



Introduction to American Government

POLS 1101

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News



"The top ranks of the Republican Party may be coalescing around Donald Trump, but grass-roots conservative activists are still trying to find a way to stop him at the party's convention in July," the Washington Post reports. "Angered by Trump's shifting views on taxes, the minimum wage, national security and how little he discusses social issues, conservatives across the country are studying the party rule book for last-ditch moves they could make when the convention begins in Cleveland."

"Hillary Clinton is considering a running mate who could make a direct appeal to supporters of Bernie Sanders, bridging a generational and political divide," USA Today reports. "Clinton's chief requirements include a candidate's resume and a fighter capable of hand-to-hand combat with Trump. The campaign's vetting also prioritizes demographics over someone from a key swing state as she seeks to unify the Democratic voting base..."



Virginia congressional candidate Mike Webb (R) posted a screenshot to Facebook that includes a glimpse of his pornography tastes. The Daily Caller notes that Webb "hadn't bothered to close his pornography tabs when he took his screengrab."

What is Politics?

- It is a word clouded by personal opinions and potentially conflicting examples.
- Political scientists cannot agree on a definition.
- People often think of calculating behavior meant to influence others in order to get something or attain a goal.
- People often have negative impressions of politics.
- Politics is the process through which individuals and groups reach agreement on a course of common, or collective, action – even as they may continue to disagree on the goals that action is intended to achieve
- Definition does not distinguish between "good" or "bad" behavior.

Say NO to



Politics

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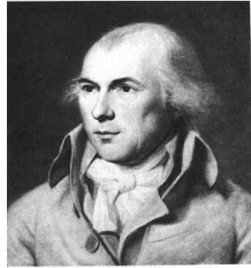
Choices Breed Conflicts



- Not just in politics, but in all walks of life.

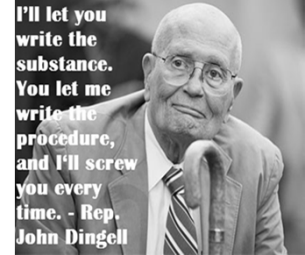
Institutional Design

“So strong is this propensity of mankind to fall into mutual animosities, that where no substantial occasion presents itself, the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts.” – James Madison, *Fed. 10*



The Importance of Institutional Design

- When politics fails, there are often dire consequences.
- Political actors frequently fear others will renege on agreements.
- Institutions, defined as a set of rules proscribing a process for reaching and enforcing collective agreements, help ensure agreements are not renege on and decisions are reached fairly.
- However, institutional design in the product of politics.
- And when individuals lack an understanding of how institutions operate and why they were designed, they are likely to conclude the process is not fair.



Constitutions and Governments



- All organizations are governed by rules and procedures for making and enforcing agreements. For nations, the governing institutions and the set of rules and procedures these institutions must (and must not) follow to reach and enforce collective agreements are by their Constitution.
- A government, consists of these institutions and the legally proscribed process for making and enforcing collective agreements.
- Government institutions consist of offices that confer on their occupants specific powers and authority.

Constitutions and Governments



Authority is the acknowledged right to make a particular decision.



Power is the actual influence with other officeholders.

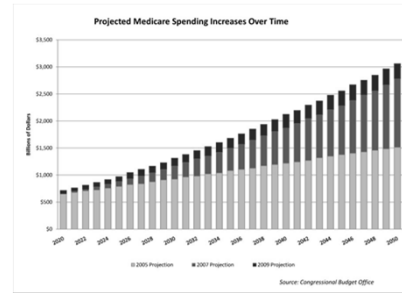
Institutional Durability

Why are institutions so durable?

- Authority is generally assigned to the institution. Thus, it should exist long after a office holder retires.
- People make plans contingent on the expectation that the institution will persist.
- Hard to agree on an alternative.



Institutional Durability



Many on both sides of the aisle acknowledge Medicare spending projections are problematic.

Agreeing on alternative is extremely difficult though.

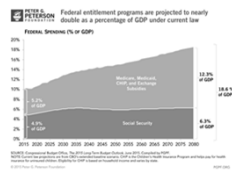
Institutional Durability



Institutional design can—and frequently does—lead to status quo bias.

