Review

Scientific Papers of the University of Pardubice, Series D: Faculty of Economics and Administration
2020, 28(3), 1129.

DOI: 10.46585/sp28031129
editorial.upce.cz/SciPap

# An Economic Analysis of Public Choice: Theoretical Methodological Interconnections

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**Abstract**
Public choice theory is an established part of general economic theory. It emerged as an offshoot of the mainstream in the 1940s and deals with applying economic methods to political analysis and decision making within political institutions. Today, the public choice approach is being used successfully in a wide spectrum of social sciences, as well as in politics at the macro- and international levels. At the theoretical level, we feel that public choice theory is of wide importance relating to the change in definition of its traditional place in economic theory. Approximately, this change began to occur during the 1980s, and it documents an interpretative shift from public choice theory being a relatively independent economic discipline to a discipline that is presented as an immanent part of the new political economy, a newly created school of opinion. This paper's goal is to analyze the paradigmatic, historically conditioned theoretical-methodological concept of public choice by using research into the literature. Concurrently, our ambition is also to define key points of overlap that link public choice theory to the economic mainstream (neoclassical economics) on one hand and the new political economy on the other. We have developed the conclusions of this analysis and intellectual comparison into a wider discussion of public choice theory's significance and its role in the formative process of economic theory's development and future trajectory.

**Keywords**
Economic theory, Public choice theory, Economic mainstream, Methodology, New political economy.

**JEL Classification**
A10, B00, B50.

## Introduction

Public choice theory has enjoyed many years of tradition within economic theory. Its theoretical contributions, which consist of recognizing the economic behavior of political market entities, have opened up a place in the field of economics for analyzing occurrences that had been the domain of political scientists for centuries. Moreover, its application also offers constructive potential, something that has been confirmed in many fields of research over the years. Today, public choice theory has been successfully implemented in a wide range of social sciences, in macro- and international politics, and when clarifying how international institutions and integration groups operate. Public choice comprises research into the political market (Johnson, 1991) as well as the study of political mechanisms and institutions that limit the behavior of politicians (McNutt, 1996); it focuses on studying democratic regimes, institutions, legislative processes, and the behavior of interest groups, political parties, and bureaucracy (Pardo & Schneider, 1996). This is evidenced, for example, by McCarthy (2020), who uses the findings of the School of Public Choice to explain the Turkish government's behavior on Syrian refugees. Furthermore, according to Piano (2018) public choice theory is able to explain interaction between state capacity and competitive pressures in the 'market for governance' or relationship between investment in state capacity and economic development.

There is no doubt of public choice theory's broad significance. Its approach changed perspectives on the role of the state and how economic policy operates. "Public choice offered a theory of government failure fully comparable to the theory of market failure, which arose out of neoclassical welfare economics of the 1930s and 40s" (Buchanan, 1979). In this context, Aktan (2017) states that public choice economists have demonstrated problems associated with government interventions, which were supported for many years in response to market failures. Its approach also provided convincing arguments against rapid growth in the size of the public sector and promoting ever greater revenues. "In a newly enacted program, one without established guidelines and procedures, politicians may find ample sources for direct and indirect kickbacks from the producers and producing firms whose rents are enhanced

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by the program. Such officials will, therefore, seek continually to enlarge budgets and, especially, to introduce new and different programs. On the other hand, the potentially corrupt politician would rarely press for general budgetary reduction" (Buchanan, 2002). Evidence of this statement is the proven growth of public spending in some countries (Rybáček, 2016). Not least, it also pointed out serious internal problems within the democratic political process and unsuccessful control by the government, politicians, bureaucracy, and countries. Buchanan found a solution in rules that are in the long-term interest of individuals even though they involve self restraint. "Social systems can be reformed only using systematic changes in the rules of the game.... I emphasize the key importance of rules that would limit the execution of government power and their being embedded in an institution" (Buchanan, 2002). The threat of market failure and the necessity of visible hand of the state as well as supranational groups' influence without regard to the effectiveness of their performance both continue to be influential arguments used by politicians and economists in countries with traditional democratic principles. In the end, the floodgate of the huge expansion of government into people's lives has also enabled the solution to the COVID-19 pandemic, again paradoxically confirming public choice theory's theoretical conclusions (Klaus, 2020).

