

2010 - 2011  
Annual Report



INITIATIVE *for* PUBLIC CHOICE  
& MARKET PROCESS



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The Initiative for Public Choice & Market Process would like to acknowledge the generous support of our sponsors and private donors who in part make our program possible.



The College of Charleston is a nationally recognized, public liberal arts and sciences university located in the heart of historic Charleston, South Carolina. Founded in 1770, the College is among the nation's top universities for quality education, student life and affordability. The College offers a distinctive combination of a beautiful and historic campus, modern facilities and cutting-edge programs.

The College of Charleston Foundation is a 501(c) 3 non-profit organization incorporated in 1970 under the laws of the State of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, and other programs of the College of Charleston. Make a donation through the College of Charleston Foundation's website. Designate your donation for "Other" and write "Initiative for Public Choice & Market Process" in the comments section after entering your credit card information.

*On the front cover:* top left Tara Smith, top right Ed Lopez, bottom right Virginia Postrel, bottom left Russell Roberts

# Message From The Director



Now in our third year the Initiative for Public Choice & Market Process has a successful presence in the School of Business and at the College of Charleston. Our view of political economy is an interdisciplinary one and this year's goal was to expand our presence and mission across campus to take advantage of these interdisciplinary relationships. We accomplished this goal by sponsoring events with the Women and Genders Studies Program, the Environmental Studies Program, and the Philosophy Department. The support from these groups helps us to attract a variety of students, and our wide variety of economic topics allows us to continue to grow and expand our impact. I am thankful for the continued support of my colleagues in the Department of Economics and Finance, the School of Business, and within the business community.

The 2010-2011 academic year included twenty events with over 1,000 total participants. The Initiative continues to have three main focuses: the BB&T Free Market Process Speaker Series, student development, and faculty development.

Our BB&T Free Market Process Speaker Series consisted of four prominent, insightful and lively speakers from academia and national media over the course of the year. With greater awareness of our program, the turnout for our speakers continues to attract students, faculty and community members averaging over 130 participants for each speaker.

This year's informal speaker series: "Lunch with ..." consisted of 6 experts. Students can ask questions and interact with the speakers one on one. These speakers discussed topics from educational reform to alternative tax policy. Our Economics Book Colloquium, held every semester, had students reading books that examined the economics of a pirate society, current economic and social policy, and the development of modern macroeconomic theory.

The BB&T Enterprise Award, our cash prize essay contest, explored "The Economics of Vice" which was addressed by the winning essay entitled "To Protect Us from Ourselves." Three students have been awarded research fellowships working with faculty in economics and international business. Our past student research fellows experienced success this year having publications accepted in *The Atlantic Economic Journal* and *Economic Affairs*. In the fall of 2010, the Economics and Finance Department offered the Comparative Economic Systems course again providing students the opportunity to examine and analyze how various economics systems function and the consequences of these systems. This class will continue to be offered by the department on a regular basis.

Our mission requires that we support our faculty who conduct research in the areas of public choice and the free market process. This summer we are funding faculty research efforts by providing the necessary financial support to develop this important research agenda. Past recipients have met with success with publications in *Public Choice* and a chapter in an edited volume.

The impact of the Initiative for Public Choice & Market Process continues to grow and attract students from across campus and engage the business community. Our third annual Adam Smith Week had over 400 participants, which included Professor of Economics and EconTalk host Russell Roberts and Philosopher James Otteson. This week was made possible through the support of student organizations such as the Microfinance Club; partnership with the Philosophy Department; and financial support from the business community members of the Bastiat Society.

We continue to be thankful for our primary sponsors the BB&T Charitable Foundation, and the Charles G. Koch Charitable Foundation. This year we are also fortunate to have individual private donors who offered their financial support to the Initiative for Public Choice & Market Process. Please review the pages of this report to see all the detail of this year's accomplishments.

The success of the Initiative for Public Choice & Market Process depends on the support of foundations and private individuals who share its commitment to advancing the understanding and appreciation of free minds and free markets. We are deeply grateful to all who support our venture. To learn more about the Initiative for Public Choice & Market Process visit our web site <http://sb.cofc.edu/pcmp> or look for us on Facebook.

