4, no. 1 (Winter 1990), pp. 157-178.
- Shughart, William F. II, ed., *Taxing Choice: The Predatory Politics of Fiscal Discrimination*. New Brunswick: Transaction Publishers, 1997.

9B. Public Choice Models of Taxation

- *Cullis and Jones, Chapter 16 (pages 395-409)
- *Laffer, Arthur B., "The Laffer Curve: Past, Present, and Future," *Heritage Foundation Backgrounder* No. 1765 (June 1, 2004).
- *Buchanan, James M. and Dwight R. Lee, "Politics, Time, and the Laffer Curve," *Journal of Political Economy*, Vol. 90, no. 4. (Aug., 1982), pp. 816-819.
- *Data Handout on Income Tax Rates & Revenues (provided first day of class - **bring it to class**)
- Buchanan, James M. and Dwight R. Lee, "Tax Rates and Tax Revenues in Political Equilibrium," *Economic Inquiry* 20, no. 3 (July 1982), pp. 344-354.
- Brennan, Geoffrey and James M. Buchanan, *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. Cambridge: Cambridge University Press, 1980. (Chapters 2, 3, & 4)
- Brennan, Geoffrey and James M. Buchanan, *The Reason of Rules: Constitutional Political Economy*. Cambridge: Cambridge University Press, 1986.

9C. Applications of the Laffer Curve

- *Sobel, Russell S., "Theory and Evidence on the Political Economy of the Minimum Wage," *Journal of Political Economy* 107, no. 4 (August 1999), pp. 761-785.
- *Garrett, Thomas A., "The Leviathan Lottery? Testing the Revenue Maximization Objective of State Lotteries as Evidence for Leviathan," *Public Choice* 109, no. 1-2 (October 2001), pp. 101-117.
- Clark, J.R. and Dwight R. Lee, "Too Safe to Be Safe: Some Implications of Short-Run and Long-Run Rescue Laffer Curves," *Eastern Economic Journal* 23, no. 2 (Spring 1997), pp. 127-137.
- Sobel, Russell S., "Defending the Articles of Confederation: A Reply to Dougherty," *Public Choice* 113, No. 3/4 (December 2002), pp. 287-299 (we will cover this one in section 11).

9D. Miscellaneous Tax Issues

- *Buchanan, James M., "The Economics of Earmarked Taxes," *Journal of Political Economy* 71 (October 1963), pp. 457-469.
- *Feenberg, Daniel R., William Gentry, David Gilroy, and Harvey S. Rosen, "Testing the Rationality of State Revenue Forecasts," *Review of Economics and Statistics* 71, No. 2 (May 1989), pp. 300-308.
- Gentry, William M., "Do State Revenue Forecasters Utilize Available Information?" *National Tax Journal* 42, no. 4 (December 1989), pp. 429-439.

10. Citizen Constraints on Government Revenues & Expenditures

- *Matsusaka, John G., "Fiscal Effects of the Voter Initiative: Evidence from the Last 30 Years," *Journal of Political Economy*, Vol. 103, No. 3. (Jun., 1995), pp. 587-623.
- Wagner, Gary A. and Russell S. Sobel, "State Budget Stabilization Fund Adoption: Preparing for the Next Recession or Circumventing Fiscal Constraints?" *Public Choice* 126, No. 1/2 (January 2006), pp. 177-199.

11. Fiscal Federalism

- *Buchanan, James M., "An Economic Theory of Clubs," *Economica* (February 1965), pp. 1-14.
*(Also shown in Cullis & Jones, section 3.5.4, pp. 57-59)
- *Tiebout, Charles, "A Pure Theory of Local Government Expenditures," *Journal of Political Economy* 64, no. 5 (October 1956), pp. 416-24.
*(Also shown in Cullis & Jones, section 12.4, pp. 297-300)
- *Sobel, Russell S., "Optimal Taxation in A Federal System of Governments," *Southern Economic Journal* 64, no. 2 (October 1997), pp 468-485.
- Sobel, Russell S., "In Defense of the Articles of Confederation and the Contribution Mechanism as a Means of Government Finance," *Public Choice* 99, no. 3/4 (June 1999), pp. 347-356.
- *Sobel, Russell S., "Defending the Articles of Confederation: A Reply to Dougherty," *Public Choice* 113, No. 3/4 (December 2002), pp. 287-299.
- *Inman, Robert P. And Daniel L. Rubinfeld, "Rethinking Federalism," *Journal of Economic Perspectives* 11, no. 4 (Autumn 1997), pp. 43-64.

12. Law and Economics

- *Priest, George L., "The Common Law Process and the Selection of Efficient Rules," *Journal of Legal Studies* 6, no. 1 (January 1977), pp. 65-82.
- *Holcombe, Randall G., *Public Finance and the Political Process*. Carbondale: Southern Illinois University Press, 1983. (Chapter 9)
- *Benson, Bruce L., "Law and Economics," Chapter 26 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 547-589.
- Rubin, Paul H., "Why is the Common Law Efficient?" *Journal of Legal Studies* 6, no. 1 (January 1977), pp. 51-63.