In politics, the reversion point, or status quo, is the existing state of affairs.

It is exceptionally important, as politicians frequently omit the status quo when discussing policy proposals. More often than not, failure to pass a new policy does not result in no government activity in that policy area, rather the policy reverts back to an existing (sometimes undesirable location).



News

The latest Democracy Corps poll finds voters are deeply concerned about the federal budget deficit and overwhelmingly choose spending cuts over tax increases -- 71% to 18% -- to bring down the deficit. However, "when asked about specific proposals to do so, few ideas achieve majority support." In fact, 48% think the deficit can be reduced without real cost to entitlements, "believing there is enough waste and inefficiency in government spending for the deficit to be reduced through spending cuts while keeping health care, Social Security, unemployment benefits and other services from being hurt."



Senate filibusters must be a fact checker's nightmare. We have no definitive, historical account of when filibusters have been conducted or threatened. Moreover, unlike Justice Potter Stewart's "I know it when I see it" definition of pornography, we can't always see a filibuster. Senate obstruction can take place behind closed doors without leaving footprints. In short, counting filibusters is not easy, as evidenced last week in Glenn Kessler's fact check of President Obama's claim about Republican filibusters of the Democrats' agenda.

Speaking to reporters as he ran a tattered extension cord along the House of Representatives rostrum this afternoon, Vice President Joe Biden confirmed that he had arrived early in order to set up a fog machine for tonight's State of the Union address. "This baby kicks out the fog like you wouldn't believe, but you gotta give her plenty of time to warm up if you want the whole room to fill up real thick," said Biden while carefully mixing water and glycerin according to his own homemade "fog juice" recipe, which he explained he'd been using since his brief stint as a roadie on White Lion's Pride tour in 1987. "I wanted to do this thing up right with a whole laser rig and shit, but that would've set me back mucho dinero. But don't you worry; Uncle Joe knows a few tricks with strobes that'll get the crowd going." At press time, Biden was reportedly double-checking the timers on a set of flash pots in order to avoid another congressional aide losing their fingers in a pyrotechnic mishap.



Coordination Problems



"Can't this town go one day without a riot?" - Springfield Mayor "Diamond" Joe Quimby.

- By virtue of their size and complexity, nations encounter special difficulties in conducting political business.
- There are many things that government does, for example, building roads, protecting the environment, maintaining libraries, which would probably not be accomplished without collective action.
- Collective action is coordinated group action designed to achieve a common goal that individuals acting on their own could not otherwise obtain.
- Coordination problems increase with the size of a group and arise from uncertainty and incomplete information.
- A focal point targets the group's actions toward a common purpose.

Coordination Problems



- Another method for dealing with collective actions problems involves delegating authority to a leader.
- Frequently, the most important duty of the leader determining the priority in which goals are to be pursued.
- As we discuss later, delegation brings with it its own pitfalls and problems.

Prisoner's Dilemma



- Coordination problems emerge from uncertainty and insufficient information. Group may agree on course of action, but need organization to achieve it. Prisoner's dilemmas, however, generally need monitoring and the threat of coercion.
- They arise whenever individuals, who would benefit from cooperating with each other, have a powerful and irresistible incentive to break the agreement and exploit the other side. They privately calculate that they would be better off by NOT contributing to the goal although they agree with its purpose.
- Only when each party is confident that the other will live up to an agreement, can they successfully break out of the dilemma and work to their mutual advantage.

Prisoner's Dilemma

- ▣ Game theory version of tragedy of the commons
- ▣ Two players are arrested for committing a crime
- ▣ Police offer to make a deal
- ▣ Each are held in different rooms
 - Can't talk to each other
- ▣ Given two choices
 - Cooperate with police - squeal on their partner
 - Defect - Keep quiet
- ▣ Outcomes
 - Both Squeal - 30 years of prison each (30,30)
 - You squeal, partner keeps quiet - 5 for you, 40 for partner (5,40)
 - You keep quiet, partner squeals - 40 for you - 5 for partner (40, 5)
 - Both keep quiet - 10 years each (10,10)
- ▣ What is the best outcome for the two of you?

