

GOVERNMENT SPENDING AND THE LIMITS OF PUBLIC CHOICE THEORY

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Government spending is going through the roof in western countries. All technological and other advance is proving vain, for government spending is growing so fast that its proportion of total output is becoming a crushing burden. In Western Europe thirty years ago, government spending averaged out at about 25% of output. Now it is about 50%, and rising fast. If this trend continues economic advance will be so undermined that economic collapse will occur.

PUBLIC CHOICE

Why is this happening? The popular answer, among libertarians, is the Public Choice Theory answer, that groups of people - "special interests" - benefit a lot per head from a particular item of government spending, whereas the general population are not hurt much per head.¹

If one hundred men benefit to the tune of one thousand pounds each from the building of a warship, they have a big incentive to campaign like mad, in public and by private lobbying, for this warship. But the tens of millions of voters are hardly hurt at all by the few pence each voter is forced to spend on this warship, so they have no incentive even to find out that the money is being spent, let alone to stop it being spent.

So people press for the government spending that benefits them. The concentrated interests win at the expense of the diffuse general interest.

At first sight this seems a very good description of political activity. I remember from University days

the antics of small groups of people which it was not worth the trouble of most students to oppose, as, per head, the demands of each group cost them little. And in local and national politics one seems to come across nothing but an endless series of groups asking for more money for their particular activity.

However, I believe the Public Choice view to be fundamentally flawed. It does not fit the facts. For if Public Choice Theory is true, why do some items of government spending fall as a percentage of output over time, and others rise?

In the United States in 1960, defence spending was 12.1% of total output and federal welfare spending (pensions, unemployment benefit, etc.) was 4.8%. In 1980 defence spending was 7.3% of total output and federal welfare was 12.6%.

The wholehearted supporter of Public Choice might say that this is because more people believe that welfare spending will benefit them than believe that defence spending will. But the whole point of the libertarian economic case is that such things as the surge of "Great Society" welfare programs benefit no one with the possible exception of the people who administer them, that such spending increases the very poverty it is supposed to reduce.²

BELIEFS

If we are to believe that the reason welfare spending went up and defence spending down was that more people *believed* that it would benefit them, this begs the question of why the welfare bureaucrats and their allies were more successful than the defence bureaucrats and their allies in persuading people that more spending was in their interests.

There is no evidence that the vast majority of voters in the U.S., let alone the politicians who actually voted for them, believed they would ever use any of the Great Society welfare programs (it is different in the case of 'Social Security' pensions of course) they were voting *against their interests*.

I know of no western country, over the last thirty years, which had large scale defence spending where its share of output has not fallen and I know of no western country where welfare spending share of output has not risen and is not continuing to rise.

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FOR LIFE, LIBERTY AND PROPERTY

In the United States the defence burden is less and the welfare burden is greater than it was in 1980. Overall Federal spending in the United States is now about 35% of output. In 1928, it was 3% of output.

Such things as the road spending burden, by contrast, show no tendency to increase over time, in spite of having large scale interests behind them, who are able to make plausible (however false) claims that the mass of voters, as well as special groups of voters and campaign contributors, benefit from such spending.

Government transport spending, subsidies to industry, agriculture, the arts, whatever you wish to name ... none of these show the dramatic rise that welfare spending does in every western country from the day welfare schemes are introduced.

Partly, this is because these schemes increase the number of poor people, which in turn leads to even more welfare spending. It is like the rolling of a snowball down a steep slope.

But it is not just this. If government spending on health, education, child care, the old, and so forth, is perceived as helping the poor resistance to it is fatally weakened.

“Conservative” election victories are no counter argument. “Conservative” governments increase welfare spending. (As British Prime Minister John Major said: “We have spent more than Labour even promised to spend.”) Even if we assume that, for example, in the 1992 British general election everyone who voted Conservative opposed higher welfare spending (which is nonsense) 57% of the voters supported a rise in the welfare state burden. And Britain is without doubt the least pro-welfare state country in the EEC.

WHAT IS TO BE DONE?

I do not believe politicians (at least, British Conservative Party politicians, who are the only ones I know) to be in the main the vote obsessed figures of Public Choice Theory, nor do I believe that the main problem is that they are deceived by special interest groups. Politicians have *beliefs*. The trouble is that their beliefs are the same as those of most other people. The politicians believe that the ever growing welfare state is morally good - ‘holy’, if you will.

Well, we could try to persuade them that it is morally bad. I believe that part of what Michael Oakeshott tries to do in some of his writings³ is to show that there are different traditions, and that by an unthinking acceptance of the planning, state activist tradition, of which the welfare state is part, we move away from the tradition of “civil society”, which he believes that we also value. Ayn Rand tries to show that the dominant welfare state is against the whole nature of man.⁴

The trouble is that neither of these approaches, of arguing that government welfare spending *increases*

poverty, and arguing that it destroys civil society, has worked, or shows any sign of working. There is one approach left, which is to point out and ram home again and again, by all the means we can find, that the ever growing welfare state will lead to *economic collapse*. And I do mean true collapse. Eventually, unrestrained welfare spending will lead to *mass starvation*.

Many have pointed this out, notably Rand. But in her case, this argument was part of a whole philosophy.⁵ We have never had the simple message pounded away constantly. Now is the time to do this. Over the next few years the great slide will become clearly apparent, and the longer genuine action is put off the greater the horror will be, as there will be more and more poor people. As the economy slides, so, I believe will civility. There will be demands for ‘emergency action’, which will of course only make things worse. But if just one major country manages to turn its back on welfare statism, it will become an example.

The failure of welfare statism will at first probably lead to more welfare statism, decline to more decline. But if we talk and write enough, we *may* be listened to. The hangman’s noose concentrates the mind wonderfully, and with things visibly falling apart we will never have a better chance.

If we succeed, then human beings cooperating together, free of seeing all that they do being taxed, borrowed and printed away to finance the welfare state, and free too of the maze of regulation that go with the welfare state, will accomplish great things.

NOTES

1. Those interested in the complexities of Public Choice theory might start with James M. Buchanan and Gordon Tullock, *The Calculus of Consent*, University of Michigan Press, Ann Arbor, 1962. But there are many other works by Nobel Laureate Buchanan, by the more ‘extreme’ Tullock, and by their many followers. See for example Gordon Tullock, *The Vote Motive*, Hobart Paperback No. 4, Institute of Economic Affairs, London, 1976; or J. M. Buchanan et al., *The Economics of Politics*, Readings No. 18, Institute of Economic Affairs, London, 1978. A nice recent book of essays is *Democracy and Public Choice: Essays in Honour of Gordon Tullock*, edited with contributions by Charles K. Rowley, Basil Blackwell, Oxford, 1987.
2. See for example Charles A. Murray, *Losing Ground: American Social Policy 1950-80*, Basic Books, New York, 1984; or Henry Hazlitt, *The Conquest of Poverty*, Arlington House, New Rochelle, New York, 1971; or John Hospers, *Libertarianism*, Nash, Los Angeles, 1971, especially chapter 7, “Welfare and Government”. But there are so many books and articles by so many authors.
3. For example see “On Being Conservative” in *Rationalism in Politics*, Methuen, 1962; or the whole of Oakeshott’s *On Human Conduct*, Clarendon Press, Oxford, 1975-1990, particularly the second and third essays.
4. The obvious example is Rand’s novel *Atlas Shrugged*, New American Library, New York, 1957.
5. I am not saying Rand’s philosophy is right or wrong, only that it is not simple. It is concerned with *how* we live, and not just *whether* we will live.