Today, the change in how public choice's place and limitations within economic theory have traditionally been perceived also underscores its wide importance. It has been gaining ground approximately since the 1980s. Any subject of interest to public choice theory corresponds to an interest of political science; methodologically, its theory stands firmly on key premises of standard (neoclassical) microeconomic analysis. After 1948, when public choice evolved – mainly stemming from the publication of research by the economists Duncan Black (1948), James Buchanan (1949), and Kenneth Arrow (1951) – it was generally perceived as an independent field of modern economics. It became ans offshoot or branch of economics that dealt with utilizing economic methods to analyze politics and decision making within political institutions (Buchanan, 1978) or, more generally, for analyzing non-market decision making (Mueller, 2003). "Buchanan was one of the greatest economists of the second half of the 20th century. He proceeded from 'finance' to 'public finance' and through to dealing more with the 'public' (i.e., decision making by the state) than with the 'finance,' so that eventually he, together with Gordon Tullock, became a co-founder of one of the most productive schools of modern economics, the school of public choice" (Klaus, 2015). During the period after World War II, other key publications emerged: An Economic Theory of Democracy by Anthony Downs (1957); The Calculus of Consent (1962), a book co-authored by James Buchanan and Gordon Tullock; The Logic of Collective Action (1965), a work by Mancur Olson; and not least Bureaucracy and Representative Government by William Niskanen (1971). Public choice has become evidence that it is fully possible to use economic methodology and economic tools in other social disciplines. With its precise (and testable) models, public choice has proven that it is impossible to properly understand politics without a relationship to economics. The conclusions of public choice's models filled in the "political" vacuum within the prevailing neoclassical paradigm and, over time, they have hopefully found a solid place in all modern economic textbooks. For that matter, the wide expansion of standard microeconomic analysis far beyond the traditional interest of economics can be considered one of modern economics' key developmental paths during the second half of the last century. Primarily due to the work of G. S. Becker, the economic approach has been recognized as a universally valid, sovereign tool for analyzing human behavior. During the same time period, new intellectual trends also began to emerge, influenced by actual events. These primarily developed in response to criticism of neoclassical economics, generally reacting to the fact that it ignored the influence of social psychological, political, cultural, and sociological factors, as well as how institutions and their evolution impact economic development. "We have consumers without humanity, firms without organization, and even exchange without markets...as if [we] studied circulation of the blood without the body" (Coase, 1990, 1998). Thus, during the 1980s, even James Buchanan, known for public choice theory, identified and reformulated a new intellectual field, calling it constitutional political economy (primarily in the monograph The Limits of Liberty: Between Anarchy and Leviathan, 1975). Its subject of interest was the theory of institutions, understood as a system of ex ante approved rules (constitutions) that are valid at various levels of economic and political activity (Buchanan, 1975). According to Kouba (2004), these mutually differing economic disciplines gradually emerged over the second half of the 20th century: public choice theory, constitutional political economy, property rights theory, as well as theories on regulation, law and economics, and the history of institutions. Analyzing economics' institutional framework as it related to interest in transactional costs became the common feature for all these sub-disciplines.

Roughly since the last third of the 20th century, it has been possible to observe the trend of public choice theory's gradual integration into the institutional schools, with many of public choice's conclusions having been successfully given heterogeneous positions within the new institutional economics' framework (Sirůček, 2001; Voigt, 2008). However, the schools of opinion dealing with the various aspects of institutions and their structures have simultaneously been split apart, with public choice theory being incorporated alongside similar research programs into a wider, synthesizing school of thought called the new political economy (Mitchell, 1968; Voigt, 1999; Gregor, 2005; Almeida 2018; etc.). According to Kouba (in Gregor, 2005), public choice theory and constitutional economics together embodied a return to the methodology and institutional foundations of Adam Smith's classical political economics. Accordingly, he called it the new political economy. Thus, the new political economy has gradually become a relatively new school within contemporary modern economics, one that is "the domain of research, investigation, and discourse between scientists who approach the perception of social interaction as a set of complex relationships, both real and potential, between autonomous individuals, all of whom are capable of rational choice" (Buchanan, 1993).