Prisoner's Dilemma

You	Partner	
	Squeal	Keep Quiet
Squeal	(30,30)	(5,40)
Keep Quiet	(40,5)	(10,10)

- ☐ Two players - you and partner
- ☐ Two options - squeal or keep quiet
- ☐ Numbers are years in prison
 - First number is yours, second is partners
 - i.e. you squeal and partner keeps quiet, you go to jail for 5 years, partner 40

Prisoner's Dilemma

You	Partner	
	Squeal	Keep Quiet
Squeal	(30 ,30)	(5,40)
Keep Quiet	(40 ,5)	(10,10)

- ☐ Do what is best for you depending on what your partner does
- ☐ If your partner is going to squeal, what should you do to spend less time in jail?
- ☐ Squeal $30 < 40$

Prisoner's Dilemma

You	Partner	
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Prisoner's Dilemma

You	Partner	
	Squeal	Keep Quiet
Squeal	(30, 30)	(5, 40)
Keep Quiet	(40,5)	(10,10)

- ☐ Partner will do his best depending on what you will do
- ☐ If you squeal, what should your partner do to spend less time in jail?
- ☐ Squeal $30 < 40$

Prisoner's Dilemma

You	Partner	
	Squeal	Keep Quiet
Squeal	(30,30)	(5,40)
Keep Quiet	(40, <u>5</u>)	(10, <u>10</u>)

- ☐ Partner will do his best depending on what you will do
- ☐ If you keep quiet, what should your partner do to spend less time in jail?
- ☐ Squeal $5 < 10$

Prisoner's Dilemma

You	Partner	
	Squeal	Keep Quiet
Squeal	(30,30)	(5,40)
Keep Quiet	(40,5)	(10,10)

- ☐ What's the outcome?

Prisoner's Dilemma

You	Partner	
	<u>Squeal</u>	Keep Quiet
<u>Squeal</u>	(30,30)	(5,40)
Keep Quiet	(40,5)	(10,10)

- ☐ Actual Outcome – both squeal and go to jail for 30 years.

Prisoner's Dilemma

You	Partner	
	Squeal	<u>Keep Quiet</u>
Squeal	(30,30)	(5,40)
<u>Keep Quiet</u>	(40,5)	(10,10)

- ☐ Best Outcome for everyone – both keep quiet and go to jail for 10 years each.

Prisoner's Dilemma



Every successful political exchange must tacitly solve the prisoner's dilemma.

- Each side, to get something, must typically give up something of value in return.
- Exchanges occur because each side recognizes that it will be made better off.
- But each side also worries that its partner could renege on the agreement once the partner has gotten what it wants.



Prisoner's Dilemma

Unless each side can trust the other to abide by its commitments, they will not achieve a mutually profitable exchange.

How is the dilemma solved?

- Make renegeing and defection very expensive.
- Create institutions that guarantee agreements are honored.



Free Riders

Form of the prisoner's dilemma that afflicts large groups is the free-rider problem.

- To defect from the agreement by withholding their contribution to the group's undertaking while enjoying the benefits of the collective effort.
- Size plays a critical role in free riding.

Arises when citizens recognize that their small contribution to the collective enterprise will not affect its success or failure.



Free Riders

Given the logic of nonparticipation, why does anyone ever contribute to a collective enterprise?

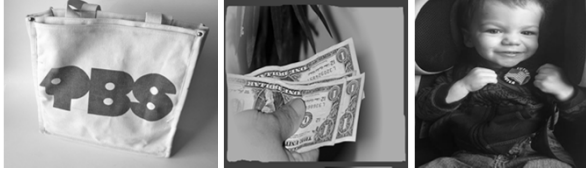
It may be intrinsically rewarding to do so, even if the contribution is minor.

But most people, most of the time, are inclined to free ride.

The most obvious free rider problem in American politics is voting.



Solving Free Rider Problems



- How does one get around free riding?
 - Private inducements to perform those actions the collective effort requires if it is to succeed.
 - Examples: direct benefits that come with membership; government can use force of law to induce participation (Health Care Act) or, more positively, grant a tax break (buy new cars).

