Introduction

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In the development of public choice and constitutional political economy in Spain the name of Professor José Casas Pardo is a necessary reference. Born in Granada in 1938 he studied law and economics at the University of Granada and London School of Economics. He was Professor of Economics at the Autonoma and Complutense Universities in Madrid. In 1981 he moved to the University of Valencia where he was a Professor until his retirement in 2008.

As a Public Choice Scholar he has been President of the European Public Choice Society (1994–95) and member of its Executive Board (1995–97). He was also the conference organizer of the very successful Annual Meeting of the European Public Choice Society (EPCS) that was held in Valencia in 1994. He has served as a member of the editorial board of *Public Choice*, and since 1990 has been member of the editorial board of *Constitutional Political Economy*. He was co-director with Professor J. Buchanan of a research project on the Spanish Constitution of 1978 financed by the Joint Spanish American Committee for Educational and Cultural Affairs. Professor Casas Pardo has written widely on these topics. But his main ideas on the role of Public Choice in modern economics can be found in his Presidential Address of EPCS, delivered in Saarbrücken in 1995.

One of his most interesting contributions to this field deals with the performance of institutions. This is an important topic for public choice theory, mainly because many collective institutions perform poorly to various degrees. One reason for this may be that many institutions are organized on the assumption that individuals behave ideally and their bodies of government or directors always pursue public welfare. Some think that institutions work better the more 'democratic' they are; even – it is argued – technical institutions that provide services such as education, transportation or medial assistance should be more open to democratic decision making procedures.

Experience shows us, however, that these so-called democratic institutions lose a great deal of their efficiency. Some individuals, pursing their own interests, take the opportunity to play politics through assemblarian systems of decision making. So the quality of decisions is reduced and the system of rewards and penalties is perverted. This happens more often with public institutions than private ones. In the public sector property rights and obligations of individuals are less clearly defined, so the room for politicking by individuals within the institution increases.

The conclusion is that collective institutions should be organized in such a way that individuals working in them are positively interested in behaving so as to enhance the efficiency of these institutions.

In recognition of his efforts to introduce the study of public choice theory to Spain, his contribution to its diffusion in Europe, and his whole career, a number of colleagues would like to pay tribute to José Casas Pardo upon his retirement as university professor. To this end we have written this collection. Participants are colleagues who have been his friends throughout his career and membership of the EPCS. Contributors include prominent professors of economics, and prestigious public choice scholars from several European, Australian and American universities. It is particularly worth noting the participation in this festschrift of Nobel Laureate James M. Buchanan, whose friendship Professor Casas Pardo has always appreciated so much.

This volume covers a wide range of topics within the public choice and constitutional political economy tradition. But they are not unrelated, and the collection as a whole can provide an overview of current work across the field. To give coherence to this volume, chapters have been arranged and grouped into five parts: Foundations of Constitutional Economics; Constitutional Political Economy: Case Studies; Political Competition and Voting; Public Choice and Public Policy; and Extensions in Public Choice Theory.

Part I, 'Foundations of Constitutional Economics', includes two chapters, one by James M. Buchanan and the other by Geoffrey Brennan and Giuseppe Eusepi. In his chapter, 'Presuppositions in the evaluation of rules', Buchanan encourages economists to pay more attention to the rules, and the constitution, that define the order within which economic and political behaviour takes place. Professor Buchanan points out two separate but related logical mistakes as the origins of the reluctance to examine the rules of political-legal order. The first one is the apparent failure to recognize the public characteristic of laws and institutions, and the second is the attribution of an efficient criterion to the existing institutions. The present financial crisis shows that economists have been negligent when examining, at various levels of abstraction, how institutional structures emerge in different settings. And Buchanan concludes that the folly of overextending the 'markets work' attitude to anything that emerges in an institutional setting is amply demonstrated by the observed events of the crisis.

In the second chapter, 'Buchanan, Hobbes and contractarianism: the supply of rules?', Geoffrey Brennan and Giuseppe Eusepi revisit two seminal works of Buchanan: *The Calculus of Consent* and *The Limits of Liberty*. They assert that there are significant differences between the approaches taken by Buchanan in his two books, and focus on the change in his perception of the 'constitutional political economy' project. To this aim, the authors juxtapose the central elements in the appendix of *The Calculus* ('Marginal Notes on Reading Political Philosophy') with key passages of *The Limits of Liberty*. *The Calculus* is a normative theory of political organization, not a theory of political obligations; and it is a marginal, not a total theory. By contrast, in *The Limits* Buchanan quite explicitly embraces a revolutionary project and for this he requires a more ambituous, a more 'total' analytical scope.

