The Collected Works of
James M. Buchanan

VOLUME 13

Politics as Public Choice

Left to right: Ronald Coase, Duncan Black, James Buchanan, James Ferguson, Warren Nutter, Gordon Tullock, Leland Yeager. Thomas Jefferson Center, University of Virginia, Charlottesville, November 1962.

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Politics as Public Choice

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Foreword

James M. Buchanan is one of the founders of public choice theory and a longtime leader in the public choice revolution in economics and political science. This revolution was based on the expansion of economic methodology to include the study of government. After the revolution, government was no longer treated as a black box in public choice theory; it was analyzed with the tools and assumptions of modern economic theory. Public choice examines governmental institutions and actors on the assumption that behavior in markets and in government is essentially the same; that is, decision makers are animated by self-interest or by the idea of pursuing their goals effectively. Constraints on individual behavior may differ in government, but the actors themselves are the self-same individuals who populate market settings. Government agents are not seen as pursuing some nebulous idea of the "public interest"; they are seen, rather, as pursuing their individual self-interest in a governmental context.

This change of perspective probably seems simple in retrospect, but the fruits of this revolution have been plentiful. We now have a richer normative and positive understanding of how government can be improved and of how government actually works. Because of the public choice revolution, we immediately know more about voting rules, legislative decision making, bureaucracy, and many other aspects of government. We are also able to assess the realistic possibilities of government in a much wiser fashion. The lesson of public choice is that institutional alternatives must be assessed on a case-by-case basis and that the relevant choice is between imperfect markets and imperfect governments. While there is no automatic presumption that government interference in the economy is undesirable, there is also no automatic presumption that it is desirable. Selecting the "best" institutions becomes a critical problem in public choice theory. This important shift in emphasis and analysis has been one of the main results of the public choice revolution—a movement at the center of which Buchanan has been for his entire career.

One might ordinarily think that a collection of James M. Buchanan's essays on public choice would be mostly preempted by his contributions to this subject matter published in books such as *The Calculus of Consent* or *The Reason of Rules*, which appear elsewhere in his Collected Works.[1] Nothing could be further from the truth, as the essays in this volume aptly demonstrate. Originality and insight, as well as clear articulation of important theoretical principles, are the guiding themes of the papers in this volume. Moreover, many of these papers have had a significant impact on the subsequent literature.

Let us take a few examples. The paper "Voter Choice" (with Geoffrey Brennan), which appeared in the *American Behavioral Scientist*, has sparked a new approach to the problem of voter choice and voting behavior.[2] This new theory is called the *theory of expressive voting*, wherein the setting of democratic voting is analyzed as a low-cost environment in which to act, for example, altruistically. In such a way one might explain the emphasis on income redistribution policies that characterize most democracies. This fascinating approach to voter choice is gaining growing recognition in the literature of public choice and political science.

Buchanan has also made important contributions to the now popular theory of rent seeking. Buchanan's highly influential essay "Rent Seeking and Profit Seeking" appears in volume 1 of his Collected Works, *The Logical Foundations of Constitutional Liberty*. This paper served to educate a generation of economists about the nature and implications of the rent-seeking idea. Buchanan's contributions to the theory of rent seeking reprinted in this volume are also quite important. His paper "Reform in the Rent-Seeking So-

1. James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor: University of Michigan Press, 1962), volume 3 in the series; Geoffrey Brennan and James M. Buchanan, *The Reason of Rules: Constitutional Political Economy* (Cambridge: Cambridge University Press, 1985), volume 10 in the series.

2. Geoffrey Brennan and James M. Buchanan, "Voter Choice: Evaluating Political Alternatives," *American Behavioral Scientist* 28 (November/December 1984): 185–201.

ciety," for example, points out some of the basic difficulties in ridding the political system of the scourge of rent seeking.[3]

A final example of the originality and impact of the papers in this volume is the paper "Polluters' Profits and Political Response" (with Gordon Tullock).[4] This paper was reputedly written over a weekend in Blacksburg, Virginia, and it was the first paper to explain why social and environmental policies could be driven by redistributive rather than purely allocative considerations. As such, this paper has stimulated a modern literature that theoretically and empirically examines public policy in these areas with interest group models, and which stresses the importance of strategic behavior among firms in an industry in influencing the pattern and impact of regulation. The importance of this paper cannot be overstated.