Tragedy of the Commons



- A Tragedy of the Commons resembles free riding in that a provision of a public good is divorced from its consumption. Costless consumption of a public good (commons) resulting in its ruination.
- Difference is that the good already exists and will be destroyed if its exploitation is not controlled.
- Community has a collective good that is in danger of being squandered unless members cooperate to preserve it.
- The good exists and will be destroyed if exploitation not brought under control.

Tragedy of the Commons

- The trick to avoiding the dilemma lies in proper institutional design.
- The solution: link the individual's personal interest to provision of the collective good.
- Solutions:
 - Regulation.
 - Privatization.
- Which one? The solution involves aligning personal gain with the promotion of the collective good.



Washington Post/Monkey Cage

WaPo/Monkey Cage: In June 2015, the Obama administration announced new rules requiring overtime pay for workers who make less than \$50,440 a year. Roll Call reports that while more than half of congressional staffers would be eligible for overtime under these new rules, many may be excluded. While undoubtedly disappointing to many staffers who routinely work 50 to 60-plus hour weeks, it is certainly not surprising. Professional staffers decisively support Congress, but the modern Congress rarely returns the favor.



Staffers handle most of the basic tasks of lawmaking: research, scheduling, communications, speech writing, writing legislation language, and even negotiation. Former senator Tom Harkin (D-Iowa) often quipped that "senators were a constitutional impediment to the smooth functioning of staff."

Congress itself determines how much money to spend on staff when it creates a budget. For example, all members are given a fixed stipend through which they can hire their personal staff. Countless scholars, members and observers of Congress have documented the dwindling resources available to member and committee staffs, and to support agencies such as the Congressional Research Service, Government Accounting Office and Congressional Budget Office. Office budgets will likely remain flat in the next fiscal year as well.

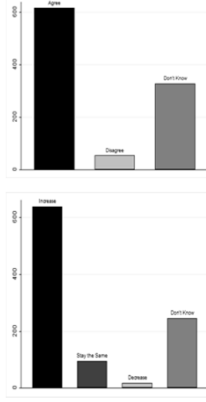
Staff cuts immediately limit Congress's capacity to influence policy, while also limiting its ability to retain experienced staffers or attract replacements. Why would Congress cannibalize its own legislative and creative capacity?

Washington Post/Monkey Cage

Using new data from Cooperative Congressional Election Study, we suggest that the reason may be twofold: First, most of the public doesn't know how much the legislative staff does. And second, members routinely run against "Washington," which includes the bureaucrats and government employees who enable Congress to do its work. So who's left making policy? Lobbyists and interest groups, who are happy to fill in for free. So what if Congress cuts its staff?

Cuts to staff resources kill morale and increase turnover. A 2013 report from the Congressional Management Foundation, which surveyed legislative staffers, found that nearly half of all respondents were looking for another job in the next year. When restricted to the D.C.-based staffers who are closest to policymaking, this number rose to 63 percent. By contrast, only 37 percent of U.S. employees at large are looking for jobs. Low pay was one of the main reasons.

...The American taxpayer may never know the cost of having special interest lobbyists help write tax and other legislation. But unless someone runs a national educational campaign about your friendly Washington bureaucrats, that's unlikely to change. As former congressman Barney Frank (D-Mass.) once said, "I don't think the American people understand what a bargain they get with the people who work on our staffs, who are so talented and hard-working and could make a great deal more money elsewhere but really put in very, very long hours under difficult circumstances."



Collective Action Costs

Collective action offers participants benefits they cannot achieve on their own.

Participation may require some cost.



The key: design a system that will achieve the benefits of collective action while minimizing its costs.

Costs may be material.

- Tax payments funding road construction.
- Police salaries.
- Overhead costs of enforcing agreements.
 - Costs that accompany the judicial system when contracts come under dispute.

Collective Action Costs



Two kinds of costs that are especially relevant for designing and evaluating institutions are:

- Transaction costs.
- Conformity costs.

They represent separate aspects of how a community tackles collective enterprises. And they often involve trade-offs with one another.

