Chapter 1 : Allen A. Schmid (Author of Property, Power, and Public Choice)

property is a public fact Property as we have seen above is never a unilateral act but always involves some degree of shared understanding. Another way of expressing it is to say that "Property is a public fact, or it is no fact at all" (Taylor , p.).

Public Choice Theory [An updated version of this article can be found at Public Choice in the 2nd edition. It emerged in the fifties and received widespread public attention in , when James Buchanan, one of its two leading architects the other was his colleague Gordon Tullock , was awarded the Nobel Prize in economics. Buchanan started the Center for Study of Public Choice at George Mason University, and it remains the best-known locus of public choice research. Economists who study behavior in the private marketplace assume that people are motivated mainly by self-interest. Public choice economists make the same assumptionâ€"that although people acting in the political marketplace have some concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self-interest. But public choice economists point out that there also is such a thing as "government failure. For example, the Justice Department has responsibility for reducing monopoly power in noncompetitive industries. But a study by William F. Long, Richard Schramm, and Robert Tollison concluded that actual anti-competitive behavior played only a minor role in decisions by the Justice Department to bring antimonopoly suits. Instead, they found, the larger the industry, the more likely were firms in it to be sued. Similarly, Congress has frequently passed laws that are supposed to protect people against environmental pollution. But Robert Crandall has shown that congressional representatives from northern industrial states used the Clean Air Act amendments to reduce competition by curbing economic growth in the Sunbelt. The amendments required tighter emissions standards in undeveloped areas than in the more developed and more polluted areas, which tend to be in the East and Midwest. One of the chief underpinnings of public choice theory is the lack of incentives for voters to monitor government effectively. Anthony Downs, in one of the earliest public choice books, An Economic Theory of Democracy, pointed out that the voter is largely ignorant of political issues and that this ignorance is rational. Thus, the direct impact of casting a well-informed vote is almost nil; the voter has virtually no chance to determine the outcome of the election. So spending time following the issues is not personally worthwhile for the voter. Evidence for this claim is found in the fact that public opinion polls consistently find that less than half of all voting-age Americans can name their own congressional representative. Public choice economists point out that this incentive to be ignorant is rare in the private sector. Someone who buys a car typically wants to be well informed about the car he or she selects. If the choice is wise, the buyer will benefit; if it is unwise, the buyer will suffer directly. Voting lacks that kind of direct result. Therefore, most voters are largely ignorant about the positions of the people for whom they vote. Except for a few highly publicized issues, they do not pay a lot of attention to what legislative bodies do, and even when they do pay attention, they have little incentive to gain the background knowledge and analytic skill needed to understand the issues. Public choice economists also examine the actions of legislators. Furthermore, these resources must be provided by taxpayers and by those hurt by regulations whether they want to provide them or not. Politicians may intend to spend taxpayer money wisely. Efficient decisions, however, will neither save their own money nor give them any proportion of the wealth they save for citizens. There is no direct reward for fighting powerful interest groups in order to confer benefits on a public that is not even aware of the benefits or of who conferred them. Thus, the incentives for good management in the public interest are weak. In contrast, interest groups are organized by people with very strong gains to be made from governmental action. They provide politicians with campaign funds and campaign workers. In return they receive at least the "ear" of the politician and often gain support for their goals. In other words, because legislators have the power to tax and to extract resources in other coercive ways, and because voters monitor their behavior poorly, legislators behave in ways that are costly to citizens. One technique analyzed by public choice is log rolling, or vote trading. The two projects may be part of a single spending bill. Through such log rolling both legislators get what they want. And even though neither project uses resources efficiently, local voters know that their representative got something for them. They may not know that they are paying a pro-rata share of a bundle of inefficient projects! And the total expenditures may well be more than individual taxpayers would be willing to authorize if they were fully aware of what is going on. In addition to voters and politicians, public choice analyzes the role of bureaucrats in government. Their incentives explain why many regulatory agencies appear to be "captured" by special interests. The "capture" theory was introduced by the late George Stigler, a Nobel Laureate who did not work mainly in the public choice field. Capture occurs because bureaucrats do not have a profit goal to guide their behavior. Instead, they usually are in government because they have a goal or mission. They rely on Congress for their