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The Restoration of Fiscal Stability. A Public Choice Approach on the Problem of Public Debt

[Full-Text HTML](#) [XML](#) [Download as PDF](#) (Size:228KB) PP. 147-158**DOI:** [10.4236/tel.2018.82010](#) **134** Downloads **278** Views**Author(s)** [Leave a comment](#)[Panagiotis Evangelopoulos](#)**Affiliation(s)**[Department of Economics, University of Peloponnese, Tripolis, Greece.](#)

ABSTRACT

In contemporary democracy fiscal policy is not employed for the fiscal control of necessary state expenditure, the generation of deficits which causes the state to feed on itself, expands enormously in the service of private interests and is contrary to the public's interest in fiscal stability and discipline. Starting from the classical liberal state, I undertake an analysis of the historical theoretical background of public choice. The development and application of public choice analysis can work towards restoring fiscal stability, especially after the outbreak of the global financial crisis that generated the enormous increase in deficit and debt in the developed democracies.

KEYWORDS

[Fiscal Stability](#), [Public Choice](#), [Classical Liberal State](#), [Democracy](#)

1. The Classical Liberal State

The state is the basic institution of organization in contemporary societies. Historically, in the modern need for a state and for strong centralized power, which was the dominant political demand of the 16th and 17th centuries, we have moved on to the societies of the 20th century, where the state's institutional solidity, expanding functionally into almost all spheres of action in economic and social life. In the 20th century, apart from its central political role which inherited from the 19th century the state's course of continual expansion, implementing actively interventionist economic and social policies. There was a parallel shift in the theoretical interpretation of the state. Thus from the all-powerful consolidated state sought by Machiavelli in the person of The Prince¹ [1], and also by Thomas Hobbes in Leviathan [2], "that there might be order in the jungle of human affairs", we proceed to the classical liberal state of John Locke³ [3], whose purpose was to protect, with a minimum of intervention, the natural rights of freedom and property. The appearance of Adam Smith⁴ [4] and his work at the end of the 18th century consummate the classical liberal system of John Locke [3], forging an indissoluble link between economic and political freedom. This is the type of state bequeathed to the 19th century by the Enlightenment and the philosophers of Natural Rights: a state with a central political role but without economic and social intervention, a state that was dubbed by its anti-liberal opponents "the night state".

The most powerful critique of the classical liberal state was articulated by Karl Marx⁵ [5], who laid the basis for his critique during the 19th century, when the classical liberal state was at its zenith. Marx's science presumed the formation of a state controlled and administered by the Communist Party in the name of the proletariat⁶ [6]. Through the state the proletariat would control the means of production and manage the just distribution of wealth. But as we know these theories did not prosper and the planned socialist state organized⁷ [7] [8] by a socialist state failed⁸ [9] - [19].

The most important development to be noted in the vicissitudes of the 19th century classical liberal state was its gradual transformation in the course of the 20th century⁹ [20] and its progressive elaboration into a multi-faceted economic and social activities funded through the continuously accumulated public debt, establishing the enormous levels of public debt that above all characterise the developed democracies of the 20th century¹⁰ [21]. At the same time the expansion of state activities in contemporary democracies was accompanied by the restriction of decision making to within the mechanism of the market, accompanied by increased state intervention in the production and provision of a wide range of public goods and services¹¹ [22].

James Buchanan and the Public Choice School¹² [23] came into conflict with the phenomenon of the expanded role of the state in present-day liberal democracies. James Buchanan deplored the permanent situation into which contemporary democracies had been plunged; censuring John Maynard Keynes¹³ through his work¹⁴ [25] prepared the political and economic ground for liberal democracy's being

situation¹⁵ [26] .

My endeavour will accordingly be to demonstrate that fiscal policy in contemporary democracy is state fiscal control of necessary productive activities but to generate deficits which cause it to inflating it enormously to serve special interests¹⁶ [27] contrary to the public's interest in fiscal discipline.

