

These remarks about special interests operating in democracies are not a plea for an authoritarian state. They are not, strictly speaking, a plea for a liberal state either, but an argument that government is apt frequently to go wrong. They certainly point in the direction of limiting the power of the state.

We tend to think of Marx as a minor post-classical economist, that is to say, an economist who was writing before the marginal revolution in economic thought and of only historical interest to modern students of economics. Further, he had an instinct for taking the wrong side in those obsolete debates of the post-classical period. It is true that he emphasised the underside of the political regime, but so did many other

scholars. Furthermore, economics has traditionally been suspicious of businessmen. What public choice did was to introduce an even stronger suspicion of government. In both cases, suspicion is not enough, but that's all Marx had. Public choice has gone beyond both Marx and Mill in analysing monopoly dealing with private markets and also what we call 'rent seeking', which concerns mainly the public provision of services (though it is detectable in private monopolies also).

Dr Quiggin has inserted public choice into a standard debate of political philosophy; and I have to admit that the work of James Buchanan practically begs for that kind of insertion. I do not blame Dr Quiggin for this, but that's not really what we are doing.

Clarifying the Role of Ideas

John Hyde

Few people would disagree with John Quiggin's contention that ideas influence public policy; certainly not this director of a public-policy think tank. The difficulty with Dr Quiggin's case is that he leaves too little room in what seems to be his model of political behaviour for the role of interests.

Dr Quiggin seems to have had a lot of fun knocking down a straw man. Few of those of us who habitually employ public choice theory to explain the world we experience do, in fact, deny that ideas have a role. Indeed, we have spent much of our energy trying to redress the balance in favour of an ideal, namely, that governments should be strong in resisting vested interests and should thereby govern only by general rules that affect everyone equally or discriminate only in favour of broad categories of citizens such as the poor, the sick, the old, and so on.

The same can be said, I think, of most of the renowned exponents of the theory. I do not believe that Mancur Olson, for instance, argued that the collective interests of particular groups would be promoted **only** if individuals would benefit from contributing to actions aimed at furthering those interests. Some seven years ago I raised the matter with him in more or less the terms employed by Dr Quiggin. His reply, as I remember it, was that ideas and interests both matter, but that an understanding of the role of interests within the political process allowed us to explain a great deal of that process. In short, public choice is a powerful theory but not **all**-powerful.

This struck me as a common-sense answer. After all, there was my own behaviour to explain. I was in the process of setting up the Australian Institute for Public Policy, which was unlikely to pay me well, and

there would have been no point in what I was doing if I had expected its ideas to be without influence. And like everyone else involved in public policy debates, I had many times been dragged through the arguments about the ultimate limits of microeconomic theory by people with more faith in governments than I have. The pursuit of rational self-interest explains a very large slice of human behaviour, but it is hardly earth-shattering to point out that it doesn't explain statesmen. One who had already recognised that self-interest does not explain everything is unlikely to expect it to explain everything about public policy formation.

On the other hand, there was my experience with interest groups while I was a politician. Public choice theory did explain very well much of the behaviour of my electors, the lobby groups who descended on me and, above all, the behaviour of my party room colleagues when contending for such things as committee chairmanships and overseas trips.

Dr Quiggin provides us with three 'key tenets' of 'the popular version' of public choice theory. One is that the state responds to pressure groups; another is that voters acquiesce in the outcomes because of 'rational ignorance'. This seems a fair description of what public choice is all about. What is more, the first tenet seems so obviously in accord with the real world that it is unlikely to be much disputed. Could anyone deny that the Australian state has given in to pressure from the pro-tariff lobby, for example? In fact, at the time when protection increased, elite opinion was more favourable to the tariff than it is today. But even if that opinion was dominant, we would need to explain why some people got protection and others did not. And we need an explanation of why members of governments do not govern in the way that welfare analysts — who identify the interests of the wider community — suggest that they should. More of that later.

