

Preface

The economist's theory of the state is grounded in consequentialist, procedurally detached and intendedly value-free social welfare theory. Reduced to its essentials, the 'omniscient economist' deploys the first and second fundamental welfare theorems in the service of a 'benevolent despot'. The latter, in turn, is understood to be a 'bifurcated man'; narrowly self-interested in his market behaviour, but attentive, in his public persona, to a supra-individual 'public good' (Chapters 3, 4 and 5).

In their relentless pursuit of first-best Pareto-efficient outcomes economists seem to have ignored both an early admonition against 'piecemeal' welfare economics (Chapter 5), and a burgeoning literature which questions the empirical content and logical consistency of the neoclassical postulates which underlie their theory. As we shall see, once account is taken of some fundamental features of observable reality, the efficiency frontier and the social welfare function – whose ontological existence was questioned almost five decades ago – are indeterminate (Chapter 6). Granting this, the omniscient economist lacks the analytical tools by which, 'scientifically', to inform the policy deliberations of the benevolent despot who, 'himself', has no empirical counterpart. *Inter alia*, this admittedly convenient analytical fiction ignores the complexities of day-to-day, conflictual politics (Chapter 7). It follows that, while they proceed under the imprimatur of 'positive' or 'scientific' welfare economics, government interventions motivated by the fundamental welfare theorems must be regarded as *ad hoc*. Stated differently, neither 'market imperfections' nor presumed divergences between 'competitive' and 'ethical' equilibria can justify the implicit assumption that 'government can do better' (Chapters 4 and 5).

There is, however, a more fundamental problem. While it is a part of the corpus of intendedly value-free positive economics, social welfare theory is, in fact, a hybrid moral theory (Chapter 2). Because it is utilitarian, it is goal-based. Yet, because unattenuated property and exchange rights are instrumentally important to the achievement of first-best Paretian optima, social welfare theory incorporates elements of right-based moral theories. Difficulties arise because utilitarian social welfare theory cannot accommodate the moral force of rights. Indeed, there is a literature which endorses 'efficiency-enhancing' corruption (Chapter 5). It follows that, even if one granted its existence, the *path* to the

efficiency frontier is not assured (Chapter 6). Moreover, because social welfare theory cannot accommodate any plausible understanding of justice (Chapter 2), in-period and intergenerational transfer programs cannot be justified by the theory.

The upshot is that social welfare theory is neither scientific nor an internally consistent moral theory. It follows, *pari passu*, that government interventions motivated by the theory can be neither scientifically nor morally justified. Considered in the context of conflictual or day-to-day politics, the implications are troubling. On the one hand, all manner of government programs and policies can be 'justified' by the theory. On the other hand, rent seekers have an incentive to appeal to the theory to justify both in-period and intergenerational transfers. In short, it seems clear that the size and scope of government has expanded beyond that which can be scientifically or morally justified (Chapter 10).

This book is part of the Kantian/Rawlsian contractarian enterprise. It rejects the consequentialist theory which, for most of the prior century, dominated the economist's approach to public policy appraisal. In its place it substitutes a prior ethical commitment to the moral equivalence of persons (Chapter 1). Given this commitment, certain corollaries follow. First, whereas social welfare theory is consequentialist, with the public good to be promoted understood to exist independently of the expression of individual values, I regard the autonomy, agency, independence, self-determination and dignity of morally equivalent persons as morally exigent. However, given the complexity and mutability of individual preference and value structures (Chapter 6), neither governments nor the economists who advise them can know, *a priori*, what individuals want. Second, whereas social welfare theory is procedurally detached, regards rights as merely instrumentally important, and cannot accommodate a theory of justice, the moral equivalence of persons implies a set of institutional imperatives. On the one hand, because rights must be given lexical priority, the greatest possible equal liberty or political participation must be promoted. Whereas utilitarian social welfare theory can provide only a contingent defense of constitutional democracy (Chapter 3), I assume, with Rawls, that a constitutional democracy can be arranged so as to satisfy this imperative (Rawls 1971, p. 222). On the other hand, justice as impartiality demands that, like the idealized rule of law, *all* government institutions respect the moral equivalence of persons (Chapter 8).

These institutional imperatives have implications for conflictual or day-to-day politics. *Inter alia*, the inherently discriminatory rent seeking which is characteristic of majoritarian democracy must be constitutionally constrained, legislators must pass just, in the sense of impartial, legislation, and the constitution must 'underwrite a fair opportunity to take part in and to influence the political process' (Rawls 1971, p. 224) (Chapter 8).

Because *individual* perceptions of the public good are determinative, a constitution informed by the moral equivalence of persons cannot determine *a priori* the precise size and scope of post-constitutional government (Chapter 10). What *can* be said is adumbrated, for a reasonably comprehensive array of public policy issues, in Chapter 9. A recurring theme is that impartiality- or generality-constrained conflictual politics would, in the limit, eliminate resource-wasting rent seeking, maximize equal political participation, and demand the non-discriminatory treatment of morally equivalent persons.

Finally, I wish to acknowledge my intellectual debt to Professor James M. Buchanan. I hope that my work comports with his vision of what economists should do.