In our day this phenomenon is more than obvious and more than hazardous. In addition to the tremendous demand for public deficits from political pressure groups that undermines the creation of wealth and income to unproductive activities¹⁷ [20] , after the outbreak of global financial crisis in 2008 the emergence of an old-fashioned expansionist

Keynesianism¹⁸ as a macroeconomic policy to offset the insolvency of big financial corporations, countries in particular (USA, UK¹⁹ [28] and the EU nations) dramatically increased their fiscal deficits and their accumulated public debt to huge levels. The consequences for fiscal stability could not be worse. After all, an economic policy triggered by the emergency spending bill of the Bush administration and by the election of President Obama with his devoted political support for a giant program of economic stimulus. An economic policy that propels the economic system straight from global financial crisis to global economic crisis²⁰ [29] . A procedure that introduces unprecedentedly increased systemic risk into the global economy, unavoidably weakening the last resort²¹ [30] role of the state. It is evidently time for restoration of economic order on the basis of an economic policy oriented to the principles²² [27] and tools of public choice and fiscal policy within a democratic framework of constitutional control both of the public deficit and of the public debt, and a decisive reduction in the size of government.

2. Democracy and Fiscal Control

After the Second World War the exercise of fiscal policy was one of the main methods, perhaps the most effective, for implementing policies of state intervention. Its objective was to achieve economic stabilization in the short term and redistribution of income in the long term. But the chief instrument for achieving these goals was the public deficit, manipulation of the size and structure of which clearly presupposed a foundation of public support. It was in this way that we ended up de facto in economies which not only tolerated deficits but actively aspired to them for the purpose of making fiscal policy more effective. On these assumptions fiscal policy was losing its traditional rationale and was being displaced by policies of expansion.

Notwithstanding their narrowly economic character, these developments nevertheless had immediate and far-reaching consequences for contemporary democracy. Before we embark upon this subject, which will be of our primary concern, let us pause for a moment on the question of the public deficit. We will concentrate in particular on the USA, whose economic history provides the best possible illustration of the dramatic change in the treatment of the public deficit. Before the 1930s the rule was for fiscal surpluses to be generated in the troughs of the economic cycle and rising phases of the economic cycle. The fiscal surpluses that were created in the periods of recession easily covered the federal deficit and paid off the federal debt generated in times of war and economic expansion. On the basis of this practice a strict regime of fiscal control grew up whereby in years of recession

that was generated was covered by preceding surpluses which, when they were not adequate in recession or long-term or large-scale warfare, had to be restored out of the surplus from the favourable years. This long-term strategy of restoration of the deficit successfully supported the economy during depression or war years while preserving the principle of fiscal control in the exercise of government. This enabled the state to deal more painlessly with crises, making available previously accumulated emergency gold reserves. The contemporary state, by contrast, bloated and weighed down with public debt and fiscal deficit, is chronically crisis-ridden. Given the great inertia and inflexibility afflicted it soon shows symptoms of low productivity, increasing unemployment and disinvestment is aggravated by the absence of suitable gold reserves and other mechanisms that would enable the economy to weather the economic recession and emerge from stagnation. Implementation, therefore, of this rule of fiscal control to counteract the detrimental effects of economic recession using reserves saved from previous upturn undoubtedly had beneficial consequences. Above all it approached fiscal policy in a radical way, firstly utilizing it as a means to achieve stable and balanced financing of basic functions of the state, and secondly utilizing it as a means to avoid unexpected adverse developments in the economic cycle.

After the 1930s, the decade of massive economic crisis where very large deficits were accumulated, the economy returned to surplus, even after the Second World War, when the global economy experienced a period of prosperity. It was indeed considered that this long-term growth and consolidation of the prosperity of the economies in the 1950s and 60s was precisely the achievement, indeed the crowning glory, of the Keynesian economies and unrestrained public deficits. This took place under the influence of the Keynesian economics, the classical liberal tradition of fiscal control and as part of its institution as the post-war orthodox economic policy-making and fiscal management. The ultimate gain from this

Keynesian new orthodoxy²⁴ [32] [33] [34] [35] was a deficit in democracy and a disdain for the characteristics²⁵ [36] whose consequences for management of the economies of modern democracies became evident, and did become evident, in the economic morass of stagflation²⁶ [31].

Fiscal deficits have therefore greatly reduced the significance of budgetary restraint, whether by government or by individuals, breaching the continuity that should exist between the microeconomic and macroeconomic and between consumption and total levels of production. And this, in turn, in an inexorable chain of events, meant determination of fiscal policy purely at the level of politics²⁷ [37], with governments using deficit to secure easy re-election, along with continual expansion of governmental intervention and the role of the state in the economy, producing an ever greater number of public goods and services and making it possible to inflate deficits in every possible way.

