

# Preface

“The main excellence and worth of what is called constitutional institutions, democracy and government by the people is to be seen in the fact that they make possible peaceful change in the methods and personnel of government. Where there is representative government, no revolutions and civil wars are required to remove an unpopular ruler and his system. If the men in office and their methods of conducting public affairs no longer please the majority of the nation, they are replaced in the next election by other men and another system.” (Ludwig von Mises, 1957, *Theory and History*, 372)

The work that resulted in this book began with a much simpler goal – to rewrite a twenty-five year old article by Gordon Tullock that was originally intended to introduce Public Choice to an audience of British intellectuals (Tullock 1976). I had accepted a teaching position at a university in Taiwan – the first true democracy of the Chinese people; and my main duty was to teach Public Choice. Since English was typically a second or third language of the Taiwanese, I needed a simply-worded introduction to the subject. And since Public Choice is a distinctly western subject, I needed an introduction that would at least recognize differences among political systems and perhaps cultures. I envisioned rewriting Gordon’s article and then having it translated into Chinese. It also seemed reasonable to try to publish the rewritten version in English. Gordon tentatively approved.

As I set about this task, I was stimulated to add parts on the nature of public goods and market failure, constitutional economics, special interests, bureaucracy, rent seeking, and privatization. These are all



subjects in Public Choice that have developed since the original article and to which Tullock himself has made contributions. The result was a manuscript that was more than eight times the length of the original article and which not only contained many ideas that the article omitted but omitted many ideas that the article included. Now after several revisions, the manuscript is mostly a separate work, although parts of it still bear traces of the early article's style and ideas. This does not diminish my debt to Gordon. Without his encouragement I would probably not have finished this book. Of course, he should not be blamed for the transformation his ideas have undergone either.

My main goal is to introduce students with little or no knowledge of how democracy works – or even with false knowledge – to the most fundamental principles of Public Choice. This turned out to be more difficult than I first thought it would be. Professional Public Choice has increasingly followed the path of professional economics. The simple propositions that were responsible at various times for creating the field and broadening its horizons have been increasingly converted into complex mathematical models and dressed up in what seems to be pretentious scientific jargon. Not only do I believe that the formal modeling and jargon are unnecessary, I think they can be misleading. This is especially true for students for whom English is not a first language and who have little experience with democracy. Such students have a propensity to learn the models and jargon but not the distinctly democratic ideas.

For students interested in studying the professional field of Public Choice, there are two fine scholarly books at different levels of difficulty. The first is Joe B. Stevens's *The Economics of Collective Choice* 1993. This book could be used by graduate students or perhaps advanced undergraduate students with some background in economics. The second is Dennis Mueller's *Public Choice II* 1989. This is the appropriate book for Professors and advanced graduate students. A reasonably strong background in economics and statistical methods of describing social groups is required. Also available for professionals are Charles K. Rowley's three volume set of classic readings in Public Choice theory. (Rowley 1993) Most recently published is a set of summary papers of various fields within Public Choice authored by writers who have distinguished themselves within the Public Choice profession and edited by Mueller 1997. Another useful book for undergraduate students is David Johnson's *Public Choice* 1991, which is much less technical than the others and contains more information about institutions than this book. In all but the latter cases, however, some knowledge of the fundamental principles described in this book is necessary. And all of the



books take it for granted that their audience has had extensive experience with democratic systems.

This book aims to help students learn what to expect from democracy and democratic institutions so that they can better evaluate the institutions they face and possibly recommend changes. The book addresses the following question. *Suppose that members of a collective who understand the wealth-creating potential of the market economy wish to join together to create a democratic system to supply services with public goods characteristics. What kind of structure would they create and to what extent could they expect that structure to accomplish the goal they set for it?*

There is a widespread belief that a democratic government can succeed in correcting for what economists have labeled market failures, including efficiently supplying public goods. I hope that this book enables readers to better understand the limitations of government in achieving this objective. Careful reasoning should convince the reader that the prospect for what we now call “government failure” is high enough to raise serious doubts about a democratic government’s ability to correct for many practical cases of market failure at the national level in a large democracy. The prospect is brighter at the local level.