A handwritten signature in black ink, appearing to read "Peter T. Calcagno". The signature is fluid and cursive, with a large loop at the end.

Peter T. Calcagno, Ph.D.  
Associate Professor of Economics

## 2010 - 2011 Academic Year at a Glance

### BB&T Free Market Process Speaker Series - 565 participants

- ◆ Ms. Virginia Postrel: *Author of "The Substance of Style" and "The Future and its Enemies," columnist in The Wall Street Journal Saturday Review section*
- ◆ Dr. Bruce Yandle: *Distinguished Adjunct Professor of Economics at Mercatus Center, Dean Emeritus, College of Business and Behavioral Sciences, Clemson University*
- ◆ Dr. Tara Smith: *BB&T Professor of Objectivism, Department of Philosophy, The University of Texas*
- ◆ Dr. Russell Roberts: *Professor of Economics, George Mason University*

### Student Development - 69 participants

- ◆ Economics Book Colloquium  
Fall: *The Invisible Hook* by Peter Leeson and *Uncommon Sense* by Gary Becker and Richard Posner (13 participants)  
Spring: *Knowledge and the Wealth of Nations* by David Warsh (15 participants)
- ◆ BB&T Free Enterprise Award  
For best investigative paper on: *The Economics of Vice* (3 winners)
- ◆ Student Research Fellowships  
3 fellowships awarded over the Fall, Spring, and Summer semesters
- ◆ Student Information Sessions with Economics and Finance Faculty  
"Getting into Graduate School"  
"Why Major in Economics or Finance?"
- ◆ Distributed 76 copies of *Atlas Shrugged* by Ayn Rand to interested Economics Majors

## 2010 - 2011 Academic Year at a Glance

### Faculty 2011 Summer Research Grants - 4 grants

- ◆ “Is the Evolution of Economic Freedom Random?” - Mark D. Witte, *Assistant Professor of Economics*
- ◆ “An Analysis of Tax Induced Cigarette Smuggling in the United States” - Todd M. Nesbit, *Assistant Professor of Economics*
- ◆ “Philosophy and Business Ethics” - Jennifer Baker, *Assistant Professor of Philosophy*
- ◆ “Spatial Relationship and the Precursors to Trade” - David Desplaces, *Assistant Professor of Marketing*, and Norm Levine, *Associate Professor of Geology*

### Special Events - 411 participants

- ◆ Adam Smith Week
  - “Why Major in Economics and Finance?” student information session
  - “Rethinking Microfinance: Coming to Grips with Market Forces” Dr. Scott Pearson
  - “The Adam Smith Problem: Can Markets and Morality Mix?” Dr. James Otteson
  - “Crony Capitalism vs. Real Capitalism: Lessons from the Financial Crisis” Dr. Russell Roberts
  - “Economic Development and the Power of the Poor” Student-led Roundtable Discussion
  - “Adam Smith’s Critique of the Free Market Economy” Dr. Spenser Pack
  - “South Carolina FairTax: Making Our Business More Competitive” Mr. John Steinberger
- ◆ Lunch with.....Series (6 events)
- ◆ Breakfast with Juliet Schor, *Professor of Sociology, Boston College*, “The New Politics of Consumption”
- ◆ Edward J. Lopez, *Associate Professor of Economics, San Jose State University*, “Fashion and Copyright: In Defense of Design Copying”
- ◆ Jodi Beggs, *Harvard Graduate Student and Author of the blog: Economists Do It With Models*, “The Economics of Everything”

# BB&T Free Market Process Speaker Series

Invited speakers address the underlying principles and institutions of a market economy. This year we had four speakers address students, faculty, and members of the Charleston community. Our speakers ranged from academic economists, to an author from *The Wall Street Journal*, to an academic philosopher. The series consisted of presentations made to nearly 600 participants during the fall and spring semesters.

