

POLITICAL ECONOMY

IN THE CAROLINAS

BEYOND POLITICS: THE ROOTS OF GOVERNMENT FAILURE

By Randy T. Simmons.
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Book Review by:
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B*eyond Politics* by Randy Simmons is a delightful read that offers a unique view into the world of politics and beyond and is written in a straightforward manner worthy of Deirdre McCloskey's *Economical Writing*. An updated version of an earlier book (see Mitchell and Simmons 1994), this book conveys the core principles of the public choice school along with examples of these principles in practice.

As founding public choice theorist Gordon Tullock offers in the foreword, “Instead of thinking of the government as something that stands above the market, public choice theorists regard the government and the market as parallel organizations sharing a basic objective: filling the demands of the citizens.” Following Tullock’s observation, Simmons himself offers, “My purpose in this book is to provide students of economics, politics, and policy with a concise explanation of public choice, markets, property, and political and economic processes and, from that explanation, identify what kinds of actions are *beyond politics*—beyond the ability of government” (3).

The book is divided into five parts. The first part examines the idealized liberal state starting with the field of welfare economics, which served as something of a predecessor to and inspiration for the public choice school. This literature identifies various “market failures” that offer policy makers a justification for

restraining the invisible hand of (the original) Adam Smith. Examples such as ubiquitous externalities, public goods, imperfect competition, inadequate information, ensuring economywide stability, distributive inequities, and transaction costs all provide ample room for government intervention in the marketplace.

In addressing these arguments, Simmons continues with an examination of political science and, in doing so, identifies the disconnect between positive and normative reasoning as it applies to the market process. Approaches like deliberative democracy make little distinction between the public's capability of diagnosing market failures and its capability of resolving them. That is to say, it implies ought. This begets a kind of scientific management of the public sphere with omnipresent government planners serving as stewards of the nebulous desires of voters.

The book's second part introduces public choice as a counterpoint to these approaches. By assuming self-interested motives in markets and politics, new insight into collective action can be gained. Like James Buchanan (1949) before him, Simmons starts by examining the fisc as a whole comprising revenue (taxes) and expenditures (federal budget). Treating these two halves separately, as is often done, leads to an overemphasis on spending propelled by special interest groups (see Olson 1965). Here Simmons goes further by identifying politicians as would-be entrepreneurs (see Wagner 2002; Simmons et al. 2011) that provide specific benefits in exchange for improvements in electoral margins. This set of incentives also applies to bureaucracies, which narrowly

focus on justifying budgets and departmental expenses.

With these principles in mind, so-called government failures can also be identified such as institutional myopia, in which politicians favor short-term interests over long-term responsibilities. Other ideas discussed include the median voter theorem and rational irrationality, which are somewhat competing theories about what motivates voters. The median voter theorem identifies the median voter as a focal point for competing politicians, while rational irrationality suggests that the theorem obscures the larger point of voter myopia.

The third part considers property, markets, the firm, and the law. What is seemingly a deep dive into *ceteris paribus* is a crucial discussion of the institutions that markets and politics operate within. The economic lessons of Ronald Coase, Douglass North, and Armen Alchian are shown by Simmons to be critical in appreciating the contribution of public choice theory. Simmons also combines insights from Austrian economics with those of Herbert Simon (1958) and Coase (1960) to illustrate the types of incentives that are embedded in market and political processes.

For example, building off the classic paper by Alchian and Harold Demsetz (1972), Simmons details how property rights firmly establish the kinds of incentives that motivate starkly different behavior. By incorporating law and economics, Simmons expands public choice insights to the different incentives embedded within law and how they affect the judicial process. Cooperative action becomes particularly difficult when property rights are incomplete. Using the example of eminent domain, Simmons argues that lack of property

rights further empowers those with political influence at the expense of those without it, as borne out by the infamous eminent domain case of *Kelo v. New London*.

The fourth part applies the lessons of public choice to a series of case studies. In discussing rent-seeking, Simmons examines tariffs and lobbying expenditures. He also discusses various consumer-protection measures including the distribution of liquor, which follows a bootleggers-and-Baptists dynamic (see Yandle 1983; 1999; Smith and Yandle 2014)—that is, a dynamic in which economic beneficiaries are able to couch profit-motivated interests in moral language. This allows alcohol wholesalers to gain a virtual monopoly over distribution (see also Whitman 2003; Koopman and Smith 2018).

Simmons also touches on tax policy and William Niskanen's theory of bureaucracy. He argues that the state is constrained in some ways by the willingness of its citizens to transfer resources to the government. For example, he argues, "The charter school movement in the United States has arisen in response to parents wanting more choices" (238). He also touches on the success of Raleigh Charter in providing higher-quality services at half the cost (239). He then uses the rent-seeking model to show how public schools are able to capture the system by transferring resources to themselves.

Simmons ends on a cautious note, arguing that a transfer state has emerged in which resources are allocated by government fiat instead of market-driven entrepreneurship. Simmons urges readers to go beyond politics by considering the normative value of a free and open society.

The book also provides a superb set of

bibliographical notes at the end of each chapter. Simmons offers the reader insight into how these sources inform public choice and can enhance their own thinking.

Beyond Politics is a worthy read for today's policy-minded audience. It picks apart various arguments in favor of government control while offering insights into how we can escape this control with a more informed worldview.

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