The political economy of the dynamic nature of government intervention: An introduction to potentials and problems

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2004

THE POLITICAL ECONOMY OF THE DYNAMIC NATURE OF GOVERNMENT INTERVENTION: AN INTRODUCTION TO POTENTIALS AND PROBLEMS

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1. INTRODUCTION

In almost all aspects of social life government intervention seems much more pervasive and intrusive today than ever before—at least in many of the Western countries. Governments seem year by year to consume still more resources and to regulate the details of the actions and interactions of their citizens still further.

As such the development might easily be seen as an expression of the dangers, which the Nobel Prize winning giant of the Austrian School of Economics, F.A. Hayek (1899-1992), warned against in his famous classic, *The Road to Serfdom* (Hayek [1944] 1976; cf. Hayek [1973] 1982, II: 120). Here Hayek in essence argued that intervention in one area may lead to intervention in more areas, and intervention beyond a certain point may lead to total planning of everything:

> "It is sometimes said … that there is no reason why the planner should determine the incomes of individuals. The social and political difficulties involved in deciding the shares of different people in the national income are so obvious that even the most inveterate planner may well hesitate before he charges any authority with this task. …
>
> [But we] have already seen that the close interdependence of all economic phenomena makes it difficult to stop planning just where we wish and that, once the free working of the market is impeded beyond a certain degree, the planner will be forced to extend his controls until they become all comprehensive. These economic considerations, which explain why it is impossible to stop deliberate control just where we should wish, are strongly reinforced by certain social or political tendencies whose strength makes itself increasingly felt as planning extends.
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> Once it becomes increasingly true, and is generally recognized, that the position of the individual is determined not by impersonal forces, not as a result of the competitive effort of many, but by the deliberate decision of authority, the attitude of the people toward their position in the social order necessarily changes. There will always exist inequalities which will appear unjust to those who suffer from them, disappointments which will appear unmerited, and strokes of misfortune which those hit have not deserved. But when these things occur in a society which is consciously directed, the way in which people will react will be very different from what it is when they are nobody's conscious choice. …
>
> While people will submit to suffering which may hit anyone, they will not so easily submit to suffering which is the result of the decision of authority. It may be bad to be just a cog in an impersonal machine; but it is infinitely worse if we can no longer leave it, if we are tied to our place and to the superiors who have been chosen for us. Dissatisfaction of everybody with his lot will inevitably grow with the consciousness that it is the result of deliberate human decision.

> Once government has embarked upon planning for the sake of justice, it cannot refuse responsibility for anybody's fate or position. In a planned society we shall all know that we are better or worse off than others, not because of circumstances which nobody controls, and which it is impossible to foresee with certainty, but because some authority wills it.
>
> And all our efforts directed toward improving our position will have to aim, not at foreseeing and preparing as well as we can for the circumstances over which we have no control, but at influencing in our favor the authority which has all the power. The nightmare of English nineteenth-century political thinkers, the state in which "no avenue to wealth and honor would exist save through the government," would be realized in a completeness which they never imagined-though familiar enough in some countries which have since passed to totalitarianism. …
>
> There will be no economic or social questions that would not be political questions in the sense that their solution will depend exclusively on who wields the coercive power, on whose are the views that will prevail on all occasions.". (Hayek [1944] 1976: 105ff).

While Hayek's exposition of this analysis was path-breaking and eye-opening to many people, he was in reality only making an application of a logic, he had been taught by his mentor, fellow Austrian School giant, Ludwig von Mises (1881-1973), in the 1920s. Mises' analysis was begun as early as in 1912 with *Theory of Money and Credit* (Mises [1912] 1971), it was later developed in his critiques of socialist planning (e.g., Mises [1922] 1981), and is set out in detail in a number of shorter works (Mises [1929] 1996; Mises [1940] 1998); Mises [1950] 1991), and in his magnum opus, *Human Action*, Mises explicitly and systematically integrated his analysis of the dynamic character of government intervention with his more fundamental logic of human action, the socialist calculation problem, property rights, etc. (Mises [1949] 1966: Ch. XXXVI).[1] This research paradigm, its promises, problems and potential—is the topic of the present collection of essays.

