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The Public Choice and the traditional view of political science

by Andrea Vicini

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In general the **Public Choice** is presented in many macroeconomic's handbook as a modern economic school born during the '60s. However as point out by their founders **James Buchanan**, and **Gordon Tullock** the Public Choice is more correctly defined as a multidisciplinary **research program** in political economy. The historical roots are traceable on the studies developed by the Italian schoolers of Public Finance.

The original objective of the Public Choice is investigate the political aspect adopting the economic instruments. These phenomena although have economic relevance are not explained by the market mechanism; this field of research was traditionally investigated by the sociologist and political scientists.

James Buchanan starts from a quantitative observable consideration: after the II World War one-third of the national product, more or less, was deducted by the market force. Thus it is evident the raising importance of these aspects on the economy, both in direct than in indirect terms. Furthermore, the adoption of the Keynesian policy, imposes a new challenge for the economists which want to explain the dynamics of this phenomenon; starting from the assumption that the quantity and the quality of public spending is decided by political reasons, appear evident that the Neoclassical theoretical framework which is focused on the general equilibrium proposed by Walras and Pareto is inadequate for explain the cycle of the public spending.

In a similar context the needs of a new explanatory model pushed two eminent scholars as Buchanan and Tullock to start a new **research program**. The objective is analyze what happen during the decisional process in the **black-box** denominated state. The classical *The Calculus of Consent: Logical Foundations of Constitutional Democracy* published in 1963, by Buchanan and Tullock, which is considered the pillar of the Public Choice theory contains lot of the successive themes which are developed during decades¹. The authors start from the assumption that the decisions of the government are part of the economy and not exogenous respect its. Thus, the choices and the commons actions must be studied as part of the study on the public sector. However, it is useful remember that the future developments of Public Choice has gone over the objectives of the proponents, revolutionizing the study of democratic decision-making processes.

To this end, a first important distinction stressed by Buchanan, regard the **constitution** and the **ordinary law**, the emphasis on this aspect is not motived by Jurisprudential and technical reasons, but from the attempt to understand the institutional context and the space of possible alternatives. In my opinion this is a relevant aspect because it contributes to move the attention of the economist on the institutional aspects, which are in general underestimate by the economists in particular by the Keynesian framework which adopt the aggregation with a great degree of approximation. Furthermore, in my opinion the develop of the researches in this direction represented an important catalyst for the birth of another orthodox approach: the *New Institutional Economy*².

Regarding the relation between the **decisional process** and the **democracy**, the interrogative that

1 Cfr.: J. M. Buchanan, G. Tullock – *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, 1962.

2 Cfr.: O. E. Williamson – *The New Institutional Economics: Taking Stock, Looking Ahead* – Journal of Economic Literature Vol. XXXVIII (September 2000) pp. 595–613.

Buchanan express in his article synthesizes the essence of a the Majority Rule:

“If majority rule produces unjust and inefficient outcomes, and if political stability is secured only by discrimination against minorities, how can democracy, as the organizing principle for political structure, possibly claim normative legitimacy?”³.

The reply to this question is not trivial, Buchanan reporting the Wicksell's thought, suggest as the criteria of unanimity is perfect in theory, but not applicable to the contingent situations.

It is useful stress the differences of Public Choice approach respects to the traditional political science; the public choice is neutral respect to the **Ethical aspect**, his view is not influenced by the values, thus the objective is not focused on the **normative aspects**, or *how the policy could be*, but on the real functioning of public sector which represents the **positive aspects**. Thus the approach from a epistemological point of view is more similar to the **natural science** than **to the social science**. For these reasons the title of Buchanan's article is *“Politics without Romance”*.

In this context the politicians are considered as actors which have the objective of maximization of the personal interests; the Methodological Individualism which is a theoretical framework elaborated by Mills, represents another pillar of the Public Choice, although revised and extended as expressed by Buchanan:

*“The first point to be noted is that economic theory does not depend for its validity or its applicability on the presence of the purely economic man. This **man of fiction**, who is motivated solely by individual self-interest in all aspects of his behavior, has always represented a caricature designed by those who have sought to criticize rather than to appreciate the genuine contribution that economic analysis can make, and has made, toward a better understanding of organized human activity. The man who enters the market relationship as consumer, laborer, seller of products, or buyer of services may do so for any number of reasons. The theory of markets postulates only that the relationship be economic, that the interest of his opposite number in the exchange be excluded from consideration. Wicksteed's principle of "non-Tuism" is the appropriate one, and his example of Paul's tent-making is illustrative. The accepted theory of markets can explain behavior and enable the economist to make certain meaningful predictions, so long as Paul does not take into account the interest of those for whom he works in repairing the tents. Paul may be acting out of love of God, the provincial church, friends, or self without affecting the operational validity of the theory of markets”⁴.*

From the arguments mentioned above, emerge as the Public Choice considers the **politicians**, rational actors leaded by egoistical interests, not oriented to promote the common interests, but the personal utility.

A democratic government with their delegates is pushed by the citizen to maximize his utility, for these reasons the Public Choice stress the attention on the **decisional process**, analyzing the interaction between different parts which represents contradictory interests. The central idea of the Public Choice is:

How are collective decisions made?

The answer, of course, is that the decisions are made by policymakers: **politicians, voters** and **bureaucrats**.

The starting idea of public choice theory is disarmingly simple: Individuals, when acting as voters, politicians, or bureaucrats, continue to be self-interested and try to maximize their utility. This convergence of interests is expressed by different roles.

