



Gordon Tullock is Professor of Law and Economics at George Mason University. Awarded a doctorate in law from the University of Chicago in 1947, he worked in law and government before teaching at universities in South Carolina, Virginia, Texas and Arizona. In 1966, Tullock launched the *Public Choice Journal*, a prestigious vehicle for ground-breaking research in non-market decision-making, and in 1968 co-founded the Center for Study of Public Choice at Virginia Tech with Nobel Prize-winner James Buchanan. The author of 23 books and hundreds of articles, Tullock's best-known works include *The Calculus of Consent*, *The Logic of the Law*, *The Politics of Bureaucracy*, *The Social Dilemma* and *On Voting*. His 1967 article, "The Welfare Cost of Tariffs, Monopolies and Theft," is a widely cited classic in the study of rent-seeking. Tullock became a Distinguished Fellow of the American Economic Association in 1998. He was interviewed in London, England in October 2002.

Frontier Centre: You are known as one of the fathers of public choice economics. What is it?

Gordon Tullock: Public choice is simply economics applied to political matters. We assume that politicians and bureaucrats behave just like businessmen. They're trying to maximize their own well-being and produce good for other people as a by-product. Henry Ford introduced the assembly line not because he liked assembly lines but because he wanted to make a lot of money – which is good. Politicians introduce policies because they want to win the next election.

FC: Why do bureaucracies not function very well?

GT: One of them is that they are big enough so that internal communication is bad. The best bureaucracy that ever existed, which was run by the Emperor of China for a long time, was comparably small. There were some 300 million people, with 5,000 executive appointments, who had been selected as a result of a terribly difficult examination. So they were bright. I should say that, however, although bright, they were corrupt. If you read Chinese history, you get the idea reading the latest newspaper report from Peking that the Communists are all corrupt.

FC: What is rent-seeking?

GT: Rent-seeking is an effort to get out of a particular trap that conventional economics has gotten into. It assumes that if you succeed in getting a monopoly or special privilege or something like that, you had to work for it. You don't get it as a gift, normally. Therefore, the cost of working for it should be counted as a part of the social cost of whatever the privilege is. For example, suppose I succeed in getting a tariff on something that I produce. Traditionally, they simply said that the thing is being sold at a high price, but I will make a large profit. Rent-seeking points out that, as a matter of fact, God didn't come down and give me that. I had to work for that, and in general one would anticipate the work I put in for it was about as valuable as the prize, maybe a little less. So there's a very much larger social waste than there was according to the previous theory. In fact, looking back, it's almost impossible to me that the previous theory was believed, but I remember teaching it to elementary students.

FC: To apply public choice thinking to some public issues in Canada, first the issue of municipal amalgamation. What would public choice economics predict would happen when you took, say, twelve cities and merged them into one?

GT: In general, I would predict that the total cost per unit of output would go up.

FC: Why?

GT: Competition works well in government, as well. The average American city – I think it's true of Canada, too – is surrounded by a set of small, private cities. They are built and they attract people to come in because as a small unit they can operate more cheaply than the big unit. [A scholar] at the University of Indiana looked at things such as comparative police efficiency and found that in the

suburbs around a main metropolitan centre, the actual police service is better in the areas outside than in the centre.

FC: The argument is that you eliminate overlap and duplication and therefore you save money. They're saying you can make a monopoly more efficient. Is there not a contradiction there?

GT: The reason for creating a monopoly is not normally to make it more efficient, it's to make larger profits. Various government officials will find that they don't have to work quite so hard and they get better salaries, and so forth. I believe this is almost uniformly shown when you engage in empirical research. I have, as it happens, over the last twenty-five years of my life, always lived in one of these small, privately owned communities. You buy a plot, you have a vote on the Board of Directors.

FC: Presumably that brings efficient service?

GT: I think so. So far as I can see it does. There are a number of other cities in the immediate vicinity and they're pretty competitive, so I presume so.

FC: In Canada, the politicians are moving the fix the government health care system which is a public monopoly. While their answer is to have higher taxes and give it more resources instead of structural reform by breaking it up and having competition. They don't look at structural reform. We put more money into it and never seem to deal with the problem. Why is it that we always tend to see that as the answer from politicians?

GT: You're quite right, this is the way it normally happens. They are interested in improvement. They're not fools, they don't want deliberately to make people wait longer. But they tend to turn to the kind of solution that increases their power.

FC: It's that simple?

GT: Not quite. There are a lot of academics who are sold on the view that a large operation is more efficient than a small one.

FC: You are saying that this is not the case?

GT: There is an optimum size for any operation but in general, if you look at governmental agencies, they are too big for everything. Except possibly the army. The army has very pronounced economies of scale, you can't really get too big.

FC: What is the best way to unravel the special interests in public services who generally oppose competition and always ask us to give them more money?

GT: The answer to that is to say, "No."

FC: We have politicians who don't say, "No."

GT: I know.

FC: What about privatization?

GT: Politicians will say "No" to that. It depends on the activity. It's not a good idea to privatize the army as a whole, to take an

obvious case. But there are lots of cases where privatization works, and there are lots of comparative studies. One is rubbish removal. In parts of the United States and I presume in parts of Canada, they have that contracted out to private companies, and some of them do it themselves. The private companies do it for about half the cost of the others. There are many others. Another is in Arizona, which has private fire departments. They are very efficient.

