Public Choice versus the Benevolent Omniscient Planner Model of Government: Evidence from Principles Textbooks

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Abstract:

Public choice uses the tools of economics to analyze how the political process allocates resources and impacts economic activity. How well has public choice been integrated into mainstream economics? Do economists analyze the allocation of resources through political organization and markets in a parallel manner? How does the treatment of government failure compare with that of market failure? This study examined 23 principles of economics texts in an effort to provide answers to these questions.

Approximately half of the current principles texts provide coverage of public choice and generally recognize the presence of government failure as well as market failure. However, several of the leading texts, including Baumol and Blinder, Hall and Lieberman, Krugman and Wells, and Mankiw continue to exclude public choice and treat government as if it is a benevolent omniscient social planner. The imbalance in the coverage of market failure relative to government failure is striking. On average, the coverage of market failure in the 23 texts is nearly six times that of government failure. As a result of the omission of public choice, many current students of economics are presented a naïve and largely fallacious view of government and the power of economics to explain the presence of debt financing, unfunded promises, special interest spending, and the institutional environment underlying economic growth and development. Sound scholarship requires symmetrical analysis of the market and political processes. The profession needs to have a serious debate on this topic.

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I. Introduction

In 1962, James Buchanan and Gordon Tullock authored the *Calculus of Consent,* a book that focused on how political structures and collective decision-making rules influenced outcomes and the operation of the democratic political process. The book spawned a new body of literature that exerted an impact on a sizeable portion of the economics profession. In addition to Buchanan and Tullock, scholars such as Duncan Black, Anthony Downs, Mancur Olson, and William Niskanen developed and expanded the field. With time, the body of literature developed during the two decades following the publication of the *Calculus of Consent* became known as the "public choice revolution." The growth of public choice culminated with the awarding of the 1986 Nobel Prize in Economics to James Buchanan for his contribution to the field.

Public choice uses the tools of economics to analyze how the political process allocates resources and impacts economic activity.[1] In the aftermath of the public choice revolution, the views of economists are sharply divided with regard to how the political process should be treated. Two broad approaches, one that integrates public choice into economic analysis and another that excludes it, are now widely utilized in the profession. The two approaches are:

1. Symmetric approach. Use the tools of economics to analyze how both markets and the political process operate and indicate the conditions under which each will work well and those that will cause each to work poorly.
2. Asymmetric approach. Use the tools of economics to analyze the operation of markets, the conditions that will cause them to work poorly, and examine idealized political responses to market failures. However, systematic analysis of how the political process works, the conditions under which it might be expected to work well, and incentive-related factors that will cause it to work poorly is omitted.

[1] For an excellent presentation of public choice analysis and its implications see Randy Simmons (2011).

These two approaches reflect the degree to which public choice has been integrated into economic analysis. The symmetric approach treats the market and political processes in a parallel manner. The tools of economics, including public choice, are used to identify the conditions necessary for efficient use of resources and those that result in inefficient resource use in both the market and political sectors. In contrast, the asymmetric approach ignores public choice and treats the political process as if it were a tool available to correct the shortcomings of markets.

More than a quarter of a century has now past since the awarding of the Nobel Prize to James Buchanan. How much impact has public choice had on the economics profession? To what degree has it been integrated into mainstream economics? Are the shortcomings of the political process now treated in a similar manner as the shortcomings of market allocation? This study uses data from principles of economics texts to examine these questions.

II. Market Failure and Government Failure

As Adam Smith indicated more than 235 years ago, the invisible hand of market prices tends to channel self-interested individuals toward activities that promote the general welfare (1776 [1976]). When markets are competitive and property rights well-defined and enforced, the profit and loss mechanism will generally direct producers toward productive activities and away from those that are counterproductive. However, economics also indicates there are conditions that will undermine the efficient operation of the invisible hand. Monopoly, externalities, public goods, and asymmetric information between buyers and sellers illustrate circumstances under which market allocation will fail to achieve ideal efficiency conditions. They result in market failure, inefficiencies that occur when there is a conflict between personal self-interest and getting the most out of the available resources.

But, political allocation results in a parallel situation. There is government failure as well as market failure. Government failure is present when the structure of incentives gives reason to expect that political decision-makers pursuing their own personal interest will lead to counterproductive rather than productive use of resources. Public choice highlights the major instances where this will be the case: the special interest effect, the shortsightedness effect, rent seeking and government favoritism, bureaucratic inefficiency, and the weak incentive for voters to acquire information (rational ignorance effect). Like market failure, government failure reflects the situation where there is a conflict between what is best for individual decision-makers and getting the most out of our resources.

It is important to recognize that government failure is more than the adoption of policies that work poorly or that most economists would consider economically inefficient (e. g. price controls, entry restrictions, or tax breaks for large corporations). Like market failures, government failures are systematic. They reflect an incentive structure that encourages political decision-makers to take actions that are inconsistent with the efficient use of resources. Because it is the result of perverse incentives, government failure will not be corrected by elections that “throw the rascals out” any more than market failure would be corrected by a change in the composition of the consumers or business executives.

