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The 1980s and 1990s have been marked by a crusade to expand market-based activity and reduce the public sector. These efforts reflect a belief that competition and the profit motive generate efficiencies in the allocation of resources and the production of goods and services, resulting in the optimal economic system. The benefits of this system are widely distributed. Any attempt by government to regulate or otherwise intervene in the free workings of the market will only reduce the general welfare.

Challenging this agenda, the book chapter summarized here argues that, not only does the unfettered market produce negative externalities and failures of the sort described in many economics texts, it also curtails democracy. As the role of government is attenuated, citizens have less ability to affect economic affairs. This chapter sums up the book’s defense of the public sector and critiques Public Choice Theory which, during the last quarter of the twentieth century, has been an influential intellectual underpinning of the “everything for sale” economy.

Democracy and the Political Arena

“Even a fervently capitalist society ... requires prior rules. Rules govern everything from basic property rights to the fair terms of engagement in complex mixed markets such as health care and telecommunications.” [328] The regime of rules must evolve to address new dilemmas arising from new products and practices. There must, therefore, be rule makers and rule-making procedures, which can be either democratic or non-democratic. Allowing the market free rein, or displacing decisions from public processes to elites like the Federal Reserve Bank, is itself a political decision, one among a range of choices.

No matter what the form of government, there is a need to govern markets. Consumers are not always able to protect their interests effectively. Without regulation, socially undesirable outcomes can be expected in many sectors, for example, health care or pollution control. Law and government protect liberty and property rights, and result from a long history of social evolution. “A vacuum of legitimate state authority does not yield efficient laissez-faire; it yields mafias and militias, with whose arbitrary power would-be entrepreneurs must reckon.” [330] Nations with competent public administrations have a competitive advantage in the global economy. In addition to formal regulations, norms that encourage trust, civility and reciprocity can make both markets and society healthier.

The Asian model of government combines a strong state with a weak democracy. European nations, especially in Northern Europe, link strong states with strong democracies and high levels of civic participation. The United States has historically been ambivalent about the role of the state. During the early years of the Republic, the Federalist/anti-Federalist debates posed a dichotomy between a strong democracy and a strong state. At the end of the nineteenth century Woodrow Wilson (while a university professor) drew on the European parliamentary experience to articulate a model of government that combined democracy with effective public administration. Although the U.S. Constitution presents structural obstacles to strong government, in some periods, such as the New Deal, “partisan majorities in Congress [were] large enough to constitute *de facto* parliamentary majorities and to bridge over the structural weakness of the American state.” [332]

Public Choice

Public Choice is a cynical theory about democracy which applies the self-interest-based behavioral model of neoclassical economics to political life. Public Choice idealizes the market and demonizes the state, recognizing only the self-correcting mechanisms in the former and only the self-destructive ones in the latter.

The theory claims that politics aggregates the selfish aims of individuals into interest groups that vie for power, angling for unearned windfalls at the expense of the common good.

Public Choice is wary of free-riding, the idea that most people will not engage in political or civic activity because the cost outweighs the individual gain. Politics, therefore, becomes the domain of a few highly focused groups who trade political favors to gain support for their own narrow goals, a practice known as logrolling. The theory denies that people can get what they want through political means because, with multiple preferences, multiple coalitions are possible and no outcome is predictable, or inherently superior. Thus, “the celebration of the market has become an insidious form of contempt for political democracy. Excluded by definition are the possibility of deliberation leading to social learning, institutional refinement, and an evolving conception of the common good.”

The predictions and the relevance of this school of thought have suffered from its emphasis on pure theory with insufficient attention to empirical findings. In reality, history presents a mix of outcomes. Sometimes people get what they want, sometimes they are frustrated. People do, in fact, vote - in some countries suffering hardship and risk to do so - even though the costs exceed the benefits. Throughout the industrial world, national budgets have stopped growing, even though logrolling should result in unchecked public spending as interest groups buy support for their projects by supporting the pet projects of others. Contrary to Public Choice premises, politicians often seek office out of conviction or a desire to advance a political ideology, rather than pure self-interest.

Despite these empirical failures, Public Choice remains influential among intellectuals because it extends the current infatuation with the economic model into the political arena; it resonates with a long-standing American strain of skepticism about politics; and its reliance on *laissez-faire* preserves the privileged status of powerful elites. When voters without wealth or property mobilize politically, they are likely to choose leaders and policies that reduce their vulnerability

to market forces and alter society's distribution of power and wealth. If political organization among the powerless can be discredited as either economically perverse or politically futile, the position of the elite becomes more secure.

When Public Choice theorists emphasize the selfish behavior of political interest groups, they focus on the "rent-seeking" behavior of such groups as welfare mothers or unemployed workers, while ignoring the disproportionate purchase of influence by moneyed interests. When large contributors gain privileged access while ordinary voters are left out of any real and effective role in the political process, the latter become cynical and apathetic. Grass roots mobilization around legitimate popular interests is driven out by "Astroturf lobbying" which simulates the real thing by underwriting front groups for well-heeled special interests.

Reviving the Polity

Contrary to the propositions of Public Choice theory, markets need to be constrained with effective government. Given the American resistance to authority, this requires democracy. Democracy protects against tyranny, enables citizens to influence the collective experience, keeps markets in their place, and ensures a resilient society.

We need to reclaim a space for politics and public activity, and to revive avenues for public administration and civic engagement. Cynicism and the decay of political institutions discourage voting, particularly among the poor and working classes. Making registration and voting more convenient would be a step in the right direction. Adjustments in work hours to accommodate civic involvement, as well as family leave and child care, would relieve the time pressure that hinders greater participation. Public service corps can expand the sphere of citizenship and civic institutions. "Policy juries" can bring citizens together to learn about and debate difficult policy issues.

In rebuilding vehicles for participation in civil society, we need to strike a balance between public and voluntary endeavors. Social Security and Medicare provide more dignified and comprehensive alternatives to poverty for the elderly than soup kitchens. In turn, financially secure senior citizens can be more involved in community life. Voluntary organizations like the PTA support public schools. Many community-based organizations like economic development corporations and tenant councils began with government assistance.

While Public Choice theorists and other conservative analysts blame the government, others point to the ascendance of television as a corrosive influence on civic involvement. TV steals time from other activities, assembles audiences in order to sell products, encourages passivity, and delivers a sterile version of politics. More broadly, television is the emblem of a marketized society. "Since the early 1970s, widening inequality has been associated with greater commodification ... many things that were once basic social amenities now depend on private purchasing power, which is increasingly unequal." [356] Increases in working time mean that people have less time for their own families, let alone for community activity and life-affirming sociability.

Recent efforts to "reinvent government" by introducing competition between public and private

service providers and by incorporating entrepreneurial practices into government agencies can be beneficial if the goal is greater efficiency, but not if the purpose is to strip government of needed resources. The private sector is sometimes ill-equipped to fulfill public-policy purposes. For example the U.S. Postal Service, which has been partially privatized, competes with delivery companies, but these private corporations do have a public mandate to deliver mail to every address in the country. This responsibility requires cross-subsidy, a practice which violates market pricing principles. Prisons, schools, and social and sanitation services are other areas where the trend toward privatization must be carefully weighed against public purposes. “The grail of a perfect market, purged of illegitimate and inefficient distortions, is a fantasy - and a dangerous one.” [329]