While fiscal control in the classical liberal tradition is subject to the salutary influence of economic reality, the state budget acting as a mechanism for placing financial restraints on the government, fiscal deficits in the Keynesian tradition assume an altogether different function of politically pre-empting and funding the defined needs of the electoral body. The result is that there are no restraints on the utilization of public resources which are in the hands of politicians, and no ceilings to act as an upper limit on uncontrolled increase. This concentration of precious public resources in the hands of politicians makes them a point of focus in the system for the shaping of public choice. Individuals form coalitions, creating and inde

becoming pressure groups²⁹ [36] in the service of special interests whose aim is to persuade public choice in accordance with their own particular sets of priorities. Politicians thus take on the role of being brokers of the democratic political system, assembling majorities of individuals to legitimate all of society the task of funding such public goods as are of maximum advantage to powerful groups. The outcome, therefore, of the Keynesian evaluative fiscal tradition of public deficits is the manipulation of public choice in the most inappropriate manner³⁰ [36] with the most improper consequences³¹ [36] from the point of view of the public interest³² [37] [38] [39] .

Thus, in present-day democracy, the fiscal deficit provides the worst possible service to macroeconomic policy, exacerbating rather than moderating economic cycles, functioning as a perennial source of instability in the economy, hindering the consistent and rational decisions that could be made by maximization procedures chosen by state authorities and individuals. At the same time it serves as the means for reproducing and furthering the inordinate influence of the overly large state³³ [40] , whose mission is transformed from promoting the public interest to satisfying the particular interests of closed coalitions and pressure groups.

Fiscal control must therefore be brought back as a last line of defence for contemporary democracy where the individual who is its prime subject. Within such a context fiscal policy would rediscover its authentic relevance to the overall logic of a prudent macroeconomic policy³⁴ [41] . For this to be achieved there must be a reevaluation of the virtues of the 19th century Liberal State of classical fiscal tradition, where government was limited in size and effective in the quality of its action. Fiscal control can be made possible through an unbalanced budget, statically, but with provision for its dynamic implementation over time through the offsetting of deficits and surpluses depending on the rising or falling momentum of the economic cycle. If moreover we provide modern democracy with a panoply of constitutional restrictions³⁵ [36] [42] on the size of the fiscal deficit and on public debt, and revive the principle of unanimity or near unanimity on collective decisions (Knut Wicksell, 1958) [44] , we will have offered a secure method and a means of rapprochement between government and public interest in a reconstituted democracy.

3. Constitutional Consolidation of Fiscal Stability

In a democratic society the state must have a limited role, leaving the maximum possible decisions to the market³⁶ [7] . As I have attempted to demonstrate, on the basis of the principles of the classical economics, the state must be treated as a mechanism for community action subject to rational restraints chosen by individuals in constitutive agreement between themselves so that their collaboration may take an organized manner, with institutions and rules, in such a way as to maximise the positive outcomes of their cooperation and minimise the problems, conflicts and improper conduct³⁷ [38] .

In the opposite eventuality, that of blunting the rational restraints on state intervention, legislative expansion of state power for a more active presence in organized economic and social life, but also with the growth of bureaucracy in its procedural role, then the state acquires an organic relationship with individuals and the community, approaching them as inseparable elements of its own organism, composition, development and expansion, with effacement of individual rights and values as the inevitable consequence.

In this unfortunate circumstance the state evolves on the basis of its own internal organic logic³⁹ [7] . purely biological in character and centred on a self-feeding process which through constant incorporation of ever more resources leads to its anti-productive and illiberal gigantism³⁹ [7] .

Restoration of fiscal control and stability in the form of constitutional restrictions⁴⁰ [27] , with the adoption of the balanced budget in its dynamic form of implementation, in parallel with and co-evolution of the phases of economic cycles, provides a potential for rationalization of the public sector size⁴¹ [7] [41] , not granting the political system and its bureaucracy the leeway in funding for individuals to be exposed to the peculiar form of slavery that prevails if the state becomes a Leviathan.

4. Conclusion

Contemporary democracy can progress towards effective social organization when individual rights for individual choices whose overall outcome forms the collective choice through the mechanism of a regime of freedom underwritten by a system of legal rules. In those specific and necessary cases where a collective decision is required for the proper functioning of social organization, the state can provide a framework of strict limitations imposed by individuals with high-level constitutional backing. The state in this case plays a decisive role in ensuring that its manner of drafting and the high principles of the constitution place effective limitations on the state, not allowing the constitution to be used as a legislative platform for the further expansion of the state and the exacerbation of its public deficit and debt. On this constitutional base, an economic policy on the direction of public choice analysis can restore the economy before the sovereign debt crisis breaks out, bringing the global economy to its knees.