The treatment of market and government failure provides insight into the integration of public choice into economic analysis. When public choice is integrated into economics and the symmetric approach utilized, both market and government failures will be acknowledged. On the other hand, when public choice is excluded and the asymmetric approach employed, market failure will occur, but there will be no recognition of government failure.

III. The Integration of Public Choice into Economics: Evidence from Principles Texts

How well has public choice been integrated into economics? Principles of economics texts provide insight into the answer to this question.[2] Micro and macro principles are required courses for both business and economics majors. Departmental committees generally review the content of these courses every three to five years. Thus, the content of these courses will tend to reflect the broader views of the profession. Similarly, the content of principles texts will tend to reflect what is taught in the courses. Typically, texts are not adopted if they do not cover the course content.

Twenty-three principles of economics texts were reviewed with regard to their coverage of public choice, market failure, and government failure. Access to the electronic version of each was obtained via the CourseSmart website (www.coursesmart.com). CourseSmart partners with over 90 textbook publishers to provide instructors with fully searchable, digital copies of textbooks. The list of the 23 principles texts was obtained by utilizing the search function on the CourseSmart website to query "principles of economics." Only texts providing comprehensive coverage of both microeconomics and macroeconomics- i.e. texts that are not intended for just a one-semester course- were selected. The most recent edition of each was used (all copyright dates were 2010 or later). In order to assure that each text represented at least a modest portion of the market, only those with two or more published editions were included. While publishers do not make sales figures available, these 23 texts surely represent the overwhelming bulk of the principles of economics market in the United States. The list of the 23 texts is provided in an addendum.

The coverage of various topics in these texts was examined in order to provide insight into the profession's methodological treatment of government and markets. The following questions were addressed: How many principles texts cover public choice? How many develop a systematic model to analyze how both markets and the democratic political process work? How many cover both market

[2] For another recent study using this approach to measure the coverage of public choice in principles of economics textbooks, see Eyzaguirre et al. (forthcoming).

failure and government failure? Is a similar amount of coverage provided for each of these shortcomings?

In order to assure that our analysis was as objective as possible, we used entries in the glossary and table of contents (TOC) to identify coverage of various topics. Both index entries and electronic search were used to identify and review relevant sections. Page count was used to measure the breadth of the coverage for various topics. We recognized that each text may employ somewhat different terminology. In order to avoid potential bias from this source, relevant sections were examined in more detail to make sure coverage of a topic was not omitted because alternative terminology was used. For example, when discussing public choice, some texts used terms like collective choice, voting models, or political economy rather than public choice. When alternative terminology was used for a topic, the text was given full credit for the coverage.

(Insert Table 1 about Here)

Table 1 presents data on coverage of public choice in the 23 principles texts. As Column 1 indicates, six of the 23 texts include a full chapter on public choice analysis. These six texts are Arnold; Cowen and Tabarrok; Gwartney et al.; McConnell et al.; McEachern; and Parkin. Columns 2 and 3 indicate whether public choice (or an equivalent term) is included in the glossary and TOC, respectively. Sixteen of the 23 books define public choice in the glossary and 14 have an entry for it in the TOC

Column 4 indicates the texts that provide some analysis of how voting influences political outcomes. Both texts that analyze the incentive structure confronted by voters and its impact on economic efficiency and those that present voting models such as the median voter theory, voting cycles, or Arrow's impossibility theorem are given a check mark for this coverage in Column 4. Fifteen of the 23 texts provide a discussion of voting and its impact on political outcomes.

Column 5 indicates the texts that provide a systematic analysis of government failure, one that is parallel to the analysis of market failure. In order to receive credit in this column, the text must examine the operation of democratic representative government and explain why the accompanying incentive structure confronted by voters and other political decision-makers will result in at least two of the following categories of government failure: rational ignorance effect, special interest effect, short sightedness effect, rent seeking/favoritism, or bureaucratic inefficiency. Thirteen texts meet these criteria.

In addition to the six texts with a chapter on public choice, seven other texts (Case et al., Frank and Bernanke, Hubbard and O'Brien, Miller, O'Sullivan et al., Taylor and Weerapana, and Tucker) provide an analysis of voting and the democratic political process. Both Mankiw and Schiller et al. contain a model of voting (for example, the medium voter theorem), but present no analysis of the operation of democratic representative government. Thus, both received a check in Column 4, but not Column 5.

Colander's text received no check mark in either Columns 4 or 5. Perhaps some clarification is in order because he discusses the views of public choice economists and mentions both the special interest effect and rent seeking. However, there is no examination of how the incentives faced by voters and elected officials interact in a representative democracy to generate these government failures. Similarly, there is no analysis of the linkage between voting and political outcomes. Thus, the text did not meet the criteria for the coverage measured by either column 4 or column 5[3].