While these three papers serve as an enticement to read the entire volume, the remainder of *Politics as Public Choice* makes for fascinating reading. Part 1 contains several retrospective and methodological papers on the public choice movement. Part 2 contains three papers that illustrate some of Buchanan's discontent with the modern development of public choice theory. Part 3 presents some of Buchanan's contributions to the theory of voter behavior. Part 4 presents some papers showing Buchanan's abiding interest in formal voting theory. Part 5 contains most of Buchanan's contributions to the emerging theory of rent seeking. Part 6 contains the "Polluters' Profits" and other papers on the subject of economic and social regulation. Finally, part 7 presents papers that deal with public choice aspects of the level and growth of public spending.

Read in conjunction with the other parts of the Collected Works, these papers offer the reader a fuller appreciation of the public choice revolution and its impact and prospects.

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1999

3. James M. Buchanan, "Rent Seeking and Profit Seeking," in *Toward a Theory of the Rent-Seeking Society*, ed. James M. Buchanan, Robert D. Tollison, and Gordon Tullock (College Station: Texas A&M University Press, 1980), 3–15; "Reform in the Rent-Seeking Society," *Toward a Theory of the Rent-Seeking Society*, 359–67.

4. James M. Buchanan and Gordon Tullock, "Polluters' Profits and Political Response: Direct Controls versus Taxes," *American Economic Review* 65 (March 1975): 139–47.

PART ONE

General Approach

An Economist's Approach to "Scientific Politics"

The overall aim of this series of essays is that of forcing scholars outside of political science who look upon government and politics to tell what they may see. This aim is suggestive of the fable about the blind men and the elephant. The point that I should like to draw from this fable is not, however, the familiar one. It should be obvious that a group of reasonable blind men would compare notes, one with the other, and, upon so doing, they should, collectively, be able to put together a fair picture of the elephant after all. In matters of scientific import, we are all blind, although some of us may be blinder than others. And one way of living with our inherent blindness is that of getting together and comparing notes with others who we know have approached the common subject matter from different vantage points, through different windows, to use Nietzsche's appropriate metaphor. Of course, my inference here is valid only if we are somehow assured that we are all examining the same elephant, and when we substitute "government and politics" for the word "elephant," I am not at all certain that we are. There would be little point in the blind men comparing notes if some of them should be describing their contacts with an elephant and others with an ostrich.

As a very first step, therefore, let me define what it is that I shall be talking about when I use the words "government and politics," and when I try to discuss the approach to these that is taken, or may be taken, by the economist. Actually, as you will see, I shall discuss the approach that I think should be taken by the economist. Most scholars who now call themselves economists take an approach different from my own, and one that I consider to be

From *Perspectives in the Study of Politics*, ed. Malcolm B. Parsons (Chicago: Rand McNally, 1968): 77–88.

confused as well as wrong. In my vision of social order, individual persons are the basic component units, and "government" is simply that complex of institutions through which individuals make collective decisions, and through which they carry out collective as opposed to private activities. "Politics" is the activity of persons in the context of such institutions. These definitions perhaps seem simple ones, and you may find them broadly acceptable. Nevertheless, there are implications of these definitions which may not be so evident at the outset. In my vision, or my model, individual persons are the ultimate decision-makers, and if we want to discuss governmental decision processes we must analyze the behavior of individuals as they participate in these processes. We do not conceive government as some supra-individual decision-making agency, one that is separate and apart from the individual persons for whom choices are being made. In other terms, I stress the "by the people" leg of the Lincoln triad. Most modern analysts, including most economists, place almost exclusive emphasis on the "for the people" leg. Government is, presumably, "for the people," but people are rarely allowed to count in determining what is for them. Most economists, and, I suspect, most political scientists, view government as a potentially benevolent despot, making decisions in the "general" or the "public" interest, and they consider it their own social function to advise and counsel this despot, first, on the definition of this general interest and, second, on the means of furthering it. They rarely will admit all this quite so bluntly as I have put it here, but surely this is the honest way of stating the prevailing methodological orthodoxy. This position is, of course, a relatively happy one for the political economist. Once he has defined his social welfare function, his public interest, he can advance solutions to all of society's economic ills, solutions that government, as *deus ex machina*, is, of course, expected to implement. Politics, the behavior of ordinary men in this process, becomes tainted activity, albeit necessary in a begrudgingly admitted way. But politics should be allowed to interfere as little as is possible with the proper business of government. So runs the orthodoxy. You can add the illustrative refrains better than I can to this beginning verse.