NOTES

¹The most prevalent view is that Machiavelli's "Prince" is the political theory of comprehensive justice by any possible means, fair and foul, that might be employed to secure his absolute rule. But for those who read attentively "The Prince" comprises a political handbook for the creation of a powerful, united, modern state at a time when Italy was fragmented and in thrall to foreign powers. Niccolo Machiavelli, "The Prince", Penguin Classics, Martin's, 2004.

²For Hobbes, state power had to be absolute and omnipotent, precisely like the monster described in the book. It was from this that Hobbes gave the book its title. Thomas Hobbes, "Leviathan", Cambridge University Press, 1996.

³John Locke established the hard core of the classical liberal state: exclusive responsibility for the protection of individual freedom, which is inextricably associated with private property. John Locke, with his work on political liberalism. There is further analysis of this in the book by Ellen Frankel Paul, "Property Rights and the Eminent Domain", Transaction Inc., 1987 [45] and naturally in the primary source, John Locke, "Two Treatises of Government", Cambridge University Press, 1988.

⁴With the work of Adam Smith economic liberalism is consummated as a system for organizing economic activity. Nevertheless the 20th century was to see a merging of economic liberalism (Adam Smith) and political liberalism (John Locke) with the contribution of the New Austrian Economists and in particular the work of Friedrich Hayek.

Ludwig von Mises and Friedrich Hayek along with the contribution of the economists of the C
notably Milton Friedman, of the Public Choice School, notably James Buchanan, of the Property
notably Ronald Coase. See Ludwig von Mises “Human Action: A Treatise on Economics” Liberty
and “Liberalism”, Liberty Fund, 2005 [46] . Friedrich Hayek “Law, Legislation and Liberty”, Rou
Paul, 1976 [48] and “Studies in Philosophy, Politics and Economics”, Routledge & Kegan Paul, 19
Friedman “Capitalism and Freedom”, The University of Chicago Press, 1982 [50] . James M. Buchan
Foundations of Constitutional Liberty, Liberty Fund, 1999, [51] and “Collected Works of James
Liberty Fund, 2004 [52] . Ronald Coase “The Firm, the Market, and the Law”, The University of Chic
[53] .

⁵Karl Marx, “Capital”, International Publishers, 1967.

⁶Karl Marx and Friedrich Engels, “The Manifesto of the Communist Party” In Readings in Economi
(P.A.Samuelson, R.L.Bishop, J.R.Coleman eds., McGraw-Hill Book Company 1952).

⁷James M. Buchanan, (2005, p. 20), writes “This is a form of socialism that is now dead and buried
and in practice, having been “done in” during the last decades of the twentieth century.” ...He stigm
22) “(t)he advocates of centrally managed economies... (who)... moved with surprising al
themselves with the welfare state: social democrats.” Janos Kornai (1993, p. 48) also, very characte
on the subject of the alternative decentralized market socialism that was always more attract
“progressive” Western economists: “thousands of highly intelligent, well-intentioned people in a
that experimented with market socialism were unable to hammer out and consistently implemen
was guaranteed to operate efficiently”.

⁸Hayek (1935, 1940, 1988) and Mises (1920, 1922) had analyzed the failures of socialism well before
See also Kornai (1959, 1971, 1992, 1993), Boettke (2001), Prychitko (2002), Evangelopoulos (2009, a)

⁹Douglass North (1981, p. 188) writes concerning the transformation of the classical liberal state “I
chapter (14) is how the framers of the Constitution (USA) attempted to control the state and how u
controls broke down... the Great Depression was merely an episode that was the immediate
acceleration of this transformation. The economists’ and the economic historians’ failure to an
change has led them to misread the economic history of the twentieth century.”

¹⁰In his research, David B. Smith (2006) concludes that the state cannot any longer fund itself.

^[1] ¹A critical analysis of the ever greater involvement of the state in the production of public goods
M. Buchanan and Milton Z. Kafoglis, “A Note on Public Choice Supply”, The American Economic
No. 3 (Jun., 1963), 403-414.

¹²Essentially the eminent proponents of the Public Choice School were James Buchanan and Gord
jointly authored the key book of this school of economic thought “The Calculus of Consent. Logic
of Constitutional Democracy”, Ann Arbor, The University of Michigan, 1962.

¹³James M. Buchanan and Richard E. Wagner, “Democracy in Deficit: the Political Legacy of
Academic Press, New York, 1977.

¹⁴As formulated in the book of John Maynard Keynes, “The General Theory of Employment, Interest

Macmillan, 1973.

