

574-140

SIMON FRASER UNIVERSITY

MEMORANDUM

To SENATE

From SENATE COMMITTEE ON UNDERGRADUATE STUDIES

Subject FACULTY OF ARTS - NEW COURSE PROPOSAL ECON 490-5.

Date November 12, 1974

THE ECONOMICS OF COLLECTIVE CHOICE

MOTION:

"That Senate approve - and recommend approval to the Board - the new course proposal as set forth in S.74- 140 for ECON 490-5 The Economics of Collective Choice."

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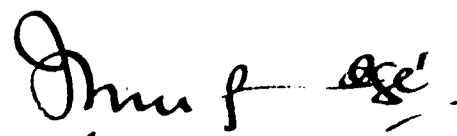
From SENATE COMMITTEE ON UNDERGRADUATE STUDIES

Subject

Date November 12, 1974

At its meeting of 5th November, the Senate Committee on Undergraduate Studies discussed a new course proposal from the Department of Economics and Commerce for offering Econ.490-5: The Economics of Collective Choice. It was noted that this course had been offered previously under Econ.483-3: Selected Topics in Economics and that the Department had regarded the course as of sufficient worth to offer it on a regular basis. In this context, concern was expressed by some members of the Committee that students who had already taken Econ.483 with this topic may also be able to take the new course for credit; but the Committee was assured that the Department would be able to take measures to ensure that this was not the case.

This course is now forwarded to Senate for its consideration with the Committee's recommendation that it be approved.



I. Mugridge

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att.

"SENATE COMMITTEE ON UNDERGRADUATE STUDIES"

NEW COURSE PROPOSAL FORM

C. 90-1

1. Calendar Information

Department: Economics

Abbreviation Code: Econ. Course Number: 490-5 Credit Hours: 5 Vector: 3-2-0

Title of Course: The Economics of Collective Choice

Calendar Description of Course:

The application of economic theory to political institutions and other non-market social phenomena. Some of the topics covered are the relationship of property rights to allocation; the theory of optimal constitutions; voting behavior and coalition formation; the theory of jurisdictions and federalism; the theory of bureaucracy; the economics of income redistributions; the economics of crime, violence, anarchy, family and marriage, discrimination, and nationalism.

Nature of Course:

Lectures and tutorials will be given exploring positive and normative questions of collective choice. The undergraduate will become aware of the power of economics to analyze a wide variety of political and social problems outside the traditional range explored in the theory of markets.

Prerequisites (or special instructions):

Econ 302-3

What course (courses), if any, is being dropped from the calendar if this course is approved:

None.

2. Scheduling

How frequently will the course be offered? Once a year.

Semester in which the course will first be offered? Fall of 1975.

Which of your present faculty would be available to make the proposed offering possible?

Thomas E. Borcharding

Zane A. Spindler

3. Objectives of the Course

The course will fill a need not currently being met at the university by any of the social science departments. Courses of this variety are currently being given at University of Virginia, Carleton University, Virginia Polytechnic Institute, University of Washington (Seattle), Washington University (St. Louis), U.C.L.A. and University of Texas to name just a few. The objective is to acquaint the student in economics and in other areas of the social sciences with the rich and varied applications of rational choice theory to non-market activities.

This course was given as Econ. 483-3, Selected Topics in Economics, in Fall 1973. It was enthusiastically received according to the course evaluations (attached) and several students suggested that this course should be regularly offered. Attached is a syllabus of that course. Econ. 490-5 would follow basically the same outline with appropriate changes to reflect current areas of non-market concern.

Syllabus for Economics —
The Economics of Collective Choice

The double starred readings are required; the single starred readings are suggested. The unstarred readings are included to aid those who are particularly interested in the subject and wish guidance in their further pursuance of the topic. Everyone is expected to read the two classics, Anthony Downs, An Economic Theory of Democracy (1957) and James M. Buchanan and Gordon Tullock, The Calculus of Consent (1961), in their entirety.

1. Review of Some Basic Concepts.

Your intermediate price theory test may be helpful here. If you do not own one or have not taken Economics 302, a hard look at one of the following texts will clear up any points that you find difficult to understand from the lectures.

- a) Charles E. Ferguson, Microeconomic Theory, 2nd Edition (1972).
- b) Micha Gisser, Introduction to Price Theory, 2nd Edition (1969).
- c) Kelvin Lancaster, Introduction to Modern Microeconomics (1969).
- e) Richard Leftwich, The Price System and Resource Allocation, 4th Edition, (1970).

2. Anarchy and the Establishment of Property Rights.

- a) Gordon Tullock, "The Edge of the Jungle", in Tullock (ed) Explorations in the Theory of Anarchy (1973).
- * b) Thomas Hogarty, "Cases in Anarchy", in Tullock, Explorations...
- c) Winston Bush, "Individual Welfare in Anarchy", in Tullock, Explorations. (A difficult paper, but very thoughtful).
- d) Armen Alchian, "Some Economics of Property Rights", II Politico, 30 (Dec. 1965), 816-29.