In light of these considerations, it seemed to us that it would be useful to conduct a theoretical-methodological discussion on the nature and limitations of public choice theory. Public choice theory has long been a component of economic theory, and qualitative comparative analysis makes sense to us when conducted through the prism of both standard (neoclassical) economics and that of the new political economy and when seen in the context of all the above perspectives. Our primary goal is to analyze the paradigmatic, historically conditioned theoretical methodological concept of public choice theory. At the same time, we devote attention to defining key interfaces that link public choice theory with neoclassical economics on one hand and the new political economy on the other. We have developed the conclusions of our analysis and intellectual comparison into a wider discussion on the situation and significance of public choice theory in the formative process of economic theory's evolution and future path.

## Literature Review

Public choice theory emerged as a recovery of the Italian public finance tradition, Wicksell's work on public policies, Knight's scepticism, concerning the capacity of democracy to promote choices that increase welfare, and the idea of government failure (Amadae, 2003; Backhaus, Wagner, 2005; Burgin, 2012; and Medema, 2009). In this project, public choice is usually associated with the Virginia School of Political Economy (Almeida, 2018, Candela, 2018). According to Gregor (2005), public choice theory emerged as a reaction to a number of questions that standard economic theory was unable to resolve satisfactorily. In addition to a discussion of welfare economics' logical tenets that were called into question by Arrow (the inability to formulate an aggregated utilitarian welfare function), this concerned the vague role of the state in the economy. The Great Depression of the 1930s, which caused the emergence of serious doubts concerning and dissatisfaction with the possible limits to the market's functioning, was a primary cause of public choice theory's dynamic development. Ideas about how the state could replace the price system and allocate goods and services just as (or more) effectively than the market gave form to period models of market socialism, representing the state as an alternative market (F. M. Taylor, O. Lange, A. P. Lerner, etc.) Inherent reasons in favor of the necessity of the visible hand of the state also provided a solution to questions connected to market failure in the form of externalities. If differences existed between private and communal costs, or between private and communal utility, then the markets were not allocating resources effectively, and Pareto optimality would not be achieved. Subsequently, the government's economic policy, via tax and subsidy systems, would eliminate the discrepancy between communal and private costs, or communal and private utility (Pigou, 1932). Keynesian macroeconomics, which prevailed at the time, provided an alternative perspective on the role of the state. It interpreted the state's primary role as being in the realm of government intervention, with the intention of eliminating fluctuations of effective (aggregate) demand as the result of market failure or unused production resources.

In the context of considerations about the role of the state in modern market economies, public choice theory's formulation meant a return to microeconomics and investigation into human decision making and the motivation and interests of individuals. Public choice says that if we were to deal with man in his role as a participant in collective decision making in the same way as in the sphere of private decision making, we would come to conclusions and expectations concerning government behavior that differed from those of any other previous political philosophy. If a certain analogy can be made between the state and the market, with the state having the task of providing public goods and eliminating externalities, then the same preferences must exist for public goods as those for private goods in the market. Thus, dealing with questions of non-market decision making logically assumes:

- the creation of the same assumptions of behavior as are valid for general economics, i.e., the rational behavior of man acting in his own interests;
- a description of the process of revealing preferences similar to that which occurs on the market, i.e., voters participate in exchanges, individuals reveal their own sheet of demands via elections, citizens enter into various interest groups and leave others; and
- dealing with the same problems as in price theory, i.e., equilibrium and its stability along with Pareto optimality and its attainability (Sojka, 1991).

These questions were absolutely essential for constructing the concept of public choice theory. The methodological key to their resolution was the paradigm of neoclassical economics (Michaud, 2015), founded on methodological individualism, marginal analysis, and the concept of homo economicus in its traditional, Marshall-like form. With this, public choice theory's connection to neoclassical economics became immediate and lasting.

### 2.1 Public Choice and Neoclassical Economics

A noteworthy work of fate is that the label "neoclassical" was used first by the American institutionalist Thorstein Veblen (in Preconceptions of Economic Science, 1900) in order to label the teachings of Alfred Marshall and his followers. Later, the term "neoclassical economics" became wider in meaning and commonly included not only the

Cambridge school but also Lausanne school and most of the European and American marginalists (although not the Austrian school). Today, we can find the definition of neoclassical economics in Colander (2000) and Arrow and Hahn (1999), for example. Weintraub (2007) defined the assumptions of neoclassical economics as follows:

- people have a rational preference between expenditures that can be identified and linked to values,
- individuals maximize utility and companies maximize profits, and
- people behave independently on the basis of complete and relevant information.