¹⁵James M. Buchanan, Richard E. Wagner and others issued their position papers (from a conference held in March 1976) in their book, "Fiscal Responsibility in Constitutional Democracy", Martinus Dordrecht, 1978. The book contains extensive discussion of democratic means for establishing fiscal equilibrium.

¹⁶James M. Buchanan (1993, p. 1), "Political players who might seek to further some conceivably encompassing general, or public, interest cannot survive. They tend to be eliminated from the political evolution-like selection process".

¹⁷Douglass North (1981, p. 185) gives an in-depth analysis of the 20th century historical phenomenon of the control of the economy by the state and political pressure groups. "The pluralist control of the economy emerged from the struggle of workers, farmers, and business groups has produced the disintegrating structure of property rights and replaced it with a struggle in the political arena to redistribute income at the expense of the efficiency potential of the Second Economic Revolution."

¹⁸Against this trend, which was made fashionable with public opinion by the mainstream pro-market declaration of the economists under the auspices of the Cato Institute (2009): "Notwithstanding the fact that economists are now Keynesians and that we all support a big increase in the burden of government spending, undersigned do not believe that more government spending is a way to improve economic performance. More government spending by Hoover and Roosevelt did not pull the United States economy out of the Depression in the 1930s. More government spending did not solve Japan's 'lost decade' in the 1990s. It is a triumph of hope over experience to believe that more government spending will help the U.S. today. To improve the economy, policymakers should focus on reforms that remove impediments to work, saving, and investment. Lower tax rates and a reduction in the burden of government are the best ways of using government to boost growth."

¹⁹In his article David B. Smith (2009, p. 41) writes emphatically "Whatever the precise measure of the deficit, it is clear that the 22nd April Budget revealed one of the worst looming fiscal crises in Britain's peace-time history".

²⁰Evangelopoulos (2009b, p. 81), "The greatest danger is that of the state and politicians exceeding the limits of the economic system's excesses of intervention and requiring of the economic system something that it cannot give."

²¹Evangelopoulos (2007) explains the failure of the state in the light of the theories that have been developed since the post-World War II era.

²²James M. Buchanan (1993, p. 6), "Public choice theory models the behavior of those politicians who seek to prosper; public choice theory does not induce those politicians who might seek to do otherwise to do so or selfishly".

²³In their vital new research Rowley and Smith (2009) apply to the current financial mess the methods of the policy making of the public choice approach. They develop an analytical framework of application of public choice theory to the major problems caused by the global financial crisis.

²⁴This new Keynesian orthodoxy of high progressive taxation and of high levels of public expenditure is codified in the work of the radical Keynesians, the key exponents in the USA being John Kenneth Galbraith and in the United Kingdom Joan Robinson. John Kenneth Galbraith, "Economics and the Public Purpose", 1969.

Mifflin Co., 1973, [54] : “Keynes’ General Theory. Reports of Three Decades”, Robert Lekachman (Oxford University Press-MacMillan & Co. Ltd., 1964. Victoria Chick, “Macroeconomics After Keynes”, Philip Allan Partridge, 1974. John Hicks, “The Crisis in Keynesian Economics”, Basil Blackwell, 1974. Joan Robinson, “Contributions to Keynesian Economics”, Basil Blackwell, 1978.

²⁵“Fiscal records for the sixteen years after 1961 tell their own story. Between 1961 and 1976 there was only one year of fiscal surplus for the federal government. Fifteen years of deficits accumulated to the tune of over \$240 billion. The accumulated deficit for 1961-68 was \$60 billion. For the 1970-74 period it was over \$100 billion. In 1975-76 it was over \$110 billion.” James M. Buchanan, “Economics. Between Predictive Science and Moral Philosophy”, Texas A&M University Press, 1987, p. 389. We observe this growing level of deficit over long intervals as a basic characteristic of the fiscal derailment.

²⁶As the post World War II Keynesian deficits caused the stagflation of ‘70s so we may encounter a similar problem in worse conditions today. David B. Smith (2009, p. 44) explains “Britain’s current profligate spending habits are more likely to represent a progression to the more advanced and deadly stage of the disease stagflation than a cure.”

²⁷Steve Pejovich (1997, p. 290) “A political entrepreneur finds thus in general that offering ‘new variations on existing themes’ assures a higher survival value in the political market. A recent British Banker noted with interest that in the budget debates proceeding in the British Parliament over the last few years not a single MP ever proposed a single time to cut expenditures.”