3. Competitive Allocations under Costless Enforcements of Private Property Rights.

- ** a) Francis Bator, "The Simple Analytics of Welfare Maximization," Am. Econ. Rev., 47 (Mar. 1957), 22-59. Equivalent chapters are found in almost every intermediate economic theory text.

4. Some Forms of Market Failures and Justification of Government under Imperfectly Enforceable Property Rights.

4.1 Monopoly

- a) Gisser, Introduction, Ch. 12.
- b) Harold Demsetz, "Why Regulate Utilities," J. of Law & Econ. 11 (Ap. 1968), 55-65.

4.2 Externality

- ** a) Ronald Coase, "The Problem of Social Cost," J. of Law & Econ. 3 (Oct. 1960), 1-44.
- b) Ralph Turvey, "On Divergences Between Social Cost and Private Cost," Economica, 30 (Aug. 1963), 309-13 is a good summary article but complements rather than substitutes for Coase.

- * c) James Buchanan and W. Craig Stubblebine, "Externality" Economica, 29 (Nov. 1962), 371-84.
- ** d) Gordon Tullock, Private Wants and Public Needs (1970), Chs. 4 and 7.
- 4.3 Public Goods and "Free Riding"
- ** a) Paul A. Samuelson, "A Diagrammatic Exposition of a Theory of Public Expenditures" Rev. of Econ. and Stat., 37 (Nov. 1955), 350-560.
- b) Buchanan, The Demand and Supply of Public Goods. (1968), Chs. 2-3.
- ** c) Tullock, Private Wants, Chs. 1-3; 8-9.
- 4.4 Three applications of the Externality-Public Goods Notion: International Fisheries, Highways Congestion and Urban Renewal.
- ** a) Otto Davis and Andrew Whinston, "Economics of Urban Renewal," in Edmond S. Phelps, (ed.) Private Wants and Public Needs (1967).
- * b) Scott Gordon, "The Economic Theory of a Common-Property Resource: The Fishery," J. of Pol. Econ., 62 (Ap. 1954), 124-42.
- * c) Steven H.S. Cheung, "The Structure of a Contract and the Theory of a Non-Exclusive Resource," J. of Law & Econ. 13 (Ap. 1970) 49-70.
- d) Downs, "The Law of Peak-Hour Expressway Congestion," in his Urban Problems and Prospects (1970).
- e) A.A. Walters, "The Theory and Measurement of Private and Soc. Cost of Highway Congestion" Econometrica, 29 (Oct. 1961), 678-81.
- f) Tullock, Private Wants, Ch. 10.
- g) Alchian and Wm. R. Allen, Exchange and Production in Use (1971), Chs. 8 and 12.

5. Voting as an Alternative Institution for Social Choice.

- 5.1 Optimal Constitutions and Efficient Non-Unanimous Decisions
- ** a) Buchanan and Tullock, The Calculus of Consent (1962), Chs. 5-8; Chs. 1-4 and the appendices.
- 5.2 Problems of Citizenry Voting
- ** b) Tullock, Towards a Mathematics of Politics (1967), Ch. 7.
- c) Duncan Black, Theory of Committees and Elections (1958).
- 5.3 Coalition Formation, Parties and Political Entrepreneurs
- ** a) Downs, An Economic Theory, Chs. 1-2, 5-10.
- ** b) Tullock, Private Wants, Ch. 13; Towards a Math. Chs. 3 and 4 are interesting but not required.
- * c) William Riker, The Theory of Coalitions, Chs. 1-4.
- d) Mancur Olson, The Logic of Collective Action (1965), Part I, but also see Richard E. Wagner, "Pressure Groups and Political Entrepreneurs", Public Choice 1 (1966), 161-70.
- * e) Buchanan and Tullock, Calculus, Ch. 9-12; also see Part IV.
- f) Albert and Raymond Breton, "An Economic Theory of Social Movements," Am. Econ. Rev. Supp., 59 (May 1969), 193-205.
- 5.4 An Application of this Theory
- * a) Thomas E. Borcharding and Robert T. Deacon, "The Demand for the Services of Non-Federal Governments," Am. Econ. Rev., 62 (Dec. 1972), 891-901.

6. The Economics of Income Redistribution

6.1 Justifications

- ** a) Buchanan and Tullock, Calculus, Ch. 13.
- * b) James Tobin, "On Limiting the Domain of Inequality," J. of Law & Econ., 13 (Oct. 1970), 263-77.
- c) James Meade, Efficiency, Equality and the Ownership of Property (1964).

6.2 Undesirable Political Spillovers

- a) George Stigler, "Director's Law of Public Income Distribution," J. of Law and Econ., 13 (Ap. 1970), 1-10.
- ** b) Tullock, "The Charity of the Uncharitable," West. Econ. J. 9 (Dec. 1971), 379-92; Tullock, Private Wants, Ch. 14.