The role of the social scientist who adopts broadly democratic models of the governmental process, who tries to explain and to understand how people do, in fact, govern *themselves*, is a less attractive one than the role that is assumed by the implicit paternalist. The social function is not that of improving anything directly; instead, it is that of explaining behavior of a certain sort which, only remotely and indirectly, can lead to improvements in the political process itself.

Now let me return to the initial question. If we should agree that what we are looking at is the complex set of institutional interactions among individual persons which is generated as a result of their attempts to accomplish mutually desired goals collectively, if this is what we mean by government, then my problem becomes: How does the economist view this set of institutions, and how does his own professional competence and prejudice affect his "vision"? And of what value can his interpretations of behavior be to the political scientist?

This leads me once again to basic methodological definitions. What is economics all about? And here, as I suggested, I find myself a heretic, for I do not think that most economists know. I think that they are hopelessly bogged down in methodological confusion, a confusion that threatens to destroy the whole discipline. Economics is about the economy. We can all agree on this. But what is the economy? We are back where we were with government. I define the economy in precisely the same way that I defined government. It is that complex of institutions that emerges as a result of the behavior of individual persons who organize themselves to satisfy their various objectives privately, as opposed to collectively. Thus, the economy and the government are parallel sets of institutions, similar in many respects, and, of course, intersecting at many separate points. In neither case is it appropriate for the analyst, the scientist if you will, to do more than explain the working of these institutions. It is wholly beyond his task for the economist to define goals or objectives of the economy or of the government and then to propose measures designed to implement these goals. The economist who claims professional sanction to say that protective tariffs are bad is on all fours with the political scientist who claims sanction to say that the Congress is an inefficient decision-maker. Both are wholly outside their appropriate professional roles. This kind of confusion dominates both disciplinary fields.

The economist, then, observes people as they behave in the institutional structure that, for convenience, we refer to as the economy, and he then attempts to explain this behavior. It would be fair to ask at this point whether or not I am proposing a return to the institutional economics that was propounded by a group of scholars in the United States in the 1920's, notably by

Veblen, Mitchell, and Commons. My answer is an ambivalent one. The institutionalists were broadly on target in many of their criticisms of orthodoxy; but their whole effort was largely wasted because of their scorn of theory, of analysis. Their methodological naiveté caused them to think that observation and description somehow automatically gives rise to predictive theories, to hypotheses, when, in fact, we now know that almost the reverse holds. What I am calling for, as the proper function of economists, is institutional theory or institutional analysis, which involves in many cases the use of highly rarified and abstract models, the implications of which can be checked by real-world observations. Much of modern economic theory can be made to fit the disciplinary pattern that I am outlining. We first try to create a logically consistent theory of individual behavior in the marketplace and then we try, as best we can, to test the implications of this theory against real-world observations. In this way, after much trial and error, we make, I hope, some scientific progress.

My professional and methodological prejudices suggest that the study of government should be approached in the same way. We should try to derive a theory of individual behavior in the political process, and then we should try to check out the implications of the theory against the facts. When I looked around at all this, some dozen years ago, I was surprised to find that a theory of individual behavior in political process did not exist, and that only a few scattered attempts had ever been made to create one. This demonstrated, to me, that there was at least this one rather profound difference between the development of economic and political "science," and it also suggested that there was, perhaps, a function for the economist who was willing to shift his emphasis from market processes to political processes. Since that time, since 1954 roughly speaking, I have been, in the on-and-off manner of academic custom, working within this broadly defined area of research. That is to say, I have been exploring, along with various colleagues and co-workers, some of the aspects of a theory of individual behavior in political choice.

My focus has been dramatically different from that of the orthodox political scientist who looks first at government as the entity, and then discusses its formation, evolution, and operation. To develop any theory of individual behavior, by contrast with this, we must look first at the individual person, at his private behavior as he participates in collective decision-making with his fellows. If we are to move beyond description here, however, if we are to derive any theory worthy of serious consideration, we find it essential to invent simple models of the whole political process. Only in this manner does it become possible to select, to reduce the complexity to manageable, discussable proportions, to abstract from the inessential elements while concentrating on the essential ones. Accepting the overall vision of government that I have mentioned above, the appropriate model within which to begin to examine individual behavior seemed to be that of pure democracy, in the town-meeting sense. In my first paper on this subject, therefore, I tried to contrast the behavior of the single individual in the marketplace and in voting under pure democracy.