Neoclassical economics underwent a relatively complicated genesis; in this sense, it is possible to mark the birth of an opposing Keynesianism as a historical milestone. Pre-Keynesian neoclassicism (from the 1870s to the 1930s) represented a formative period for neoclassical economics and was absolutely key to its development. It built a new theoretical system on whose basis it changed economics from teachings about the natural order of economic life into a science about the decision, making processes of economic entities. “Economics became the science of human choice, thus of making decisions about how to allocate precious resources to satisfy competitive goals” (Becker, 1976). In general, the neoclassical paradigm rests on four basic assumptions: instrumentalism and individualism at the methodological level and, at a level that tends to be seen as technical, substantive rationality and the concept of exchange (Sojka 1996). These “technical methodological” assumptions of neoclassical analysis comprise a very specific and distinctive approach and have been the target of relentless criticism practically since the time they originated. Despite this, it is specifically these tenets that make up neoclassical economics’ stronger aspects. For example, it is quite widely known that the model of homo economicus is merely a tool. Its construction was accompanied with the full realization that the subject itself – as well as the description of its behavior – is not an economic reality. It merely makes it possible to understand how an economic subject behaves and makes decisions when it pursues its interests, goes after its objectives, and evaluates resources to achieve these (Vencovský, 1997). The methodological concept of substantive rationality namely posits a clear, concise, and simple interpretation of man’s nature, which is assumed. In the process of his decision making, man has given preferences and his objectives have been set. He starts with collecting, processing, and interpreting information on the possibilities for attaining his objectives in order to come to the right conclusions regarding the most effective resources for fulfilling these. When he has various options to choose from, he always selects the alternative providing the maximum utility with regards to his limited options. In traditional neoclassicism, these limitations are institutional on one hand and physical on the other.

Public choice theory adopted neoclassical economics’ methodological concept. It transferred homo economicus, who maximizes his utility, to the field of politics (Sirůček, 2001, Vanberg, 2018) and thus rejected the interpretation of man “mysteriously changing” into an altruist pursuing the public good when he makes the shift into the political sphere. According to Loužek (2017), public choice theory became a special version of rational choice theory as applied to politics. This allowed it to define the genuine motives of political decision making. However, politicians often address society’s needs and defend public interest only in order to “mask” their actual objectives, which are to satisfy their individual needs, pursue their own interests, and use their position for their own benefit. “Within the constraints that he faces, the bureaucrat tries to maximize his own utility. He is no different from anyone else in this respect. He can hardly be expected to further some vaguely defined “public interest” unless this is consistent with his own” (Buchanan 2002). This assumption places public choice theory into the school of political philosophy derived from such luminaries as Thomas Hobbes, Benedict Spinoza, and the school of political science that originated with James Madison and Alexis de Tocqueville. Compared to political science, however, public choice theory is more realistic, because it places politicians’ personal interest as the driving motive behind their dealings (Sojka, 1991). In public choice’s decision, making models, it is specific individuals who pursue their own interests within given limitations and try to maximize their own utility. Buchanan called this approach the catalytic approach and explicitly called upon the ideas of Knut Wicksell when defending it. “Once elected, a politician has considerable freedom for choosing his own preferred position on spending or tax issues...Within what he treats as his feasible set, the politician will choose that alternative or option which maximizes his own, not his constituents’, utility. This opportunity offers one of the primary motivations to politicians. In a meaningful sense, this is ‘political income,’ and it must be reckoned as a part of the total rewards of office.” (Buchanan, 2002).

Traditional neoclassical economics treats the political process in relation to economics as exogenous. It investigates economic behavior within the policies of a given country (either laissez faire or government intervention) and evaluates various policies according how they impact economic effectiveness. By adopting and using neoclassical economics’ methodology (despite criticism at the time), public choice theory was able to incorporate political decision making into a wider model of economic behavior and human rationality. On this basis, it was then able to explain the behavior of political entities in the political market. This methodologically successful endogenization of the political process overcame the “political ignorance” of traditional neoclassical economics.