The second part of the volume includes four chapters under the heading 'Constitutional Political Economy: Case Studies'. In the first one, 'Economics governance in the European Union: a problem of legitimacy', Francisco Cabrillo and Sean Fitzpatrick discuss some aspects of the Lisbon Treaty and assert that this treaty – like the European Constitution before it – increases the gulf between citizens and decisions that affect their lives. Movements in Europe towards greater centralization are inefficient and bridging the gulf between citizens and decision makers does not involve awarding greater responsibilities to the European Parliament as a supervisory body over other institutions. Their thesis is that the European Union could best mitigate its legitimacy problems by concentrating on achieving better results in core areas in which its institutions are best able to serve, i.e. by respecting the principle of subsidiarity, which should be the basis of European integration.

The chapter 'Early Spanish liberalism and constitutional political economy: the Cádiz Constitution of 1812', by Roger D. Congleton, focuses on political and constitutional developments in Spain, and uses the Constitution of 1812 as a window into Spanish political liberalism in the early nineteenth century. Liberalism had an early start in Spain, but it was pushed underground during the seventeenth and eighteenth centuries. The Constitution of 1812 shows that Spanish liberal thought was more sophisticated and influential at the beginning of the nineteenth century than might have been expected. Although Spanish scholars produced relatively little written liberal political theory, Spanish political liberals did exist and were organized and influential. The subsequent process of constitutional negotiation and exchange did not fully deliver on its potential, leading to the turbulent constitutional and political history of nineteenth-century

Spain. However the 1812 Constitution continued to influence politics both in Spain and in America.

The chapter by Pierre Salmon, ‘Reforms and decentralization: friends or foes?’, addresses the significant relationship between economic systems and the architecture of government. Historical experience suggests that large-scale reforms of economic and/or social arrangements are often associated with changes in the architecture of government. This chapter deals with the relationships between public intervention and income redistribution on the one hand and political centralization on the other. Large-scale reforms of the economic system typically occur in political environments in which the central governments can reshape institutional arrangements with subcentral governments. The first part of the chapter is based on a design perspective. Reform is perceived as the replacement of one model by another. The second part is devoted to reform processes. Integrating decentralization into an analysis of reforms as they are being implemented seems more promising, since it allows one to formulate hypotheses about the relationship between economic performance over time and changes in decentralization.

In his chapter ‘Democracy-preserving institutions: the quasi-federal system of South Africa’, Giorgio Brosio analyzes the process of decentralization carried out in South Africa after the 1996 Constitution. The case of South Africa is one of the most interesting among the current decentralization processes. This interest stems from the peculiarities of fiscal institutions, such as the peculiar sociopolitical framework in which the process is taking place. International experience shows that decentralization and equitable provision of services can coexist. On the other hand, a decentralized or federal system is a fundamental checks and balances mechanism. The conclusion is that a well-designed decentralized system is essential for enhancing democracy in a country with the economic and political features of present day South Africa and for the equitable and efficient provision of public services.

‘Political Competition and Voting’ is the title of Part III of the volume. Conspiracy has often been used in history as a strategy to acquire or increase political power. Manfred J. Holler, in his chapter ‘On Machiavelli’s conspiracy paradoxes’, analyzes how to plan and execute a successful conspiracy and how to prevent its success. He discusses inherent strategic relationships in conspiracy from the perspective of rational agents. The analysis is based on Machiavelli’s very informative and highly competent writings on this subject. Holler points out that Machiavelli developed a rational theory of conspiracy that follows the pattern of a cost-benefit analysis. He also discusses some paradoxes in Machiavelli’s writing on conspiracy, revisits his treatment of conspirator strategies, and his advice to the Prince on how to counteract conspiracies and use them to increase power. The chapter includes an appendix illustrating the behaviour of a rational conspirator.