7. Bureaucracy and Problems from the Non-Competitive Supply of Public Services

- * a) Alchian and Reuben Kessel, "Competition Monopoly and the Pursuit of Pecuniary Gain," in Aspects of Labor Economics (1962).
- ** b) William A. Niskanen, Bureaucracy and Representative Government (1971), Chs. 2-5.
- * c) Tullock, The Politics of Bureaucracy (1965) and Oliver A. Williamson, "Hierarchical Control and Optimum Firm Size" J. Pol. Econ. 75 (Ap. 1967) 123-38.
- d) Otto A. Davis, M.A.H. Dempster and Aaron Wildavsky, "On the Process of Budgeting: An Empirical Study of Congressional Appropriations," Public Choice, 1 (1966) 63-132. But their position is devastated by Olivier E. Williamson, "A Rational Theory of the Federal Budgetary Process," Public Choice, 2, (1967), 71-89 and John E. Jackson. "Politics and the Budgetary Process," Social Science Research, 1 (Ap. 1972), 35-60.
- e) Louis De Alessi, "Implications of Property Rights for Government Investment Decisions," Am. Econ. Rev., 59 (March 1969), 13-24.

8. Reappraisal of the Social Imbalance Hypothesis

- ** a) John Kenneth Galbraith, "The Dependence Effect and Social Balance," in Phelps, Private Wants.
- ** b) Frederick Hayek, "The Non-Sequitur of the 'Dependence Effect'," in Phelps, Private Wants.
- c) Wm. Craig Stubblebina, The Social Imbalance Hypothesis, unpublished Ph.D. thesis, U. of Virginia, 1963.
- ** d) Roland N. McKain, "The Unseen Hand in Government," Am. Econ. Rev. 55 (June 1965) 496-505 "Divergences Between Individual and/or Total Costs Within Government," Am. Econ. Rev. Supp. 1964, 243-49.
- ** e) Gordon Tullock, "The Welfare Costs of Tariffs, Monopolies, and Theft," West. Econ. J., 4 (June 1967), 224-32 and Tullock Private Wants, Chs. 5-6.
- f) Downs, "Why the Government Budget is Too Small in a Democracy," in Phelps, Private Wants.
- g) Buchanan, "Why Government Grows," in Borcharding (ed.), Budgets and Bureaucrats: The Sources of Government Growth (forthcoming).

- h) C.M. Lindsay and D. Norman, "Reopening the Question of Government Spending," in Borchherding, Budgets.
- i) Milton Friedman, "The Role of Government in a Free Society," in Phelps, Private Wants.
- j) Richard Bird, The Growth of Government Spending in Canada (1970).
- k) Borchherding, "One Hundred Years of Public Spending, 1870-1970" and "The Sources of Growth of Public Spending in the United States, 1902-1970," in Borchherding, Budgets.

9. Seven Applications of Collective Choice Analysis

9.1 Federalism and Optimal Fiscal Jurisdictions

- ** a) Charles M. Tiebout, "A Pure Theory of Local Expenditures," J. of Pol. Econ., 64 (Oct. 1956), 416-24 or Stigler, "The Tenable Range of Local Government," in Phelps, Private Wants.
- b) Richard Wagner, The Fiscal Organization of American Federalism (1971).
- c) J.C. Weldon, "Public Goods and Federalism," Can. J. of Econ., 32 (May 1962), 230-38.
- d) Buchanan and Charles J. Goetz, "Efficiency Limits of Fiscal Mobility: An Assessment of the Tiebout Model," Public Economics, 1 (Spring 1972), 25-43.

9.2 Politics of Persuasion and Lying

- a) Tullock, Towards a Math, Chs. 8-9.

9.3 The Economics of the University

- a) A. Breton, "The Economics of Student Unrest," forthcoming.
- b) Phillip Cartwright, "The Economics of Deaning: 'The Care and Feeding of Homo Academicus,'" West. E.J., 3 (No. 2 1965), 152-64.
- c) Borchherding and Alan N. Freiden, "Reflections on Grade Inflation, Educational Devaluation and Teacher Evaluations," New Guard (Oct. 1973).
- d) Alchian, "Private Property and the Relative Cost of Tenure," in Phillip Bradley (ed.), The Public Stake in Union Power. (1958).

9.4 Nationalism as an Economic Phenomenon

- a) A. Breton, "The Economics of Nationalism," J. of Pol. Econ., 72 (Aug. 64), 376-86.
- b) Harry Johnson, paper on nationalism.

9.5 Integration and Discrimination

- a) Borchherding, "Some Economics of Forced Integration," forthcoming.
- b) Gary Becker, The Economics of Discrimination (2nd Ed., 1971).

9.6 Nationalized Health Care

- a) Buchanan, Inconsistencies in the National Health Service (1965).
- b) C. M. Lindsay, "Medical Care and the Economics of Sharing" Economica, 36 (Nov. 1969), 351-62.

9.7 Other Social Phenomenon

- a) Roland McKeon, "The Economics of Courtesy" in R. Selden (ed.), Essays in Honor of Milton Friedman (forthcoming).
- b) Thomas Ireland, The Economics of Sex (forthcoming).
- c) Alan M. Freiden, "The Economics of Fad, Fashion and Eccentric" forthcoming.
- d) Becker, "A Theory of Marriage," forthcoming.
- e) Becker, "Crime and Punishment: An Economic Approach," J. of Pol. Econ., 76 (Mar. 1968), 169-217.