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## public choice

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### Abstract

By assuming that voters, politicians and bureaucrats are mainly self-interested, public choice uses economic tools to deal with the traditional problems of political science. Its findings revolve around the effects of voter ignorance, agenda control and the incentives facing bureaucrats in sacrificing the public interest to special interests. The design of improved governmental methods based on the positive information about how governments actually function has been an important part of public choice. Constitutional reforms advocated variously by public choice thinkers include direct voting, proportional representation, bicameral legislatures, reinforced majorities, competition between government departments, and contracting out government activities.

### Keywords

agenda control; Arrow, K.; bicameral legislatures; Black, D.; Buchanan, J.; bureaucracy; constitutions, economic approach to; democracy; direct voting; Downs, A.; Niskanen, W.; proportional representation; public choice; public interest; reinforced majorities; single-peaked preferences; social choice; special interests; Tullock, G.; voting

### Article

In the 18th and 19th centuries a number of mathematicians (Condorcet, Borda, Laplace and Lewis Carroll) became interested in the mathematics of the voting process; their work was forgotten until Duncan Black rediscovered it (see, e.g., Black, 1958). Black can be called the father of modern Public Choice, which is in essence the use of economic tools to deal with the traditional problems of political science. Historically, economics (political economy) dealt to a very large extent with the choice of government policies with respect to economic matters. Whether protective tariffs were or were not good things would be a characteristic topic of traditional economics and in examining the question, it was assumed, of course, that the government was attempting essentially to maximize some kind of welfare function for society.

We do not expect businessmen to devote a great deal of time and attention to maximizing the public interest. We assume that, although they will of course make some sacrifices to help the poor and advance the public welfare, basically they are concerned with benefiting themselves. Traditionally economists did not take the same attitude towards government officials, but public choice theory does. To simplify the matter, the voter is thought of as a customer and the politician as a

businessman/entrepreneur. The bureaucracy of General Motors is thought to be attempting to design and sell reasonably good cars because that is how promotions and pay rises are secured. Similarly, we assume that the government bureaucracy will be attempting mainly to produce policies which in the views of their superiors are good because that is how their promotions and pay rises are secured.

In all these cases, of course, the individual probably has at least some willingness to sacrifice for the public good. Businessmen contribute both time and money to worthy causes and politicians on occasion vote for things that they think are right rather than things which will help them get re-elected. In both cases, however, this is a relatively minor activity compared to maximizing one's own well-being.

The only surprising thing about the above propositions is that they have not traditionally been orthodox either in economics or political science. Writers who did hold them, like Machiavelli in parts of *The Prince*, were regarded as morally suspect and tended to be held up as bad examples rather than as profound analysts.

Public Choice changes this, but even more important, by using a model in which voters, politicians and bureaucrats are assumed to be mainly self-interested, it became possible to employ tools of analysis that are derived from economic methodology.

As a result, fairly rigorous models have been developed which can be tested with the same kind of statistical procedures that are used in economics, although their data are drawn from the political sphere. The result is a new theory of politics which is more rigorous, more realistic, and better tested than the older orthodoxy.

While the basic thrust of the Public Choice work has been positive (directed towards understanding politics), from the very beginning it has also had a strong normative component. Students of Public Choice might modify Marx to read that 'the problem is to understand the world so that we can improve it'. Thus the design of improved governmental methods based on the positive information about how governments actually function has been an important part of Public Choice work, and is usually referred to as the theory of constitutions.

Before discussing this, it is necessary to outline briefly related discoveries in four general areas, viz: voters, politicians, the voting process which relates voters to politicians, and the theory of bureaucracy.

