Chapter 3
Public Choice Trailblazers versus the Tyranny of the Intellectual Establishment\textsuperscript{1}

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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. It was founded during the late 1940s in a sequence of papers by Duncan Black, primarily focused on voting within committees and elections. Black died in 1991 without achieving full recognition as a Founding Father of the discipline.

Public choice was extended into the arena of representative government first by Anthony Downs (1957), who outlined a theory that emphasized the centripetal tendencies of two parties competing for electoral votes, and then by Buchanan and Tullock (1962), who provided the long-term foundations for the subject within the framework often referred to as politics without romance. The practitioners of this latter brand of public choice seek to understand and to predict the behavior of political processes by utilizing the analytical techniques of private market economics—most notably methodological individualist and the rational choice postulates—albeit identifying the crucial differences between the behavior of the private market and non-market decision-making processes.

In this paper, I suggest that leading United States neoclassical economists, both from saltwater and freshwater universities, have systematically ignored, downplayed, or distorted the scholarship of the public choice trailblazers, thereby slowing down the impact of public choice ideas on the intellectual mainstream. Because of the radical nature of public choice thinking, its trailblazers ran head on into the tyranny of the intellectual establishment, as reflected by four highly prestigious Nobel Prize winning economists, namely Paul Samuelson, Kenneth Arrow, George Stigler and Gary Becker. I explore the conflict in the context of four episodes in the

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development of Public Choice ideas: Cycling under the rule of simple majority voting, the burden of the national debt, interest-group theory, and rent-seeking and the efficiency of government legislation.

**The Saltwater ‘Social Welfare Function’ Economists**

Paul Samuelson and Kenneth Arrow are pre-eminent figures of modern neoclassical economics. They and their innumerable disciples would offer the first line of defense against public choice ideas, relying on a complete separation between, on one hand, private market analysis with behavior evaluated against a carefully specified social welfare function, and, on the other hand, on a public-interested state as responding impartially to the considered advice of philosopher-king economists. Inevitably, the approach established an uneven playing field that unfairly favored government over private markets across a significant range of policy margins.

**Paul A. Samuelson**

Paul Samuelson received his bachelor’s degree from the University of Chicago (where he studied under Frank Knight and Jacob Viner) in 1935, his master’s degree from Harvard University in 1936 and his doctorate from Harvard University (where he studied under Joseph Schumpeter and Wassily Leonief) in 1941. He joined MIT as an assistant professor in 1940, was promoted to associate professor in 1944 and to full professor in 1947. In 1966, he became Institute Professor, a rank of high honor reserved for only a few members of the MIT faculty.


In 1948, Samuelson confirmed his international reputation with the publication of his famous textbook, *Economics*, which, under single-authorship until 1986, and thereafter under co-authorship, has survived 60 years in multiple editions, translated into 41 different languages, and selling well in excess of four million copies. This book introduced generations of students to Keynesian economics and pursued a consistently social-democratic approach to economic policy throughout the second half of the twentieth century.

By 1970, Samuelson was widely regarded as the pre-eminent economist of the West, with several hundreds of articles to his name spanning almost all fields of neoclassical economic theory. In that year, only the second year of the Prize, he became the first American economist to be awarded the Bank of Sweden Prize in