## Fall 2010



Ms. Virginia Postrel

### *“The Role of Glamour in Political Economy”*

Virginia Postrel, author and columnist, started off this years BB&T Free Market Speaker Series with a provocative lecture on how glamour is present in the world of political economy. Students were treated to a preview of her upcoming book on the topic of glamour.

***I was very fascinated with how you related and connected glamour and politics- great new perspective to think about.—Junior Arts Management Major on Virginia Postrel***

Dr. Bruce Yandle

### *“Whose Garden Was this? Property Rights and the Environment”*

In November Dr. Bruce Yandle Professor Emeritus of Economics at Clemson University argued for the importance of well defined property rights for solving environmental issues. He presented current and historical cases of private ownership conserving, preserving, and maintaining our environment.



# BB&T Free Market Process Speaker Series

Spring 2011

Dr. Tara Smith

*“Can Selfishness be Moral?”*

Dr. Tara Smith was the first BB&T speaker in the spring. Dr. Smith is the BB&T Chair for the Study of Objectivism and Professor of Philosophy at the University of Texas. She spoke on the virtue of selfishness and the meaning of the virtuous egoist.



***She was energetic, lively, and relevant.***

***- Junior Business Administration Major  
on Dr. Tara Smith***



Dr. Russell Roberts

*“Crony Capitalism vs. Real Capitalism:  
Lessons from the Financial Crisis”*

Dr. Russell Roberts is a Professor of Economics at George Mason University, the J. Fish and Lillian F. Smith Distinguished Scholar at the Mercatus Center, and a research fellow at Stanford University's Hoover Institution. In addition, he hosts the Library of Economics and Liberty weekly podcast EconTalk and is the co-creator of the Keynes Hayek rap videos. Dr. Roberts was the BB&T speaker for the third annual Adam Smith Week. He explained how crony capitalism contributed to the current financial crisis.

***High energy, made a complex topic interesting and  
easy to follow — Senior Economics Major  
on Dr. Russell Roberts***

# Student Resources and Development

The Initiative for Public Choice & Market Process seeks to promote the benefits of free markets and private enterprise to all of our students. The Economics and Finance Department faculty demonstrate the power of economic principles to our students in their business, political, and personal lives. The faculty provide students with the analytical skills to use these tools throughout their lives and careers. The Initiative creates an understanding of the benefits that liberty and ethics have on society. Here are just a few of the ways in which we work with the students at The College of Charleston.

## Student Interns



### Rupert Munro

Rupert was a senior Economics major and graduated in December 2010. In January 2011, he started an internship with the Charles G. Koch Charitable Foundation.

Spring 2010 - Fall 2010



### Chelsea King

Chelsea was a Senior Economics and Business Administration double major and graduated in May 2011.

Fall 2011



### Ellen Saltmarsh

Ellen is a Junior Economics and Business Administration double major. She has recently qualified for the Schottland Scholars for her senior year.

Spring 2011

## Student Research Fellowships

The Initiative for Public Choice & Market Process provides funding to support student-faculty research projects. Students may apply for up to \$1,000 to serve either as a research stipend or travel funds to attend a conference and present their research.

- Faculty with research projects related to the area of free-enterprise, political economy, or public choice economics may request the aid of a student research fellow.
- Students may initiate a research project or presentation of research with the support of a faculty member.

This year we provided three students with research fellowships:

- Shannon Kelly, Senior (Economics), and Doug Walker, Associate Professor of Economics: "*Studies on the Economics of Gambling*"
- Nicole Metcalf, Senior (International Business), and David Desplaces, Assistant Professor of International Business: "*The Geography of Trade*"
- Trey McCutcheon, Senior (Economics) and Todd Nesbit, Assistant Professor of Economics: "*The Affects of Abortion on Drunk-Driving Fatalities*"

# Student Resources and Development

## BB&T Free Enterprise Award



Peter Calcagno and Shannon Kelly

The Initiative awards a cash prize every year for the best student-written investigative paper or case study that examines the underpinnings of public choice theory and capitalism.