Transaction Costs

Transaction Costs are the time, effort and resources required to make collective decisions.

These increase when the number of participants rise.

They are referenced in many different contexts...



Transaction Costs



Sometimes transaction costs are intentionally included. The framers increased the transaction costs of changing the Constitution (two-thirds the membership of both houses of congress and three-fourths of the states).

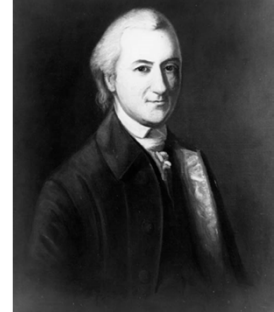
Conformity Costs

Parties that must work together to negotiate a common course of action find that they rarely want precisely the same thing.

At the end of the political process, there are often losers: parties whose preferences receive little accommodation.

Conformity costs are the difference between what any one party prefers and what the collective body requires.

There are usually "losers" in politics.



Transaction v. Conformity Costs



Transaction and conformity costs are typically inversely related.

Exceptions: Dictatorships, Continuums

Designing Institutions to Achieve Collective Action



- What constitutional arrangements best solve the problems and costs associated with collective action?
 - Depends on what is being decided.
- Worried about government intruding too far into your private life?
 - Build in high transaction costs and require consensus to make collective decisions.
 - Bill of Rights
 - Veto: explicit: presidential; implicit: House, Senate, Supreme Court
- Need a quick response, such as defense against foreign threat?
 - Create institutions that minimize transaction costs, such as commander-in-chief, executive power

Command Authority



Some important institutional design principles include command authority, agenda control, voting rules and delegation.

Command authority gives its holder control of those within the scope of its authority.

It cuts across coordination and prisoner's dilemma problems by conferring the authority on some figure to impose a solution regardless of the preferences of others.

Agenda Control

Those who exercise agenda control can set the choices for others.

Positive agenda control allows individuals to force others to cast votes for or against a certain issue.

Negative agenda control allows the agenda-setting to bar certain issues for gaining consideration.

Most issues that fail in American politics due so without a vote in Congress.



Hastert Rule

Sarah Binder, Monkeyage: Most Congress watchers yesterday quickly noted the remarkable House vote to pass the Violence Against Women Act (VAWA): For the third time this year, the House passed an important bill over the objections of a majority of the majority party. Another "Hastert Rule violation," many reporters correctly observed. (Is it a good sign that House procedural speak is now lingua franca of the Capitol press corps? Next thing you know, Hollywood will be making Oscar-winning films about the 19th century House....Oh wait....)

Observers noted that the leadership brought the VAWA bill to the floor (knowing the GOP majority would be rolled on final passage) as a calculated move to repair damage done to the party's brand name in the last election. As the Los Angeles Times reported, many GOP strategists "feared that keeping the bill in limbo could expose the party to complaints they were hostile to women." I think the coverage of the VAWA bill has been right on the mark. Still, we should be cautious in writing the Hastert Rule's obituary. Some considerations:

First, as many reporters noted, the substance of the yesterday's bill mattered. Concern about the party's electoral reputation likely helped to encourage the GOP to bring the bill to the floor (on a nearly unanimous procedural vote). We see some evidence of that concern in the makeup of the sixty Republicans who broke ranks to vote against the conservatives' alternative bill: Roughly sixty percent of them hailed from blue states won by Obama in 2012. (Note: GOP women were more likely to stick with their conservative brethren on that substitute vote, with roughly 80 percent of the GOP women favoring the more limited bill.) Moreover, on final passage, nearly three-quarters of the Republicans who voted with the Democrats hailed from blue states. I think it's reasonable to expect that on other electorally-salient bills this Congress we might see the leadership allow party splitting measures on the floor, letting the chamber median work its will in favor of passage. As many others have noted, immigration reform could provide another such opportunity. In short, the terrain for future Hastert rule violations might be quite limited.



"Monkey, what did you do in the War on Women?"