The great part of the public policy are managed by **politicians**, which are delegates. Because the

3 Cfr.: J. M. Buchanan – *Politics without Romance* – Policy • Vol. 19 No. 3 • Spring 2003. p. 1-6

4 Cfr.: J. M. Buchanan, G. Tullock – *Politics and the Economic Nexus* – 1999. p. 1-12.

constituency is in general related to a territory, the candidates are incentivized to sustain the programs and policies which catch advantages for his constituency, in particular when the policies are financed by the general imposition, which provide the illusion that the policy is “free” and so it is only the fruit of goodwill. The politicians are configured as individuals or parts in competition for the re-election, and for this reason are in general in search of votes through homogeneous groups well organized linked by common interests which are producer of consent. It is evident that the practice of *logrolling* accentuate these results, in many occasion.

The **voters** are the base of the democracy subjected to others peculiarities. Duncan Black (1908-1991) a Scottish economist is remembered for the introduction of *Median Voter Theorem*, which demonstrate how in a election with three candidates or three coalitions, the median voters is the decisive element. It is evident that in a bipartisan system the different “wings” which are oriented to capture the great part of the centrist component tend to assimilate the programs. In other terms, the elections or the referendum not always produce a clear result, moreover except for the **median voter**, all voters are unhappy with the results.

This concept was recovered by the Public Choice and in particular by Buchanan, in his works⁵.

Moreover, appear evident as the voters are influenced by **groups of interest, lobbies** which act in order to influence the collective choices, because the action of a single individual is not enough to condition the general results.

The **bureaucrats** represents the third category of the democratic system, a **obscure group** with limited visibility and not influenced by the political events (not elected). It represents the technocrat-structure, of the state, as the others previous category it tend to maximize his utility, with rational actions, such as the maximization of the size of bureaus' budget, the recruitment of new employees, all of these actions tend to produce a increasing of costs for the tax-payers. The politicians don't know the real cost of production of the **bureaucrats**, so in general have the tendency to be assertive respect to the requests presented by the **bureaucrats**. This theory is widely supported by a large number of studies showing that production costs in public bureaucracies are higher than in comparable private enterprises during the time⁶.

what are the consequences ?

Respect to this phenomenon the **Public Choice** introduced a important explanatory concept: the **Rent Seeking**⁷. This concept introduced originally by Gordon Tullock is configurable as a situation in which an individual, a company or a organization, attempt to obtain **economic rent** by manipulating the social or political environment in which economic activities occur, rather than by creating new wealth. It is evident the lack of **value added**, for these reasons although this situation is particularly diffused in the political context, in my view is damaging the entire system.

In extreme terms, a continuous expansion of the bureaucracies can provoke the failure of the **state** which is not enable to cover the spending.

what is the suggestion ?

A complete reformulation of the **state in economy** which include the fixation of **constitutional limits** to the budget and public spending, which is not negotiable. This assumption is widely criticized by many economists included **Murray Rothbard**, which considers its a trivial defense of the status quo. Of Course, single aspects of the theoretical framework was criticized. **Bart Engelen** in his article put in discussion the *Homo Economics* which is a fundamental concept of the Buchanan's concept⁸. In particular he consider that the starting point is wrong because Buchanan,

5 Cfr.: J. M. Buchanan - *Politics without Romance* - Policy • Vol. 19 No. 3 • Spring 2003. p. 1-6.

6 Cfr.: P. Lemieux - *The Public Choice Revolution - Regulation*, Fall 2004. p. 22-29.

7 Cfr.: G. Tullock - *The Welfare Costs of Tariffs, Monopolies, and Theft* - Western Economic Journal 5 (3) p. 224-232. 1967.

8 Cfr.: B. Engelen - *Thinking Things Through: The Value and Limitations of James Buchanan's Public Choice Theory* - Review of Political Economy, Volume 19, Number 2, April 2007. p. 165-179.

aiming to change the institutional structure as it exists here and now, does not start from the individual as he exists here and now. It is evident that the adoption of Homo Economics is an empirical rather than methodological model, however the question is accentuated by the fact that Buchanan has himself consistently stressed the need for economics to accurately reflect reality and because he has claimed to describe individuals realistically. The Great part of Public Choice theorists, as Buchanan starts from an inadequate conception of the individual and of the social, cultural and institutional forces constituent his identity. This is exactly why his constitutional project for improving the current structure of society appears not successful.

Another interesting observation and criticism regarding the Public Choice, was expressed by **Caplan**, and **Stringham**, in his paper the authors stress the accent on the relation between the Public Choice and the first Austrian School (Mises, Bastiat). “*While traditional public choice generally maintains that democracy fails because voters' views are rational but ignored, the Mises-Bastiat view is that democracy fails because voters' views are irrational but heeded*”⁹. The authors remember as **Mises** and **Bastiat** anticipate many of the themes which are part of the criticisms directed to the Public Choice, in particular the behavior of the voters, and the rationality choice.

In conclusion we can say that from the theory expressed in brief, appear evident as after the introduction of the Public Choice framework, the economics-policy is not the same, because this theoretical corpus, put in discussion great part of the macroeconomics paradigms, in particular the assertion deriving from the Keynesian Approach, based on the aggregate as unit of analysis. However is evident that even the criticisms have produced a rich flow of future researches in a sector which was not traditionally considered by the economists.

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9 Cfr.: B. Caplan, E. Stringham - Mises, Bastiat, Public Opinion and Public Choice - Review of Political Economy, Vol. 17, No. 1, January 2005, 79-105.