

THE PUBLIC CHOICE IN THE FIELD OF PUBLIC POLICY ACHIEVEMENT

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The subject of this paper consists of the dichotomy between keynesism and liberalism. In the paper will be mentioned authors same on one side and same on the other side. We did't mean to be partizans neither of liberalism nor of interventionism, but to illustrate the alternatives that remain at the disposition of authorities in the process of implementing the public choice.

Keynesism, liberalism, public choice,

The taxes and the fees are some efficient tools, in most cases, used by the authorities in order to influence the economy and the society. This fact is beyond doubt, but it is for sure, too, that they didn't always have this characteristic. There were some stages when the notion of perception was unknown and some other ones when it was the exclusive "prerogative" of the ones who were having the least contributive capacity. It was only in the modern period when the taxes and the fees were discovered as efficient tools of governmental interference.

In order to argue these assertions, we will make an appeal to the fiscal history, relatively recent, so as to throw some light on the aspects mentioned above. We will limit our return into history to the 18th century, in order not to dilute uselessly the sense of this approach, with some distant incursions in the Middle Ages or before that. Beginning with this period, there were identified some concrete preoccupations towards taxes and their role.

But before that, let's see what that public choice is. Better said, let's see, which is the entity using this prerogative. In order to be able to identify it, we will talk about a tandem of authors¹- James Buchanan și Gordon Tullock – who, in their paper, interestingly titled *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962), make a lot of statements according to which, in the society there constantly is a report between majority and minority, which is the basis of some cyclical negotiations (election campaigns, followed by voting). Although, the fact that the majority decides in a given system, is a widely acknowledged reality, in the case of government, things are significantly different. The minority decides. In the democratic countries, the minority is represented by the political class. We will not venture into discussions about the nature of the powers that coexist in a certain state at a certain moment, we will only say that the government decides, administrates and leads. These acts of the decidents subscribe the given warrant by the ones who have impelled them in the respective position.

At this point, we intervene with the specification that, not only in our country, several times after the installation of the government, this can be forced by the political situation to make decisions which are in profound antithesis with the desire of the majority. The problem of the governors is that, at the next scrutiny, the voters will sanction by their vote, the actions of the political minority, and not necessarily the digression from the promise. At this point we can discuss the problem of the decision taking cost and we enter the course of the present paper. The minority we are talking about is changed, by means of its acts and interventions, in a pragmatic majority which is in profound conflict with the above mentioned majority, called social.

Between these majorities, each constituted on a certain set of criterions, the negotiation steps of the election periods intervene, but also from the mandate period to the pragmatic component of the problem. The perpetual search between the two majorities gives birth to a fragile equilibrium which has a supporting point in the fiscal policy. Several times, the solving of a conflict, between the desire to continue the governing and the wishes of the social majority, is carried out in measures of fiscal policy.

In order to be correct, we have to say that the social problems cannot be solved only by fiscal policies, but we will not discuss some other types of policies because, in the interior of the fiscal system, there are a lot of methods, techniques and tools by which we can achieve the results desired by the social component.

¹ Buchanan J. M., Gordon T. – *The Calculus of Consent: Logical Foundations of Constituional Democracy*, Liberty Fund, Inc.1999, Library of Economics and Liberty, 15.iulie.2007. <http://www.econlib.org/library/Buchanan/buchCv3c1.html>

We have earlier that one of the social equilibrium pillars is represented by the fiscal policy. Now we will go further on, being based on the ideas mentioned by the authors mentioned above, and we will say that the structure of the fiscal system is a result of the existent coincidences between the desires of the two majority types, on which the above assertions were based on. We say this because, in the relatively recent literature (Dixit and Londregan, 1996² and Ortuno 2003³) a new idea is underlined, which discourages the classical myth of the politician, who wants to maintain its position no matter of the costs, giving this a much higher political and social consciousness, in the sense that the pragmatic majority will make everything possible to put into practice the ideological component of the political doctrine.