2. THE MISES-HAYEK POLITICAL ECONOMY ANALYSIS OF INTERVENTION

The essence of the insights making up the core of the analysis of interventionism formulated by Mises and Hayek may be summarized as the view that every government activity necessarily constitutes an intervention, i.e., an act whereby resources (in the broadest possible sense) through the coercive intervention of the government are reallocated relative to what would have been the outcome if human beings had been allowed to interact freely, and where this intervention results in welfare losses for at least some of the parties involved and potentially for all.[2]

However, what makes this process dynamic is the further insight that when such an intervention takes place the disturbance in the forces of supply and demand will lead to problems, which the decision-makers will subsequently have to address. In essence, they are then confronted with a new choice: To repeal the original intervention or to introduce further interventions. If they repeal the original intervention, they may recreate the market solution, but if they instead decide to intervene still further, it will only be a question of time before new, negative consequences of the new intervention manifest themselves—at which point they will be facing a replay of the previous choice.

Yet if the decision-makers consistently choose to intervene still further rather than to repeal the interventions creating the welfare losses in the first place, they will produce a still more government controlled society—a *Zwangswirtschaft*. To paraphrase Adam Smith's description of the beneficial outcomes of the market process—but here with a quite different conclusion—decision-makers are now led as if by an invisible hand to an end that might not itself have been part of their intention, i.e., they are led down the road to serfdom.

Any attempt at creating a "middle of the road" between a pure free market economy and a completely planned economy must, according to Mises and Hayek, ultimately fail, because such a condition cannot itself remain stable: The problems created by the original interventions will continuously create disturbances in the markets and necessitate still new decisions on what to do and will tend to generate still more intervention (Mises [1929] 1996: 54; Mises [1949] 1966: 858f; Mises [1950] 1991; cf. Burton 1984; Kurrild-Klitgaard 1990). The interventions made by the government simply cannot achieve the goals set; quite on the contrary they will worsen the situation, which will lead to further interventions, etc., and eventually these choices will lead to a totally government run economy—or alternatively have to be abandoned. Mises took this perspective to its ultimate conclusion: "There is *no* other choice: government either *abstains* from limited interference with the market forces, *or* it assumes *total control* over production and distribution. Either capitalism or socialism; there is no middle of the road" (Mises [1929] 1996: 9; emphasis added).

As such any attempt at a system of middle-of-the-road interventionism will not be a very successful one:

> "[The] universal struggle against competition promises to produce in the first instance something in many respects even worse, a state of affairs which can satisfy neither planners nor liberals … By destroying competition in industry after industry, this policy puts the consumer at the mercy of the joint monopolist action of capitalists and workers in the best organized industries. Yet, although this is a state of affairs which in wide fields has already existed for some time, and although much of the muddled (and most of the interested) agitation for planning aims at it, *it is not a state which is likely to persist* or *can be rationally justified*. Such independent planning by industrial monopolies would, in fact, produce effects opposite to those at which the argument for planning aims. Once this stage is reached, the only alternative to a return to competition is the control of the monopolies by the state—a control which, if it is to be made effective, must become progressively more complete and more detailed. It is this stage we are rapidly approaching. … If we are … rapidly moving toward such a state [of centralized planning], this is largely because most people still believe that it is [sic] must be possible to find some middle way between 'atomistic' competition and central direction. Nothing, indeed, seems at first more plausible, or is more likely to appeal to reasonable people, than the idea that our goal must be neither the extreme decentralization of free competition not the complete centralization of a single plan but some judicious mixture of the two methods. Yet mere common sense proves a treacherous guide in this field. Although competition can bear some mixture of regulation, it cannot be combined with planning to any extent we like without ceasing to operate as an effective guide to production. … Both competition and central

> direction become poor and inefficient tools if they are incomplete; *they are alternative principles used to solve the same problem, and a mixture of the two means that neither will really work and that the result will be worse than if either system had been consistently relied upon*." (Hayek [1944] 1976: 41f; emphasis added)

3. THREE CHALLENGES FOR THE MISES-HAYEK ANALYSIS

So, given the Mises-Hayek analysis are we on the way to Leviathan? And are societies and economies therefore going to pieces? Or are we, quite on the contrary—and as some critics of "globalization" and "neo-liberalism" might claim—solidly on the way to a capitalist economy and a minimal state?

The latter would certainly seem not to be the case. But neither would it seem to be altogether clear that the former is the case. For while the scope of government intervention in terms of potential interference has been extended in many countries, not all of them have experienced a steady *de facto* expansion of government in all areas—and some not in very many areas. Some countries, most notably the former socialist states in Eastern Europe, have indeed even witnessed dramatic declines in government intervention since 1989—and yet not really realized completely free markets. In fact, for many Western countries the over-all picture of recent decades would seem to be one of increasing regulation in some areas, some decrease in regulation in other areas, and with total taxes more or less stabilizing, albeit perhaps at relatively higher levels than in previous decades.