### 2010-2011 Academic Year Topic

*“The Economics of Vice”*

This Year’s Winners:

#### First Place \$1000

- ◆ Shannon Kelly, Senior (Economics)  
*“To Protect us from Ourselves”*

#### Second Place \$600

- ◆ Joseph Berger, Sophomore (Economics and History) *“Sober Island”*

#### Third place \$300

- ◆ Christopher Pecora, Senior (Business Administration) *“The Economics of Vice”*

## Information Seminars

### Getting into Graduate School

Discussion with students interested in graduate school for economics.

### “Why Major in Economics or Finance?”

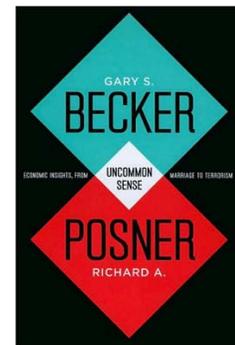
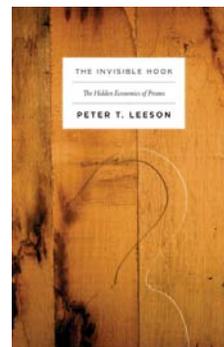
Discussion with students interested in majoring in economics or finance.

## Economics Book Colloquium

Every year the Initiative holds two book colloquiums, one each semester, for interested students. The selected books focus on topics such as the role of markets and government in society.

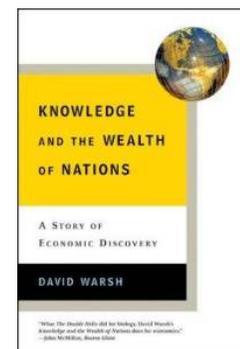
### Fall 2010

Thirteen students and two faculty members met twice a month in the fall. Two books were examined: *The Invisible Hook* by Peter Leeson and *Uncommon Sense* by Gary Becker and Richard Posner.



### Spring 2011

Fifteen students and two faculty members met every week to discuss David Warsh’s *Knowledge and the Wealth of Nations*. Warsh reveals the modern story of an intellectual revolution as he traces the history of an economic puzzle.



# Faculty Research and Development

The Initiative for Public Choice & Market Process has an ongoing program to solicit research proposals and fund faculty research. The Initiative provides summer research grants for faculty members to conduct and publish research in the field of free enterprise and political economy and is specifically interested in supporting projects in the field of public choice. This year we funded 4 grants for 5 faculty members for a total of \$20,000.

## Summer 2011 Research Recipients

**Mark D. Witte**

**Assistant Professor of Economics**



**“Is the Evolution of Economic Freedom Random?”**

**Abstract:** Measurements of economic freedom, in their various forms, have been significant determinants of a variety of other economic variables, but what factors change economic freedom? We investigate the determinants of the evolution in various measurements of economic freedom. Our results suggest three important elements for future research which includes economic freedom as a dependent variable. One, the evolution of economic freedom is somewhat random; when yearly changes in economic freedom follow near unit roots. Two, past real GDP growth significantly increases future measurements of economic freedom, especially business freedom. Three, our results suggest that future research should make use of changes in economic freedom without great concerns over endogeneity unless specifically studying growth.

**Todd M. Nesbit**

**Assistant Professor of Economics**



**“An Analysis of Tax Induced Cigarette Smuggling in the United States”**

**Abstract:** In this study, we consider the impact of excise taxation differentials on cigarette smuggling. Cigarette smuggling can take two forms: casual and commercial. In an effort to avoid high taxation, some consumers engage in casual smuggling, which involves the travelling across state borders to purchase the cigarettes in lower tax states. Commercial smuggling involves organized criminals who either purchase cigarettes in the low tax states of North Carolina or South Carolina (where no state tax stamps are applied) or are illegally imported across international borders. Counterfeit tax-paid stamps are then applied and the cigarettes are sold in legal markets, but generating black-market profits.