Coming back to the decision-making costs, so to the course of the present paper, we have to mention the fact that some of these costs are significant, and we say this from the perspective of both components. In this moment we have to bring into discussion the notion of externality. The Externality, or in other words, the external effect, was defined in 1973 by James Meade, as follows: “*an external economy (or a diseconomy) is an event that gives a considerable benefit (or causes an appreciable damage) to a person or to a group of persons, when the respective persons were not in the parties which have given the entire consent at the making of decision or decisions by which, they arrived directly or indirectly, to the causing of the discussed event*”. We notice the fact that the discussion goes into another direction, towards the term “affecting”. That is somebody, one or more persons are affected by some decisions made by another person without consulting the direct or indirect affected ones.

Without discussing the semantics of the notion of externality, we will say only that we are interested in the nature of affecting: positive or negative. The effect produced by the implementation of decision or decisions was good for the affected ones or not?

By the help of this dichotomy we open the path towards the conclusion of this... The choice of the modalities by which the social and economical objectives are fulfilled and the public and private socio-economical costs are materialized as a negative externality at the level of the tax payer, so that the decision makers, the governors, have to choose public objectives and the sum of the tools by which the objectives are reached so as that the perception at the level of the social majority to be as good as possible. Taking into consideration the definition of the external effects, this perception will never be unanimously appreciative, but the public choice has to be oriented in such a way so as to provide as few as possible reasons of dissatisfaction from the ones who constitute the social majority.

Further on, we will try to find out which of the two main streams of economical thinking from the last part of the former century – the liberalism or the leadership - offers the best matrix for the public elections.

Interventionism or non-interventionism?

The role of the state in economy was differently accepted by the economists along the historical periods. At the moment mentioned above (the 18th century), the most widely spread current, from the economical point of view, having deep roots in the effective history, was the liberalist one, of the authorities non-intervention in the economical field. The role of the public authorities was linked only to the maintenance of public order so as to have a good economical activity⁴. The dominant note of this French economist is the lack of any trace of fiscal taxation – he names them arbitrary taxes – and the treatment, without any preference from the state, of the ones who have economical activities.

Another relatively recent English author⁵, reveals two faces, two approaches of the liberalism. These are seen from the perspective of liberal tolerance with the modernist extension of unity in diversity. If at the beginnings, the author mentions, the liberal tolerance was manifested under the form of necessity of “the existence of a rational consensus”, context in which each of the society members, under the empire of rationality, was leading a consensual way of life, nowadays the problem is put in another register, so that the one in which there is a “modus vivendi” according to which every person can have his or her way of living without interfering negatively with the society. The entire new liberalism is nothing else but the adjustment of the doctrine in concordance with the

² Dixit A., Londregan J. – *Redistributive politics and economic efficiency*, American Political Science Review 89 (4), p. 860; disponibil la <http://www.gmu.edu>

³ Ortuno-Ortin I. – *Delegation and Polarization of Platforms in Political Competition*, (coautor), articol publicat în Economic Theory, 2003, disponibil la <http://merlin.fae.ua.es>

⁴ Cadillac, E.B. de – *Le commerce et le gouvernement dans Oeuvres philosophiques de Cadillac*, Presses Universitaire de France, Paris, 1948, p. 314;

⁵ John Gray – *The Two Faces of Liberalism*, Polirom Press, Iași, 2002, p.11;

existent necessities. Postmodernism has brought over a new wave in this field, the globalization, the division and the restructuring of the majority of structures on other criterions and matrixes determining a reconsideration of the liberal positions.

Our idea is that the fiscal system makes organically part of the first approach, the one which says that each of us has to manifest a certain tolerance of consensual type in this field of the public finances. The public benefit is the one which is above the components of the fiscal system and it cannot be only consensual.

Going on, we will discuss the economical doctrines from the historical point of view, at the end of it trying to draw a conclusion regarding the contest which takes place for almost a century between the two streams of economical approaches. Of course, we will make this from the perspective of fiscal implication of the ideas that are characteristics of interventionism or liberalism. We will try to approach the mentioned thematic from the chronological point of view as well as the other dimensions in part.

