

Rationality, Freedom and Democracy across Public Sector's Political Economy

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Abstract

In this paper, we will investigate the relationship between wisdom and democracy and public choice, which considers government's role, and while reviewing government's role across economy, and related theories which had been there since Phisocrates and Adam Smith until , critically, we also express the controversies and controversial ideas of various economic schools and the main idea of their words using plain language. Then, we will use these theories studying political and elections, functionally.

First of all, we will go through public sector economy and rationality's role across it. After that we will introduce the problem of market breakage and governmental intervention.

Government's failure is a platform for introducing some political economy schools, which suggest the novel neoliberal path for solving the development knot. Then we will discuss the reasons of their failure. The public choice can be applied, truly, through the developing countries' political environment, which we will perform against the Iran's political economy and economic development plans.

And finally, we will point to the East-Asia's third path, which was considered as a successful experiment, and from which we will exploit political lessons. We , according to the conflict of the classes , will bring these political lessons through the economic development.

Keywords: Political Economy, Public Choice, Rationality And Democracy.

1-Public Sector

We will begin the discussion from the most basic standpoint regarding the public sector function. Two English highbrows of the explanatory era, Hobz and lock emphasize the fact that the government is "evil". But they considered it as a "necessary evil". Because it have to establish the public orders, which is a public article, and defense the private ownership and ownership right for sake of capital and economic development establishment.

Adam smith states this point using different tone. His tone is systematic and analytic. He says: the government must shorten its hands across the economic life, but produce the public

commodities. These include national defense, domestic security and providing public commodities and public services.

To Smith's idea, such a resolution and distinction is absolute. He claims the society's invisible hand as the necessary article of development and not the government's intentional interventions. Any governmental interventions through the individual zone and economic life will be regarded as an evil.

The government intervenes through people's private life and eliminates their individual freedoms, that why the government is evil. On the other hand, the government intervention doesn't prize the individuals, because denies their individual rationality.

Rationality denial is the most important point which plays a fundamental role, not only, though, opposing the government's widespread role across the economy and the society, but also, had provoked explanatory rebellion against it.

Here, the rationality issue is the basic axle. Because, on one hand, opposes denial of individual freedoms and opinionated or totality-demanding ascendancy, and, on the other hand, is the discrepancy facet across the movement from authority to the democracy.

The rationality issue had been discussed mathematically, and accepted by the majority through the novel neoclassical economic theory. According to this theory, individuals, by their framework of self-profit-orientation or –desirability, can choose possible choices, which they face with, account for their cost and profit, and which have the highest pleasure (desirability) and the least labor (cost) for them. This will be possible, only if we don't deny the individual freedom of choice. Here, we will encounter with several basic points regarding dictatorship and democracy.

In every society, existence of freedom requires that the individuals shall have freedom. Such a freedom should penetrate to every aspect of individual's life, not just through commodity choosing according to the desirability model. We know that, since the old times, that all people of all societies were doing and do the commodity transactions, absolutely free, through the market. But such a market exists in all macro-social aspects, thus, the freedom of choice shall exist across them.

Perhaps, the best example of such macro-social aspects is the freedom of political vote such that leads to such a society's administration that enjoy the people most public benefits.

Here, we have to identify the basics of this claim, that the term 'most public benefits' exit from the meta-physical context. The most public benefit will come out, only when all the individuals participate efficiently through political decision-making and implanting that, that we cannot exclude public benefit to special group or individuals. Malinvaud(2000)quoted this from Amartiasen, in "Development strategy and management of market economy". The reasons of accepting this standpoint is hidden across the following situations. But, obviously, the main issue is that the human must bring about the most possible benefits, employing his wisdom.

According to aforementioned point of view, Human mind, which from the religious standpoint is a contiguous mind and is on the other side of noncontiguous mind which is inspiration, must find the right way through all periods and conditions of life. For people who don't have such thrift, even their relatives and the governmental associations can't make and change.

The problem is that we encounter many people who are not psychotic, orphan or incapable, but, nevertheless, make mistakes in the critical stages of life, and make that mistake several times and bring great damages about. But the critical point is that even the society, a superstructure or a super-mind cannot solve these problems. Of course, such superstructures should protect the interests of psychotics, orphans and derelicts or the incapables. But the

innate problem of these people or the innate problems of healthy and adult, who don't have thrift, cannot be solved using these superstructures. The basic problem is distinguishing contiguous mind (human mind) and noncontiguous mind (inspiration). Only the contiguous mind remains for the human and the noncontiguous mind will define only some of the topics of normative and ethical, through the byways of life, but adoption with them and day's condition is the function of contiguous mind.