Summarizing, 13 of the 23 texts include public choice (or its equivalent) in the glossary and TOC and provide some analysis of how voting and democratic political decision-making impacts economic outcomes. But, eight of the 23 texts, including several of the leaders in the field, contained no systematic discussion of either the influence of voting on political outcomes or the operation of

[3] After listing several categories of government failure, Colander himself indicates that examination of the forces underlying government failure is a political science topic. He states that "the above list is only a brief introduction to government failures. Much more could be said about each of them. But exploring them would take us away from economics and into political science" (p. 179).

democratic representative government. Those books are: Baumol and Blinder, Chiang, Colander, Gottheil, Hall and Lieberman, Krugman and Wells, Samuelson and Nordhaus, and Slavin. With the exception of Colander, these texts contained only a brief discussion- five pages or less- of public choice and related issues.

Table 1, Column 6 provides a page count for the total coverage of public choice, including material on government failure. All material that examines the operation of the political process is counted, regardless of whether the term public choice is used. However, presentation of data and mere discussions of the size, functions, and structure of government and its tax system is not counted because it does not address how the political process works. For example, both Gwartney et al. (110- 111) and Hubbard and O'Brien (586-587) provide discussion and graphic data on patterns and historical changes in the size and scope of government. These pages are not counted because they do not involve analysis of the political process.

Five texts (Arnold, Cowen and Tabarrok, Gwartney et al., McEachern, and McConnell et al.) provide the most page coverage of public choice. All of these texts have 19 or more pages on public choice. At the other end of the spectrum, Krugman and Wells, Baumol and Blinder, Hall and Lieberman, and Slavin have three or fewer pages discussing public choice.

(Insert Table 2 about Here)

Table 2 provides information on the coverage of market failure and government failure. Texts are credited with coverage of the specific categories of both market and government failure if they provide an explanation of the incentive structure that induces decision-makers to undertake counterproductive actions. The first five columns relate to coverage of market failure. Note: most texts have entries for market failure in both the glossary and TOC (Columns 1 and 2) and for externalities, public goods, and monopoly (Columns 3, 4, and 5). Of the 23 texts, 19 included an entry for market failure in the glossary and 17 reference the term in the TOC. Moreover, all 23 texts contain an analysis of the three major categories of market failure: externalities, public goods, and monopoly. Clearly, all of the texts provide comprehensive coverage of market failure and its primary sources.

Table 2, Columns 6 through 10, provides parallel information on the coverage of government failure. Eleven of the 23 texts have entries for government failure in either the glossary or TOC, but only nine provide an entry for this term in both. Turning to the three categories of government failure included here, 17 of the texts provide some discussion of the special interest effect, eight the shortsightedness effect, and 17 rent seeking[4]. Only six of the texts (Cowen and Tabarrok, Gwartney et al., McConnell et al., McEachern, Samuelson and Nordhaus, and Taylor and Weerapana) include a systematic analysis of all three major categories of government failure. Ten of the texts discuss two out of the three of the government failure categories. In contrast, three texts (Hall and Lieberman, Krugman and Wells, and Mankiw) contain no reference to government failure in either the glossary or the TOC, and no analysis of any of the three subcategories of government failure. Clearly, the coverage of government failure is substantially less than that of market failure.

(Insert Table 3 about Here)

While Table 2 indicates coverage of various market and government failure categories, Table 3 provides information on the depth of the coverage as indicated by page count. As in the case of Table 2, texts are credited with coverage of the specific categories of both market and government failure only if they provide an explanation of why the incentive structure leads decision-makers to undertake counterproductive activities. Columns 1 through 4 indicate the number of pages each text allocates to

[4]Our focus is on identification and measurement of the coverage of each concept in the specific text and in aggregate. We went to extraordinary lengths to assure that credit for coverage of a concept was not denied to any text merely because the author did not use the popular terminology. A text was given credit for the coverage of the government failure category if the source of the inefficiency was explained even if the term for the government failure category was not used. For example, logrolling, pork barrel spending, and regulatory capture reflect the special interest effect and texts were given credit for coverage of this government failure if their analysis of these topics relied on the special interest bias of the political process to explain the inefficiency even if they did not used the term special interest effect (or its equivalent). Further, a word search was done for terms like lobbying and cronyism in an effort to measure accurately the coverage of rent seeking. Texts were given credit for coverage of rent seeking if they examined how government favoritism provided business firms and other interest groups with an incentive to divert resources away from productive activities and into lobbying and other forms of rent seeking regardless of whether the term rent seeking was used. Similarly, texts were credited with coverage of the shortsightedness effect if they explained the bias of political decision-making towards policies generating short-term gains at the expense of longer-term costs.

four specific categories of market failure: externalities, public goods, monopoly, and asymmetric information[5]. Column 5 provides the total page count for market failure in its entirety. The mean number of pages on market failure is 34.7, with variations across texts ranging from 16 to 56 pages. Note, overlapping pages among categories are not double counted and therefore, Column 5 may be smaller than the sum of Columns 1 through 4.

Columns 6 through 10 indicate the page coverage of each text for five specific categories of government failure: special interest effect, shortsightedness effect, rent seeking, bureaucratic inefficiency, and rational ignorance effect. Column 11 provides the total page count for government failure. As in the case of market failure, overlapping pages among categories are counted only once. The mean number of pages on government failure is 6.0, with the coverage across texts ranging from zero to 22 pages.