budgets, and often the people who will benefit from their mission can influence Congress to provide more funds. Thus interest groupsâ€”who may be as diverse as lobbyists for regulated industries or leaders of environmental groupsâ€"become important to them. Such interrelationships can lead to bureaucrats being captured by interest groups. Although public choice economists have focused mostly on analyzing government failure, they also have suggested ways to correct problems. For example, they argue that if government action is required, it should take place at the local level whenever possible. Because there are many local governments, and because people "vote with their feet," there is competition among local governments, as well as some experimentation. To streamline bureaucracies, Gordon Tullock and William Niskanen have recommended allowing several bureaus to supply the same service on the grounds that the resulting competition will improve efficiency. This, he argues, will lead Forest Service personnel to pay more attention to recreation and reduce logging in areas that are attractive to nature lovers. And Rodney Fort and John Baden have suggested the creation of a "predatory bureau" whose mission is to reduce the budgets of other agencies, with its income depending on its success. Public choice economists have also tried to develop rule changes that will reduce legislation that caters to special interests and leads to ever-expanding government expenditures. In the late eighties James C. Miller, a public choice scholar who headed the Office of Management and Budget during the Reagan Administration, helped pass the Gramm-Rudman law, which set a limit on annual spending and backed it with automatic cuts if the ceiling was not met. The law had at least a temporary effect in slowing spending. Support for term limits and for a line-item veto also reflects the public choice view that additional legislative rules are needed to limit logrolling and the power of special interests. Public choice scholars, however, do not necessarily agree on the potential effectiveness of specific rules. Because of its skepticism about the supposedly benign nature of government, public choice is sometimes viewed as a conservative or libertarian branch of economics, as opposed to more "liberal" that is, interventionist wings such as Keynesian economics. This is partly correct. The emergence of public choice economics reflects dissatisfaction with the implicit assumption, held by Keynesians, among others, that government effectively corrects market failures. But not all public choice economists are conservatives or libertarians. Mancur Olson is an important counterexample. Olson is known in public choice for his path-breaking book The Logic of Collective Action, in which he pointed out that large interest groups have trouble gaining and maintaining the support of those who benefit from their lobbying. That is because it is easy for individuals to "free-ride" on the efforts of others if they benefit automatically from those efforts. These provided a direct incentive for the individual farmer to stay involved. More recently, Olson wrote The Rise and Decline of Nations, which concludes that Germany and Japan thrived after World War II because the war destroyed the power of special interests to stifle entrepreneurship and economic exchange. But Olson still favors a strong government. Many public choice economists take no political or ideological position. Some build formal mathematical models of voting strategies and apply game theory to understand how political conflicts are resolved. Economists at the California Institute of Technology, for example, have pointed out that "agenda-setting"â€"that is, identifying the options that voters choose from, and even specifying the order of voting on the optionsâ€"can influence political outcomes. This explains the role of initiatives and referenda as ways for voters to set agendas, opening up options that legislatures otherwise would ignore or vote down. Some of these economists have developed a separate and quite mathematical discipline known as "social choice. He concluded that they cannot, and thus his argument is called the "impossibility theorem. These are the constitutional rules that are made before political activity gets underway. Consideration of these rules was the heart of The Calculus of Consent, by James Buchanan and Gordon Tullock, one of the classics of public choice. Buchanan and Tullock began with the view that a collective decision that is truly justâ€”that is, a decision in the public interestâ€”would be one that all voters would support unanimously. While unanimity is largely unworkable in practice, the book effectively challenged the widespread assumption that majority decisions are inherently fair. The approach reflected in The Calculus of Consent has led to a further subdiscipline of public choice, "constitutional economics," which focuses exclusively on the rules that precede parliamentary or legislative decision making and limit the domain of government. About the Author Jane S. She was formerly associate economics editor with Business Week. Further Reading Buchanan, James M. The Calculus of Consent. An Economic Theory of Democracy. Private and Public Choice, 6th ed. Public Choice and Constitutional Economics. Growing Skepticism One sure sign of the impact of a school of thought is whether and how it shows up in popular textbooks. By that criterion public choice thinking has had a big impact. Their skepticism was explicitly based on public choice reasoning. Indeed, in "Public Choice," an eleven-page section of the text, they explain some of the points made in this article.

