

**Dedication:** *These volumes are dedicated to the hundreds of scholars who devoted much of their lives to improving our understanding of politics, institutions, and public policies. Social science is a social and cumulative enterprise, but the individual contributions that produce scientific progress are among the most private and personal ones in human life.*

## **Oxford Handbook of Public Choice**

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### **Preface**

The term public choice was adopted in the late 1960s to describe the research program that uses rational-choice models to analyze the policy choices of governments. It is sometimes argued that public choice is simply the application of economic principles to politics, but this is not really what produced the public choice literature. Public choice scholars did use rational choice models similar to those applied by economists and game theorists, but the public choice research program required new models, new data sources, and in some cases new methods of estimation and testing. By reconnecting the fields of political science and economics, public choice reconnected the methodologies of political science and economics, which had become separated fields of research in the nineteenth century.

The models developed shed new light on many of the fundamental processes of democratic politics and institutions. Public choice research, for example, explained why more or less center-of-the-road policies tend to emerge in democracies, rather than the watchman or socialist states advocated by many intellectuals. It also explained why policies that favor a subset of industrial interests are often adopted that run counter to moderate voter interests. It shed new light on how institutions, as “rules of the game,” affected poli-

tics, policies, and thereby economic development. This, in turn, re-energized the analysis of the standing institutions of governance in both democracies and autocracies.

Insofar as politics could be analyzed using models familiar to economists, it was possible to bring policy formation into new richer political-economic models, although it took a half century of work to do so, and research in that area continues today. That research transformed the fields of public finance, industrial organization, and macroeconomics. Policies became endogenous products of politics in an increasing number of political economy models.

The *Oxford Handbook of Public Choice* provides a comprehensive overview of the research produced by several hundred scholars from economics, political science, law, and sociology over the course of seven decades. The individual chapters are mixture of analytical surveys, syntheses, and general overviews of the many subfields of public choice that emerged as especially interesting or important issues were analyzed. The chapters are written by experts in the respective sub-fields, most of whom, although not all, are long-time members of the American or European public choice societies. The body of public choice research reflects a long series of sustained and sophisticated efforts to understand how political and economic systems act and interact. and how they might be improved.

**Part I** of the *Handbook* begins with a series of introductory essays. The first provides an overview of the public choice research program and its methodology. The second surveys the research of the founders and the third sketches out how the public choice approach can be used to inform or decisions about the kinds of governments we might want to adopt and live under. These introductory essays are followed by comprehensive surveys of five broad areas of public choice research, which are substantially independent of one another.

**Part II: Voting and Elections.** Rational choice-based elections models produced a variety of new results and puzzles. This was the area of public choice research that emerged first and arguably set the tone for the other fields that emerged subsequently. The early research demonstrated that stable outcomes emerge under majority rule only if voter preferences are distributed in particular ways (Black 1948, Arrow, 1951). In the stable cases, the median voter casts her votes with the majority and her ideal point is an equilibrium outcome that defeats all others in pairwise elections (Downs 1957, Hinich 1957). In other cases, no

such stability is possible (Arrow 1951), unless institutions beyond majority rule are adopted (Shepsle and Weingast 1981).

That majoritarian governance was not inherently stable was a surprising and unsettling insight that may partly explain why simple democratic governments are so rare historically. The early contributions stimulated a long series of efforts to understand more complex voting systems, notions of equilibria, and voter motivation. These in turn induced efforts to more fully understand how various combinations of political institutions and voter interests affect the stability of democratic systems and the policy choices generated by those systems.

**Part III: Interest Group Politics and Rent Seeking.** Interest group models of policy emerged shortly after the electoral models and were partly developed to explain how and why policies other than those that advance mainstream voter interests come to be adopted. The main explanation relies on difficulties that common folk (consumers) have in organizing to resist the efforts of small well-organized groups. Olson (1965) provided a free-rider explanation for this asymmetry. In many cases, rational choice–based interest group models provided new insights into the “backroom” deals that determine many of the details of public policies, details that few, if any, voters are aware of. Stigler (1971), for example, argued that that asymmetry implies that economic regulations often increase industry profits at the expense of consumers. A wide range of policy details can be accounted for as an outcome of the balance of interest group efforts Becker’s (1983, 1985).

The extent of interest group efforts and the extent to which they are wasteful or not can also be analyzed, as demonstrated by Tullock (1967) and in estimates developed by Krueger (1976). Analysis of the extent, nature, and consequences of efforts in political contests among interest groups produced the Rent-Seeking research program, and also new rational choice–based analyses of persuasion and persuasive campaigns.

**Part IV: Normative Political Theory.** At roughly the same time that the stability problems of majority rule were discovered, several scholars began to reconsider how one should evaluate the relative merits of public policies and institutions (Buchanan, 1949; Rawls 1958). Rational choice models allowed several older normative theories to be more easily and exactly applied to analyze policies, voting procedures, and institutions and these attracted the most attention from public choice scholars. Utilitarian analysis in both its applied and

theoretical versions is inherently compatible with rational choice–based analysis, in large part because rational choice models were invented by nineteenth century utilitarians. Pareto’s (1906) two normative rules gained new life from theorists that were uncomfortable with undertaking mathematical transformations of utility functions. Contractarian analysis reemerged and was deepened and generalized (Buchanan 1975, Rawls 2009).

Public choice models allowed all three to be used to analyze electoral processes, interest group activities, and the relative merits of institutional designs. The numerous “dividing the pie” choices faced by contemporary governments also raised a variety of fairness issues that could also be examined using rational choice models.

**Part V: Constitutional Political Economy.** Buchanan and Tullock (1962) demonstrated that rational choice models could improve our understanding of voting rules, divided government, federalism, and electorates. Subsequent work examined the effects of what might be called the micro structures of politics using rational choice models (Riker 1962, Shepsle and Weingast 1981). As national and international data bases were assembled and digitized, the general policy implications of alternative electoral rules and constraints on public policy and economic development were subject to various statistical tests (Grier and Tullock 1989, Persson and Tabellini 1999). These insights and results, together with the wave of new constitutions adopted during the 1990s, encouraged further efforts to model and measure the effects of institutions on public policies and the evolution of political and legal institutions. The past three decades has witnessed an explosion of theoretical, empirical, and experimental work on these and related issues.

**Part VI: Applications, Extensions, and Methodological Issues.** The theoretical analysis of the interactions between politics and economics would be of little interest without empirical support. Both statistical and experimental public choice studies have been employed to understand where the models “work” and where existing models do not, or do so less well than expected. The empirical strand of public choice research has deepened our understanding of redistributive policies, central bank policies, legislative cycles, public policy and economic development. Models and ideas from public choice research have also been used to shed light on political history and drawn attention to otherwise obscure insights of past scholars.

As the field developed, a variety of issues about how to measure or characterize voter preferences over policies emerged. How narrow are a typical voter or politician's interests, and how forward looking and detailed is their typical analysis of the consequences of public policies? Experimental methods have been applied to shed light on these issues and also to determine how robust the analyses are to human behavior which is known to be less than fully rational in the sense assumed in most models.

Overall, as sketched out above and demonstrated by this two volume handbook, seven decades of public choice research has shed penetrating light on a wide variety of economic, political, and constitutional issues and puzzles. There is much more to be said about every topic mentioned above and others not mentioned. As a consequence, both experts and amateur "public choicers" will find the chapters below to be well worth their time. Indeed many of the chapter will simultaneously amaze and amuse readers with both the accomplishments of this enormous research program and the insights of the individual contributors.

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