

Professor: Cristian Alvarez (cristian@ufm.edu)

Course description:

This course introduces students to classic and contemporary concerns in Public Choice Theory. Public Choice Theory provides students with an alternative theoretical tool to interpret collective decision-making: in groups, society, and above all, politics. Humans are social beings. Politics impacts on the lives of the individuals who are members of a given social group, even on those who do not participate in the decision making process. This theoretical framework is helpful to understand social and political events in Guatemala.

Some of the questions that interest us are:

- **What is the difference between individual and collective decision-making?**
- **How do people behave when they participate in a collective decision?**
- **What incentives do decision makers encounter in different circumstances?**
- **How do rules impact on the quality of the decision?**
- **Can we improve the results obtained in collective decision-making?**

These questions triggered the Public Choice revolution. It has been described as a “research program”, a theory and a school. During the 1950s, scholars began to independently explore these questions, from various disciplines. They were brought together by James M. Buchanan and Gordon Tullock in Virginia, to discuss their common concerns and give shape to the research program. James Buchanan, Gordon Tullock, Mancur Olson, Anthony Downs, William Riker and others decided to label their interest as studies into “non-market decision-making”. This title was soon substituted for Public Choice, a catchier phrase, although it is still not descriptive of all the questions that intrigue this group of academics.

Two common definitions are:

1. **The application of the scientific tools of economic analysis to the domain of politics and collective decision-making in general.**
2. **The study of government failure.**

Public Choice analysis puts forth a positive (realistic), not normative (judgemental), diagnosis of the collective decisions made by individual, rational actors. It detects instances where decisions are sub-optimal, failures, due to the incentives determining the decision. Results in the political arena are measured with the same criteria applied to the economic arena: the concept of efficiency. This is a vibrant, dynamic branch of economics that continues to develop and expand.

Course objectives:

1. General:

- **Analyze the underlying premises of Public Choice Theory**
- **Comprehend the main insights of Public Choice Theory**



- Understand how Public Choice Theory relates to other disciplines
- Understand the solutions congruent with the Public Choice diagnosis

2. Specific:

- Identify the main authors associated with Public Choice Theory and their contributions to the research program
- Understand the historical evolution of Public Choice Theory
- Apply Public Choice methodologies to Guatemalan realities

Student profile at the end of course:

Student will be conversant in Public Choice Theory. He or she will be able to apply the concepts learned to different contexts and circumstances, and also compare and contrast this perspective with more traditional political science theories. Critical thinking and active discussion is encouraged.

Course methodology:

We will combine different pedagogies, ranging from the traditional lectures, to group work, debates, class exercises, audiovisual support, student presentations and guest speakers. We will reap better results when students come to class prepared.

Syllabus:

Topic		Readings / Videos
1	Programa, Individualismo Metodológico y decisiones públicas, Visión General del curso.	Programa de clase http://www.biblioteca.cees.org.gt/topicos/web/topic-877.html https://newmedia.ufm.edu/video/peregrinaje-intelectual/
2	Economics way of thinking. Herramientas que aporta la ciencia económica	10 Principles of economics. Capítulo 1, The Big Ideas, Moder principles of microeconomics. https://www.ted.com/talks/hans_rosling_and_the_magic_washing_machine
3	Eficiencia de mercado vrs. Fallas de mercado	Joseph Stiglitz, “Market Failure”, Economics of the Public Sector, pdf (MIU) +Video: Cowen, Tyler, “¿Cuándo es problema el fracaso de mercado?”, conferencia dictada en el I Seminario Interuniversitario, 2003. http://www.newmedia.ufm.edu/cadepcowenmercado
4	Externalidades / la importancia de los precios	Chapter 9 When prices send the Wrong Signals.
5	Política, economía y ética. Análisis económico de las decisiones públicas	Chapter 18, y Randall Holcombe (RH), “Introduction”, Advanced Introduction to Public Choice (2016), pp. 3-12
6	Incentivos correctos Política sin romance.	Chapter 15 Getting Incentives Righth. Lessons for Bussines, Sports and Life James M. Buchanan, “Politics without Romance”,