We begin with voters. One of the earliest discoveries of the new Public Choice (see Downs, 1957, pp. 207–78) was that a rational voter would not bother to be very well informed about the votes that he cast. The reason is simply that the effect of his vote on his well-being is trivially small (see Tullock, 1967a, pp. 100–14). Apparently voters have always known this, since empirical studies of voter knowledge show them extremely ignorant, but it was something of a revelation to traditional professors of Political Science. Further, this general ignorance of the voter is not symmetrical. The voter is likely to know a good deal about any special interest which he has. Further, organized special interest groups will put effort into propagandizing the voter in such areas. Thus the voter is not only badly informed, but what information he has tends to be biased very heavily in the direction of his own occupation or avocation. The farmer is much more likely to know the views of the candidates on farm programmes than their views on nuclear war. It could be said that even on the farm programme he is probably not very well informed, just better informed.

One should not exaggerate of course. The voter, simply by living and following current events in newspapers and on television, does acquire a certain amount of general information about politics. Not much of it seems to stick, however, and in any event it is very heavily affected by temporary fads. It should also be emphasized that some kinds of special interests of the voter are not in any real sense

selfish. For example, in the USA many people are influenced in their vote by such institutions as Common Cause and Liberty Lobby and make voluntary cash contributions to them. Clearly, this is an expression by those people of their interest in good government, even though the two groups define this in a radically different way. There is no doubt, however, that a well organized special interest is apt to have more impact on any specific issue than either the general media or so-called public interest groups like Common Cause or Liberty Lobby, even though in the very long run, considering what one might call the 'general mystique' of government, the media are very important.

Consider next the politician. A politician is a person who makes a living by being elected by voters of the kind described above. Further, many politicians are themselves voters as, let us say, members of the House of Representatives. While in the latter capacity, although it is not true that politicians' information is as bad as that of the voter, a similar effect is still at work. An individual member of the House of Representatives or the House of Commons who switches one hour a week from general study of the issues on which he must vote to constituency service will normally reduce only trivially the quality of the legislation as it affects his constituency. On the other hand, by so re-allocating his time, he may materially improve his relations with his electors. Thus we would expect that politicians will be less well-informed on general matters than we would like.

This is simply one example of a large number of cases in which politicians' behaviour is not necessarily that which maximizes the public welfare: they vote in Congress and seek public positions in terms of what they think the voters *will* reward, not in terms of what they think the voters *should* reward. Since a politician knows that his constituents are badly informed, these two positions can be radically different. Nevertheless, if we are believers in democracy, which literally means popular rule, then the government should do what the people want and not what some wiser person feels that they should want. In any event, 'in order to be a great Senator, one must first of all be a Senator'.

Obviously the cost to the public of this kind of behaviour is quite considerable. It is particularly so when we think of the investment of resources and influence in the government which are, to a considerable extent, wasted. However, if we contrast functioning democracies with the other types of government which we observe, we are not likely to feel that democracies are markedly less efficient.

We now turn to the voting process, which connects the public to the politicians and the latter to the actual policy outcomes. Uninformed people think that this is basically a trivial problem, you simply count the votes. Unfortunately, this does not follow, even though the author of this essay is one of the few Public Choice theorists who regards the problems to be discussed next as being possibly illusory.

Condorcet, Borda, Laplace and Lewis Carroll and, in the 20th century, mathematical economists like Black and Kenneth Arrow discovered a set of mathematical problems sufficiently difficult to be taken as proof that democracy is either an illusion or a fraud. Basically, if we assume that all individuals can order various policy proposals, producing a personal ranking from top to bottom (indifference between alternatives being permitted) and that these orderings differ from person to person (and do not fall into a set of narrowly specified and rather unlikely patterns), then one of the following three phenomena can occur under any conceivable system of voting:

- 1. Endless cycling with A beating B and B beating C then C beating A.
  - 2. An outcome which is dependent on the order in which the various proposals are voted on.
- (It should be pointed out in this connection that if this is so, and the people are well informed, voting on the order of voting reproduces the same problem.)

- 3. A situation in which the choice between alternative A and alternative B depends on whether alternative C (which in itself has no chance of winning) is or is not entered into the voting process. Most legislatures follow procedures which fall under the second of these possibilities.