Hastert Rule

Second, keep in mind that all three of the Hastert Rule violations occurred on legislative measures already cleared by the Senate. Mitch McConnell and Joe Biden negotiated the fiscal cliff bill that was passed 89-8 with broad bipartisan support. Hurricane Sandy relief was first cleared by the Senate on a (narrower) bipartisan vote. And the Senate had also already endorsed the more expansive version of the VAWA bill, with a majority of Senate GOP joining every Democrat in voting for the bill. The support of Republican senators (albeit to varying degrees) for



Democratic measures makes it far harder for the Speaker to stick with his conservative conference majority. Instead, he offers them a vote to establish their conservative *bona fides* and then allows the Democrats to win the day. Split party control seems to limit the viability of the Hastert Rule, at least on those few measures on which Senate Democrats can attract GOP support to prevent a filibuster. Ironically, the new Boehner Rule of "Make the Senate Go First" (insert saltier language for full effect) undermines the Hastert Rule. Given the difficulty Boehner faces in assembling a chamber majority without Democratic votes on bigger issues of the day, perhaps we shouldn't be surprised to see this periodic scuttling of the majority of Boehner's majority.

Finally, yesterday's vote helps us to better identify the far right flank of the House GOP. Here, I consider the far right of the conference those Republicans who voted against waiving the debt limit for three months, against Hurricane Sandy relief, and against the VAWA bill. That group sums to 26 GOP. Given 232 House Republicans, Boehner can't bring party-favored bills to the floor without moving exceedingly far to the right. That's helps to explain why Boehner insists on letting the Senate go first on issues that evoke tough dissent within his party. He has no choice, even if that sets him up for potential majority rolls on important roll call votes. Ultimately, the fate of the Hastert Rule depends on how the Speaker balances his support within the conference with the responsibility of tending to the party's brand name (let alone to the will of the chamber).

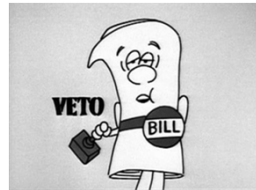
Veto Players

A veto player is an individual who can say “no” to a proposal by another official or institution.

While important, it differs from command authority in that it’s a “negative” power. It can only be used in response to another proposal.

Frequently though, the threat of a veto leads to significant policy consequences.

The greater number of veto players in a system, the higher the transaction costs associated with policy making.



Voting Rules

When members of a collective body share decision-making authority, outcomes are determined by some previously agreed on voting rule.

Majority rule is (half plus one) or a “simple majority”. It embodies the idea of political equality.

Means that each citizen’s vote carries the same weight and all citizens have the same opportunity to participate.

Thus when disagreements arise, the more widely shared preference will prevail.



Voting Rules



43%



37.4%



18.8%

In contrast, plurality rule is rule by the *prevailing* group. It is often seen in presidential elections (at least with the popular vote.)

Simple majorities are only specified twice in the Constitution (the Electoral College, and a majority of the House needed to do business).

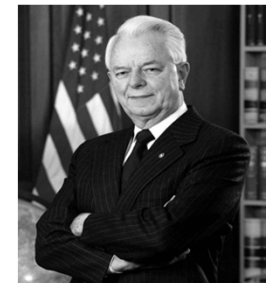
Other times, supermajority rules (two-thirds needed to overcome a veto, passing a constitutional amendment) are required.

Delegation

Delegation assigns authority to make and implement decisions to some smaller number of persons who are expected to act on behalf of the larger groups of interest

It is the preferred solution to controlling transaction costs.

It involves both a principle, the individual or group authorized to delegate and an agent, the individual or group who receive the delegated power.



“Our effort to construct this facility and create a stronger foundation for the biotech industry here in West Virginia began where? With a visit to my office. Yeah. Yeah man. A visit to my office, yeah. You’re lookin’ at Big Daddy.” – Former Senate Appropriations Chairman, Robert Byrd (D-WV)

Problems With Delegation



- Agency Loss is the primary problem. It's the discrepancy between the principle and the agent.
- Some agency loss is inevitable.
 - Sometimes it's accidental, other times it reflects inherent differences in the goals of the principals and those of their agents

Problems With Delegation



- How can a principal determine whether its agents are faithful when it cannot observe or understand their actions?
 - Many options require a great deal of time and effort.
 - Whistle-blowers, monitors/inspectors
- What happens when the agent turns against the principal? How much authority can citizens safely surrender in achieving their collective goals? When does delegation become abdication and invite tyranny?
- "In framing a government, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself." – James Madison, Fed. 51.