To illustrate this we may consider the changes in actual government intervention in the economies of the world in recent decades as measured by the extent of economic freedom, analyzed by the Fraser Institute and its collaborators in the Economic Freedom of the World Index (Gwartney, Lawson and Gartzke 2005). Figure 1 exhibits the development in over-all economic freedom in the countries rated in the index since 1970 on a scale from 0 to 10. The figure, which gives graphs for both the average index values for all rated countries and for only OECD countries, shows an over-all decrease in economic freedom (and hence increase in government intervention) in the 1970s and early 1980s, after which the average index values for the rated countries have risen and stabilized.

However, these average index values cover quite different countries, which may have experienced quite different changes over the period. So, alternatively we may consider just a single country, such as done in Figure 2, which displays the index values over time of the seven main areas covered by the Economic Freedom of the World Index as well as the over-all index value, but here only for the case of one country (Denmark). As is evident, the individual policies have changed significantly over the period: In some areas government intervention has become more pervasive (public sector size and regulation of businesses); in other areas, it has become much less so (monetary and trade policies, etc.), and in yet other areas there have been minor changes during the period but with no over-all changes (e.g. regulation of labor markets). The over-all picture is one of increasing over-all economic freedom, even if, e.g., the tax burden has increased.[3]

Either way, the general picture seems to be that both individual countries and a large number of countries on average may display the same pattern: interventionist economies, where governments often intervenes, some times more and some times less, depending on the areas. There is no consistent march towards either serfdom or freedom, at least not over the last 30-35 years.

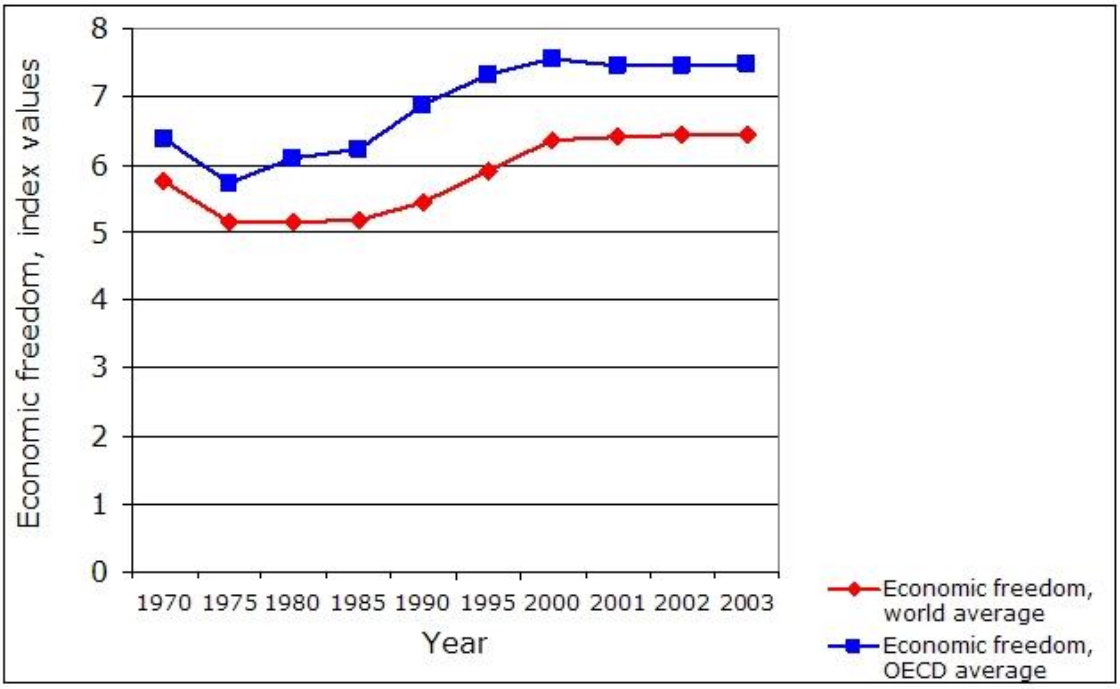

Figure 1.Changes in averages, Economic Freedom of the World index, all countries and OECD countries, 1970-2003.

