Chapter 2
Public Choice: An Introduction

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Origins

Public Choice has been defined as the application of the methodology of economics to the study of politics. This definition suggests that public choice is an inherently interdisciplinary field, and so it is. Depending upon which person one selects as making the pioneering contribution to public choice, it came into existence either in the late 18th century as an offshoot of mathematics, or in the late 1940s as an offshoot of economics. The case for the earlier date rests on the existence of publications by two French mathematicians, J.C. de Borda (1781) and M. de Condorcet (1785). Condorcet was the first person, as far as we know, to discover the problem of cycling, the possibility when using the simple majority rule that an alternative x can lose to y in a vote between the two, y can lose to another alternative z, but z will also lose to x. The existence of such a possibility obviously raises the issue of how a community can decide among these three alternatives, when a cycle exists, and what the normative justification for any choice made will be. No cycle exists, of course, if some alternative, say y, can defeat both x and z. The literature has commemorated Condorcet’s contribution by naming such an issue like y a Condorcet winner. A vast number of papers and books have analyzed both the normative and positive implications of the existence of cycles.

Condorcet gave his name to one other important part of the public choice literature, when he proved what he called a theorem about juries, and what we now call the Condorcet jury theorem. This remarkable theorem provides both a justification for making collective decisions with the simple majority rule, and for the institution of democracy itself. It rests on three assumptions: (1) The community faces a binary choice between x and y, with only one of the two choices being the “right” choice for the community. (2) Everyone in the community wants to make the right choice. (3) The probability p that a citizen votes for the right choice is greater than 0.5. The theorem states that the probability that the community makes
the right choice when it uses the simple majority rule increases as the number of voters increases approaching one in the limit.

That the theorem provides a normative case for the simple majority rule is obvious, if one accepts its premises. Condorcet described the collective decision as one regarding the determination of whether a person had committed a particular crime or not—hence the theorem’s name. For this type of collective decision the definition of “the right decision” is fairly controversial—the person is declared innocent only if she is in fact innocent. The assumption that everyone wants to make the right choice in this situation also seems uncontroversial.

The argument that the theorem also provides a justification for democracy is more subtle, and under it the assumptions underpinning the theorem become more controversial. Imagine, however, that everyone in the community agrees that they would like a “good government” that would be honest and provide goods and services and levy taxes so as to maximize the welfare of the community. Two parties compete for the honor of becoming the government, and each citizen votes for the party that he believes will form the best government. If each citizen has a greater than 0.5 probability of picking the party that will form the best government (two-party) democracy chooses the best government in a large electorate with near certainty.

The second and third assumptions take on extreme importance, when the theorem is used as a defense of democracy. Citizens share a common goal—good government. Each citizen has a greater than 0.5 probability of picking the party that will provide the best government. Citizens do not merely flip coins to decide how to vote, they study the parties and make an informed choice.

The assumption that everyone agrees on what good government is, becomes more controversial when we are thinking of the whole panoply of things governments do. If citizens disagree about what the government should do, there will be no “right choice” for all citizens. This being the case, parties will compete not only on the basis of how good they will be at advancing the community’s welfare, but how that welfare should be defined. Finally, when one is thinking of a large electorate, even the assumption that voters are well-informed becomes controversial.

Many studies in public choice employ some of the assumptions needed to apply the Condorcet jury theorem to the study of politics; many others do not. All the work on party competition that uses “spatial modeling” assumes, for example, that voters are well-informed, that they know the positions of the parties in the issue space. At the same time, however, this literature does not assume that voters agree on where the parties should be located in the issue space. Conflicts of interest or preferences are assumed, and thus voters do not agree on which party is best even when they are certain about what the parties will do in office—assuming, that is, that the parties will do different things. There is another branch of the public choice literature, however, that does assume common interests among citizens, and thus does accord with the second assumption underlying the jury theorem. This work often focuses on decisions made at the constitutional stage of the political process and today often goes by the name of constitutional political economy.

Thus, directly or indirectly, Condorcet’s pioneering work raised many of the questions with which the modern public choice literature has been concerned.