# Faculty Research and Development

Jennifer Baker

Assistant Professor of Philosophy

“Philosophy and Business Ethics”



**Abstract:** The focus is on the completion of three chapters of the book *Philosophy and Business Ethics*. The book presents philosophical thought on the market and its value, tracing the development of thought from Aristotle, Bernard Mandeville, Adam Smith, Karl Marx, Max Weber, and F. A. Hayek to game theory and Amartya Sen. The discussion includes a comparative history of corporate law, the development of and recent prosecution from the SEC and the FTC, ethical issues with Wal-Mart, Third World sourcing, the banking scandals and the BP disaster. F. A. Hayek’s ideas for correcting the ample mistaken assumptions concerning what markets do will be utilized. The three chapters, as well as the project as a whole, will focus on making business ethics an appealing subject to philosophers and bringing business information to the layman. A main goal of this study is to exemplify to philosophers and laymen alike that business is highly beneficial.



David Desplaces

Assistant Professor of International Business

Norm Levine

Associate Professor of Geology

“Spatial Relationship and the Precursors to Trade”



**Abstract:** The research is designed to shed some light on the spatial relationship and the precursors to trade, including measuring the impact that state and national policies (monetary, education, foreign direct investment, and freedom indicators) might have on exports. Although policy is a long term investment in a state or country’s trade infrastructure/arsenal, this research is to develop geographic models that would provide a successful road map to trade policy in an effort to promote regional economic development in the context of free trade. Implication for policy will be investigated and discussed.

# Special Events

In March, the Initiative hosted its third annual Adam Smith Week, an intensive week of events that exposed students to the ideas of market process and economics in a variety of ways. We had eight events over five days that included speakers, a student roundtable discussion, and information sessions on majoring in Economics and Finance. The program was well attended with over 400 participants. Adam Smith Week allowed us to cooperate with faculty and students across the entire campus.



## Third Annual Adam Smith Week March 21-25



“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”

**“Why Major in Economics and Finance?”**  
*student information session (2 Sessions)*

**“Rethinking Microfinance: Coming to Grips with Market Forces”**

Co-sponsored by the Microfinance Club  
*Lecture by:* Dr. Scott Pearson, Charleston Southern University, Director of MBA program

**“The Adam Smith Problem: Can Markets and Morality Mix?”**

*Lecture by:* Dr. James Otteson, Yeshiva University, Professor of Philosophy and Economics

**“Crony Capitalism vs. Real Capitalism: Lesson from the Financial Crisis”**

*Lecture by:* Dr. Russell Roberts, George Mason University, Professor of Economics



Dr. James Otteson

**“Economic Development: The Power of the Poor”**  
*Student - Led Roundtable discussion*

**“Adam Smith’s Critique of the Free Market Economy”**

Co-sponsored by the Philosophy Department  
*Lecture by:* Dr. Spenser Pack, Connecticut College, Professor of Economics

**“South Carolina FairTax: Making Our Business More Competitive”**

Lunch with... John Steinberger, Board member SCFairtax.org

# Special Events



## Professor Edward Lopez

In October Professor Edward Lopez from San Jose State University came to speak about the fashion industry and intellectual property rights. He spoke to an audience of entrepreneur and fashion design students highlighting how the ideas of public choice and law relate to the issue.

***Great topic!!! Most professors cannot discuss this topic in class, but they should!***  
***- Junior Business Administration Major on Dr. Edward Lopez***

## Professor Juliet Schor

Professor Schor of Boston College was invited to campus in November by the Environmental Studies Program. Our students had breakfast with Professor Schor to challenge her view on "The New Politics of Consumption."

## Jodi Beggs

In March Jodi Beggs of the blog: "Economists Do It With Models" visited to provide her entertaining take on the "Economics of Everything."



Dr. Brooke Conoway

## "Lunch with" ...Series

Our Lunch with ... Series provides an environment where students can interact with presenters in a casual and informal setting. Students either listen as speakers present over lunch or have lunch with the BB&T Speakers. Students can ask questions and discuss issues related to the speakers' areas of expertise. This year we had six of these events.