The page coverage of market failure exceeds that for government failure in all texts with the exception of Gwartney et al. On average, the coverage of market failure is nearly six times that of government failure. In several cases, the differences are striking. For example, Hall and Lieberman and Krugman and Wells have 36 and 27 pages respectively on market failure, but none on government failure[6]. Mankiw allocates 56 pages to market failure, but only 1 to government failure. Baumol and Blinder spend 47 pages on market failure, but only 2 on government failure.

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[5]When examining the contents of texts related to monopoly and other forms of imperfect competition, only pages explaining why these markets fall short of the idealized outcomes of the perfect competition model were counted as market failure due to monopoly. Thus, pages discussing the deadweight losses, social costs, negative impacts of restricted competition were counted but those merely walking students through the shapes of cost and demand curves and the firm's decision-making in these alternate market structures were not.

[6] The Hall and Lieberman text includes three paragraphs related to public choice, and the authors are credited for this coverage in Table 1. However, they are not credited with coverage of government failure in either Table 2 or 3 because they do not provide an explanation of the incentive structure that results in government failure.
Interestingly, Hall and Lieberman begin their discussion with the following statement, "government failure [is] a situation in which government falls victim to the same types of problems that cause market failures in the private economy" (482). This is both accurate and nicely stated. But there is no follow up explanation for why any of the various categories of government failure lead to counterproductive activity. As a result, this text did not meet the criteria for coverage of government failure in Tables 2 and 3.

Some of the books with brief page coverage of public choice nonetheless clearly identify the nature of government failure. For example, Frank and Bernanke state that "inefficiencies often arise in the public sphere not because of incompetent or ignorant legislators but because of structural incentive problems" (Frank and Bernanke, 400). They go on to explain the underlying incentive structure for four of the five categories of government failure. Similarly, Case et al. and Taylor and Weerapana provide a clear explanation for four of the five categories of government failure.

Summarizing Tables 1 through 3, approximately half of the 23 texts provide coverage of public choice and some analysis of government failure. But, a substantial share of texts, including best sellers such as Baumol and Blinder, Hall and Lieberman, Krugman and Wells, and Mankiw continue to ignore public choice[7]. Instead of analyzing how the political process works, they prefer the asymmetric approach. Because this approach models government as if it was an all-knowing, well-intended central planner, Professor Randall Holcombe refers to this approach as the benevolent omniscient dictator model of government (Holcombe 2012).

The highly successful text of Greg Mankiw illustrates this approach. In chapter seven, Mankiw introduces his discussion of the role of government and the correction of market deficiencies in the following manner:

> To evaluate market outcomes, we introduce into our analysis a new, hypothetical character called the benevolent social planner. The benevolent social planner is an all-knowing, all-powerful, well-intentioned dictator. The planner wants to maximize the economic well-being of everyone in society. (Mankiw p. 145)

[7] In fact, Mankiw explicitly states, "This book is not the place to develop a theory of political behavior. But when thinking about economic policy, remember that this policy is made not by a benevolent king (or even by benevolent economists) but by real people with their own all-too-human desires. Sometimes they are motivated to further the national interest, but sometimes they are motivated by their own political and financial ambitions. We shouldn't be surprised when economic policy fails to resemble the ideals derived in economics textbooks" (471). Note how Mankiw links the potential shortcomings of the political process with the human deficiencies of the political decision-makers, rather than the incentive structure they confront within the framework of political organization. Of course, public choice highlights the latter.

Mankiw then asks what the benevolent social planner should do and goes on to consider ideal solutions that might be imposed through the political process.

This view contrasts with Mankiw's chapter one discussion of general principles. In the earlier section, he clearly recognizes the importance of the government's role as a protector of property rights and that government is not a panacea. He states:

> One reason we need government is that the invisible hand can work its magic only if the government enforces the rules and maintains the institutions that are key to a market economy. Most important, market economies need institutions to enforce property rights so individuals can own and control scarce resources. (Mankiw p. 12)

Later in chapter one he acknowledges:

> To say that the government can improve on market outcomes at times does not mean that it always will. Public policy is made not by angels but by a political process that is far from perfect. Sometimes policies are designed simply to reward the politically powerful. Sometimes they are made by well-intentioned leaders who are not fully informed. As you study economics, you will become a better judge of when a government policy is justifiable because it promotes efficiency or equality and when it is not. (Mankiw p. 12)

While these general principle statements are certainly true, they magnify the imbalance throughout the rest of the text. If both the market and political processes have shortcomings, how can one justify allocating 56 pages to the coverage of market failure but only one to coverage of government failure? Further, Mankiw argues that "there is another reason we need government: The invisible hand is powerful, but it is not omnipotent" (p. 12). Coming from an economist, this is a confusing statement. Is the government omnipotent? If so, is this an economic justification for government intervention?