If there is a possibility of arranging all of the alternatives in a single dimension with individuals having an optimal point and their preferences falling away monotonically as one moves away from that optimal point in either direction (single peakedness), then the problem is avoided. Unfortunately, most choices involve policies that differ from each other in more than one dimension and so cannot be arrayed in such a one-dimensional continuum. Furthermore, voting on them one aspect at a time reintroduces the second of the problems above. Nevertheless, the assumption of single peaks (whose validity is probably due to voter ignorance) has been successfully used in much empirical work.

While there is no doubt about the mathematical accuracy of the proofs of the above propositions, the real problem is whether they are of great practical significance in voting. Unfortunately, this turns out to be an extremely difficult question whose solution is unlikely to be found in the near future. In essence there are two possibilities when we observe such voting bodies as the House of Representatives and look at the outcome. The first is that the outcome is essentially random, that is, matters are taken up in some order, that order determines the voting outcome and the members of the House do not realize that they could then change that outcome by changing the order in which the propositions are voted on. This possibility would imply that luck plays an immense role in democracy.

The alternative is to say that the outcome is manipulated by somebody who understands the situation and who has control over the agenda. The House majority leader, or the chairman of the Rules committee, is sometimes suggested as that person. This implies that we really have a dictatorship, one that is well concealed.

In my opinion, the indeterminacy thrown into the outcome by these propositions of social choice theory is actually quite small in practical terms. Thus the Chairman of the House Rules Committee may be able to change an appropriation bill by, say, one hundred thousand dollars, but not by an amount which (given the size of these appropriations) is particularly relevant (see Tullock, 1967b). Among Public Choice theorists mine is a minority point of view. The majority, although it is deeply concerned about these problems, tends to ignore the implications of its point of view on the desirability of democracy as a form of government.

Empirical evidence has clearly demonstrated that agenda control can to some extent affect the outcome. This of course is going to surprise nobody. One does not need the complex mathematics of voting in order to realize that those members of any assembly who are in a position to control the order upon which things are voted have power. Similarly the control of what propositions are actually put before the voters can have considerable impact on the outcome. The demonstration of the empirical impact from agenda control, however, does not really support the theorems given above. Of course, we cannot say that the failure to find clearcut proofs that the outcome in a democracy is essentially either random or fraudulent (as would be implied by the mathematical work on voting) proves that it is not. The problem is difficult and subtle and in the present state of our knowledge must be left for further research. Meanwhile, we all go on with faith that the voting process produces an acceptable outcome even though mathematical investigation raises grave doubts.

Turning now to the theory of bureaucracy, once again Public Choice thought has worked a revolution. The traditional view was either that bureaucrats followed the orders of their political

superiors or alternatively that they simply did what was right. Public Choice theorists, following the work of Tullock (1965), Downs (1967) and Niskanen (1971), believe that these are not proper statements about the bureaucrats' motives, although to some extent the bureaucrats do attempt to do what is right – including obedience to the views of their superiors. However, in modern societies where civil service legislation makes it all but impossible for the superiors either to dismiss them or even to reduce their salaries, the degree to which the bureaucrats are so compelled is moderate. Furthermore, in most civil service situations the power of a political appointee to reward his inferiors by promotion is very much restricted. Promotion decisions are to a considerable extent controlled by both legal and public-relations considerations which may compel a superior to promote someone whom he actually thinks has been sabotaging his policy.

While this is a characteristic of most modern civil service structures, there is no law of nature which says that government should be organized in this way. Traditionally, higher officials have been free to promote, demote or dismiss their subordinates. Even here, however, the fact that the higher official cannot possibly know everything that is going on at the lower ranks means that his control gradually diminishes as one moves away from his position down the pyramid of ranks.