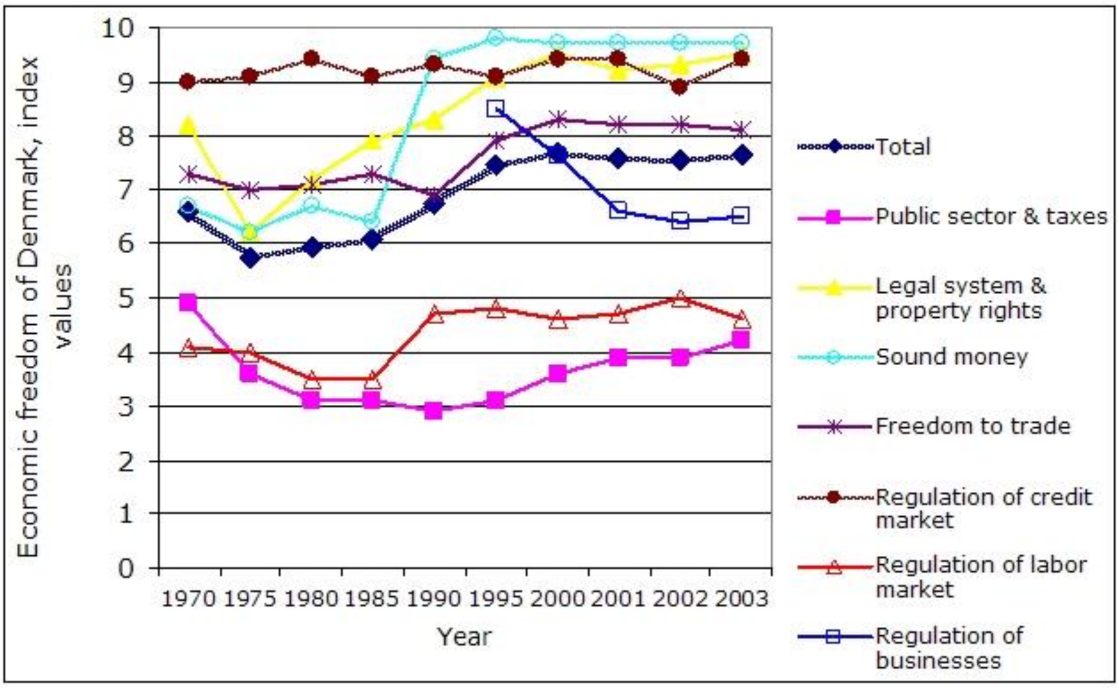

Figure 2. Changes in components of Economic Freedom of the World index, Denmark, 1970-2003.

Now, disregarding the possible issue that the index may be fundamentally flawed, these two figures alone suggest that there are issues which the analysis of interventionism needs to address. Why have there been changes up and down in the over-all extent of economic freedom (rather than uniform tendencies)? That is, what drives such changes, and why have the countries of the world not gone either all the way down the road to serfdom or all the way up the road to freedom?

As for the second part of the Mises-Hayek claim—that the consequences of such an interventionist regime will be unattractive—it is less obvious that the interventionist regimes necessarily do extremely poorly. While the consequences of government intervention are far from as positive as envisioned by the most optimistic champions of such policies, and while government intervention indeed seems empirically over-all to be hurtful to growth and prosperity (cf., e.g., Scully 2001; Holcombe 2001; Berggren 2003; Kurrild-Klitgaard and Berggren 2004), we should simultaneously acknowledge that the problems facing many modern societies, even the more regulated and taxed ones, are not necessarily as obviously frightening as what Mises and Hayek feared. A lot of countries could be doing much better in terms of the living standards of their citizens, but quite clearly many could also be doing much worse. Yet Mises, for example, spoke of how

> "The interventionist policies as practiced for many decades by all governments of the capitalistic West have brought about all those effects which the economists predicted. There are wars and civil wars, ruthless oppression of the masses by clusters of self-appointed dictators, economic depressions, mass unemployment, capital consumption, famines." (Mises [1949] 1966: 855)

Such phenomena have indeed occasionally occurred, not least in Mises' own time, but they are not the general picture of, e.g., those many Western countries which have regimes that in almost every way are considerably more interventionist than they were, when Mises and Hayek warned that the middle-of-the-road was untenable and that these states were on the road to serfdom. So while there is a well-established association between economic freedom and economic growth and prosperity, we should at least be somewhat puzzled when we observe that many interventionist countries seem to be doing comparatively fine. Even the most obvious of all types of government activity—i.e. the size of the public sector as such—does not seem to have significant, visible harmful (or beneficial) consequences with regard to economic growth (cf. Gordon and Wang 2004). In other words, a little intervention here and there, while harmful, may not necessarily kill the goose that lays the eggs.