Krugman and Wells also model government as if political decision-making is an available tool to "fix things" if markets mess up. They write:

> When markets don't achieve efficiency, government intervention can improve society's welfare. That is, when markets go wrong, an appropriately designed government policy can sometimes move society closer to an efficient outcome by changing how society's resources are used… An important part of your education in economics is learning to identify not just when markets work but also when they don't work, and to judge what government policies are appropriate in each situation. (Krugman and Wells p.16-17)

While Krugman and Wells believe it is important for students "to identify not just when markets work but also when they don't work", their total absence of coverage of government failure indicates they do not believe it is important for students to identify when political action works well and when it might be expected to work poorly. Others adopting the benevolent omniscient dictator model of government are often less explicit than Mankiw and Krugman and Wells. Nonetheless, they follow the same approach. Implicitly, this methodology treats the political process as if it is a corrective device available to impose ideal social outcomes, something like a pinch hitter that can always be counted on to deliver the game-winning hit. But this is a fantasy. There is never an option between (a) the real world of markets and (b) the hypothetical ideal of government intervention. Instead, the choice is always between the real-world operation of markets and the real-world operation of the political process. But, students using texts that rely on the asymmetric model of government are never confronted with this reality.

How has the coverage of public choice in principles texts changed through the years? As the public choice revolution developed, Gwartney (1976) introduced the topic at the principles level. A text authored by Richard McKenzie and Gordon Tullock (1978) containing substantial coverage of public choice soon followed. An increase in the availability of principles texts with coverage of public choice occurred during and immediately following the awarding of the Nobel Prize to Buchanan in 1986. The first editions of the texts authored by Robert Ekelund and Robert Tollison (1986), McEachern (1988), Arnold (1989), and Parkin (1990) were all published during this era. All of these texts provided a systematic analysis of public choice and government failure and contained at least one chapter on the topic. Further, the 11th edition (1990) of McConnell contained expanded coverage of public choice and, for the first time, a full chapter on voting, collective decision-making and government failure was incorporated into this classic text. Thus, in the early 1990s six texts with comprehensive coverage of public choice were published regularly and available for use by principles instructors. (Note, only one edition of the McKenzie-Tullock text was published). But, there has been little change during the past two decades. As our analysis indicates, the number of currently available principles texts with a full chapter on public choice is unchanged from the situation in the early 1990s.

Section IV. Does the omission of public choice make any difference?

There are at least three reasons why the answer to this question is "yes." First, the omission of public choice leaves students with a naïve and misleading view of the democratic political process and its potential to allocate resources efficiently. High school civics, government, and history classes glorify political democracy. They stress how wonderful it is that we all participate, that everyone has a voice, and that the vote of each counts the same. They seldom distinguish between the use of voting to elect officials to oversee the administration of government and the use of voting to allocate resources. Examination of how the structure of incentives influences political allocation of resources is almost totally absent. The reality of how voting works is idealized. Economics courses that adopt the asymmetrical benevolent omniscient social planner model of government reinforce this misleading and romantic view.

Second, the omission of public choice conceals the power of economic analysis and stifles thought about constructive reforms. If economics is primarily about developing "optimal solutions" without regard to how the political process works, it adds little or nothing to our understanding of real world events. In contrast, public choice enhances our understanding of patterns observed. For example, the growth of government debt and the future burden of unfunded promises are two of the most pressing economic problems confronting most western democracies. The shortsighted nature of the political process, a topic covered by fewer than half of the principles texts, explains why political decision-makers find debt finance and unfunded promises so attractive. Omission of public choice conceals the predictive power of economics in these areas. Similarly, the rational ignorance effect makes it clear why voters will be poorly informed on a multitude of issues. The special interest effect explains why activist governments will be plagued with rent seeking and cronyism. The public choice approach also provides insight into how political institutions might be reformed in order to minimize the adverse effects of the political process. The future of democratic government may well rest on citizen understanding of these issues and others enlightened by public choice analysis. But, the omission of public choice from basic economics substantially weakens the incentive of both students and scholars to think seriously about how political institutions might be re-structured in a manner that would generate outcomes more consistent with economic efficiency.

Third, the asymmetrical approach hinders the understanding of the growth and development process. The institutional environment exerts a major impact on the performance of economies. Stable and predictable policies, rule of law, and economic freedom establish the foundation for gains from trade, private investment, and innovation, which are the key sources of the growth process. Public choice analysis highlights the importance of the institutional environment.[8] In contrast, the benevolent social planner model of government ignores the importance of institutions and alternative forms of economic organization.

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[8] During the past two decades, there has been a virtual explosion of literature that is now referred to as the New Institutional Economics. The methodology of the New Institutional Economics stresses the importance of economic, political, and legal institutions as sources of growth and development. Leading contributors to this literature include Daron Acemoglu of MIT, Robert Barro, Edward Glaeser, James Robinson, and Andrei Shleifer of Harvard, Xavier Sala-i-Martin of Columbia, Oliver Williamson of the University of California Berkeley, and Barry Weingast of Stanford.

Section V. What Accounts for the Continued Use of the Asymmetric Approach?