As we have already said, we will not return to the fiscal past, only to the 18th century, taking into consideration the weak concentration of ideas and debates in the fiscal field, anterior to the mentioned moment. Anyway, this is the period in which the two main doctrinarian orientations, mentioned above, have taken the measure of their governmental implication. Of course there was a big number of philosophers, believers and economists, which have been preoccupied by the fiscal part of the economic phenomenon along three centuries. We will not discuss about all these, but we will limit ourselves to the most important ones, from the perspective of the mentioned ideas and of their applicability.

Of course that all these great economists or philosophers mentioned as follows, did not treat the fiscal problem separately and exhaustively, but linked to the structure of their ideas, often revolutionary ones. We will try to divide the information as clearly as possible, but we will reveal a red guiding thread along this short passage of doctrinal fiscal history, thread which helps us to realize more easily about the major impact the ideas mentioned above had upon the philosophy of administration and of governing in general.

One of the persons giving a huge attention to this phenomenon, and the author of some other economical aspects, was Adam Smith (1723-1790). Even if he was an ardent supporter of the commercial freedom, he acknowledged the evident roles of the state and its clear responsibilities: national defence, justice, public papers, education, etc⁶. He noticed that in all these attributes the state cannot be substituted by any private instance (without any juridical connotation), because of the complex measures and of the huge dimensions of the supposed expenses⁷. With his characteristic Spartan efficiency, the Scottish Adam Smith notices that, in the field of justice, the expenses don't have to be supported by the community, but, if it is possible, by the parties implied in the processes. The juridical stamp taxes probably have, at their basis, the concept of this great economist.

Chronologically, we will mention in the following lines, a less known author, of French origin, named Frederic Bastiat (1801-1850), an extraordinary pamphleteer, but also, a theorist. Besides his first quality, we will stop at the second one, and we will say that he is considered to be a champion of harmony theorization. In fact, his most important paper is entitled "*Economic Harmonies*". In some other papers and articles which are not so important, Bastiat criticises the government in general, by means of satirical rhetoric. He wants a person to be willing to finance an award for the person who gives a definition that is "*good, simple and intelligent*" to this entity that is the government. As an answer he gives him the task some activities, mostly desires of the citizens of the country in which the respective government is. Being French, Bastiat does not belie himself and gives a lot of activities as tasks of the respective government, even if it is considered to be among the libertarians. The reason for bringing Bastias into discussion is that this pamphleteer produced a paper entitled "What Can Be Seen and What Cannot Be Seen", where he gives an example that synthesizes a theory of the forced opportunity cost: the owner of a shop (we bring his example in the present days for a better underlining of it) has a child who breaks a shop window by mistake. Bastiat poses the child of the owner, in this story, because the imputation of the broken window has no sense at all. What is seen, in short, is the putting in motion of the economy wheel, the glass has to be changed, the glazier will make a turnover, profit, etc. But what is not seen is at least as important as what is seen, that is to say, the fact that the allocation of an amount of money representing the value of the broken window could be done in another way if the owner hadn't been forced to make this expense. We can say the same thing about the amounts

⁶ Sintetizate în Văcărel I., Bistriceanu Gh. D., Anghelache G., Bodnar M., Bercea F., Moșteanu T., Georgescu F. – *Finanțe publice*, ediția a IV-a, Ed. Didactică și Pedagogică, București, 2003 p. 87;

⁷ Smith A. – *Avuția națiunilor, cercetare asupra naturii și cauzelor ei*, Ed. Academiei Republicii Populare Române, București, 1965, p. 234 – 235;

of money destined for the payment of the taxes. The tax payers could allocate, for sure, these amounts in another way if they hadn't been taken by the entity named state.

Another important person, rather a political philosopher than an economist, was Alexis de Tocqueville (1805-1859), who opposes the idea of equality to the idea of freedom, which even if they are fundamental elements of democracy, they are absolutely antagonistic. The synthesis between the conformism of the public opinion and the bureaucratic centralism constitutes, for Tocqueville, the characteristic of democracy. From the perspective of our paper, the antagonism between the two categories is interesting from the fiscal point of view. We will not say nothing more than the fact that this author considers that equality of treatment inhibits freedom, taken strictly individually⁸.