On the other hand, if the consequences indeed occasionally or for longer periods seem to be too negative, then we have, what Ikeda has called the "Misesian paradox", e.g., in his contribution to this volume: If "interventionism is, as Mises describes it, illogical, unworkable, unsuitable, self-defeating, and contradictory …, why is it the most widespread and persistent politico-economic system in the world?" (cf. Ikeda 1997: 46).

There are, arguably, three problems confronting the application of the Mises-Hayek insights. The first is that there seems to be an aspect of almost determinism to it—or at least a sort of binary quasi-determinism. In certain passages of Mises and Hayek it seems specifically to sound as if there really are two and only two possibilities at each "decision node"—to intervene or not to intervene—and two and only two possible final outcomes—either a completely free market economy or a completely regulated, planned economy. Hayek, for example—in the previously quoted passage—seems to suggest that there is a "point of no return", after which interventions necessarily will lead to a total planned economy (Hayek [1944] 1976: 105).[4] Mises almost simultaneously suggested in an almost even more deterministic tone exactly the opposite conclusion—that the level of interventionism as it was after World War II had reached an unsustainable level and would have to disappear altogether: "Yet the age of interventionism is reaching its end. Interventionism has exhausted all its potentialities and must disappear. … The interventionist interlude must come to an end because interventionism cannot lead to a permanent system of social organization." (Mises [1949] 1966: 855 & 858) Obviously, both cannot simultaneously and equally be true.

Even if we accept these supposedly mutually exclusive final outcomes as ideal-typical characterizations that may be possibilities, it should be obvious that these are not the only logical or empirical possibilities. A middle-of-the-road system of relatively widespread intervention may perhaps lack a solid, consistent normative justification of its own,[5] and it may seem difficult to define conceptually in a way which simultaneously is logical, comprehensive and empirically applicable, but obviously it is not something that *apriori* simply cannot exist in practice—not for longer periods and perhaps not even without obviously catastrophic consequences.

But maybe there is no necessity in a steadfast march either one way or another. There would seem to be two main arguments for this, a predominantly theoretical and an empirical observation combined with theoretical insights. The theoretical argument is that these simply are not the only necessary alternatives in any meaningful sense. If we consider the logic of the decision-making situation as it would look like if we displayed it in an extensive form of a game-theoretical analysis, then there is simply no necessity for the outcome to be either a totally free market economy or a *Zwangswirtschaft*, where everything is regulated and redistributed; there are numerous other options and several other scenarios. Most fundamentally the political decision-makers may consider not simply either intervening or not-intervening: Rather, they may consider a broad range of policies, ranging from total Marxist-style intervention and all the way to a total Rothbardian-style extinction of government activities in that particular area (or all areas), as well as—between these poles—an infinite number of other possible policy alternatives, including minor increases or decreases in existing interventions—and even not doing anything at all. At the next node in this decision-tree—to borrow a metaphor from game theory—"nature" will be responding to whatever the decisions of the political decision makers were, but since we have no exact knowledge of the preferences and resources of the agents in the market place (or in the political market), we cannot *apriori* determine beyond the extremely general what the negative consequences will be—including whether or not they will be so considerable as to necessitate a further, future decision on whether to de-intervene or re-intervene—or not do anything at all. This would indeed also seem to mirror real-world empirical experience fairly well. Even when deregulation takes place, it rarely results in all government activities being completely abolished in that particular area, but rather in the creation of some new regulations simultaneous with the abolition of others.

There is another reason why the logic may not be as straightforward as suggested by Mises and Hayek, namely that there conceivably may be inherent "equilibrating" tendencies also in the process of intervention, whereby there—so to speak—are upper-limits to how much may be intervened before the problems become so big that the decision-makers decide to loosen a bit, albeit without doing so more than what is necessary to keep the economy from collapsing. This line of reasoning was perhaps first suggested by the British political scientist Norman P. Barry (Barry 1984b; cf. Barry 1984a) and subsequently criticized (Gray 1984; Burton 1984). What Barry suggested was, in essence, that there may be an "optimal rate of exploitation," where interest groups with interests different from those demanding more intervention may counteract the activities of the latter through the state itself, thus producing a consequence different from the Hayekian "Serfdom".[6] Barry's specific analysis invoked the fact that none of the western, liberal democratic market economies (whom Hayek was warning in 1944) have actually experienced the hyperinflation, which Hayek argued would be the automatic and necessary consequence of the policies he was criticizing.