²⁸Keynesian expansionist policies are followed today by Obama but David B. Smith warns that “the increase in the government spending ratio since 1936 suggests that Keynes would not be advocating such a course of medicine today, because of the likelihood of a fatal overdose.” (Smith, D., 2009, p. 44).

²⁹A more detailed analysis in Chapter 14: “An Economic Theory of Clubs”, in the book by James M. Buchanan, “Economics. Between Predictive Science and Moral Philosophy”, Texas A&M University Press, 1987.

³⁰“In an democratic society operating on the Keynesian economic model there are no safeguards against the accumulation of fiscal deficits, as it has become possible to spend without taxing.” p. 398 op. cit., Buchanan (1987)

³¹“If the basic decisions on public expenditure and taxes are left to politicians, the economist who is aware of the biases of the political process will reconsider the all-too-easily accepted nostrums of Keynesian policy which is ‘ideal’ for an ‘ideal’ world is not the best for a world of practical politics.” (p. 402, op. cit., Buchanan [1987]).

³²Steve Pejovich (1997, p. 284), “The welfare losses are actually substantially raised by the ‘rent seeking’ activities of potential beneficiaries. The evolution of public choice theory in the past 20 years directed our attention to this important aspect” and (1997, p. 290) “Total welfare is further reduced, government programs increase, government balloons and the range of influence open to a bureaucracy expands”. Mark Jackson (2005, p. 282) “The net welfare cost of successful rent seeking activity is remarkably underestimated. Parente and Prasad (1995, p. 145) estimate that if we remove institutional barriers, nations can produce gains 1000 or 2000 percent.”

³³Specific analysis in Chapter 9, “The Threat of Leviathan”, in the book by James M. Buchanan, “The Limits of Liberty. Between Anarchy and Leviathan”, The University of Chicago Press, 1974.

³⁴Although in 2001 the US economy was not suffering a public deficit problem, W. Lee Hoskins warned, and indeed underlined, that “Sound fiscal policy clearly sets out priorities and maps commitments for taxes and spending... And sound fiscal policy communicates each of these obligations within long-term budget constraints so that private decision making is consistent with efficient resource allocation. Key to me is a long-term budget constraint.”

³⁵This is the greatest contribution of the Public Choice School to contemporary fiscal policy: the underwritten limitation of fiscal deficits and public debt. See in this connection Geoffrey Brennan and James M. Buchanan, “Towards a Tax Constitution for Leviathan” in the *Journal of Public Economics* 8 (1974), republished in “The Theory of Public Choice-II”, James M. Buchanan and Robert D. Tollison (eds), *The Theory of Public Choice*, University of Michigan Press, Ann Arbor, Michigan, 1984. For the same subject in Chapter 21, “The Constitution of Economic Policy”, of *The Theory of Public Choice*, James M. Buchanan (1987) and also the article “Contractarian Political Economy and Constitutional Economics”, *American Economic Review*, May 1988, pp. 135-39.

³⁶James M. Buchanan (2005, p. 27) explicitly explains why our academic task is to get the truth of public choice science through to the wider audience of ordinary people as well. “The spontaneous order of the market is an intellectual idea that is not naturally understood by those who have not been exposed to the work of public choice economists. And economists themselves in their sometimes zeal for working out the intricacies of the theory have neglected their primary didactic purpose”.

³⁷Mark Jackson (2005, p. 277) explains how the application of constitutional economics constitutes a public choice strategy. “Constitutional economics proposes and pursues a strategy to solve public-policy problems by supplying rules designed to reduce the opportunity set that rational politicians confront.”

³⁸James M. Buchanan, (2005, p. 23), attributes the strength of the state and the high demand for a national leader in the 21st century to the fear of the people to undertake their own responsibilities. “And it seems that in many persons do not want to shoulder the final responsibility for their own actions. Many persons are simply afraid to be free.”

³⁹James M. Buchanan, (2005, p. 29), “The liberal principle that persons are to be free to create taxes and if they so choose is not consistent with the socialist principle that the welfare depends on the state beyond plausibly acceptable fiscal limits.”

⁴⁰James M. Buchanan, (1993, 1), “Or, in other terms, how could the constitutional framework be reformed so that players who advance generalized interests are rewarded rather than punished.”

⁴¹James M. Buchanan, (2005, p. 28), “Such an idealized capitalistic system would, at most, commit the government to up to fifteen percent of national value product” and W. Lee Hoskins, (2001, p. 259), “A constitutional framework limiting government share to something less than twenty percent over a multiyear period would be a necessary long term focus for fiscal policy, giving it some credibility and predictability.”

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