Being inspired by Adam Smith, John Stuart Mill (1806 – 1873) considers that the only digression from the *laissez-faire* principle has to be the ones linked, mainly to education, but without any monopoly of the state in this field, some aspects linked to social protection, public services provider which could be not attractive for a certain private owner⁹.

Approximately in the same spirit as Tocqueville, another philosopher expresses himself, at the end of the 19th century, named Herbert Spencer. He does not treat evidently fiscal elements, but he has an interesting vision about the role of the state and of the position that, by the help of the freedom and liberty attributes, the citizens of a state can adopt in relationship with this. We will not insist more, we will only say that Herbert Spencer, by his ideas offers some explanations of the tax dodging from the individual physiology point of view. A term used by the author in his paper entitled “The Right to Ignore the State” is that of “Right to voluntary outlawry”. In the fiscal field, we can think about the idea that the citizens who simply do not wish, do not have to be obliged to pay the taxes. Treating the problems on the two coordinates, we can say that from Spencer's point of view, the citizens should not wait for the state to decide what kind of governing manner to adopt, but to make an appeal to their individual freedom. Of course, we deal here with an extreme vision of the situation.

The classical liberalism begins to lose ground at the beginning of the 20th century, when Leon Walras (1834 – 1910), does not only acknowledge some roles of the state, but he also comes to the conclusion that “*an economical society could not function without the authorities to intervene in the order maintenance, ..., the carrying out of justice, the national defence and with the carrying out of different other things.*”¹⁰

We have to mention also the fact that Leon Walras is a member of the famous Austrian economical school, founded by Carl Menger, in the context of the Marginal Revolution in 1871. Stanley Jevons has also taken part of the marginalism trend. They begin to discuss things differently in comparison with the former economists, talking about the marginal character of the utility, with implications in the aggregate request.

All these opinions, as we have already said, were part of a larger list of conceptions, which limited the role of the state in economy to simple decorative roles. Towards the end of the 19th century, but mostly after the two decades of the former century, things started to have another shape, and these shapes contained other forms which to be closer to modernity from the fiscal point of view. The Great Crisis of overproduction which was between the third and fourth decade of the former century, provoked a lot of changes in the economical thinking at that time. This time, the economists “... *pronounce themselves in favour of this (of the state), for taking measures by the public authorities, capable of assuring the stop of the economical decline and the taking over of the economical growth, the absorption of millions of people who are unemployed, the sanitation of the public finances and of the currency, the reinforcement of the commerce, the enlargement of the commercial exchanges between the states, etc.*”¹¹

The first person who put the problem in these terms was the great economist John Maynard Keynes, whose name is confounded with the interventionist theory. In order to obtain the wanted results, in the Keynesian vision, the state has to appeal to stabilizing, correcting and influencing tools, among which a leading place is that of the taxes and the budgetary and monetary measures¹². During this period and under the influence of some Keynesian thinkers, new mechanisms for the functioning of the economy have been conceived, mechanisms which should function both automatically like some built in stabilizers, according to Paul Samuelson¹³ or, at the request of the authorities, for the neutralization of the factors with a disturbing potential. According to the same economist, there are three major directions in which the state should make its presence felt: public acquisitions, public transfers

⁸Tocqueville A. – *Democracy in America*, available http://xroads.virginia.edu/HYPER/DETOC/toc_indx.html

⁹ Quotation taken from Văcărel I. coord. op.cit. p. 88;

¹⁰ Quotation taken from Văcărel I. coord. op.cit. p. 88; after Walras L. *Elements d'économie politique pure*.p. 449;

¹¹ Văcărel I. coord. op.cit., p. 89;

¹² Văcărel I. coord. op.cit., p. 89;

¹³ Samuelson P.A., Nordhaus W.D. – *Economical Policy*, Teora Press, Bucharest, 2001, p. 336;

under the face of their necessity and opportunity, as well as the changing of the drawing quotas closely related to the development level of the economy¹⁴.