For example, the public choice believes that voting process is a market in which transaction takes place, too. The best presentation of this discussion was introduced in the book "satisfaction account or the logic basics of constitutional democracy". James Bocanon and Gordon Taloug, in this book, had explained the exact mathematical processes of free transaction of votes, which they count as the vote trading for reaching the desirable result. According to their words, vote trading causes results to approach most effective form in terms of optimality, because the groups which confederate together lead the results, optimally, toward their benefit. In these confederations, the votes will be traded according to the rational criteria.

The dictatorial processes will block such vote trading. But they will have some other effects. Either, no election will be established that people vote, or in case of establishment, the election won't be a free one. Or, even more important, will block the confederation. This point is true especially in terms of individual filtration.

The result of choices is appointed to the benefit of opinionated governor, in the dictatorial government, and, essential, it is him that has the right of choosing. But this will bring a conflict, to which Montesquieu had pointed to for the first time, and then had been repeated by Douglas North in "structure, mutation and economic history", by different tone.

Montesquieu's basic words are just as follow: the opinionated governor has priorities, which are superior to other priorities, and he must accomplish these priorities by means of his clients. But the clients have a misty perception of his priorities, and in terms of practice they will be doubtful. So, their only solution is to consider their own priorities instead of governor's priorities and practice them. From this point, their priorities will be in the same level of governor's priorities and their personality will be the same as governor's, that one can't distinguish these against each other.

Here, one may think that the issue is the issue of the officer and the excluded, but it is not true because the process of same-imaging against the governor will be a part of client's behavior. The governor's client, himself will be the governor and he will make his character the same of the governor. In this situation there will be no way for lawsuit because the individuals must advance the lawsuit against the incubus to the incubus himself.

Montesquieu says that the governor is also forced to count the client as himself and support his actions, because any insecurity which happens to the client, will affect the governor directly. The details of these arguments had been discussed in "authority in Iran" by Hassan Ghazi Moradie.

Here, the election issue is void and if an election be prepared, that will be a superficial one. Even the basic idea of democracy i.e. forces detachment will be null, because the governor, same-imaging himself with the client, is forced to emerge the legislative into the governmental sector and control it. Moreover, the priority of governor's priorities will pervert the lawmaker from its main purpose because law and legislative will be meaningless. The governor, facilitating the way of his desires or priorities, will employ the legislative as best as he can in order to issue provisions facilitating them.

The theoretical advancement of Montesquieu has been extended to new borders, in the “structure, mutation and economic history” by Douglas North. Douglas North says that governor desirability’s (the priorities) function differs from the client’s function. This difference is essential, because when the governor’s desires don’t pass the consult canal and not be evaluated by the bureaucrats, always, there will be differences between what the governor says and the real environment, of which is the client’s desirability. So, the consequences of the client’s behavior passes him and points to the governor directly. To North’s idea, this issue is the basic concept of government’s intuitive instability. The governments frequently face legitimation crisis. From top of the power to overall weakness, then a period of anarchy and then an opinionated will come to force. This is the historical path of eastern despotism societies, which can explain, precisely, appearance and downfall of Iranian dynastical governments. But, we must not transform the informational asymmetry to the primary element through using this theory to interpret the history. Actually, there are other factors which had been discussed in the different books about the Iran’s political economy, and some theories had been introduced. Later, we will discuss the coexistence of government and private sector, which eliminate this asymmetry and which becomes the base of the East Asia’s development.

2- Public choice school

The Public Choice school is the nee of political economy of the After World war II period and victory of kenos* politics. Typically, we hear that the public choice theory has been introduced, in deed, as a reaction against government’s intervention tendency to kinzism, because analyzes the ineffectiveness of government’s intervention.

The basics of public choice discussions, appears across governments failure (on the contrary to market breakdown). This theory aims to analysis the political decision-making, employing the economic analysis using the decision-making theory and games theory; to identify the special systematic trends which lead to ineffective governmental politics.

The most important case of market breakdown is incapability in terms of providing public commodities. But the government’s intervention, more extended than functions which Adam Smith had claimed, leads the government to failure, Fatal results of which are not less than market breakdown. Defeating the private sector, vote exchange, expenditure increments of politicians’ campaign warranting their further selection, aberrant rationality (information shortage and government and its clients’ knowledge) , rant-seeking Politics’ short horizontal term and government’s insight, justification and aggressive provisions, taxes and subsidies are among the important governmental failures. All these issues fall in the political economy. In the economic theory, public choice in terms of using new economic tools, is due to studying issues which previously were belong to political economy. Through this theory, the governments’ failure had been counted for and using mathematical reasoning, the rational ways of individual agreements, even the politicians, gaining better and more efficient results. This theory studies the voters’, politicians’ and governmental officials’ behavior as factors which seek self-profits. In this theory, it had been presumed that they will behave benefit-seekingly, because they want to maximize their economic gains (like personal wealth).