To this we might add the example of the Laffer curve: the argument put forward by many free market economists from the 1970s and onwards that government revenues might actually be increased by lowering taxes and thereby stimulating the incentives for the market participants to engage even more in productive and mutually advantageous relationships—from which governments might then skim the cream, so to speak (Laffer 2004). If indeed governments reacted to such analyses then that behaviour would be consistent with Barry's hypothesis—thereby suggesting that there are variations of the "middle-of-the-road"-interventionism and that these may actually occasionally learn from mistakes, but only fiddle with the possibilities rather than fundamentally change the system.

The bottom-line thus becomes that portraying the choices of the decision-makers as simple binary choices is simply not very realistic (in any sense of that word) and hence that the portrayal as one between complete capitalism or complete socialism simply does not make sense. Furthermore, such a portrayal of the choice of the decision-makers almost of necessity leaves the analysis somewhat impotent when it comes to interpreting and explaining the events of the somewhat more complex empirical reality. However, there are obvious issues which the analysis should seek to address. Why is it that some times decision-makers choose to extend intervention and other times to repeal it (or some times to do nothing at all)? What is the role of "culture" or ideology in either supporting or restricting interventionist decisions? Austrian economic analysis, as it currently stands, has very little to say on this issue. In contrast, academics outside the tradition—often in ignorance of the Mises-Hayek analysis—have highlighted some factors, which might easily be integrated into the analysis, most notably the asymmetric nature of the relative dispersion of costs and benefits among decision-makers, interest groups, etc. (Olson [1965] 1971; Buchanan 1979; Wilson 1980; Arnold 1990). Together the observations should necessitate some second-thoughts among those fond of the Mises-Hayek type analysis. In particular, it would seem that social scientists working in the Austrian tradition need to focus more specifically and less abstractly on how particular versions of interventionism may work in practice.

The second problem is that there seems to be a rather poor application of the insights to cases of theory building or empirical applications. Many Austrian School economists seem to have been quite satisfied to repeat the general points made by Mises and Hayek but not really to elaborate the theoretical framework. There are some notable exceptions, e.g., attempts at taking the purely theoretical analysis of interventionism further (Rothbard [1970] 1977; Ikeda 1997), at bridging into new theoretical insights (e.g. Higgs 1987) and to conduct empirical applications (e.g., Rothbard 1963; Thornton 1991), but such attempts have generally been relatively few. If the Mises-Hayek analysis of interventionism is to be a vibrant, challenging research program, it needs not only to re-tell its theoretical foundation but to develop and extend its theoretical analysis and apply this to highlighting actual processes of intervention.

The third problem is perhaps an outgrowth of these two first problems: There seems to be an almost non-existent interest in the Austrian theory of interventionism outside the rather narrow circles of self-conscious Austrian School economists. This is all the more striking since there are strands of social science research which should seem to be naturally aligned with the Austrian analysis, first and foremost the application of so-called rational choice models, inspired by economic theories and game theory, to the field of politics. Such analysis comes in many forms (Mitchell 1988), but especially the types of inquiry initiated by the "public choice" scholars of the "Virginia school" would seem to be potential allies (cf. the classic works by Buchanan and Tullock [1962] 1999; Olson [1965] 1971).[7] Many public choice scholars also focus on the essentially interventionist character of every single government activity (e.g. Aranson and Ordeshook 1981) and on the redistributive and welfare loss producing nature of such, most notably the analysis of "rent-seeking" spearheaded by the works of Gordon Tullock (Tullock [1967] 2004; cf. Tullock 2005). Some attempts at combining insights from both the Mises-Hayek analysis and the public choice school have been made, but again the examples are relatively few and sporadic (e.g., Higgs 1987; DiLorenzo 1988; Thornton 1991; Anderson and Boettke 1993; Boettke 1995; Ikeda 2003), or confined to a single special issue of the *Review of Austrian Economics* (15:2/3, cf. Boettke and López 2002). The end result is that—with the exception of Hayek's more popular publication on the road to serfdom (Hayek [1944] 1976)—the Mises-Hayek analysis of interventionism is largely unknown outside Austrian circles—even if it actually might have much to teach others, and perhaps even be integrated with the thinking of other schools of thought.

4. THE CONTRIBUTIONS

Raising such questions are in the line of the editorial ambitions of this series (cf. Koppl, Birner and Kurrild-Klitgaard 2003 and the Editors' Introduction to the present volume), and these are, generally speaking, the types of issues that have motivated the editors to try to collect studies such as those included here.