Vani K. Borooah, in his chapter 'A general measure of the "effective" number of parties in a political system', proposes a measure based on the family of generalized entropy inequality indices. The main problem of measuring the effective number of parties is how to count parties of a different size; in the literature it is assumed that some kind of weighting is required. Calculating the effective number of parties in a system involves assigning a scalar value to a vector of inter-party distribution of seats or votes. The central message of this chapter is that the construction of indices or measures which purport to give scalar representation to vectors of distributive outcomes cannot be wholly based on objective considerations. This observation applies fully to the measurement of the effective number of parties in a political system.

Explaining the act of voting is the focus of the chapter 'Party competition and electoral turnout: Downs's calculus in a multiparty system', by Juha Helin and Hannu Nurmi. In many countries in Western and Northern Europe, the overall trend in electoral turnout has been declining over the past few decades, reflecting an apparent lack of interest by the electorate in expressing their opinions. Majoritarian systems are, in general, associated with lower voter turnout than proportional ones. This chapter focuses on the possible effect that the closeness in an electoral race has on turnout in majoritarian and in proportional electoral systems. Downs's voter calculus indicates that, ceteris paribus, voters' turnout should be higher in closely contested elections. This hypothesis is tested looking at evidence from two very different political systems, the British and the Finnish. The former is based on majoritarian principles, while the latter is a proportional representation system. In the Finnish proportional system evidence seems to contradict the voter calculus prediction. With regard to the British election data, conclusions are less clear-cut. In general, it seems that turnout is not higher in high competition constituency clusters.

Part IV, 'Public Choice and Public Policy', includes four chapters that have a clear connection with public policy. 'The political economy of Dutch Disease: a survey', by Martin Paldam, is the first one. It is well known that countries rich in natural resources become wealthy in the short run, but grow less than other countries in the longer run, so that the long term effect is ambiguous. This chapter presents the basics of the Dutch Disease model, looks briefly at OPEC, and provides a stylized picture of policy reactions to discovery of one resource. A resource specific sector is normally a small enclave in the economy that mainly 'produces' a resource rent, which is appropriated by the state as a tax paid by the rest of the world. The resource thus causes an inflow of foreign exchange to the state. The new income flow raises expectations, decreases the labour supply and forces the state to spend the new rent. Given that resources run out, it is essential that spending programs are long term economic investments. In this vein, it is possible to do a great deal to mitigate a 'disease' element from eating at societal gain. It would also appear to be prudent to invest a considerable amount of resource rent abroad, with the aim of generating a permanent income stream instead of a temporary resource rent.

The chapter 'Higher education as private good and as quasi public good: the case of Italy', by Silvia Fedeli and Francesco Forte, focuses on higher education as the key means to increase human capital. It distinguishes private human capital – whose returns are mostly in the market economy – and public human capital, which has larger non-market returns and therefore characteristics of a quasi public good. The position that there is generally an excess of higher education in developed countries is not warranted for Italy. The flow of graduates in Italy is constantly increasing at an important rate, but the share of those contributing mainly to human capital is declining; and education in the family is very important in determining public human capital in higher level education.

Gian Cesare Romagnoli, in his chapter 'The actual role of government intervention for the recovery of the Italian economy', points out ideas that would support State intervention. In the years 1993–97 some relevant corrective policy measures were taken, leading to social security reforms, fiscal decentralization, privatization and reforms of the labour market. Nonetheless, they were inadequate to improve competitiveness. This chapter presents a discussion on the economic role played by the State and the market in the economy, a reconsideration of the theoretical conclusions on the merits of nationalization and regulated privatization, and some suggestions of institutional reforms required for the recovery of the Italian economy. Professor Romagnoli thinks that the ill-functioning of the Italian State has impacted negatively on the national economy. He provides evidence that institutions matter and consequently that Italy needs substantial institutional change to reverse the economic decline which is taking place across the country.