The expansion of public choice theory is also linked to neoclassical economics during the second half of the 20th century – in two ways. The first is the perfection of the microeconomic foundation of public choice theory as a result of developments in standard neoclassical microeconomics analysis after World War II (e.g., the application of game theory, the assumption of bounded rationality, decision making under conditions of uncertainty, risk in the conception of expected utility, the absorption of transaction costs, etc.), including making their methods' logic and mathematical formalization more precise. The second aspect is linked to the anti-Keynesian revolution. This culminated in the 1970s, i.e., in the period when Keynesianism underwent a serious crisis and when a universal discussion began on the effectiveness of Keynesian economic practices. Neoclassical strains of opinion provided the theoretical arguments of the anti-Keynesian revolution, developing into a framework of "neoconservative" economics (monetarism, new classical macroeconomics, supply-side economics, the rational expectations theory, public choice theory). These varied schools of thought are predominantly macroeconomic in scope, albeit with key microeconomic principles. Within these, public choice theory occupies a very interesting position. All of the approaches of post-Keynesian neoclassical economics are derived from pre-Keynesian theoretical methodological and global premises. They assume a strong government positioned outside the economy, the existence of market economies' internal stability, and automatic renewal of economic equilibrium when production resources are being used to their full extent. In the context of this view of economics, the state also intrinsically has less opportunities for failure. The concept of neoconservative economics gradually became the dominating school of thought in the main current of economic theory's development; through various offshoots (Reaganomics, Thatcherism, and Czech "Klausism"), they later played a key role in the economical political practice of most advanced market economies (Sirůček, 2001).

## 2.2 Public Choice and the New Political Economy

As described above, the new political economy is an interdisciplinary academic field that gained importance primarily in the 1970s and 80s. Proof of its interdisciplinary nature can be seen in the definition of the new political economy as proposed by Weingast and Wittman (2008), "In our view, political economy is the methodology of economics applied to the analysis of political behavior and institutions. As such, it is not a single, unified approach, but a family of approaches." In this context, Persson and Tabellini (2000) state that "Political Economics has become one of the most active research areas in the last decades. Building on earlier work of the Public Choice school, rational expectations macroeconomics, and game theory..." A wider interpretation has its subject of interest being the study of mutual relationships between economics and politics (Besley, 2006; Maki, 2012; Almeida 2018; etc.). Voigt (1999) includes public choice theory, the economics of property rights, economic analysis of law, the political economy of regulation, the new institutional economics, and historical institutionalism in the new political economy. In original Czech literature (Gregor, 2005), public choice – together with constitutional economics, political economics, and politological theories of rational choice – figures within in the new political economy.

According to Sayer (2000), the new political economy's principles are based on the assumptions of political economics: that economics and politics are tightly linked, with political factors playing a key role in achieving economic results. Neoclassical economics renounced these ideas. The new realities of the second half of the 20th century naturally qualified a return to the original thinking. According to Sayer (2000), this involves the following determinants:

- a theoretical shift in economics,
- practical social problems, and
- the availability of data.

This theoretical shift in economic thinking can be considered a key factor in the emergence and expansion of the new political economy. According to Snooks, the new political economy is founded on three economic approaches. These are public choice theory and constitutional economics (James Buchanan, Gordon Tullock, etc.), collective action (Mancur Olson), and the new institutional economics (Douglass North). Doležalová (2014) considers the new political economy to be an integration of three approaches that existed parallel to each other for years. These are public choice theory, rational expectations theory, and rational choice theory. Haque (2002) states that the new political economy rests on many findings from the new institutional economics and public choice. Primarily, the significant economic contributions that became the foundations of the new political economy are the issue of rational expectations, game theory, the principal-agent model, and the concept of transactional costs.