The remaining tenet of public choice, according to Dr Quiggin, is that political ideas are ideologies designed to rationalise policies serving different interest groups. While the Marxists have certainly made

such a claim, I am not aware that public choice theorists have. For them, political ideas tend to be political ideas and no more. They note that vested interests sometimes misuse political ideas, but that undoubted fact is not extended to imply that ideas serve only vested interests or even that they could do so: indeed, they often argue just the opposite.

Returning to my experience with the party room: It was common for members to promise to vote for one another, and tacit deals were even more common: that is to say, they logrolled. Such behaviour can obviously result in the best people not getting the posts. Further, the costs in time and effort would be far too high for every member of the party room to discover, evaluate and counter all of these deals. That is not, however, the end of the matter. General rules, to which everyone agrees, are adopted that limit this behaviour. The whips, for instance, keep lists of who has been on overseas trips and when they did so, and bring quite a lot of moral suasion to bear.

Many public choice theorists, like James Buchanan and George Stigler, have moved on from explaining the consequences of logrolling and rational ignorance to suggest means by which the untoward effects of these can be reduced. These most commonly take the form

of asking the relevant public to approve variations of the rules by which the democratic game will in future be conducted. The whips' lists and restrictions on the powers of legislatures are the sorts of measures they advocate. These 'constitutional' rules, approved and altered only by popular vote, are not undemocratic.

Nor is it likely that J. S. Mill would have disapproved of them. He was, after all, well aware of one difficulty associated with majoritarian rule, namely, the tyranny of the majority. He warned us against that. Thus, he did not have unbridled faith in elected assemblies and would probably not have been surprised to discover other barriers to their ability to govern justly and with popular support.

It is, of course, quite true that private interest theory does not go far towards explaining general trends, including the current trend towards more liberal economics. But, so far from being self-fulfilling, public choice theory, by explaining how it was that the political system was failing the ideas of welfare economics, encouraged members of parliament to do better. Political activity is a struggle between interests and ideals. It has done no harm at all to learn how the interests produced the perverse results against which welfare economists railed.

Rejoinder

John Quiggin

Gordon Tullock and John Hyde both raise important points in response to my original article. In this rejoinder I shall focus mainly on Mr Hyde's arguments, but I hope that in so doing I will respond to some of Professor Tullock's arguments as well.

Mr Hyde's first point is that I am attacking a straw man in suggesting that the private interest theory implies a disregard for the role of ideas in the political process. It is true that not all writers in the broad field of public choice share the views I have characterised as the 'private interest theory'. In particular, as I noted originally, Mancur Olson adopted a more sophisticated position that does include a role for ideas.

However, I am not attacking a straw man. The kind of views I am concerned with is illustrated in the work of Landes and Posner, who describe the First Amendment to the American Constitution as 'a form of protective legislation extracted by an interest group consisting of publishers, journalists, pamphleteers and others who derive pecuniary and non-pecuniary income from publication and advocacy of various sorts' (1975:893). Although they rarely state their views in quite so crass a form as this, a number of other leading

public choice scholars, such as Sam Peltzman, George Stigler, and Robert Tollison adopt a position in which ideas are of little or no importance (I confess I was remiss in my original article in mentioning Olson's important theoretical role without also naming the leading proponents of the pure private interest model.) This is even more true of the simplified version of public choice theory that has achieved dominance in the broader economics profession and the policymaking elite. For example, although Dennis Mueller's personal views appear fairly close to Olson's, his influential survey of public choice theory contains only a couple of tangential references to the notion that ideas may have an important influence on political outcomes (Mueller, 1989).

Mr Hyde's second claim is that I have underestimated the explanatory power of the private interest theory. He observes the importance of phenomena such as lobbying and logrolling, which play a major role in the public choice literature. But these phenomena are inherent in any collective decision-making process, regardless of whether the participants are motivated by private interest. For example, the environmental movement has been very successful in its lobbying activities, even though, according to the private interest theory, it should not exist at all. Mr Hyde's equation of 'pressure groups' with sectional self-interest is precisely the kind of implication of the private interest theory that concerns me.

As my interest in this field was originally provoked by the private interest literature on tariffs (Quiggin,