I should mention that I was directly stimulated to think about all this, an economist thinking about politics, not by some independent discovery on my own part, but by an intuitive dissatisfaction with the book by Kenneth Arrow, published in 1951, and entitled *Social Choice and Individual Values.*[1] In this justly praised little book, Arrow employed the tools of modern symbolic logic and mathematics to show that the construction of a consistent and reasonably acceptable social welfare function from a set of unchanging individual preference orderings was logically impossible if the political decision rule should be that of simple majority voting. That is to say, Arrow demonstrated that majority voting could not be depended upon to produce a consistent set of social decisions. The paradox of voting was not, of course, new with Arrow; it had been known for decades by a small group of specialists who had concerned themselves about the theory of voting, notably Lewis Carroll, and it had been discussed more recently by Duncan Black, about whom more will be said at a later point in this paper. But Arrow was the first to place the paradox of voting in a broader context, in his case that of theoretical welfare economics, and his work did serve to draw the attention to scholars, both in economics and in politics, to the paradox.

As I said, I was unhappy with the Arrow book, and more importantly, with all of its reviewers, for a failure to sense what was, to me, a very significant aspect of constitutional democracy. Arrow, and all of his reviewers, seemed unhappy with his general conclusion; they seemed to feel that things would

1. Kenneth Arrow, *Social Choice and Individual Values* (New York: John Wiley and Sons, 1951).

have been so much nicer had his proof turned out the other way. It would have made for a more satisfactory social science if only majority voting could have been shown to produce a set of wholly consistent choices. Consistency in *social* choice seemed to be the criterion that was overriding in the general commentary. This suggested to me that neither Arrow nor his critics were talking about the same elephant that I thought about when I conceived government or politics, or majority rule. It appeared to me, and still does, that decisions made by voting majorities are acceptable, tolerably so, only to the extent that these majorities are shifting and unstable. If we had a majority voting rule that would, in fact, produce internally consistent choices in the Arrow sense, we should, indeed, have a tyranny of the majority. From all this, I concluded[2] that despite the fact that his whole structure of analysis was based on individual preference orderings, Arrow did not conceive governmental process as emerging basically from individual values.

In any case, I began to look somewhat further into the developments in theoretical welfare economics from the vantage point of a specialist in tax and expenditure decisions. Modern welfare economics owes its stimulus to Pareto, who developed a criterion, admittedly a very restricted one, which enables social situations or positions to be classified into non-optimal and optimal sets without requiring that interpersonal comparisons of utility be made, or external ethical norms be introduced. Pareto's criterion is simply that which defines a position as optimal if no changes from that position can be made without making at least one person in the group worse off. Admittedly, there are an infinite number of such positions, but the criterion does at least allow for the classification of all possible positions into the two categories. It does not, of course, provide any assistance at all in selecting from among all the optimal positions that which is somehow globally best. Economists who wanted to say a lot about public policy issues were not at all happy with the Pareto criterion. Therefore, they re-introduced interpersonal comparability in the form of an externally defined social welfare function, which they admitted to be dependent on explicit ethical norms. But, of course, there are as many social welfare functions as there are people to de-

2. James M. Buchanan, "Social Choice, Democracy, and Free Markets," *Journal of Political Economy* 62 (April 1954): 114–23.

fine them; in this sense, the notion is equivalent in all respects with the political scientists' conception of the public interest.

My own inclination was, and is, to throw out the whole social welfare function apparatus, which only confuses the issues, and to see what the full implications of the Pareto criterion might be. If we are willing to use the Pareto criterion where it is applicable and simply to admit our inability, as scientists, to say anything where the criterion cannot be applied, some worthwhile content remains in welfare economics. But this raises another question of fundamentals. How are we, as external observers, to know when a person is, in fact, better off or worse off? Here there admits of only one answer. We can judge the better offness and worse offness only by observing individual choices. If a man is observed to choose situation A when he could have remained in situation B, we say that he is better off in A, as revealed to us by his own actions. This is not, of course, to say that individuals do not make mistakes or that they always know with certainty which of a set of alternative outcomes will make them better off *ex post facto.* The implication here is only that the individual, observed to make his own choices, is a better judge of his own better offness than is any external observer of his behavior. This implication amounts to an explicit value judgment, admittedly so, but it is the value judgment upon which Western liberal society has been founded.