For example, in the USA it was recently discovered that it is not possible for the Secretary of Defense to know the specifications which a civil servant, located at a vast distance down the pyramid, produced for a new coffee pot for military aircraft. In this case, the civil servant who specified a coffee pot capable of withstanding a crash that would kill the entire crew of the plane was neither dismissed nor even reprimanded. Indeed the newspapers that reported the story did not even mention his name, but instead concentrated on the Secretary of Defense. In 1870 a military procurement agent who made a mistake like this (and which got into the newspapers) would have found it necessary to hunt for a new job within an hour or so.

Basically the average employee in a bureaucracy is interested in retaining his job and gaining promotion and for this purpose wants to please his superiors. Under the old-fashioned system where he had little job security, and where promotion was determined strictly by his superiors, there was considerable pressure on him. In present circumstances, where to all intents and purposes he cannot be dismissed and where even his promotion is to some extent protected from political intervention by his superiors, this pressure is less important. However, even in a different case, in which he did indeed want to please his superiors, this would not necessarily lead to activity which is in the public interest. That would depend on the political situation of the party or individual who at that time was in control of his branch of the government.

This attenuation of control, in which much of what is done by lower-ranking officials is simply unknown to those of higher rank, is characteristic of all bureaucracies. There are however various ways by which the higher ranks can become, to some extent, aware of what is being done by the lower ranks. Undoubtedly the most efficient of these is simply an accounting system. In the case of a private company, whose motive is making money, the accounts do a reasonably good job (no more) of signalling what the various lower ranking officials are contributing to that goal. When we turn to government, however, we have the combination of a set of objectives that are either vague or not clearly specified, and a situation where there is no accurate way of measuring the contribution of each person to those objectives. Under such circumstances, control is much more severely attenuated.

When we have a civil service structure which separates the individual from much of the control power of his superiors, the problem is even more severe. Whether an individual bureaucrat works hard

or not, prepares himself or herself well or not, is largely a matter of individual choice. As a rough rule of thumb, those people who do work hard and prepare themselves well are those people who have their own idea of what government should do in their particular division and work hard at that. In a way they are hobbyists. It should be said however, that their hobby is normally motivated by a desire on their part to maximize what they think is the public good. In other words, they are usually well-intentioned individuals who can be criticized only in that their idea of the public good may or may not coincide with that of their superiors. If it does not coincide, this does not prove that they are wrong and the superiors right, but it does mean that the government is not apt to follow a coordinated policy. In times past, it used to be normal to refer to the US Department of State as 'a loose confederation of tribal chieftains'. The phrase is not used any more, but as far as I can see this is only because the confederation itself has broken down.

Bureaucrats normally have several private motives. One is, of course, simply not to work too hard – a motive which does not seriously affect the hobbyist described above. Another is to expand the size of one's own department and in the process of so doing, being willing to go along with the expansion of all the rest. A third is to improve the 'perks' that accompany the particular position (see Migue and Balageur, 1974).

Note that this is not intended as criticism of the bureaucrat. We would expect anyone who is given the kind of opportunities that are given to bureaucrats to do more or less what they do. However, the consequence is that large bureaucracies tend to grow larger, tend as they grow larger to follow less in the way of integrated policies and more in the way of policies that develop in the lower reaches of the pyramid, and tend in fact not to work terribly hard (see Bennett and Orzechowski, 1983).

The problem is multiplied when bureaucracies become very large, because the members of the bureaucracy can vote. Furthermore, empirical evidence (see Bennett and Orzechowski, 1983) shows they vote more frequently than non-bureaucrats. Thus their percentage in the voting population is somewhat larger than their percentage in the actual population (see Frey and Pommernhe, 1982). Thus, the political superior must consider the people working for him as in part his employers rather than his employees. He may not be able to fire them, but in the mass they can fire him. Altogether, the system is not well designed and does not work very well.

So far we have been talking about Public Choice and what has been learned, but not of the lessons of a normative nature that have been drawn i.e. the theory of constitutions. It is to this that I now turn.