Chapter 2 : International Summer University: Public Choice: Power and Market

Property, Power, and Public Choice. Property, Power and Public Choice. copyright, and , A. Allan Schmid. CHAPTER 5 JOINT-IMPACT GOODS. Another source of interdependence arises from a situation that will be termed joint impact goods (JIG) or marginal cost equal zero goods.

If B cannot avoid it, can A utilize it and exclude B? No, for if B cannot exclude herself, neither can A exclude B. It will perhaps make the implications of these goods clearer if some of the similarities as well as the reasons for rejection of these other terms are made explicit. The most common term applied to these goods is that of "public goods. He uses the synonym "consumption externality" as well, but it is also misleading because an essential feature is that the goods are enjoyed but not consumed. This is why the above discussion avoids the term "consumed" and refers to enjoyment and utilization or disutility. In one place, Musgrave defined them as goods that "must be consumed in equal amounts to all. He illustrates his definitions by saying, "The death of one mosquito benefits each man simultaneously, and is thus equally available to each man" , p. He emphasizes that because of the indivisible pre-emptive character of the goods, it is impossible for each individual to equate marginal valuations to tax charges or market prices , and thus, for any given tax, some individuals would want more and others fewer governmentally provided goods. These points are consistent with the above discussion. Goods in "joint supply" are not the same as joint-impact goods. The theory of joint supply was well developed by Marshall in the classic case of the activity of sheep raising producing both meat and wool, which is quite a different situation than that discussed here since joint supply products when produced by large numbers of suppliers can be independently purchased and consumed, with each person adjusting quantity to the price. Many public investments produce goods in "joint supply"--for example, a dam and reservoir produce irrigation water, hydro-power, flood control, and recreation. Individuals can adjust their own consumption to price although the MC of water use for hydro power is zero if the water is already produced for irrigation uses. There is an issue of allocation of the overhead or joint cost. Another distinction is necessary. A joint-impact good is not the same as what is usually meant by the term "interdependent utilities. In that respect all goods conceivably could enter the utility of more than one person. The consequences of this type of interdependence must not be confused with those of joint-impact goods. There are differences of opinion on the relationship of jointness and externality. The discussion here differs from the general concept of spillover or externality, such as where the activity of steel production produces both steel and pollution. Mishan, , calls this case "private goods with external effects. Of course, from the point of view of a buyer of rights to clean air perhaps from a factory that owns the air , this clean air once created is here considered as a joint-impact good that can be utilized by more than one person. If the unit of product, is not carefully defined, we will find the same nominal good used to illustrate contradictory points. In summary, the relationship between incompatible-use and joint-impact goods can be made more explicit, as shown in Table 3. An example of item 1 is when A eats corn, B cannot eat the same unit. The users are incompatible. Another example is when A consumes clean air as an input in the production of steel and B cannot consume clean air because it has smoke in it. This fact sometimes is conceptualized confusingly as an exceptional externality where A engages in an activity that produces steel and also smoke, but it is simply an incompatible-use controllable by factor ownership. An example of item 2 is when A consumes national defense and B must consume it also, but B places a negative value on it. National defense is in this case a non-optional joint-impact good. Use is compatible, but utility of use is not some would call this a negative externality. The issue is who gets to own and choose the good in all of the above cases. An example of item 3 is also national defense, but this time while B must consume, B places a positive value on it. This is a non-optional joint-impact good, but there is no technological incompatibility. Item 4 is illustrated by broadcast television. Person A consumes and B can consume if she wishes. It is a joint-impact good with no incompatibility. The issue in 3 and 4 is who pays how much when several use it. In case 4, if no B wishes to utilize the good, there is no conflict, in contrast to situation 3. Some focus on activities, some on resources or products, some on production, and some on consumption. Each has analytic utility, and the last word remains to be written. Consider a certain geographical area where two groups of residents are considering how to protect themselves from outside enemies. One feels safe with a certain sized army equipped with nuclear bombs. The other group feels safe with only ten nuclear bombs and, further, feels unsafe with This is a nonoptional joint-impact good, and it is not possible for both levels of this good to be simultaneously available. In contrast, with consumption of say, apples, one group could eat one apple per day and the other could eat two though both cannot eat the same unit. Units of bombs do have a positive marginal cost, but units of users do not. Incidentally, it is also possible that there is a third group that prefers no army and does not fear the enemy. Defense happens also to be a good with relatively high exclusion costs. This creates the possibility of free riders and may prevent a private producer from receiving bids sufficient to produce the good even when people are willing to pay. But it is important to understand the different consequences of high exclusion costs and high avoidance costs see Burkhead and Miner , pp. With goods whose use is optional and different qualities simultaneously possible, the issue is who pays how much. But with non-optional and pre-emptive goods, the issue can also be who gets to choose the good. These situations will be illustrated intuitively below and more technically in Chapter Now the high exclusion cost creates no problem for preference revelation. Each person can be charged the value of his or her marginal utility for the commonly available amount of the good. Is that the only source of interdependence? The answer can be made clear if we consider again the case of incompatible-use goods. With a non-optional joint-impact good, this situation is impossible. Whatever exists for one will be utilized by all, like it or not. If preferences differ, it is impossible for each person to equate marginal value to price. Price could be negative. Between two or more people who have a positive value for the nonoptional product, it is a joint-impact good, but at the same time it can be an incompatible-use good between them and third parties with negative valuations. This point is illustrated if we assume that nuclear bombs have zero or negative value to the pacifists and positive value to the insecure. It does not settle the problem for the pacifists to pay nothing. They want to be free of the overprotection or be compensated for it. Who has to pay whom to obtain or avoid an effect? The cost of production of nuclear bombs is given not only by the physical production function but also by the property rights decision of how and whether to count the negative utility of those who do not want the product. Cost is a social phenomenon whereby shares in output are determined. It is frequently assumed that it is sufficient for human interaction if everything is owned. But that assumption is deceiving because what must also be considered is how every effect of human interdependence is accounted for. If we look only literally at units of commodities, we will miss the many ways people can affect each other, especially in the case of joint-impact goods. In the present case, it appears that everything is owned. Someone owns the factory to make nuclear bombs and the inputs for their manufacture and deployment. Buyers own their income. But this factor ownership does not describe the totality of the relationships among people. Tastes can conflict in ways other than who owns a certain input factor. In the present case, there is a conflict among those who want zero, ten, and nuclear bombs. The key right is the question of whether A owns the right to fulfill his tastes when they conflict with B. Does A own the right to purchase ten nuclear bombs and expose B to the discomfort of underprotection or does B own the right to have and expose A to the disutility of overprotection? This question exists even if A did not have any obligation to help pay for the nuclear bombs. It might appear that joint-impact goods are the best of all possible worlds since they can be enjoyed without being consumed. But, alas, when there are differences in taste, there is conflict, just as in incompatible goods. Incompatible goods require a right to determine who gets the particular unit. Joint-impact goods require a right to determine who gets to choose the commonly available units. They also require a right to determine distribution of production costs among people with different positive marginal utilities, as discussed in Chapter Markets reflect the balance of rights that are present but fail to reflect those that are not present. We can speak of the failure of a particular market or administrative system with its particular set of rights to reflect the tastes of a given person or group, but not of market failure in general. Consider the case where the value of nuclear bombs beyond ten is zero to group A, but equal to production cost up to for B. If A buys ten first, B only has to pay for If B acts alone to buy , A will not need to buy any. In this case, B will try to get A to help pay for at least the average cost of ten, perhaps threatening not to buy any if A does not help. The outcome is indeteriminate except to say it depends on the relative bargaining strengths and skills of the parties. For additional discussion see Chapter