We will stop here with the mentioning of the economists and philosophers who dealt with mentioned phenomenon and we will conclude that from an economy based on offer, things have developed towards an economy based on demand. By influencing the last one, some very spectacular results can be achieved on medium and long term, from the point of view of the economic results as well as from the perspective of the economic equilibrium.

In this respect, we can say that the state, by the system of public acquisitions, is one of the exponents of this demand. The two dimensions of implication of the state in economy are very important – the allocate one, in the sense of social transfers and strictly the fiscal one, by the taxes and the fees put by the state in the hands of the tax payers in different moments of the economical and social life.

Taking into consideration the theme of the present paper, we have to consider the taxation policy under two determining aspects: the economic one and the social one. The impossibility of a strict delimitation comes, first of all, from the social dimension of economy. We will never be able to theorize strictly the economy, and we will never be able to say that it has some components with no social implications. We will not talk about all the measures with economical character and their effects on the society, but we will refer strictly to the fiscal component of the economy.

The taxation policy has some attributions which make it one of the most important fields of the economy, from the social point of view. The taxes and fees are not liked by the majority of tax payers, but this fact does not hobble to provide the necessary resources for reaching a satisfaction level of needs being in a certain concordance with the expectations of the same tax payers. Besides this first effect of the taxation policy linked to the simple utilitarianism, there is a constructive dimension of the public finances. Constructive in the sense that, the effects of this dimension go beyond the simple satisfaction of the necessities and begin to compose another economical reality with indicators situated on other value levels, of course superior (in the case of a success).

In the case of allocations, there are some different approaches, according to their necessity and timeliness. We could say the same things about the fiscal measures, which should be seen in the same register. Related to the necessity of adopting communitarian policies in this field, it is useful to see their timeliness, too. There is no competition, or at least it should not be, between the two dimensions of the idea, but they have to intermingle harmoniously, even if some measures imposed by the adherence to the European Union can be more necessary than opportune. On the other hand, we deal with an outrun of necessity by timeliness.

We refer here to the adoption of some measures concerning the excises taken as a whole, which have not been obligatory to be taken in a relatively short horizon of time, but if they are applied, they will have a positive effect on the future purchasing power of the population in our country. We say that making a short comparative study between the Romanian economy and the Hungarian one. If an unpopular measure is postponed because of some simple politics reasons (of the party, to stay in governing position), eventually it will have to be implemented, and in the next moment some changes in the purchasing power will be felt, in a relatively short period of time, the tax payers being used to some prices (we maintain here the example of the excises) and suddenly they will be obliged to face some prices which are significantly bigger. From this point of view, in Romania things went relatively well, the adjustment being made gradually, without major shocks. It has been a difficult task, if taking into consideration the maintaining of the equilibrium between the two major dangers, an imminent one – inflation - , and another one with an incidence in the far future – the shocks in the field of the purchasing power.

What we want to underline here is the fact that the nature of taxation, even being an abstract one, allows concrete examples. Even if we might appear too optimistic, the configuration of the situation leads to such an image.

The complex nature of the fiscal phenomenon together with its abstract character, all of them corroborated with a unique dynamics, is possible to bring a certain state of confusion at the level of the tax payers and not only. In the former paragraph, we have given the excises as an example, but the direct taxes can have strong effects on the economy of a country, too. We will see which are the possibilities of influencing the social-economical activity by the direct taxes, on the first hand and then by the indirect ones. We will appeal to methods and statistics data which will help us distinguish the fiscal instruments that are more important from the point of view of the generated effects. In order not to make the present paper more difficult, we will talk about the same fiscal categories that we have used so far, the direct and indirect taxes and fees.

¹⁴ Idem, p. 364;

Taking into consideration what we said earlier, we distinguish the essence of the dilemma of the ones who have to solve the economical and social problems, existent at a given moment in a given society. We have seen that these problems are many and that they reside in the corroboration between the system of public needs and the one of the desideratum regarding the level of economical and social development. Going on, we will continue on two dimensions already settled, so that in a first phase we will discuss the perspective development of the direct taxes from their influencing nature, and in the second phase we will see, from the same point of view, which are the characteristics of the indirect drawings.

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