The contributions of this volume span wide, both in chronology, perspectives, applications and conclusions, and—as in almost all edited volumes—this creates a certain unevenness in the collection as a whole, but roughly speaking the contributions to this collection of studies may be roughly divided into three parts: Theoretical themes; attempts at conceptual extensions or discussions of related subjects; empirical applications and perspectives.

The collection begins with an introductory essay by a scholar, who is no doubt his generation's leading scholar on the Austrian theory of interventionism, the U.S. economist *Sanford Ikeda*, whose pioneering work in the field has brought back wider attention to the entire Mises-Hayek theory of interventionism (Ikeda 1997). In his essay Ikeda seeks to introduce the historical evolution of the Mises-Hayek tradition of political economy and to show that it indeed is a useful framework for understanding the operation of the mixed economy, and specifically that with updating and revision in light of more recent theoretical innovations it can be made even more useful still. This—Ikeda argues—is particularly the case when it comes to incorporating concepts and insights from the public choice tradition; he sees the identities of the two research programs as distinct but complementary.

Two contributions to this collection stand out in terms of their historical role and character, i.e., the two essays authored by *Walter E. Grinder* and *John Hagel III*. These were both elements of a much larger research project envisioned by Grinder and Hagel in the mid-1970s, which resulted in a number of papers presented at academic conferences—these two papers at the 22-28 June, 1975 Institute for Humane Studies conference on Austrian economics at the University of Hartford, which was one of the conferences that is widely credited with having been instrumental in stimulating US interest in the Austrian School in the 1970s.[8] However, only one of the papers from this project was ever published (Grinder and Hagel 1977), and the planned book never saw publication—and it is all the more relevant that these two papers finally are published. In the first of these—presented by Hagel in 1975 and with him as the main author—Hagel and Grinder gives a basic introduction to the Austrian theory of the dynamics of interventionism, especially as seen the Rothbardian integration and systematization of the Mises-Hayek analysis of interventionism with the insights from other Austrians (Kizner, Lachmann, et al.) as well as classical liberal economists and sociologists such as Albert Jay Nock. This allows Hagel and Grinder to address such questions as the comparative differences between, e.g., a system of interventionism, socialism and fascism, as well as the role of ideology.

The article by the two American Austrian economists *Walter Block* and *William Barnett II* is a contribution along the same general line of analysis. But they turn their attention to the methodological underpinnings of the Austrian analysis and focus on how this makes the Austrian analysis different from that of neo-classicial, positivist economists—including, as they see it, public choice theory and neo-classical welfare economics, just as they try to distinguish the Austrian political economy from aspects of Marxist analysis.

In his paper, the U.S. economist *Bruce L. Benson* focuses more narrowly on trying to elaborate on the analysis of interventionism, and he finds that both Austrian political economy and public choice theory have flaws. But as distinct from both Ikeda (who thinks that Austrian political economy and public choice are distinct but compatible), Block and Barnett (who think that they are different and should remain so) and Hagel and Grinder (who for various reasons did not address the issue directly) he does so by explicitly calling for dropping the distinctions between the traditions and instead formulating an integrated Austrian-public-choice and neo-institutional model that may include assumptions about the relationships between regulations, property rights security, and both market and political behavior. He attempts to show this by applying the insights to the process of regulation in a context of rent-seeking special interest groups.

The next group of papers try to apply Austrian insights derived from or related to the theory of interventionism to selected areas within economics and politics. In the second of the two 1975-papers by Hagel and Grinder—here with Grinder as the primary author—the authors seek to show how the Austrian theory of interventionism and the Austrian theory of business cycles not only have a common origin in the works of Mises and Hayek in the 1920s but also may provide insights to each other. The US public choice economist *Roger D. Congleton* in his paper raises the highly acute question of how governments manages (or mismanages) crises. The paper does not utilize the Austrian theory of interventionism directly, but rather seeks to introduce Hayek's analysis of the use and subjective character of knowledge into a public choice model of the political economy of political decision-making in times of crisis—an area of research which so far has been neglected by public choice theorists. Swedish political scientist *Erik Moberg* considers the Misesian question of whether the middle-of-the-road really is stable and situates his answers in terms of a dialogue between the Austrian School and public choice theory and specifically in a comparison of the latter's analysis of the so-called median voter theorem.