11, especially Figure 6. The level of output is very likely to depend on the agreement for cost sharing. Bargaining in competitive markets large numbers of buyers and sellers is a misnomer Morgenstern Consumers either buy or not. If enough do not buy a particular good at the initial offer price, either quantity supplied or price falls.

Chapter 3 : Public Choice Web page

Buy Property, Power, and Public Choice on calendrierdelascience.com FREE SHIPPING on qualified orders.

The social phenomena discussed in this series of essays all center around the problem of individuals in groups faced with the choice of doing what is best for themselves or what is best for the group. Instances of the phenomena are called by many different names: Unfortunately, the academic programs that cover these various manifestations of the "individual vs. You will not find the "Social Dilemma" department at any university. In particular, some universities now offer an advanced degree specializing in what is called Public Choice Theory, e. Public Choice Theory is directed toward the study of politics based on ecomonic principles. I would think you would be immediately puzzled by this, since most universities already have a Political Science department. The problem is that until Public Choice Theory came along, universities did not teach the way politics actually functions but, instead, taught the way it should work ideally or the way they wished it would work. This practice of teaching what should be normative theory rather than what is positive theory is fairly common at universities and continues to this day at most universities, in politics as well as other disciplines. Fortunately, if you look carefully, you can find some universities that teach the facts about politics, to the best of our abilities to understand it, and that discipline is called Public Choice. I should point out that Public Choice is actually more general than just politics, but that is its main emphasis. Let us examine various aspects of the theory. Politicians do not devote their lives for your and my benefits anymore than McDonalds does. Strangely, however, many people think so -- including university professors that teach politics and philosophy. The most important contribution of Public Choice Theory is that it recognizes that politicians are motivated by self interest -- just like you and me. In fact, more so than you and me! If that is so, and it is, then our expectations of politicians changes dramatically. One point worth noting here is that the Founding Fathers of the U. They did a good job and the fact that we are having so much trouble with our government today results from our losing sight of the reality that politicians are self-interested and the public not enforcing the laws the Founding Fathers created. Analysts of the school apply the logic of microeconomics to politics and generally find that whereas self-interest leads to benign results in the marketplace, it produces nothing but pathology in political decisions. These pathological patterns represent different kinds of "free-riding" and "rent-seeking" by voters, bureaucrats, politicians, and recipients of public funds. Coalitions of voters seeking special advantage from the state join together to get favorable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose big stake in a benefit arouses them to more effective action than is taken by the taxpayers at large over whom the costs are spread. In general, individuals with "concentrated" interests in increased expenditure take a "free ride" on those with "diffuse" interests in lower taxes. Similarly, the managers of the "bureaucratic firms" seek to maximize budgets, and thereby to obtain greater power, larger salaries, and other perquisites. Budget maximization results in higher government spending overall, inefficient allocation among government agencies, and inefficient production within them. In addition, when government agencies give out grants, the potential grantees expend resources in lobbying up to the value of the grants--an instance of the more general "political dissipation of value" resulting from the scramble for political favors and jobs. It is the behaviour of public sector bureaucrats which is at the heart of public choice theory. While they are supposed to work in the public interest, putting into practice the policies of government as efficiently and effectively as possible, public choice theorists see bureaucrats as self- interested utility-maximizers, motivated by such factors as: Institute of Economic Affairs, At the heart of all public choice theories then is the notion that an official at any level, be they in the public or private sector, "acts at least partly in his own self- interest, and some officials are motivated solely by their own self-interest. Little, Brown and Company, For Niskanen, self- interest is the sole motivator. The realization that politicians and government employees are driven by self interest is an extremely serious conclusion. The question immediately comes to mind, "How far will they go? Of course hardly anyone would argue that Hitler and Stalin and Saddam, on a lesser scale had millions tortured and killed to apease their own lust for power and wealth. But what about politicians in so-called "free societies", like the US and Britain. The difference is only in scale and subtlety. This also applies to the bureaucrats, contractors, and military leaders that promote war in order to advance their own career and to sell merchandise. As a former military officer, assigned to the procurement business, I personally observed these actions first hand. It was not a pleasant business to be involved in! Yes, Public Choice Theory exposes some really nasty aspects of governance, but let us get back to a less disturbing side of the story, some history. Their book, Calculus of Consent, published in , is still considered the classic piece on this subject. To learn more about the history of Public Choice, see an interview of James Buchanan, himself, available on the internet. I will quote a couple of interesting passages: Tullock and I considered ourselves to be simply taking the tools of economics, looking at something like the structure of American politics in the way James Madison had envisioned it. That is, it was clearly not a majoritarian democracy, which