FC: Are you saying it is essentially an issue of political leadership?

GT: Yes.

FC: In Canada, the “have” provinces and the “have-not” provinces have a system of equalization where they take transfers from the rich provinces and give them to poor provinces. What would think would happen?

GT: Over time, transfers would increase.

FC: Would that subsidy go into extra services or would it go into higher costs?

GT: I could predict that you'd get both but how much I can't. The higher cost is a safer prediction than improved services.

FC: These transfers go into higher health spending, for example, where we have monopolies. They go into higher wages, and so on. The wealthy provinces subsidize higher costs and a more expensive public sector in the poorer provinces.

GT: Most governments engage in some transfer of funds for people. It can be poor provinces. But it is usually done very inefficiently and there is not usually an awful lot of it. But it is a normal government function.

FC: I recall one of your books where you make the case that transfers essentially went to the middle class. People would think that these transfers are going to help the poor, but your research showed in fact that was not the case.

GT: It was a theoretical proposition but empirical studies show the same thing. I should point out here that the poor people live in places like India, they don't live in places like Canada. If you really want to help the poor, you'd put a heavy tax on all Canadians and send the money to India.

FC: How do you unravel middle-class entitlements? You have the same issue in the U.S.

GT: It stems from the fact that any voting system— theoretical study backed this up many years ago— tends to run towards the middle. There's nothing that can be done about it as long as you're using majority voting. It will go that way.

FC: What's your position on proportional representation versus first past the post, which Canada has. Which is better?

GT: I have a strong moral feeling for proportional representation, but it has a number of disadvantages. What I really like is a two-house legislature, one selected each way. A senate with proportional representation and a house that's first past the post. But this is sort of sneaky. I'm in general opposed to simple majority voting. I think you should require, let's say, two-thirds, as we do for constitutional amendments. If you have two legislatures selected different ways, as both you and we do as a matter of fact, it raises the number of citizens that have to be in favour of a project before it gets through.

FC: What is the optimum of size of government?

GT: I do not know. It's much smaller than the ones we now have.

FC: Do you have a percentage figure in mind?

GT: No. There is the problem of whether you include, let's say, taking money from people when they're young and giving it back to them when they're old, which in all models of government is the largest single expenditure. It doesn't cost very much for the bureaucracy, particularly when you have computers. On the other hand, it's hard to argue that it does very much good and this is two-thirds of your government.

FC: Canada is a federal state. What functions are best done by the federal government, the provincial government and local government?

GT: The federal government is the ideal one for running the military. There is a very large economy of scale in military activities. You can have reserves at the local level, and both you and we do, but that is clearly federal. There are a few other things, let's say leasing the electromagnetic spectrum and then there are contagious diseases. Empirically, you really have to have a large area to ponder. There is a clear-cut case for central government. Almost all of the other things can be done very well locally. In many cases, it can be done at the level of cities. It depends on the individual activity. In general, your preference should be to move down to the lower level. But you have to look into each case.

FC: Why is it that we should push political power down as close to the citizen as possible?

GT: Because the citizen can vote with his feet. He can move from one political power to another. With voting, you can't.

FC: This is the argument for having multiple jurisdictions, and against amalgamation and moving power up the scale.

GT: As it turns out, they're more efficient at [the lower] level. But that's not necessarily true and it's not true for all types of activities.

FC: Why is it that we don't organize groceries stores like government, a large single supplier to eliminate overlap and duplication?

GT: Because most people like to eat. What would happen is not that you would starve, but you'd have a rather poor selection of poor quality food at a high cost.

FC: Is that not an argument with Canadian health care, where we have giant monopolies, that it's smarter to fund individuals and have them go to competing facilities?

GT: You don't want monopolies, government-owned or private. You're fortunate because you're not a big enough country, so giant monopolies are “just in Canada.” On the other hand, there can be a big item that's a basic monopoly in the United States and just part of it steps on Canada. When you have a monopoly, you have to look at each one by itself and find out whether it is a monopoly or is simply very efficient. At the time, Henry Ford was producing more than 60 percent of all the cars that were produced in the world, in the 1920s. The reason he was doing this was he could produce them cheaper than anybody else could. You shouldn't try to stop that kind of monopoly. On the other hand, if Henry Ford had made a deal with all the other producers and doubled the price, that's the kind of monopoly you want to stop.

FC: If you had one overriding principle of good public policy, what would it be?

GT: To think things over carefully, I suppose. If you're thinking of the average citizen, be very suspicious when somebody tells you he's trying to do something to better you.

The Frontier Centre for Public Policy is an independent public policy think tank whose mission is to explore options for the future by undertaking research and education that supports economic growth and opportunity. You can contact the Centre at: Suite 25 – Lombard Concourse, One Lombard Place • Winnipeg, Manitoba CANADA R3B 0X3 • Tel: (204) 957-1567 Fax: (204) 957-1570 • E-mail: newideas@fcpp.org • web: www.fcpp.org