Public choice is the affirmative economy and deals with ‘what’ questions, but, also, will be employed to handle normative aims ‘what should be?’ to identify the problem and show that how one can improve the economic system by changing the constitution or the provisions and rules of election and political confederacy and agreement.

In this school, one tries to look to the government from the politicians' and bureaucrats' standpoint, who constitute the government, and there is the assumption that they behave according to the maximizing budget model(from Wikipedia encyclopedia).

Economic theory application across the political processes

We face this fact , through the public choice theory, that the Smith's notion is true i.e. if the government doesn't intervene in economic life, the economy will work regularly. But what happens through the political processes. The reality is that the civil society's economic life will be affected by political processes, in which decision-making and voting are the basic principles. Here, the question comes out: to what extent one can organize the political decision-making proves according to the intellect or economic rationality? Especially, when the political decision for voting will be made based on the economic personal interests of the politicians. And the second question is: to what extent the civil society participates in the voting process.

Public choice's answer to the first question is straight forward. Politicians approach their desirable results through establishing confederations and vote exchange, and when the opinionated governor blocks this process, he actually will bring about huge welfare losses. But, what is the people's role toward politics? The answer is same as answer to the second question. But, how?

Of course, one of the original claims of the public choice is that people's voting is a " public commodity". But, what is the connection between this and the individuals' rationality?

The answer is that the voters are rationally unaware. Each voter prescribes a little probability in terms of changing the election result, while reaching a right voting decision, requires considerable time and cost. So, every voter decides to be unaware of politics, generally, and avoids voting. This phenomena shows that why the participation level is low in many democracies.

The same is true regarding politicians voting and governor in terms of a decision. Collecting the necessary information in order to make a right decision will be so costly and time-consuming to the Parliament representatives and government' cabinet. Due to this fact, the ministers should be equipped with expert bureaucrats, who will prepare a report for every case and occasion and justifies these. Yet, it is not clear that the minister or the representative would approach a right understanding after such a report. So many ministers' and representatives' vote will be carefree or befriending with the others or even public consensus, and, usually, it is done through pre-coordination and they had been justified by the interest groups, who are among the stakeholders. From this point, one will see that the majority of the policies, which the government dictates in terms of bill of rights, will encounter parliament's wide agreement and we will rarely see the parliament resisting the governmental bills. The reason of existence of majority and minority in the parliament is just as we had discussed. Perhaps, for example, it is why the 700 billion USD bill of the survival of American economy faced opposition, in the first stage, and, then, was issued by the powerful lobby. According to this fact, we can explain that why the bush's war cabinet or any critical government will be changed so fast. Sometime some governments would be dissolved, before getting the legal date, in some occasions, election will be advanced sooner than their legal time, and why Mosadegh dismissed the parliament, by time of his prime ministerial in charge, which was a risk-full decision for him. In this way the classic literatures of the Iran's economic history are justifiable, because, according to the oil-dictatorship theory and getting across the classes by the oily- dictator and government's independency of the nation , establishment

of non-optimal politics will be facilitated (Katozian, 1368), non-optimal protection of ownership rights would be absolute, which would be undergone violence by governmental interventions (Ashraf, 1359); the rapacity theory of Rezagholy (1377, 1377), and Karshenas (1383) and Vatankhah's book (1380).

So we see that, while a good government is a good commodity to all the voters, there may be some interest stakeholder groups which lobby through the government and issue non-optimal politics, which benefit them solely and the nation must pay for which.

Request of subsidies payment, and tax and tariffs supports are examples of such policies. Here huge benefits will go to a small group, but the majority of people will not be aware of costs of such policies because the costs will be partitioned among all people and every one gets his portion. So, the people will be unaware of non-optimal policies. Therefore, the theorist expect that many stakeholder groups manage to succeed, and the non-optimal policies will be issued. The non-optimal policies will be called government's failure, in the public choice school.

Another general claim is that rent-seeking can perish the resources, and, rent-seeking across the developing countries, can be so wrecking, especially it is forcefully extracted like the bribes which the government asks the private sector for. Talok (1967), Krogner (1974), Mayderi (1373), Farhang o Honar magazine's special notice (1383).

Often, according to these results, it had been claimed that the public choice school theory has an opposition alignment against the government, but there is some conceptual quarrel among the school's theorist. For example, Mancur Olson is backer of a powerful government and opposes stakeholder groups' lobbies. (Olson 1962).