would be the parliamentary model which was the ideal, at that time especially, of all the political scientists , rather it was a sort of a constitutional structure. We were the first to start analyzing the Constitution from an economic point of view. There were other people who analyzed particular voting rules, like majority voting, but we put that in a constitutional structure and provided an argument for choices among voting rules. We concentrated on that. It turned out that nobody had looked at it in that way. To some extent, people then and now think about politics romantically. Our systematic way of looking at politics is nothing more than common sense. I completely agree with that statement! Apparently common sense is in short supply at the universities for it took until the s and s for them to discover what is evident to most citizens and, in particular, had been commented on by philosophers, humorists, and cynics [2] for many years prior to this academic "discovery". To extend the "invisible hand" concept to public goods , however, is a mistake -- a mistake easy to make because so many at the universities and in the news media deny the success of the free market concept! That is, the fact that the free market works so well with private goods when many academics discredit it is no reason to conclude that the academics are also wrong with regard to their belief that the free market will not be successful with public goods. A good exposition of the myth that the free market somehow will also solve the problem of the distribution of public goods is found in the chapter titled, "The Back of the Invisible Hand" -- from which I got my heading for this section -- in the book by Russell Hardin, Collective Action. He says, "One may sense, however, that all too often we are less helped by the benevolent invisible hand than we are injured by the malevolent back of that hand; that is, in seeking private interests, we fail to secure greater collective interests. The narrow rationality of self-interest that can benefit us all in market exchange can also prevent us from succeeding in collective endeavors. Why this is so is the primary subject of this series of essays, the "Social Dilemmas" , which I encourage you to read. One example will suffice here to illustrate the phenomenum. Consider the fisheries and the ocean and assume that the collection of fish in the ocean is a "public good". What is the economic motivation for each fisherman? To take all he can, right? For, if a consceintious fisherman says to himself, "This is no good, grabbing all we can. I will limit my fishing, which I hope others will do the same, so as to preserve the fishery for the long term. So, to maximize his own return, he grabs all he can and so do the others. The fishery collapses from over fishing. That this does not happen in the market of private goods is routinely demonstrated at the university in courses on Economics or, better yet, the local shopping mall. For more on the concepts of public goods vs. Constitutional, Democratic Government Public Choice theorists attempt to examine the system of government in which the people governed define their government by means of a constitution. The successes and failures of this concept are examined in detail. Voting Much attention has been given in the Public Choice field to the problem of voting. The simple approaches currently used have been shown to be defective as they do not always achieve the desired results. Alternative voting methods are examined and evaluated. Unfortunately, it has been difficult to modify our voting methods to reflect this knowledge. A surprizing conclusion of Public Choice theory is that it is rational to not concern yourself with the issues or to bother to vote. I quote Jane S. Shaw from her article, "Public Choice Theory": One of the chief underpinnings of public choice theory is the lack of incentives for voters to monitor government effectively. Anthony Downs, in one of the earliest public choice books, An Economic Theory of Democracy, PDF version online here pointed out that the voter is largely ignorant of political issues and that this ignorance is rational. Thus, the direct impact of casting a well-informed vote is almost nil; the voter has virtually no chance to determine the outcome of the election. So spending time following the issues is not personally worthwhile for the voter. Evidence for this claim is found in the fact that public opinion polls consistently find that less than half of all voting-age Americans can name their own congressional representative. Political Manipulations Public Choice scholars have looked at the ways politicians interact with each other, the voters, and their supporters to achieve their own goals. Vote-trading, "log-rolling", wealth transfers, etc. Rent-Seeking Public Choice has much to say about the use of rent-seeking , which is the act of obtaining special treatment by the government at the expense of the rest of us. A specific and major case of rent-seeking -- the transfer of land to private organizations -- is discussed by Fred E. Foldvary in "Ground Rent Seeking in U. The Realities of Collectives Finally, Public Choice scholars examine the options involved with solving the many social dilemmas resulting from living in groups or collectives. We know that private enterprise is not a good solution to the problem of the distribution of public goods. From that you cannot conclude that government can do the job better in spite of the fact that many "scholars" do come to that conclusion! Public Choice scholars address the challenge of determining what is the best "of the imperfect solutions". These points and other are covered in more detail by Jane S. An Introduction to Public Choice listed in the Reference section below. After that, you should take a look at the classic: The Calculus of Consent by Buchanan and Tullock. For an alternative and critical view of the successes and failures of the theory, consult the book by Green and Shipiro, Pathologies of Rational Choice Theory.

DOWNLOAD PDF PROPERTY, POWER, AND PUBLIC CHOICE

Chapter 4 : Property, Power, and Public Choice

A conceptual framework for understanding whose interests count. What governs institutional and systemic performance and how scholars may, objectively and non-presumptively analyze and understand.