Not all students of Public Choice favour the same reforms in each area. Further, some have not specifically said what reforms they would prefer because they believe that not enough is yet known about the process to be able to suggest improvements. Nevertheless, there are several rather general propositions which most students would agree upon as ways of improving the functioning of government. In a discussion as brief as this, it is not possible to include all the differences of opinion and all the modifying clauses which would be appended to each suggestion for reform. Thus the reader should not assume that everyone studying Public Choice agrees with all the propositions which follow.

To begin with the voter, no student of the subject has any idea of how to improve the voters' information. With respect to voting itself there have been some proposals for improved voting methods, but no widespread support exists for any particular improvement. In spite of this, I think it can be said fairly that most students would like to see voters vote more than they do now, favouring more direct voting on issues, and legislatures with larger membership (so that the connection of an individual voter and his representative is closer).

The basic desire to give voters more control of the mechanism is not based on any false idea of how well the voters are informed. It is simply that the voters are the only people in the whole process who do not have an element of systematic bias in their decision process. They may be badly informed, but what they want is their own well-being. The well-being of its citizens should be the objective of the state. When we turn to other parts of the government invariably we find at least some conflict between the interests of the officials and the interests of the average man. Thus increasing the average man's control is not particularly likely to improve the efficiency of the government using some abstract definition of efficiency. But it is likely to make the government more in accord with the preferences of the common man; i.e. it brings us a little closer to the objective of popular rule which is supposed to be what democracy is about. Those who do not favour popular rule would not regard this as desirable, but there are few elitists among the students of Public Choice.

The actual decision-making procedures used in the legislatures have been widely discussed and some proposed improvements command wide acceptance. First, many would like to have at least one house of the legislature elected by proportional representation. Secondly, Buchanan and Tullock's arguments in *The Calculus of Consent* (1962) for bicameral legislatures have generally been accepted. The further suggestion there that more than a simple majority is desirable for most legislation is seldom directly criticized, but is not so widely approved. The argument that this higher-than-majority requirement would change the structure of the log-rolling process in a favourable way has seldom been directly criticized, but the asymmetrical effect of such a rule (i.e., the status quo is retained unless a reinforced majority can be obtained to change it) offends some people.

Turning to the bureaucracy, there is much more agreement on reform. First, that a bureaucracy should be brought more firmly under the control of the political leaders is, I think, uniformly accepted. The dangers of this are recognized – but there are various ways in which the higher officials could be given the right to discipline civil servants while still reducing their power to fill the government with their cousins.

Apart from such straightforward proposals for changes in the personnel structure there are other ways of putting pressure on the government. The first is to work some competition into the system. Currently, not only do most government departments have a monopoly over whatever function they perform, but almost every proposal to increase the efficiency of government takes the form of eliminating what little competition has popped up. Competition between government departments should be encouraged rather than discouraged.

Finally, it may be possible to 'contract out' government activities or literally transfer them wholly to the market. The mere threat of this will frequently lower the cost of government activity. Having several private companies bidding for a government service, however, is better.

It can be seen that at the concrete level, those who study Public Choice have been able to provide more in the way of suggestions for reform within the bureaucratic structure than in the higher level parts of democracy where the voters control the legislature, and the legislature and executive then control the bureaucracy. This is unfortunate but not surprising. Nevertheless, there are suggestions for improving the whole structure of government and with time, it is hoped, there will be both more ways of making improvements and better scientific evidence that the 'improvements' are indeed improvements.

Public Choice is a new and radical approach to government, but its firm foundations in economic methodology mean that we have more confidence in its accuracy than with most new ideas. Further, it

has by now been empirically tested very thoroughly. Government is the solution to some problems and the source of others. Public Choice shows strong promise of being able to reduce significantly the difficulties we now have with democratic government.

## See Also

- Black, Duncan
- constitutions, economic approach to
- social choice

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