*We understand democracy* when we understand both its strong points and its weak points. Its strongest point is its control over leaders. It can stop leaders who might otherwise eliminate the market economy or – what is worse – expropriate the popular wealth, enslave the people, or drive them into war. The leaders of any kind of government can start a market economy. They only need to impose a private property rights system that enables individuals to give each other incentives to produce what they regard as wealth. However, without a “proper” constitutional democracy, the peoples’ wealth faces a continuing threat of confiscation or erosion due to capricious changes in government policy. At the extreme, in a dictatorship, a dictator who presides over a successful market economy may order the armed forces to take away all the wealth and to kill anyone who objects. More likely, the succession of power will eventually result in a dictator who does not understand the creative powers of “the market” and the limitations of central planning. Through thoughtless regulation, creeping corruption, or reckless military or economic adventures; he will interfere with property rights and thereby remove the incentive to produce for others’ benefit.

The weakness of democracy is that it dilutes the connection between the income a person earns and the actions he performs to benefit others. The ordinary citizen voting, the ordinary politician choosing a policy, and



the ordinary bureaucrat implementing a policy have only weak incentives to act in ways that others would regard as beneficial.

This weakness of incentive is the reason why fairly large government failures are able to persist over a long period. However, the fact that a true democracy is a means for individuals to collectively get rid of inefficient policies and officials is a reason to be optimistic. It seems reasonable to expect that in a mature democracy, government failures will be exposed and eliminated if they become too large.

True democracy means more than a right to vote and to be represented by an elected politician. It includes the right to be free from capricious actions by politicians and bureaucrats. In other words, it includes what political philosophers have called “the rule of law,” as opposed to rule by individuals. Along with the rule of law comes the right to submit grievances that will be judged on the basis of reasonably predictable general principles of just conduct. In other words, the rule of law includes the right of appeal to principles, as opposed to individuals. True democracy includes the freedom to criticize politicians and bureaucrats without intimidation or subsidized competitors. It has other characteristics and we shall discuss them in this book; but these are the major ones. In the world today, some governments are closer to this ideal than others.

Democracy is a new form of organization in the history of humankind. We cannot be certain that it will harness the potential destructive power that modern science has created. It may not prove strong enough to meet the military challenge of a strong anti-democracy aggressor. Or it may be crushed under the weight of cumbersome decision-making processes, special interests, bureaucracy, and the seeking and granting of privilege. There is no law that says that the social events of the future must be like those of the past. Political interaction differs fundamentally from the interaction of atoms and molecules. It is precisely the unpredictability of democracy’s future that makes it necessary to understand it as best we can.

Some writers have called Public Choice the “new political economy” in order to contrast it with Marxist political economy. One unfortunate consequence of this is that people who know little about the history of economics tend to regard Public Choice as the ethical antithesis of Marxism. Whereas Marxism is called a radical left, liberal ideology; Public Choice is called a radical right, conservative ideology. It cannot be said strongly enough that *this is a big mistake*. In the first place, Marxism cannot inform us about either the market economy or the demand for public goods. Marx predicted that the market economy would disappear. His image of the market economy was soundly refuted, not by



radical conservatives, but by the more advanced economists of the late 19th century, many of whom were regarded as liberal reformers.

There are plenty of professional economists today who label themselves Marxists. However, if they are true followers of Marx, their distinctive feature would be that they do not understand the staying power of the market economy. If one does not understand this, we would not expect him to be interested in the demand for a democratic government to preserve the market economy and, if possible, to deal with market failure.

In the second place, the fact that one understands the wealth-creating and staying power of the market economy does not make her a radical conservative. There are many conservatives who favor the market economy yet know nothing about economics. We would be quite stupid to confuse these people with modern Public Choice theorists. The best of the Public Choice theorists understand the market economy and its limitations. But they also understand a democratic government and its limitations.

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