Chapter 1
Public Choice and Constitutional Political Economy

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Introduction

Public choice – or the economics of politics – is a relatively new science located at the interface between economics and politics (Rowley 1993, Mueller 1997, Shughart and Razzolini 2001). It was founded in 1948 by Duncan Black, who died in 1991 without ever achieving full recognition as the Founding Father of the discipline (Tullock 1991). Its practitioners seek to understand and to predict the behavior of political markets by utilizing the analytical techniques of economics, most notably the rational choice postulate, in the modeling of non-market decision-making behavior.

Public choice thus defined, is a positive science concerned with what is or what conditionally might be. Its dedicated journal is Public Choice, introduced by Gordon Tullock in 1966 and now ranked among the thirty most important journals in social science, worldwide. Its intellectual home is The Center for Study of Public Choice, now located in The James M. Buchanan Center for Political Economy at George Mason University in the Commonwealth of Virginia.

The public choice research program was launched in 1948 by Duncan Black’s paper on the rationale of group decision-making. This paper demonstrated that, under certain conditions, at most one motion is capable of securing a simple majority over every other motion. Specifically, if voter preferences are single-peaked over a single-dimensional issue space, a unique equilibrium exists in the motion most preferred by the median voter. For Black (1948), this result was the political science counterpart of the competitive market equilibrium in his own discipline of economics. However, Black was by no means convinced that the median voter theorem would hold in practice. His paper clearly identifies conditions in which majority voting would cycle across pair-wise choices.

In 1950, Arrow, without recognizing Black’s insight about cycling, demonstrated that when Black’s condition of single-peaked preferences does not hold, the unique vote equilibrium will not hold and voting cycles may prevail (Arrow 1950). Arrow incorporated this insight into his famous 1951 book, *Social Choice and Individual Values*, outlining a difficulty in social welfare (Arrow 1951). These papers fundamentally challenged Black’s initial theoretical notion of political stability and offered an alternative theoretical viewpoint that political markets are inherently unstable. In so doing, Arrow seized (perhaps unfairly) for himself the reputation of first establishing the instability theorem. In any event, these alternative viewpoints would be subjected to extensive empirical evaluation throughout the first half a century of the public choice research program.

In 1957, Anthony Downs moved public choice from its early beginnings in analyzing committee decisions and direct elections in an environment essentially devoid of institutions to its subsequent preoccupation with the institutions of democracy and representative government (Downs 1957). In a far-reaching contribution, he laid the foundations for an ambitious research program that would apply rational choice theory to every aspect of the political market place. Without apparently having read Black’s (1948) contribution, and having no clear concept of the importance of the median, as distinct from the mean or the mode, as a measure of central tendency, Downs utilized the spatial economic theory of Harold Hotelling (1929) to emphasize the predictable dominance of the middle voter in two party democracies, thus offering a falsifiable theory of democracy that would attract a large volume of high quality empirical research.

However, even while re-establishing the notion that political markets, under favorable circumstances, may reflect the preferences of the middle voter and even while forcing the rational choice analysis of economists down the throats of reluctant political scientists, Downs sowed the seeds of doubt that subsequently generated fruitful research on public choice. He noted that, in an environment where information is complex, costly to acquire, and offering little economic returns to those who acquire it, members of the electorate may economize in its acquisition, relying on ideology, as represented by political party brand images, to direct their voting decisions. He also noted that members of the electorate might rationally abstain from voting in situations where they could not distinguish between the policy positions of rival candidates or political parties.

Such doubts notwithstanding, Downs (1957) essentially replicated the theoretical work of Black (1948), reinforcing the notion that political markets are inherently stable and reflect the preferences of the middle voter. Down’s truly original contributions consist of extending the 1948 insight of Black to the real world institutions of politics and in introducing the individual self-seeking, rational choice approach to the analysis of politics.

The classics of public choice reviewed so far focused attention exclusively on voting in unconstrained majority-vote democratic environments as exemplified by the United Kingdom. As such they were only of limited significance, arguably, for a constitutional republic, such as the United States of America, a republic that deliberately was not designed to be a democracy as is usually defined. In 1962,