The basics of his argument, in his book 'logic of collective action' is that the weak people can't issue their desirable politics. They, in order to offset such a disability, organize the cooperation groups and will become one of their members and will lobby for their policies. The great organizations and groups, often, can issue their desirable policies, or, even, establish revolution or revolt against the government.

These arguments and theoretical generalizations can be applied to every political upheaval. Even, one may analyze the breakup of an organization or a governmental ministry or establishment of another applying these arguments and theoretical generalizations. Knowing that there is always a powerful lobby behind the scene of these events, is the important issue. Besides, these theories can be applied to all political upheavals, but here we won't further this argument, and we will discuss just one case that is public election in democratic or dictatorial government.

James Bokaton states that, the public choice must be considered as a 'policy without sensation'. This is a critical approach toward 'establishment of ideal policies', for rectifying market breakdown. But, in this case, there will be less sensation.

Jeffery Bernon and Loren Loumasqie (Wikipedia) argue that, the democracy policy tends to 'superficial advantage' and it is some kind of sensation.

These two approaches differentiate instrumental advantage (Dollar and Toman) and Superficial advantage (clapping, expressing the feelings and gracing and reference or reference group-worshipping). According to those, the voting dilemma of democracy can be explained using these phenomena.

The dilemma is as follows: because the cost of information acquisition is so high, so the majority of people shouldn't participate in the elections. But it had been seen that in many of democracies, dictatorial governments, that the majority participate in the elections. This brings about a dilemma. But according to the superficial theory it will perish away.

While the voters don't gain any instrumentation advantage by voting, they gain superficial advantage. Because the voters vote regarding the superficial advantage, so, the politicians point to voters' intermediate priorities. For example, provoking the feelings of a special class of people, make them to vote, or employing different strategies purports to voters that they should vote for them.

Recently, some of the theorists of public choice school had claimed that the policy is completely accompanied by lack of rationality.

Brian Koplan, in his book 'the legend of rational voter' argue that the policy tends to non-rationality. To his words, the non-rational beliefs become stronger across democracy and will be awarded (subsidy). People who obtain their desires through non-rational beliefs (including support-ism), actually, obtain personal advantage, while the social cost will be brought to the people.

It can be claim that such a theoretical generalization is true across every political framework, even the dictatorial one (there is no argument about the dictatorial one, because no policy will be issued, everything is the governors' desires).

If all of the cost or the total costs of non-rational believes are casted on people, and they became aware of them, then they will lobby toward the optimal politics. (perhaps, the Olson's advocacy of powerful government and non-existence of lobbies will be applicable here. A government of a developing country should function just far away from lobbying and strongly point to development, of which many countries are excluded from). But, on the contrary, democracy (and distatorianship) promote non-rational believes, so extensively.

3- Conclusion

That is the dilemma of rationality. It seems that there is no rationality in any political process(which is not true because the Theorem of Big Number Rule of central limit and the statistical theory of beizni* warrant that the rationality, through democracy, will choose the correct politics and results) and this due to the stakeholders and interest groups. But how the recently developed East-Asian countries become models for other developing countries? And even the global bank advocates the victory of these countries' patterns, even in 1991 Washington conference. (The 'development or plunder' by Pitter Evans has discussed this issue).

The original fact is that in 1960s, these countries' governments were corrupt, too. But they could, gradually, decrease the governmental corruptness, through establishing a powerful bureaucracy. A country like south Korea was consigning his experts to another countries, even Pakistan and Philippine, in favor of education.(to learn lessons from bad trends). These countries, gradually, could decrease the governmental corruptness.

But no one can explain why that happened and what are the theoretical reasons? Why it didn't happen in other developing countries? The truth is that these countries (East-Asian countries) could control the clashes between the classes, dominantly, and bring settlements among the rival groups. A good understanding had been reached between the workers class and the capitalists, and all of them could benefit from a public good which is export encouragement policy. Because is worked effectively, so the advantages of conflict decreased and the necessity of lobbying perished. Here, the supportative policies existed, too, which burden cost to the nation; but reaching a goal, which was emanated from nationalism courage, the burdens had been tolerated. The government coexisted, peacefully, with the industries, banks and the worker class, and helped them all through successful implementation of export development policy.

These had been considered effectively through the social and economic development plans, while Iran's development plans show no one of these elements. Politics changes, inflation policies and oil-rant had intensified the clash of classes; also the extending effects of governmental interventions had perished many resources which decreased the export growth, effectiveness and pace. These must be considered through later development plans.

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