News



For the first time in history, more than half the members of the House and Senate are millionaires, OpenSecrets found. "Of 534 current members of Congress, at least 268 had an average net worth of \$1 million or more in 2012... The median net worth for the 530 current lawmakers who were in Congress as of the May filing deadline was \$1,008,767 -- an increase from last year when it was \$966,000."

December 20, 2012 -- It was the second time this month that former Sen. Bob Dole has visited his old haunt. Earlier in December, the 89-year-old Kansas Republican came to the Senate floor in a wheelchair to implore his colleagues to vote for a United Nations disability rights treaty. On Thursday afternoon, he walked half the length of the Rotunda and back to say goodbye to an old friend. Senator Daniel Inouye (D-HA), the second-longest-serving senator in history, died Monday at the age of 88. He will lie in state at the center of the Rotunda, his casket draped with the American flag, until Friday morning, when he will be transported for another service at the National Cathedral. His storied relationship with Dole is well-known. The two men met in a Michigan army hospital, where they were both recovering from injuries sustained during World War II, and they went on to serve side by side in Congress for just less than three decades. Dole was assisted to Inouye's casket as the late senators' body lay in state in the Capitol, saying "I wouldn't want Danny to see me in a wheelchair."



Representative Government



Modern democracies blend delegation with majority rule into what is known as representative government. In a representative government, citizens limit their decisions to the selection of government officials who, acting as their agents, deliberate and commit the citizenry to collective enterprises.

This contrasts with direct democracy, where citizens participate directly in collective decision-making. The later is typically reserved primarily for small communities and organizations.

Representative Government



One specific form of representative government is a republic. In a republic, voters elect their representatives, but these representatives are constrained in following the majority's dictates in the form of constitutional guarantees for minorities and by institutions and rules requiring exceptionally large majorities for some kinds of decisions.



Most of the world's democracies are parliamentary governments.

In nearly all parliamentary governments, the executive and legislature's power are fused together. Accordingly, there are much fewer checks on policy-making.

Representative Government



The United States Constitution provides for a separation of powers system. In this system, numerous veto players check each others' power.

Transaction costs are high and policy-making is extremely incremental.

Politicians

Another innovation of representative government is elected politicians.

Politicians are a class of professionals specializing in discovering collective enterprises that citizens with different values and interests will join in a common action.



Politicians behave strategically when they subordinate their sincere preferences over what is best for their constituents in order to achieve results that stand a better chance of success.

Politicians frequently possess high levels of institutional knowledge. In the absence of experience politicians, other motivated actors (like interest groups) will fill that void.

The Work of Government

Given the costs and risks associated with collective action, Americans weigh undertakings carefully. Specifically, they calculate whether the gains from a collective public effort greater than private action.



Most of these calculations favor private action, which is why some much of what Americans consume constitute private goods. Private goods are things people buy and consume themselves in a marketplace that supplies these goods according to the demand for them.

These contrast with public goods, which are goods where the costs are born collectively and nobody can be excluded from them (i.e. national defense). Public goods can also take the form of externalities, or negative public goods (i.e. pollution).

Many goods fall into a mixed category, where the government provides incentives for things like charitable contributions.

Designing Institutions: The Constitution

Founders understood that the nation's previous failures (Articles of Confederation) stemmed from politics and political institutions.

To solve the nation's pervasive collective action problems, the Framers designed a new government that balanced conformity and transaction costs (low conformity costs to modern standards, but higher than the Articles of Confederation).

BUT Madison was worried about tyranny by the majority. While majority rule is visibly present in the framework, it is also constrained by some powerful rules. (increase in transaction costs)

- Separation of powers
- Staggered legislative terms
- An unelected judiciary
- Limited national authority



Constitutional Convention, 1787



Conclusion



Read Chapter 2.