But what is the role of "culture" in generating particular responses to particular issues of public policy? Hayek touched upon it briefly in The Road to Serfdom, but it is a question largely left out of consideration in the Mises-Hayek theoretical inquiry into the dynamics of intervention—but should it be? These are indeed some of the themes originally investigated by the U.S. economist *Daniel B. Klein* in an article in *Economics and Philosophy* (Klein 1994); that essay has been republished here, but in a revised version and with a new postscript written in 2004. Klein's answer to the question is that politicians are honest—and rent-seeking; his paper may in some ways seem as a support for the call of some of the contributors to try to integrate Austrian intervention analysis and public choice theory. In my own essay I try to add a different perspective to the problem of getting the right solutions—and reforms—to institutional arrangements. Specifically, the essay tries to address issues which really originate in the public choice analysis of constitutional arrangements, often known as "constitutional political economy" or "constitutional economics" (cf. Buchanan 1987; Gwartney and Wagner 1988; Voigt 1997). Much of this type of analysis relies on a type of analysis, where a problematic collective action situation is identified and subsequently a "contractarian" solution is posited. The Mises-Hayek analysis enters the picture in the sense that it may be used to highlight why constitutions often are not very good at limiting government in practice: Government activities have a tendency to create demands for further such, and this will gradually erode constitutional constraints. As such his analysis fits well as support for Ikeda's conclusion that even a minimal state will be a victim to the dynamic tendencies of interventionism.

The third group of papers all deal with more specific empirical aspects of the dynamics of interventionism—or even with very specific case studies. US economist *Robert Higgs*, who in his modern classic, *Crisis and Leviathan* (Higgs 1987), drew on both Austrian and public choice insights in order to analyze the growth of government in the 20th century, here takes up a related theme, namely how to explain the changes in the growth of government in the late 20th century. He examines this in a critical dialogue with the Austrian School and simultaneously demonstrates how many measures of government size fail to capture the real extent of government intervention; part of this analysis concludes that societies are most likely to remain on the middle-of-the-road. The U.S. economist *Robert J. Bradley, Jr.* considers the dynamics of interventionism in the U.S. energy industry, while the British economist, *Mark Pennington*, examines land use regulation in the U.K. US economist *Mark Thornton* applies the logic to the attempts by governments to use "sin taxes" to prevent individuals from harming themselves, e.g., with drugs or alcohol, and the Swedish political scientist *Rolf Höijer* considers two related empirical examples from the paradigmatic case of the welfare state of Sweden: the governments' sterilization campaigns and seat-belt campaigns. It is shown that the initial introduction of government "insurance" schemes is frequently followed by interventions that either exclude individuals or limit how they may behave. The German economic historian *Oliver Volckart* analyzes the interventionist character and structure of the Nazi state 1933-39, partly as a criticism of the public choice economist, Ronald Wintrobe's analysis of bureau competition in Hitler's Third Reich. The collection finishes with a short note by Swedish political scientist *Jan-Erik Lane*, who raises questions relating to the Austrians' concept of "spontaneous order" as an explanatory element in the analysis of the development of the European Union.

These contributions, in each their individual ways, do indicate that the Austrian analysis of the dynamics of interventionism is a promising research program, and one which may both contribute to the perspectives of other traditions as well as gain from the insights produced by these.

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NOTES

[1] Cf. Ikeda 1997 and Ikeda's contribution to this volume.

[2] Cf. also Rothbard 1956; for a typology of the forms of intervention, see Rothbard [1970] 1977.

[3] For an analysis of this particular case, see Kurrild-Klitgaard 2005.

[4] Hayek, of course, did not embrace determinism, but merely one focusing on structural constraints, cf. Hayek [1944] 1976: 1-2. However, his analysis of the seeming inevitability of interventionism seems to almost suggest it.

[5] Even this is somewhat debatable. While one may disagree with every one of them (as at least the present author does), there is certainly nothing plainly absurd in the welfare state ideological recommendations of, say, a John Rawls or an Alan Gewirth (cf. Rawls 1971; Gewirth 1978).

[6] Cf. Gray 1984: 37f. The argument seems to be potentially compatible with the Chicago School view of interest groups such as espoused by, e.g., Gary Becker and Donald Wittman.

[7] As so many others (e.g. Boettke and López 2002), I shall follow Dennis C. Mueller's by now classic definition of "public choice" as simply meaning the economic study of non-market decision-making or the application of economics to political science, cf. Mueller 1976; Mueller 2003. With this definition it would indeed seem easy to see the Austrian theory of interventionism as a part of public choice, even if it is not a theory developed by or usually elaborated on by members of the Virginia School.

[8] For a detailed eyewitness account of this somewhat historic and star-studded conference, including words about the positive reception of the Hagel and Grinder papers, see Ebeling 1975.