Vincent and Elinor Ostrom both served as Presidents of the Society. The naming of this Award recognizes their ceaseless dedication to working with graduate students to improve both their writing and presentation skills. The Prize is selected according to a two-stage procedure. First, eligible papers are ranked by a selection committee composed of PCS Executive Committee members. The top three papers advance as finalists to the second stage, in which finalists present their papers and benefit from having accomplished and distinguished scholars assigned as discussants. The presentations are evaluated by a prize committee composed of the Society President, the Society Executive Director, and discussants. The Prize winner is announced and recognized during the conference at the Saturday Awards Luncheon. An award letter, commemorative plaque, and honorarium will be sent by mail after the conference. To be eligible, candidates must meet three requirements. First, candidates must have their paper proposals accepted onto the conference program according to the Call for Papers procedures. Second, candidates must upload their papers to the conference website by the deadline listed on the Call for Papers page. Papers not uploaded by the deadline will indicate the choice to opt out of the contest. Finally, candidates must be graduate students in good standing at the time of the Annual Meetings. Revolving-Door Lobbyists in the U. Evidence from US gubernatorial elections" Finalists: Tax Uniformity as a Constitutional Principle" Winner: Manipulation of leaders or bias from research? Enhancing Property Rights" Winner: Best Paper Awards in Public Choice Each year in the weeks leading up to the annual meetings of the Public Choice Society, the editors of Public Choice select the winners of two awards for the best papers published in the journal during the previous calendar year. The winners are selected by consensus amongst the associate editors and the editor in chief. Siddhartha Bandyopadhyay and Bryan C. McCannon, "The effect of the election of prosecutors on criminal trials," Public Choice 1â€”2: Kai Konrad and Wolfgang Leininger, Self-enforcing norms and efficient cooperative collective action in the provision of public goods, Public Choice Abhinay Muthoo and Kenneth A. Shepsle, Information, institutions and constitutional arrangements, Public Choice Thomas Stratmann, How prices matter in politics: Ronald Wintrobe, Extremism, suicide terror, and authoritarianism, Public Choice The Duncan Black Prize was established in the early s and we are trying to piece together all the awardees and their paper titles. Skarbek "The Chicago Fire of Michael Peress, Securing the base: Yogesh Uppal , The disadvantaged incumbents: Dougherty and Jac C. Justin Buchler, The social sub-optimality of competitive elections, Public Choice, , John-Charles Bradbury and Joseph M. Johnson, Do supermajority rules limit or enhance majority tyranny? Evidence from the US states, , Public Choice Heckelman, A Spatial Model of U. Senate Elections, Public Choice The Emerging Scholar Award will be presented every other year to a young scholar whose emerging body of work has made a significant contribution to the advancement of public choice research. The Meritorious Service Award is granted to an individual or organization whose efforts have made significant contributions to the Society or the dissemination of public choice scholarship.

Chapter 5 : Polycentrism and Power : Anarchy, State and Public Choice

[and] is a carefully detailed and extremely convincing attack on the normative pretensions of what I am tempted to call vulgar neoclassical economics, and even on the more elegant hidden valuations of welfare economics and public choice economics.

Description[edit] The idea of rent-seeking was developed by Gordon Tullock in , [2] while the expression rent-seeking itself was coined in by Anne Krueger. Georgist economic theory describes rent-seeking in terms of land rent, where the value of land largely comes from government infrastructure and services e. This role must be separated from the role of a property developer , which need not be the same person. Rent-seeking is an attempt to obtain economic rent i. Rent-seeking implies extraction of uncompensated value from others without making any contribution to productivity. The classic example of rent-seeking, according to Robert Shiller , is that of a feudal lord who installs a chain across a river that flows through his land and then hires a collector to charge passing boats a fee or rent of the section of the river for a few minutes to lower the chain. There is nothing productive about the chain or the collector. The lord has made no improvements to the river and is not adding value in any way, directly or indirectly, except for himself. All he is doing is finding a way to make money from something that used to be free. However, some rent-seeking competition is illegal â€" such as bribery or corruption. Rent-seeking is distinguished in theory from profit-seeking , in which entities seek to extract value