



Political dysfunction, economic progress and James Buchanan

By Lendell Porterfield - 10/15/16 09:00 AM EDT

Leading business scholar Michael E. Porter and colleagues at the Harvard Business School recently published a paper on the State of U.S. Competitiveness and found “dysfunction in America’s political system is now the single most important challenge to U.S. economic progress.” Coincidentally, October of this year marks the 30th anniversary of famed public choice economist James Buchanan receiving the Alfred Nobel Memorial Prize in Economic Sciences for his “synthesis of the theories of political and economic decision-making.” Mr. Buchanan, with whom I share a common birthplace – Murfreesboro, Tenn., was a pioneer of public choice economics, the study of political decision-making. If there was ever a time to understand the analytical framework and lessons of Mr. Buchanan, the time is now.

In seeking to explain and understand how public decisions are made in a democracy, Mr. Buchanan applied the economic principles and assumptions of self-interest to politicians, voters, interest groups, and bureaucracies. Challenging the conventional wisdom that government action always produces better outcomes, Buchanan convincingly demonstrated that becoming an elected official does not turn a person into a benevolent actor. In other words, getting elected does not make an individual omniscient nor does human self-interest just disappear. Likewise, bureaucracies do not always serve the common good, fulfill noble missions or provide “good results,” but rather seek to maximize their own self-interests: increasing their budgets and jurisdiction, maximizing career opportunities, or minimizing accountability and negative press.

Despite hopeful claims to the contrary, government is often not the answer, and does not always act in a way that solves problems or promotes the common good. Government, like any other human institution, reflects the same human failings and ambitions as any other institution. We have years of government failures and scandals to prove Buchanan was right.

Buchanan is best known for “The Calculus of Consent,” published in 1962 with his colleague Gordon Tullock. They identified a two-level structure of collective decision making: i) ordinary politics, regarding the legislative decisions; and ii) constitutional politics, regarding the decision making for the rules for ordinary politics. Their contributions help to explain a number of

pathologies that continue to plague us, including why balanced budgets are difficult to achieve, how debt financing affects spending and taxing decisions, and why bureaucracies rarely contract. These public choice findings and analytical framework are no less important today than they were fifty years ago. To the contrary, perhaps they are even more relevant now than they were then.

Last month, a team of professors at the Harvard Business School led by Michael Porter released a report entitled, “Problems Unsolved and a Nation Divided, The State of U.S. Competitiveness 2016.” Its findings are sobering. The report concludes the number one reason our economy is struggling is a “failing political system” that is not “delivering good results for the average American.” The study warns that “dysfunction in America’s political system is now the single most important challenge to U.S. economic progress.”

Having identified the country’s deep dysfunction, the authors struggle to find the cause or offer a solution. Instead, they lament that “the reasons why the political system is failing to deliver good results and what to do about it, are far from clear” and concede that “we lack a framework for understanding the causes of the poor outcomes and lack of solutions the system is delivering ...”

Thanks to Mr. Buchanan and his fellow public choice scholars, the analytical framework *does* exist to explain the causes for the poor outcomes and failing political system. The Royal Swedish Academy of Sciences acknowledged the value and legitimacy of such a framework in 1986. It’s called public choice economics and provides economic analysis and insight of political behavior. The lessons of public choice can help us analyze the causes of today’s governmental dysfunction. More importantly, Buchanan’s insights can help us devise effective solutions and government monitoring mechanisms to address the dysfunction in America’s political system now hampering economic progress. Acknowledging the truths embodied in public choice economics is the first step toward adopting government policies that deliver “good results for the average American,” and indeed, *all* Americans.

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