Despite differing approaches to including individual schools of thought, the creators of the new political economy agree that it differs from the original (classical) political economics in how neoclassical economic findings are applied. As a result of this, however, the new political economy shifted closer to public choice theory, and similar ways of applying the same tools can cause possible interchangeability between fields. However, the new political economy has a much wider scope. In this regard, Drazen (2000) emphasizes variation in subjects of investigation as being something that differentiates the fields. Whereas public choice theory deals with decision making mechanisms, the new political economy places greater emphasis on the impact that political mechanisms have on economic outcomes. "In political economy, our interest is in the effects of different policy choices mechanisms on economic outcomes, rather than in the decision, making mechanisms per se. The latter question is more the province of political science or of public choice; in the latter choice mechanisms are studied using tools of economic analysis. Public choice theory considers not simply the positive and normative aspects of different ways of making collective choices, but also the question of how a society can choose over the set of possible choice mechanisms."

In this regard, the political economic cycles proposed by Nordhaus (1975) and Hibbs (1977) are an important introduction. Derived from the opportunist behavior of politicians wanting to maximize their own utility, these findings connected the microeconomic findings with macroeconomic ones and thereby provided one of the new political economy's most important areas of research. According to Blankart and Koester (2006), there is however a difference between the two approaches, which can be seen in the starting point for analysis. Whereas the new political economy begins its analysis within existing representative democracy, public choice theory "starts" at the individual level.

Further determinants of the new political economy's development were practical problems, primarily the emergence of stagflation and the collapse of the Bretton-Woods international exchange system in the 1970s, the increase in public sector debt, and the deficits of many OECD countries, the increase in and ubiquity of government measures, pressure to protect trade, controversial economic policy regimes such as Thatcherism and Reaganomics, implementing versions of "independent central banks," and the transformation of former socialist economies. Naturally, having available data not only on election results and survey methodology research but also on societal problems (corruption, criminality, protecting human rights, etc.) also contributed to the development of the new political economy.

Currently, the following are general research subjects for the new political economy (Sayer, 2000): exchange institutions and fiscal policy connected by time inconsistency and reputation; elections and political cycles; electoral systems and the structure of legislative bodies; redistribution conflicts between the old and the young as well as between creditors and debtors; redistribution, transfers, and mobility of the populace; the relationship between political variables and economic growth; international economics including exchange rates and monetary union, mutual dependence, and policy coordination; the international economy; trade and trade liberalization; reforms and transformation; public finance and providing public goods; and the emergence of externalities and regulation. There will be the text of the contribution (Gravetter et al., 2020). There will be the text of the contribution (Zhang et al., 2008). There will be the text of the contribution (Krishnamachari et al., 2002). There will be the text of the contribution (Finney, 1970). There will be the text of the contribution (Razumova and Kalimullina, 2017). There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution. There will be the text of the contribution.

## Methods

The definition of our research problem determines the research methodology and the nature of the article for the review category. The elaboration of the research problem is based on a systematic search of professional literature in the field of general economics, the theory of public choice and the New Political Economy. We are primarily based on the original works of the cited authors, we further expand the analysis with knowledge gained from a search of relevant sources of world and Czech literature. We emphasize on definition of key determinants that have shaped the theoretical and methodological concept of the theory of public choice in the historical context. The research is conducted by using the desk research method, the method of comparative analysis of the analysis and subsequent synthesis of the acquired knowledge is applied. During the solution of the research problem, the applied methods complement and combine with each other, enabling overlap and synergy of the final output. The concretization of the obtained results is brought to the level of conclusions, which open up space for scientific controversy and further research.

## Results

John N. Keynes wrote that "Political economy or economics is a body of doctrine relating to economic phenomena" (Keynes, 1904), but in the same book, he separated the definition of political economy as an art that is related to economic policy. Today, the new political economy is considered to be the best overall term for the economic theory of politics (Gregor, 2005). According to Almeida (2018), the reason why the new political economy is characterized using so many different names and definitions is the exceedingly great number of cross-references between disciplines, no doubt related to the ample scope of the topics investigated. This is aggravated by the absence of historical accounts of the development of this field. Nonetheless, an unbridled, definitive definition of the new political economy is accompanied by the problem of classifying and naming the individual schools of thought. There is obvious diversity among authors primarily in relation to the institutional schools, which can be explained by their unclear boundaries, but also in relation to constitutional economics, where arguments are missing. Our analysis also demonstrated that when implementing public choice theory, there generally tends to be rare agreement by individual authors. This supports the fact that public choice theory has a solid, important place in the construction of the new political economy. The creators of the new political economy even consider public choice a key building block that is absolutely necessary for the purpose of formulating the microfoundations of their academic disciplines (Gamble, 1995; Drazen, 2000).