by engaging in mutually beneficial transactions. Tullock paradox[edit] Tullock paradox refers to the apparent paradox , described by Tullock, on the low costs of rent-seeking relative to the gains from rent-seeking. Luigi Zingales frames it by asking, "Why is there so little money in politics? Possible explanations[edit] Several possible explanations have been offered for the Tullock paradox: This makes it hard for politicians to demand large bribes from rent-seekers. Competition between different politicians eager to offer favors to rent-seekers may bid down the cost of rent-seeking. Lack of trust between the rent-seekers and the politicians, due to the inherently underhanded nature of the deal and the unavailability of both legal recourse and reputational incentives to enforce compliance, pushes down the price that politicians can demand for favors. Examples[edit] An example of rent-seeking in a modern economy is spending money on lobbying for government subsidies in order to be given wealth that has already been created, or to impose regulations on competitors, in order to increase market share. Taxi licensing is a textbook example of rent-seeking. The concept of rent-seeking would also apply to corruption of bureaucrats who solicit and extract "bribe" or "rent" for applying their legal but discretionary authority for awarding legitimate or illegitimate benefits to clients. Regulatory capture is a related term for the collusion between firms and the government agencies assigned to regulate them, which is seen as enabling extensive rent-seeking behavior, especially when the government agency must rely on the firms for knowledge about the market. Studies of rent-seeking focus on efforts to capture special monopoly privileges such as manipulating government regulation of free enterprise competition. Often-cited examples include a lobby that seeks economic regulations such as tariff protection, quotas, subsidies, [15] or extension of copyright law. This viewpoint sees "profit" as obtained consensually, through a mutually agreeable transaction between two entities buyer and seller , and the proceeds of common-law crime non-consensually, by force or fraud inflicted on one party by another. Rent, by contrast with these two, is obtained when a third party deprives one party of access to otherwise accessible transaction opportunities, making nominally "consensual" transactions a rent-collection opportunity for the third party. The high profits of the illegal drug trade are considered rents by this definition, as they are neither legal profits nor the proceeds of common-law crimes. If "buying" a favorable regulatory environment seems cheaper than building more efficient production, a firm may choose the former option, reaping incomes entirely unrelated to any contribution to total wealth or well-being. This results in a sub-optimal allocation of resources â€" money spent on lobbyists and counter-lobbyists rather than on research and development , on improved business practices, on employee training , or on additional capital goods â€" which retards economic growth. Claims that a firm is rent-seeking therefore often accompany allegations of government corruption , or the undue influence of special interests. Thus organizations value rent-seeking over productivity. In this case there are very high levels of rent-seeking with very low levels of output. Ultimately, public rent-seeking hurts the economy the most because innovation drives economic growth. As a country becomes increasingly dominated by organized interest groups, it loses economic vitality and falls into decline. Olson argued that countries that have a collapse of the political regime and the interest groups that have coalesced around it can radically improve productivity and increase national income because they start with a clean slate in the aftermath of the collapse. An example of this is Japan after World War Two. But new coalitions form over time, once again shackling society in order to redistribute wealth and income to themselves. However, social and technological changes have allowed new enterprises and groups to emerge in the past. Both Dougan and Tullock affirm the difficulty of finding the cost of rent-seeking. Rent-seekers of government-provided benefits will in turn spend up to that amount of benefit in order to gain those benefits, in the absence of, for example, the collective-action constraints highlighted by Olson. Similarly, taxpayers lobby for loopholes and will spend the value of those loopholes, again, to obtain those loopholes again absent collective-action constraints. The total of wastes from rent-seeking is then the total amount from the government-provided benefits and instances of tax avoidance valuing benefits and avoided taxes at zero. Dougan says that the "total rent-seeking costs equal the sum of aggregate current income plus the net deficit of the public sector". But the question is whether private provision with free-riding incentives or public provision with rent-seeking incentives is more inefficient in its allocation.