The last chapter in Part IV, 'Government bankruptcy of Balkan nations and the consequences for money and inflation before 1914: a comparative analysis', by Peter Bernholz, deals with government bankruptcies in countries of the so-called 'periphery' during the gold standard. Studying the Balkan countries and the Ottoman Empire, this chapter shows that high inflation levels were usually caused by financing excessive government deficits with the printing of money. All inflation in Balkan countries before 1914 and that of the Ottoman Empire, as well as the abolition of fixed exchange rates corresponding to monetary regimes based on gold or silver standards, was caused by veiled government bankruptcies. This usually led to an undervaluation of respective currencies. If, however, fixed exchange rates were maintained or restored, a tendency towards overvaluation of the currency or a removal of earlier undervaluation took place. Open bankruptcies also occurred on numerous occasions because of excessive deficits financed by foreign debt denominated in stable currencies.

Part V, 'Extensions in Public Choice Theory', includes chapters dealing with traditional issues of public choice theory and with other non-market decisions. The standard public choice analysis of contests deals with situations in which outcomes are related to lobbying resources invested by competitors in a rent-seeking contest. The chapter 'Regulator preferences and lobbying efforts in rent-seeking contests', by Juan D. Montoro-Pons, discusses rent-seeking activities and ideological preferences to explain allocations of rents in a contest. Both the groups competing for rents and the regulator are included in the model. The chapter analyzes how the standard rent-seeking process is affected by the explicit introduction of a dissipation maximizing regulator, who has preferences over potential outcomes, and by the introduction of information by interest groups.

The chapter by Victor J. Vanberg, 'Cooperation in multilateral PDs: self-selected vs pre-defined groups', deals with the issue of cooperative behaviour in settings where adverse incentives exist. This is the case, for instance, in social dilemma situations of the prisoner's dilemma type. The specific focus of this chapter is on the issue of cooperative behaviour in bilateral and multilateral PDs. The multilateral PDs, which cannot be factored down into elementary bilateral relations between agents, are exemplified by the kind of collective goods problems involved in team production that, for instance, private firms, cooperatives, and clubs must overcome to be successful enterprises.

The chapter 'Voluntary provision of public goods', by Miguel A. Puchades-Navarro, highlights that voluntary supply is a real alternative to public compulsory provision of public goods. Unlike the standard theory of public goods, historical evidence shows that goods such as charitable services, medicare, education, and so on have been supplied through non-governmental, non-profit institutions – mainly religious institutions. In this model, voluntary funding of public goods is not grounded on altruism but on honesty as a behavioural pattern. A set of ethical and moral rules constrain individuals' behaviour and make cooperation possible. Consumers reveal their preferences for public goods through voting to determine taxes and public supply, and by funding non-profit institutions.

Provision is either governmental or voluntary depending on the position of the median voter in relation to the distribution of consumers' preferences for the public good.

Bruno S. Frey and Susanne Neckermann are authors of an interesting chapter entitled 'Awards play an important role'. Awards in the form of orders, decorations, prizes, and titles, are predominantly non-material incentives. They thus differ from both intrinsic incentives and extrinsic incentives in the form of money. The chapter analyzes the nature of awards and beliefs about them. Awards have existed for centuries, and are used in all countries and in all areas of society. The statistics presented in this chapter offer interesting and unexpected insights. Awards are widely used in modern society, not just in monarchies; they are relevant in the civil sector and are not mainly a military affair; and they are also important in academia. Hence awards are worth studying as they present a widespread phenomenon that we currently know little about.

The chapter 'The optimal Babel: an economic framework for the analysis of dynamic language rights', by Bengt-Arne Wickström, analyzes various normatively determined distributions of language rights in multilingual settings. A general model with overlapping generations is developed for the analysis of language rights over time. This model is first used to find an efficient allocation of rights, in the tradition of Wicksell. It is shown that, when present rights influence the status of a language in the future, 'naive' static analysis has to be abandoned in order to take into account the dynamic aspect. It is then demonstrated that a traditional welfare-economic analysis generally goes even further in support of minority rights. If possible externalities on other communities are taken into account, however, these results are reversed. When redistribution arguments are included the opposite may again be true.

Mario Ferrero is a renowned European researcher on the economics of religion from a public choice perspective. His chapter 'A theory of conversion to exclusive religious and political faiths' presents a theory of conversion to exclusive faiths grounded in rational choice. He argues that exclusivity is a signal that consumers can trust, since it entails an opportunity cost to those consumers that would like to diversify their portfolios. Signalling theory is applied to the rise of Christianity in the Roman Empire and to the rise of socialism in nineteenth-century Europe.