Starting with nothing more than this, how far can we go in analyzing political behavior? Two separate lines of advance seem to be suggested. First of all, commencing with a set of individual preferences along with a given rule for reaching group decisions, we may examine and analyze the results. That is, essentially, the route taken in the pioneer works of Duncan Black, whose theory of committees and elections[3] continues to be unduly neglected, both by political scientists and by economists. As Black suggests, this is pure theorizing about politics, and, as such, it is wholly devoid of normative content. Black is concerned exclusively with the prediction of the outcomes of certain rules for the making of group choices, specifically with majority rule, given a set of individual preference patterns.

Almost always, however, pure analysis has some normative implications,

3. Duncan Black, *Theory of Committees and Elections* (Cambridge: Cambridge University Press, 1958).

if not immediate normative content, and even Duncan Black, in his purely theoretical works, was motivated to search for alternatives to simple majority voting in order to surmount the obstacles posed by the paradox, by the cyclical majority, by the probability that no majority motion would be located. His work on the various schemes of Lewis Carroll, Borda, and Condorcet stands unique in the literature. Lying close to the surface of Black's work has been his implicit value position to the effect that, if it could be located and if it did exist, the majority motion or the majority solution *should* be the one adopted. Note that the underlying judgment is, in many respects, similar to that which can be criticized in relation to Arrow's work.

My own thinking has proceeded along a second, and alternative, path. In my own set of value judgments, there is nothing even remotely sacrosanct about the will of a simple majority of voters in an election. Influenced strongly by the thinking of Knut Wicksell,[4] a famous, if eccentric, Swedish economist, and coming to an analysis of politics out of a background of public finance, the rule of unanimity seemed to me to possess qualities that have largely been ignored. This, rather than majority rule, seemed to be the base, the reference point from which further discussion and theorizing about political choice must begin. If we reject the notion that there must exist a public or general interest apart from that of the participants, we are necessarily led to the conclusion that only upon unanimous consent of all parties can we be absolutely assured that the total welfare of the group is improved. As applied to politics, the rule of unanimity is equivalent to the Pareto criterion for judging a potential change to be optimal. Not only does majority voting lead to paradoxes, to cycles, but also, majority voting, under familiar institutional conditions, leads to a wastage of economic resources, as Gordon Tullock first demonstrated.[5]

At this point, the direction of analysis of political institutions seemed to be that of trying to reconcile, if at all possible, the widely observed use of majority and plurality devices for reaching group choices with the demonstrably inefficient results, in a resource allocative sense, that these devices

4. Knut Wicksell, *Finanztheoretische Untersuchungen* (Jena: Gustav Fischer, 1896).

5. Gordon Tullock, "Some Problems of Majority Voting," *Journal of Political Economy* 67 (December 1959): 571–79.

surely produce. This led Gordon Tullock and me to ask the simple question: Why should an individual, if he were given the opportunity, ever choose to be governed by the majority voting of his fellows? Once we had posed the question, and almost before we knew it ourselves, we found ourselves in an economic theory of the political constitution. If one begins to approach the study of political institutions in this way, that is, from the reference position of the single individual in the group, one begins soon to see that a "logical" explanation of the political constitution can be derived. In a very preliminary way, such an explanation was advanced in our book *The Calculus of Consent*, published in 1962.[6]

What I have done is to outline, in a shorthand sense, the way that one economist has looked, and looks, at government. Now let me turn to the second part of my task. I have talked almost exclusively about how an economist's approach to government, to political process, can be helpful, how this may be able to lead to fruitful explanation. I have not yet talked about how the extension and application of the economist's frame of reference can be helpful in analyzing politics in its most general sense. Politics is concerned with the behavior of politicians, not with the behavior of individual voters, and in real-world institutions, persons vote for or against politicians normally, not for or against proposals, as is assumed in the simple town-meeting models implicit in the general theory of committees and of constitutions. Also, politicians, in some more general sense of the word, inhabit the bureaucracy, and their behavior in this role also requires analysis. How can the approach of the economist be of assistance in analyzing the behavior of politicians?

Again, the more or less natural proclivity of economists is to look at individual behavior, at individual choice, and this has led, and is leading, to useful results. Anthony Downs, in his book *An Economic Theory of Democracy*,[7] analyzes the operation of a party system of government in terms of the attempts of party politicians to maximize votes, analogous to the behavior of

6. James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962).

7. Anthony Downs, *An Economic Theory of Democracy* (New York: Harper and Bros., 1957).