Prior to the public choice revolution, the use of the asymmetric approach was understandable, but this is no longer the case. Public choice provides considerable insight into many of today's most pressing economic problems. Government spending accounts for 40 percent or more of the national income of the United States and most other high-income countries. Given the impact and size of the political process on the allocation of resources, why does a sizeable share of the economics profession continue to exclude public choice analysis? We have posed this question to numerous economists, including both instructors and textbook authors who continue to employ the asymmetric methodology. The most common responses involved one or more of the following three explanations.

First, many instructors in principles courses note they are expected to cover a huge amount of material in both micro and macro and therefore there is insufficient time for coverage of public choice. Similarly, text authors argue that space limitations preclude their coverage of the topic. This is a reasonable explanation, but it also raises a number of questions. Is it more important to inform students about idealized government "solutions" than it is to provide them with information about the operation of the real world political process? Is it more important for students, many of whom will never take an economics course beyond the principles level, to know something about topics like game theory, indifference curves, antitrust policy, and cost-benefit analysis than it is for them to understand the economics of the democratic political process? Of course, reasonable people may differ in their answers to these questions, but serious discussion about the appropriate answers is surely in order.

Second, some argue that public choice is a political science topic and therefore outside of the boundaries of economics. For example, Mankiw states that his "text is not the place to develop a theory of political behavior" (Mankiw, 471). Similarly, Colander asserts that analysis of government failure "would take us away from economics and into political science" (Colander, 179). This position would make a lot of sense if introductory political science courses generally covered public choice and the role of the political process in the allocation of 40 percent or more of national income. But, they do not. Political scientists generally exclude public choice and analysis of the impact of the political process on the efficiency of resource allocation because they perceive that it is an economics topic.

Third, still other economists argue they omit public choice because it is a specialty field with courses available at more advanced levels. While this is generally true, the argument also applies to numerous other topics, including market failures and idealized government responses to them. More importantly, approximately half of the students taking principles classes will never take another course in economics. Thus, if public choice is not included here, they will never come in contact with it. Unfortunately, this is generally the case today. The overwhelming bulk of American students never take a course in either high school or college that challenges them to think seriously about how the democratic political process works and what might be done to improve its operation.[9]

We suspect that most economists have not thought very seriously about the implications of the asymmetric approach and the exclusion of public choice from principles courses and economic education more generally. Many with whom we have spoken admit this is the case. Change is generally an evolutionary process. For instructors, the easiest thing to do is the same thing you did last time you taught the course. But, economics involves the study of how scarce resources are allocated among competing ends. It is not just a study of how markets work and the conditions under which they might work poorly. Economics provides considerable insight into the operation of both markets and the political process. It is equally applicable to both sectors. It indicates that there is both market failure and government failure. George Stigler once remarked that a person who considers only market failure is

[9] The Advanced Placement Economics curriculum provides another impediment to the coverage of public choice. A/P Economics covers market failure, but not government failure (see College Board 2010). As a result, A/P instructors have a strong incentive to cover the former, but omit the latter. This also influences the textbook coverage of the two topics. In contrast, the 20 *Voluntary National Standards* of the Council for Economic Education 2010 include a standard for coverage of both market failure and government failure. The AEA Committee on Economic Education played a central role in the development of the Voluntary National Standards, and the committee approved the final version. See Ferrarini et al. (2011) and Gwartney (2012) for additional details.

like the judge of a singing contest, who immediately declares the second contestant the winner after hearing the performance of the first.[10] This is precisely the methodology of the asymmetric approach. We believe it is time for the profession to consider the second singer, or at least have a meaningful debate on the topic.

Section VI. Conclusion

This study used the coverage of public choice and the treatment of market and government failure in principles texts to examine how modern economists model government. Because they reflect the views of a broad range of economists, there is good reason to believe that the content of these courses and the text employed provides insight into the profession more generally.

Examination of current principles texts indicates there is a sharp division within the profession with regard to how government is modelled. A quarter (six of 23) of the principles texts included in this study provide a full chapter on public choice. Another seven texts apply the tools of economics to the political process and examine government failure as well as market failure. Thus, approximately half of the texts employ a symmetric analysis of the market and political processes.

However, eight of the 23 texts, including such leaders as Baumol and Blinder, Hall and Lieberman, Krugman and Wells, and Mankiw continue to treat market and political organization in an asymmetric manner. They use the tools of economics to analyze how markets work and why they may fail to achieve ideal efficiency conditions, but public choice is excluded and there is no parallel analysis of the political sector. Instead, they describe idealized government action, often under highly unrealistic assumptions, that would improve the efficiency of resource allocation. In these texts, the benevolent omniscient planner model of government is alive and well

The omission of public choice in more than a third of the texts and its brief treatment in another substantial share results in a huge imbalance in the coverage of market failure relative to government

[10] See Tregarthen, Timothy and Libby Rittenberg. 2000. *Economics*. 2nd ed. New York: Worth Publishers, page 304.

failure. The average number of pages allocated to market failure in the 23 texts was nearly six times the parallel figure for government failure. This imbalance indicates that the economics profession is contributing to a misleading and romantic view of allocation through the political process. It is also concealing the power of economics to explain the major economic issues of our time: debt financing, unfunded promises, special interest spending, and the importance of institutions.