Topic		Readings / Videos
		http://www.montana.edu/hfretwell/documents/332/buchananpublicchoice.pdf
7	Concepto de Governance. Self-regulation and governing the commons.	Peter Boettke, "Is the only form of "Reasonable Regulation" Self-Regulation", <i>Living Economics</i> , p. 159-171, Entrevista con Eleonor Ostrom
8	Análisis y soluciones a los bienes públicos	Ronald H. Coase, "The Lighthouse in Economics", MIU + Benegas Lynch, Alberto, "Bienes públicos, externalidades y los free-riders: el argumento reconsiderado" MIU
	Critical perspective of public goods	
9	Bienes públicos y la tragedia de lo común.	Chapter 17 Public Goods and the Tragedy of the Commons
10	AGGREGATING VOTER PREFERENCES The Politics of Left and Right políticas Campañas	RH, pg. 13-23 Película de My brand is crisis
11	Institutions: proportional vs. plurality; parliamentary vs. Presidential	RH, pg. 24-31; Movie clip: Monty Python and the Holy Grail, CGP Grey, First past the post, https://www.youtube.com/watch?v=s7tWHJfhiyo and other videos
12	Political strategy: turnout and the distribution of preferences	RH, pg. 32-39
13	Multidimensional issue space	RH, pg. 40-49
14	Case study: Instant Run-off Voting	INVESTIGACION Y PRESENTACIONES POR GRUPOS
15	MIDTERM/PARCIAL	VIRTUAL
16	Why do people vote? Rational ignorance, expressive voting, rational irrationality	RH, pg. 50-58
17	DESIGNING PUBLIC POLICY	Randy Simmons, Beyond Politics, "Pathological Politics", Chapter 4, pg. 85-110, photocopies.
	Transaction costs and political exchange	RH, pg. 63-71
18	Exercises: Applications of Coase theorem. PROCESOS DENTRO Y FUERA DEL MERCADO	TEOREMA DE COASE
19	Political markets: interest groups, rent-seeking and regulatory capture	RH, pg. 73-83
20	George Stigler and Chicago's Public Choice School	Stigler, "The Theory of Economic Regulation", MIU
21	More on rent seeking	Steven Brill, "On Sale: Your Government. Why Lobbying Is Washington's Best Bargain", <i>TIME Magazine</i> , 12 de julio, 2010, http://www.time.com/time/magazine/article/0,9171,2001015,00.html
21	RENT SEEKING COMO UN MODELO DE ANALISIS	CAPITULO 1 Y 2



Topic		Readings / Videos
2 2	LA SOCIEDAD GUATEMALTECA COMO UN MODELO DE RENT SEEKING	Artículo y PRESENTACIONES EN CLASE
2 3	Bureaucracy	RH, pg. 85-93
2 4	CALCULO ECNOMICO Y BUROCRACIA	Ludwig von Mises, Bureaucracy (Introduction, Profit Management and Bureaucratic Management), 1944. (Photocopies and online copies available.)
2 5	La Cicig y su modelo de burocracia	Artículo J. Lemus y análisis artículos.
2 6	Political organization: districts, committees, and institutional design	RH, pg. 94-105
2 7	Political entrepreneurship	RH, pg. 106-120
2 8	REFORMAS	Robert Tollison & Richard Wagner, "Romance, Realism and Economic Reform", KYKLOS, 1991 (MIU)
2 9	Case study: the telecom revolution in Guatemala	Ibárgüen, Giancarlo, et. al., "Property Rights to Radio Spectrum in El Salvador and Guatemala: An Experiment in Liberalization", GMU paper, 2006, MIU
3 0	CONSTITUTIONAL DESIGN	Mauricio García-Villegas, "Law as Hope: Constitution and Social Change in Latin America" (2002), https://www.academia.edu/20110701/Law_as_hope
3 1	Constitutional and post-constitutional decision making	RH, pg. 121-129
3 2	Interest groups and constitutional evolution	RH, pg. 130-136
3 3	A closer look at James M. Buchanan	Peter Boettke, "James M. Buchanan and the Rebirth of Political Economy", <i>Living Economics</i> , p. 241-261, fotocopia
3 4	The Calculus of Consent and The Reason for Rules	Niclas Berggren, The Calculus of Consent at 50: Insights for Liberalism, MIU
3 5	Checks and balances: elites and masses	RH, pg. 138-143

Grades:

The following criteria will factor into the final grade:

Participación en Clase	15
Exámenes cortos	20
6 Artículos cortos	20
2 Parciales	30
3 Trabajos en Grupo	15



Honesty:

Absolute academic honesty is required when completing exams and when writing research projects. Any suspicion of plagiarism or fraud will be treated with severity in accordance with UFM's established rules.

Bibliography:

* ***Basic:***

Randall Holcombe, *Advanced Introduction to Public Choice*, Edward Elgar Publishing, 2016

Peter Boettke, *Living Economics, Yesterday, Today and Tomorrow*, Independent Institute/Universidad Francisco Marroquín, 2012

ACTUAIZADO: ENERO 2019