10

The Equilibrium Quantity of Government Policies

1. Introduction

We are now in a position to bring together the building blocks developed in the previous chapters. On the demand side, these include the preferences of citizens for public policies as these are related to the incomes of citizens and to the tax-prices that have to be paid for these policies as well as to the costs of using the various instruments of political participation that can lead to the desired supply of public expenditure and taxation policies. On the supply side, there is the degree of competition to which the opposition submits the governing party and the degree of interest which this competition stimulates in citizens as reflected in what they remember of the disparities between the weights attached to their tastes by politicians and the weights they themselves use; there is also the bargaining strengths of politicians and bureaucrats which determine the instruments used by politicians in their efforts to reduce the degree of coercion placed on some citizens and the policies that will be implemented.

To analyze how these various factors interact to determine the equilibrium supply of public output, I will examine three
cases which together comprise most possible situations. The first arises when the level of political participation costs \((p^*)\) is such that the number (or proportion) \((N_p)\) of citizens who make their preferences known to the governing party is larger than the number (or proportion) \((N_r)\) which the decision-rule in force dictates should support the governing party if this latter is to be reelected. This is a situation that will arise when \(p^*\) is low. The second situation that I will examine is when \(p^*\) is high and consequently when \(N_p < N_r\), and finally I will discuss a particular situation that arises when \(p^*\) is such that \(N_p = N_r\).

To put it differently, I assume, following the discussion of chapter 6, that ceteris paribus the extent of political participation increases as the cost of political participation falls, a phenomenon that can be portrayed by the negatively sloped curve in figure 10.1. In that figure the abscissa measures not the absolute number of citizens who use the instruments of political action and thus make their preferences known to the governing party and seek to influence it as in figure 6.3 of chapter 6 \((N_p)\), but that number as a ratio of the number that the decision-rule requires should support the governing party if it is to be reelected.

The decision to proceed with the analysis as if political participation costs could be aggregated in one variable simplifies the analysis, but, as the discussion of chapter 6 should have made clear, does not subtract anything essential from it. Furthermore, many of those who use the instruments of political action are not themselves individual citizens, but may be corporate bodies. In this case, as always when dealing with corporations, an assumption must be made about the relationship that is supposed to exist between the corporate body or

1. In the next chapter I examine how the system adjusts when external disturbances alter the basic data of the problem.