Chapter 6 : Introduction to Public Choice Theory

We use cookies to make interactions with our website easy and meaningful, to better understand the use of our services, and to tailor advertising.

This material may not be reproduced or sold without the express written permission of the author. New material added after is entered in small capitals. New material is copyrighted, c Before proceeding to analyze the effects of alternative property rights on economic performance, we must inquire into the foundations for any set of rights to exist. The study of institutions involves several levels of analysis. The competitive market is thought to be a system where welfare is maximized without anyone caring for anyone else. It will be argued below that this idea is a delusion. The market rests on ethical choices, as does any variety of transaction system. The unseen hand is not a spontaneous gift of nature but a publicly chosen set of property rights resting on some minimum of self-restraint. The focus of this book is on the consequence of alternative rights, but this analysis takes place in a social context. A popular notion of the foundations of property rights is that of John Locke, who regarded property as a natural and technological fact Hamilton He begins with a virgin forest with nuts falling to the ground. If a person stoops to pick them up and incorporates her labor into the nuts, they become her property. Property is defined as incorporated labor. There is no doubt that our ideas on the legitimacy of property have something to do with an acknowledgment of human effort. But, as we have already seen, the labor that is regarded as imparting a right is always a socially selective thing. Otherwise it is impossible to distinguish the labor of the Indian in cutting out a cow from that of the cowboy in the Russell trail-drive painting. If labor is all that counts, we are back to thievery or warfare, which is certainly laborious. The labor of gathering the nuts from the forest floor and the labor of the thief who subsequently removed the nuts could not then be distinguished. Theft is a social concept applied to certain specified goods movements that lie outside a limit commonly agreed upon by both parties. Without some agreement on these bounds, it is not possible to define theft. The fleet-footed thief is not admired like the professional athlete. The result of labor that is afforded the status of property is always selected from a wide variety of possible exertions. But what is meant by "selected"? Who does the selecting? How many have to agree? The difference between a threat system of warfare and the exchange system of bargaining, administration, and status grant is one of self-limitation and willingness to treat others as subjects rather than objects. In all-out war, others are treated as objects, and the extent of the treatment is limited only by countervailing force. To make war is to regard the other person as an object to be manipulated and overcome. To make an exchange is to regard the other person as a subject to be respected. War is a relation of things, while exchange is relations of persons with respect to things. A subject is regarded as having some set of opportunities that the other person accepts as limiting on his or her own action--for example, will drive a hard bargain but not steal however defined. This self-limitation will be referred to here as a bond or covenant implying a degree of benevolence. A bond is not the same as a property right. It is the background condition for any right, indeed for any peaceful discussion and argument over rights. The true test for the existence of a covenant is whether the behavior associated with a right continues when the swordsman sleeps--even when no cost can be generated by an external party. It literally does not have to be a swordsman, but anyone who can create cost, even, for example, the frown of social pressure. Forbearance is part of ethical choice. The policeman is effective only at the margin. When a substantial number of people will not limit themselves, the police are often unable to do anything about it. If the nominal holders of property rights are not willing to go to all-out war armies instead of police , a certain degree of self-imposed limitation, or what might be termed "willing participation," is necessary. Self-imposed limitation suggests some degree of interdependence of utility functions. It goes beyond selfishness toward benevolence. It involves some degree of integration between people, an ethical bond, covenant, or understanding. It is an answer to the question "Who is my brother? You cannot trade or grant something that the other person already regards as his. There can be argument over the rate of exchange price , but this is civilized by some self-imposed limit of what one person will do to the other. Behavior is learned, and its source is often lost in the mists of time. People can be involved in exchange and be unaware of any bond or benevolence that makes trade of any particular set of rights possible. Much behavior is habit, perhaps even based on some ancient, forgotten submission, which, whether they are aware of it or not, limits their struggles and competition. Occasionally, exchange is interrupted and people are forced to rethink their involvement. They either reaffirm their bonds of self-limitation, learn new ones, or turn to force. Thus there is created the anomaly that, while the present existence of bounded exchange does not prove benevolence of all or even most of the parties, these exchanges reflect moral judgments and cannot continue, if challenged, unless shared judgments can be learned or rediscovered. Or, it is urged that government regulation and subsidies should modify market results to obtain a particular social purpose. The point of this chapter, however, is not to indicate the role of self restraint in the face of market imperfections or as a substitute for administration. Rather it is to inquire into the antecedent conditions for any rights to exist at all. There is no market, perfect or otherwise, without some widely shared underlying value judgment and publicly chosen rules. A particular ethical choice may not embody the values preferred by the given reformer, but it involves some self-limits. Any set of market prices reflects some minimal agreement to an ethical covenant. Changes in the prevailing ethic will tend to create changes in the price structure. Social value is not something in addition to market value, though additional restraints can be volunteered beyond those of market rules. There are no market values without underlying ethical judgments even if this delusion is what John F. Taylor calls one of the "masks of society. The distinction between exchange and a mere movement of goods from one hand to another is from Polanyi Person B is a subject of rights and not merely an object for use or abuse to the extent that A limits himself not to act in certain ways without the consent of B. For example, A argues that the use of his superior physical strength will not be relevant to the interaction. He may agree further not to discriminate in his attempts to secure meat on the basis of race or sex. Within these bounds, the two parties will use whatever resources and skills are at their disposal except as they choose forbearance in the specific instance. These understandings images are antecedent to the particular interaction. These understandings and acknowledgments property rights are not themselves the subject of a particular economic transaction, though over time the particular transaction and these limits interact and affect each other. In a manner of speaking, then, these limits have no price and are withheld from the present interaction. They are antecedent, and their source lies outside of any particular present transaction that utilizes and reflects them. What is true of the market with its bargained transaction is also true of other transactions. An administrative system may employ the sanction of imprisonment, but if a society is not to be an aimed police state, there must be some background ethical judgments made or learned by most individuals that make the rights of the administrator legitimate to some degree. A status-grant transaction also reflects some self-restrictive ethical behavior. A beneficiary of an obligatory act of another depends on the self-limitations of the obliged person as much as any social pressure. Whether a person enjoys a set of opportunities as a result of being a private property owner with bargaining power to obtain other resources or is the beneficiary of the expected delivery of goods from someone in a status transaction, she is in part served by the self-limitations of the other party to the transaction. A self-limitation usually is rationalized in terms of some ethical judgment. In that sense, all types of transactions rest on an ethical base. Another way of expressing it is to say that "Property is a public fact, or it is no fact at all" Taylor , p. But how public must it be to be regarded as a right? What about disputes at the margin? Persons may share a basic covenant of self-limitation but differ over some specific interpretation of it. Also not all persons will agree to everything at a given moment, and then the immediate parties to dispute turn to their fellows for resolution or they turn to war. Again there is some basic covenant or no one would agree to be bound by statements of rights created by others. At the disputed margin, property becomes what third parties often reflected in the state say it is. If B later changes her mind, A will get no help from U. Property ultimately is what the government says it is. But this is not to say that government can decree anything to be property if there is no minimum degree of shared covenant among people. If there is no community, there is no property, but only the victors and the vanquished. Two persons can have rights between themselves, apart from government, to the extent that they mutually honor them. Locke was mistaken when he argued that "the great and chief end If there were no minimal community of agreement prior to instituting formal government, there is no property. Where do bonds of community come from? Kenneth Boulding notes that "the theory of public goods cannot simply assume that there is a public. Why the publics are what they are is part of the problem, not part of the assumptions. For example, people located on a certain piece of geography may be subject to the attacks of mosquitoes. Will they band together to act to be rid of the common enemy? There are many examples of gains from joint action, such as combining the specialization of labor into a large firm.

Chapter 7 : Rent-seeking - Wikipedia

Note: Citations are based on reference standards. However, formatting rules can vary widely between applications and fields of interest or study. The specific requirements or preferences of your reviewing publisher, classroom teacher, institution or organization should be applied.