### Virginia Postrel

*Author of "The Substance of Style" and "The Future and its Enemies," columnist in The Wall Street Journal Saturday Review section*

### Bruce Yandle

*Distinguished Adjunct Professor of Economics at Mercatus Center, Dean Emeritus, College of Business and Behavioral Sciences, Clemson University*



Mr. John Steinberger

### Brooke Conoway

*Assistant Professor of Economics, Georgia College and State University*

### Tara Smith

*BB&T Chair for the Study of Objectivism, Professor of Philosophy, The University of Texas*

### Jodi Beggs

*Author of the blog: Economists Do It With Models*

### John Steinberger

*Board member SCFairtax.org*

## Beyond the Classroom



### Business Community

Strong support outside of the College of Charleston from our founding sponsors and from the business community has created an opportunity for outreach. We are taking advantage of these connections to discuss free market opportunities and convey the benefits of markets to the members of the business community. By sharing speakers and contacts with the Bastiat Society, we have created a synergy that benefits their members and our students. This year the Initiative for Public Choice & Market Process and The Bastiat Society shared five speakers, which provided greater opportunities and shared expenses. Most importantly, the Bastiat Society was a significant co-sponsor for hosting Russell Roberts.

In February Peter Calcagno spoke to the Columbia Economics Club about the Initiative for Public Choice & Market Process and how these business leaders can become involved in the Initiative.

### Social Networking

We continue to have a Facebook Fan Page for the Initiative for Public Choice & Market Process to have another way to reach students and community members. Fans can find posts on events, blog posts, pictures, and videos from events. We have 178 fans from 13 different countries from the U.S. to Fiji. These fans range across age groups and are varied from students, to business individuals, to other academics. Interest in our page continues to grow attracting more fans.

### Students

College of Charleston students have a variety of opportunities to continue their economics education beyond the Initiative. Students are attending week long summer seminars offered by education organizations that assist undergraduate and graduate students who have an interest in individual liberty. In addition, students are attending graduate school and applying to the Charles G. Koch Foundation Koch Associates Program, a year long experience working in the area of non-profits. Here are some highlights of our current students, and the programs they are attending:

#### Institute for Humane Studies (IHS)

- Rick Clauss (Economics)
- Dyanne Vaught (Economics)
- Addison Hart (Economics)
- Trey McCutcheon (Economics)
- Joseph Berger (Economics & History)

#### Koch Associates Program

- Rupert Munro (Economics)

#### Students attending Graduate School

- Economics Masters Program, University of North Carolina Charlotte - Kenneth Chandler '09 (Economics)



## About Us

Founded in the Fall of 2008 with a generous gift from the BB&T Charitable Foundation and the Charles G. Koch Charitable Foundation, the Initiative for Public Choice & Market Process is designed to examine and stimulate discussion of the following topics:

- The role of government institutions in a capitalistic society
- The relationship between government and the individual
- The relationship between political and economic freedom
- The moral structure of a free market economy

## Mission

The Initiative for Public Choice & Market Process advances the understanding of the economic, political and moral foundations of a free market economy. The Initiative supports the growth and development of teaching and research at the College of Charleston School of Business, while engaging students and the greater Charleston business community.

## Objectives

To achieve our mission the Initiative sponsors the following:

- BB&T Free Market Process Speaker Series
- Student Development
- Faculty research in the areas of Public Choice and Market Process

## What is Public Choice?

Economics traditionally focuses on the behavior of firms and consumers and how individuals interact in market settings. Public choice builds on economic and political theories to analyze the behavior of voters, candidates, legislators, bureaucrats, and the institutions under which they operate. Public choice uses modern economic tools to study problems that are traditionally in the sphere of political science. (A more general term is “political economy”, an earlier name for “economics”.) In particular, public choice models the behavior of voters, politicians, and government officials as (mostly) self interested agents and analyzes their interactions under a variety of institutional settings. Public choice analysis has roots in positive analysis (“what is”) but is often used for normative purposes (“what ought to be”), to identify a problem or suggest how a system could be improved by changes in institutions.

*On the back cover:* top left James Otteson, bottom left Virginia Postrel, top right student Uriah Avila, bottom right Russell Roberts



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