

Public Choice – A Primer

SUMMARY

- Public Choice applies the *methods* of economics to the *theory and practice* of politics and government. This approach has given us important insights into the nature of democratic decision-making.
- Just as self-interest motivates people's private commercial choices, it also affects their communal decisions. People also 'economise' as voters, lobby groups, politicians and officials, aiming to maximise the outcome they personally desire, for minimum effort. Consequently the well-developed tools of economics – such as profit and loss, price and efficiency – can be used to analyse politics too.
- Collective decision-making is necessary in some areas. However, the fact that the market may fail to provide adequately in such areas does not necessarily mean that government can do things better. There is 'government failure' too. Political decision-making is not a dispassionate pursuit of the 'public interest', but can involve a struggle between different personal and group interests.
- There is no single 'public interest' anyway. We live in a world of value-pluralism: different people have different values and different interests. Competition between competing interests is inevitable. This makes it vital to study how such competing interests and demands are resolved by the political process.

- The self-interest of political parties lies in getting the votes they need to win power and position. They may pursue the ‘median voter’ – the position at the centre, where voters bunch. Government officials will also have their own interests, which may include maximising their budgets.
- In this struggle between interests, small groups with sharply focused interests have more influence in decision-making than much larger groups with more diffused concerns, such as consumers and taxpayers. The influence of interest groups may be further increased because electors are ‘rationally ignorant’ of the political debate, knowing that their single vote is unlikely to make a difference, and that the future effects of any policy are unpredictable.
- Because of the enormous benefits that can be won from the political process, it is rational for interest groups to spend large sums on lobbying for special privileges – an activity known as ‘rent seeking’.
- Interest groups can increase their effect still further by ‘logrolling’ – agreeing to trade votes and support each other’s favoured initiatives. These factors make interest group minorities particularly powerful in systems of representative democracy, such as legislatures.
- In direct democracy, using mechanisms such as referenda, the majority voting rule that is commonly adopted allows just 51 per cent of the population to exploit the other 49 per cent – as in the old joke that ‘democracy is two wolves and a sheep deciding who shall eat whom for dinner’. In representative democracies, much smaller proportions of the electorate can have undue influence.
- Because of the problem of minorities being exploited – or

minorities exploiting majorities – many Public Choice theorists argue that political decision-making needs to be constrained by constitutional rules.