If the economics profession is going to play a positive role in the identification of the strengths and weaknesses of both market and political allocation, sound scholarship demands that the profession engage in a serious debate about the merits of the symmetric and asymmetric approaches. Does it make sense to apply the tools of economics to both the market and political processes? Should students be informed about government failure, as well as market failure? In introductory courses, does it make sense to spend far more time outlining idealized government action and so little examining the operation of the real world political process? These are vitally important questions. They deserve serious debate among professional economists. Let the debate begin.

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Addendum:

List of Principles of Economics Texts

Author(s)	Title	Copyright Year	Publisher
Roger A. Arnold	Economics, 11th Edition	2014	Cengage Learning
William J. Baumol and Alan S. Blinder	Economics: Principles and Policy, 12th Edition	2012	Cengage Learning
Karl E. Case, Ray C. Fair, and Sharon M. Oster	Principles of Economics, Eleventh Edition	2014	Prentice Hall
Eric P. Chiang	CoreEconomics, Third Edition	2014	Worth Publishers
David C. Colander	Economics, 8th Edition	2013	McGraw-Hill Higher Education
Tyler Cowen and Alex Tabarrok	Modern Principles of Economics, Second Edition	2012	Worth Publishers
Robert H. Frank and Ben S. Bernanke	Principles of Economics, 5th Edition	2013	McGraw-Hill Higher Education
Fred M. Gottheil	Principles of Economics, 7th Edition	2014	Cengage Learning
James D. Gwartney, Richard L. Stroup, Russell S. Sobel, and David A. Macpherson	Economics: Private and Public Choice 15th edition	2014	Cengage Learning
Robert E. Hall and Marc Lieberman	Economics: Principles and Applications, 6th Edition	2013	Cengage Learning
R. Glenn Hubbard and Anthony Patrick O'Brien	Economics, Fourth Edition	2013	Prentice Hall
Paul Krugman and Robin Wells	Economics, Third Edition	2013	Worth Publishers
N. Gregory Mankiw	Principles of Economics, 7th Edition	2015	Cengage Learning
Campbell R. McConnell, Stanley L. Brue, and Sean M. Flynn	Economics: Principles, problems, and policie, 20th edition.	2015	McGraw-Hill Higher Education
William A. McEachern	Economics: A Contemporary Introduction, 10th Edition	2014	Cengage Learning
Roger LeRoy Miller	Economics Today, Seventeenth Edition	2014	Prentice Hall
Arthur O'Sullivan; Steven M. Sheffrin; Stephen J. Perez	Economics: Principles, Application, and Tools, 8th Edition	2014	Prentice Hall
Michael Parkin	Economics, Eleventh Edition	2014	Prentice Hall
Paul A. Samuelson and William D. Nordhaus	Economics, 19th Edition	2010	McGraw-Hill Higher Education
Bradley R. Schiller, Cynthia Hill, and Sherri Wall	The Economy Today, 13th Edition	2013	McGraw-Hill Higher Education
Stephen L. Slavin	Economics, 11th Edition	2014	McGraw-Hill Higher Education
John B. Taylor and Akila Weerapana	Principles of Economics, 7th Edition	2012	Cengage Learning
Irvin B. Tucker	Economics for Today, 8th Edition	2014	Cengage Learning

Table 1: Representation of Public Choice in Principles of Economics Texts						
	(1) Texts with a Chapter on Public Choice or Equivalent	(2) Texts with Public Choice or the Equivalent in the Glossary	(3) Texts with Public Choice or Equivalent in the TOC	(4) Texts with Some Analysis of How Voting Influences Political Outcomes*	(5) Texts with a Systematic Analysis of Democratic Representative Government	(6) Coverage of public choice, including government failure (number of pages)
Arnold	✓	✓	✓	✓	✓	21
Baumol and Blinder						2
Case et al.		✓	✓	✓	✓	7
Chiang		✓				4
Colander		✓				8
Cowen and Tabarrok	✓	✓	✓	✓	✓	19
Frank and Bernanke				✓	✓	5
Gottheil		✓	✓			4
Gwartney et al.	✓	✓	✓	✓	✓	35
Hall and Lieberman						2
Hubbard and O'Brien		✓		✓	✓	5
Krugman and Wells						0
Mankiw		✓	✓	✓		5
McConnell et al.	✓	✓	✓	✓	✓	19
McEachern	✓		✓	✓	✓	22
Miller			✓	✓	✓	10
O'Sullivan et al.		✓	✓	✓	✓	7
Parkin	✓	✓	✓	✓	✓	8
Samuelson and Nordhaus		✓	✓			5
Schiller et al.		✓		✓		5
Slavin						3
Taylor and Weerapana		✓	✓	✓	✓	9
Tucker		✓	✓	✓	✓	7
Total/Average	6	16	14	15	13	9.22