13. Regulation & Antitrust

- *Stigler, George J., "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* 3 (1971), pp. 3-18.
- *Posner, Richard A., "The Social Costs of Monopoly and Regulation," *Journal of Political Economy* 83, No. 4 (1975), pp. 807-827.
- *Benson, Bruce, M.L. Greenhut, and Randall Holcombe, "Interest Groups and the Antitrust Paradox," *Cato Journal* 6, no. 3 (Winter 1987), pp. 801-817.
- *Yandle, Bruce, "Public Choice and the Environment," Chapter 27 in William F. Shughart II and Laura Razzolini, eds., *The Elgar Companion to Public Choice*. Cheltenham, UK: Edward Elgar, 2001, pp. 590-610.
- *McChesney, Fred S., "Rent Extraction and Rent Creation in the Economic Theory of Regulation," *Journal of Legal Studies* 16 (1987), pp. 101-118.
- Peltzman, Sam, "Toward a More General Theory of Regulation," *Journal of Law and Economics* 19 (August 1976), pp. 211-240.
- Kalt, Joseph P., and Mark A. Zupan, "Capture and Ideology in the Economic Theory of Politics," *The American Economic Review* 74, no. 3 (June 1984), pp. 279-300.
- Pelzman, Sam, "An Evaluation of Consumer Protection Legislation: The 1962 Drug Amendments," *Journal of Political Economy* 81 (1973), pp. 1049-1091.
- Sigler, George J., "Free Riders and Collective Action: An Appendix to Theories of Economic Regulation," *The Bell Journal of Economics and Management Science* 5, no. 2 (Autumn 1974), pp. 359-365.

14A. Executive and Judicial Branches of Government

- *Crain, W. Mark and Robert D. Tollison, "The Executive Branch in the Interest-group Theory of Government," *Journal of Legal Studies* 8 (1979), pp. 555-67.
- *Carter, John R. and David Schap, "Executive Veto, Legislative Override, and Structure-Induced Equilibrium," *Public Choice* 52 (1987), pp. 227-244.
- *Landes, William M. and Richard A. Posner, "The Independent Judiciary in an Interest-Group Perspective," *Journal of Law and Economics* 18 (1975), pp. 875-901.

14B. Tragedy of the Anti-Commons

- *Heller, Michael A., "The Tragedy of the Anticommons," *Harvard Law Review* 111, no. 3 (January 1998), pp. 622-688.
- *Buchanan, James M. and Yong J. Yoon, "Symmetric Tragedies: Commons and Anticommons," *Journal of Law and Economics* 43 (April 2000), pp. 1-13.

15. The War on Drugs

- *Miron, Jeffrey A. and Jeffrey Zwiebel, "The Economic Case Against Drug Prohibition," *Journal of Economic Perspectives* 9, no. 4 (Fall 1995), pp. 175-192.
- *Holcombe, Randall G., "The Drug Problem," Chapter 10 in *Public Policy and the Quality of Life*. Westport, CT: Greenwood Press, 1995.
- Rasmussen, David W., and Bruce L. Benson, *The Economic Anatomy of a Drug War: Criminal Justice in the Commons*. Lanham, M.D.: Rowman & Littlefield Publishers Inc., 1994.

16. The Future of Public Economics

The following articles are all part of the Symposium on the Future of Public Economics, printed in *International Tax and Public Finance* 1, no. 2 (November 1994), pp. 167-204.

- *Bird, Richard M., "Symposium on the Future of Public Economics: Introduction," (pp. 167-168).
- *Pestieau, Pierre, "The Current State and Future Directions of Public Finance," (pp. 169-174).
- *Musgrave, Richard A., "The Longer View," (pp. 175-181).
- *Brennan, Geoffrey, "Public Economics: Where Are We Now?" (pp. 183-188).
- *Slemrod, Joel, "Three Challenges for Public Finance," (pp. 189-195).
- *Besley, Timothy, "Three Approaches to Public Economics," (pp. 197-204).
- *Rowley, Charles K., Friedrich Schneider, and Robert D. Tollison, "The Next Twenty-five Years of *Public Choice*," *Public Choice* 77, (1993), pp. 1-7.
- *Magee, Stephen P., "Bioeconomics and the Survivor Model: The Economic Lessons of Evolutionary Biology," *Public Choice* 77, (1993), pp. 117-132.

17. Current Topics in Public Economics and Journal Rankings

[Each student will briefly discuss all articles in most recent issue (provide copy of table of contents for everyone), and present one paper in more detail]. Each person will have about 30 minutes. You may choose from the following journals: *Public Choice*, *Journal of Public Economics*, *National Tax Journal*, *Public Finance Review*, *Constitutional Political Economy*, *Journal of Bioeconomics*, *Public Budgeting and Finance*.

In addition, prior to class you should read:

- *Laband, David N. and Michael J. Piette, "The Relative Impacts of Economics Journals 1970-1990," *Journal of Economic Literature* 32, no. 2 (June 1994), pp. 640-666.
- *Sobel, Russell S. and Jennis J. Taylor, "The Last 30 Years of Public Choice: An Analysis of Author and Institution Rankings," *Public Choice* 120, No. 3/4 (September 2004), pp. 331-352.