Table 2: Representation of Major Categories of Market and Government Failure in Principles of Economics Textbooks

	(1) Was Market Failure Included in the Glossary?	(2) Was Market Failure Included in the TOC?	(3) Did the Text Provide a Systematic Analysis of Why Markets Will Fail to Achieve Ideal Efficiency Conditions for: Externalities?	(4) Public Goods?	(5) Monopoly?	(6) Was Government Failure Included in the Glossary?	(7) Was Government Failure Included in the TOC?	(8) Did the Text Provide a Systematic Analysis of Why Governments Will Fail to Achieve Ideal Efficiency Conditions as a Result of: Special Interest Effect?	(9) Shortsightedness Effect?	(10) Rent Seeking?
Arnold	✓	✓	✓	✓	✓			✓		✓
Baumol and Blinder		✓	✓	✓	✓		✓			✓
Case et al.	✓	✓	✓	✓	✓	✓	✓	✓		✓
Chiang	✓	✓	✓	✓	✓	✓	✓		✓	✓
Colander	✓	✓	✓	✓	✓	✓	✓	✓		✓
Cowen and Tabarrok			✓	✓	✓			✓	✓	✓
Frank and Bernanke		✓	✓	✓	✓			✓		✓
Gottheil	✓	✓	✓	✓	✓	✓	✓	✓		
Gwartney et al.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hall and Lieberman	✓	✓	✓	✓	✓					
Hubbard and O'Brien	✓		✓	✓	✓		✓	✓		✓
Krugman and Wells	✓	✓	✓	✓	✓					
Mankiw	✓	✓	✓	✓	✓					
McConnell et al.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
McEachern	✓	✓	✓	✓	✓			✓	✓	✓
Miller	✓		✓	✓	✓			✓		✓
O'Sullivan et al.		✓	✓	✓	✓			✓		✓
Parkin	✓	✓	✓	✓	✓	✓	✓	✓		✓
Samuelson and Nordhaus	✓		✓	✓	✓			✓	✓	✓
Schiller et al.	✓	✓	✓	✓	✓	✓	✓			✓
Slavin	✓	✓	✓	✓	✓	✓	✓	✓		
Taylor and Weerapana	✓		✓	✓	✓	✓		✓	✓	✓
Tucker	✓		✓	✓	✓	✓		✓	✓	
Total	19	17	23	23	23	11	11	17	8	17

Table 3: Page Coverage of Market Failure and Government Failure in Principles of Economics Textbooks												
	Market Failure					Government Failure						
	(1) Externalities	(2) Public Goods	(3) Monopoly/ Imperfect Competitio n	(4) Asymmetric Information	(5) Total MF	(6) Special Interest Effect	(7) Shortsightedness Effect	(8) Rent Seeking	(9) Bureaucratic Inefficiency	(10) Rational Ignorance Effect	(11) Total GF	(12) Ratio GF/MF
Arnold	11	9	16	9	44	5	0	8	0	5	15	0.34
Baumol and Blinder	30	6	11	1	47	0	0	2	0	0	2	0.04
Case et al.	15	9	17	6	45	3	0	4	2	1	6	0.13
Chiang	6	6	8	1	20	0	1	2	0	0	3	0.15
Colander	11	5	16	5	34	1	0	4	0	0	4	0.12
Cowen and Tabarrok	14	4	15	0	33	8	3	2	2	5	13	0.39
Frank and Bernanke	17	11	9	10	47	1	0	3	1	1	5	0.11
Gottheil	11	8	4	2	22	1	0	0	0	0	1	0.05
Gwartney et al.	5	6	7	2	18	8	7	7	1	2	22	1.22
Hall and Lieberman	10	5	18	4	36	0	0	0	0	0	0	0.00
Hubbard and O'Brien	17	8	5	5	33	2	0	2	0	1	3	0.09
Krugman and Wells	9	6	10	4	27	0	0	0	0	0	0	0.00
Mankiw	20	12	18	6	56	0	0	0	1	0	1	0.02
McConnell et al.	10	21	9	4	32	9	1	4	2	0	11	0.34
McEachern	19	6	12	7	44	9	1	4	4	5	18	0.41
Miller	11	2	5	5	23	2	0	2	2	0	6	0.26
O'Sullivan et al.	23	9	7	20	54	1	0	2	0	0	3	0.06
Parkin	29	21	5	6	51	1	0	2	3	1	6	0.12
Samuelson and Nordhaus	15	11	9	4	29	3	1	1	0	0	4	0.14
Schiller et al.	8	6	19	1	29	0	0	2	0	0	2	0.07
Slavin	3	3	10	0	16	3	0	0	0	0	3	0.19
Taylor and Weerapana	15	5	6	2	27	4	1	2	2	0	6	0.22
Tucker	16	5	11	0	31	1	2	0	1	2	3	0.10
Mean Coverage	14.13	8.00	10.74	4.52	34.70	2.70	0.74	2.30	0.91	1.00	5.96	0.17