Another reason for public choice's privileged position within the system of new political economy is, according to Almeida (2018), the fact that among all the disciplines that helped constitute new political economy, scholarship on public choice theory is the one that has produced most historiographical content (e.g. Amadae, 2003; Backhaus, Wagner, 2005; MacLean, 2015; Medema, 2009).

After more than half a century of absence, public choice was also the first to point out that politics is important for the economy to perform effectively. Thus, in a wider context, it reopened a field of research, returning to the original social dimension of economics. According to Sen (1991), "with its approach, the school of public choice reconnected the general economic theory to moral philosophy and thus posited the foundation of modern political economics, reflecting an ongoing tendency in advanced economies' development since the Second World War." Historically, this paradigmatic return reaches all the way back to the period when economic thinking was actually formulated in ancient Greece (let us remember that the term "economics" developed etymologically by connecting the Greek words oikos and nomos, i.e., the phrase oikonomicos, which means rules/laws valid for managing the domestic economy. Even historically, the first work of economics in England linked economics with politics: A Compendious or Briefe Examination of Certayne...Complaints... (more famous by the name Discourse of the Common Weal, from 1581, anonymous). The term "political economy" was then first used in the writing of the French Mercantilist Antoine de Montchrestien in A Treatise on Political Economy (Traicté de l´économie) from 1615. Economics left the modifier "political" even after its separation into an independent scientific discipline (with the publication of The Wealth of Nations in 1776). Even more than one hundred years later, Alfred Marshall began his Principles of Economics (1890), writing that "Political Economy or Economics is a study of mankind in the ordinary business of life." Thus, political economy was gradually replaced with "economics" to mean the "pure," generally valid (timeless) economics. Nevertheless, in Marxist economics and similar approaches based on theories of objective value, the term "political economics" continued to be used.

The new political economy primarily emphasizes a programmatic return to Adam Smith and his concept of political economics as a science of legislation in the sense of academic considerations on the choice of rules. The idea of economic liberalism, personal interest and decision making by free individuals, and entities' interaction on the market – all of this is conducted with the integration of ethical and institutional aspects. The market order is understood as a socio-economic phenomenon that embodies the constitutional rules of mutual relationships between individuals participating in voluntary exchange. The methodological environment of public choice reflects the idea of the classical liberal perspective; however, it expands it to include the ideological premises of the Austrian school. Here, the political process becomes the result of human dealings, and political decision making is the result of processes taking place within the same system. In this concept, ethical and institutional aspects co-determine the requirement of economic effectiveness. For example, let us present the theory of rent seeking, whose opportunity is principally derived from regulatory economics. "Rent seeking became more important because institutional changes disclosed opportunities that did not exist in the 19th and beginning of the 20th century...The term rent seeking is designed to describe behavior in institutional settings where individual efforts to maximize value generate social waste rather than social surplus." (1980) Thus, effectiveness cannot be defined using the results of specific choices, but by using a process within which alternative variants are considered and decided upon. "We may say that a clear windshield is 'better' for driving an automobile than a dirty windshield, without any reference to where the driver wants to go. Given any route, he will drive 'more efficiently' if he is able to see where he is going. Similarly, we may say that certain institutions are 'better' than others, quite independently of the outcomes that will be produced. Whatever these may be, they are reached more efficiently under some institutions than under others" (Buchanan, 1998).

The theoretical contribution of Adam Smith and the classical school of economics influenced the subsequent generation of economists' manner of thinking and pointed future economic thinking in the right direction. It was the first comprehensive economic system, which, like all great works, was marked by the period in which it was created. Further development showed that empirical inductive and verbal methods were not able to explain many economic problems. As described above, it was the emergence of the new (neoclassical) methodology that provided the new political economy's authors with a novel tool and means of expression; their use gradually enabled political economy's rehabilitation as a subject of interest in this respect as well. In other words, it allowed an alternative explanation, albeit an explanation that was consistent with modern economics. We would like to note that, other traditionally defined movements that were largely considered developmentally finished also similarly enjoyed further expansion within economic theory. In the light of actual economic developments and new academic findings, these reevaluated their methodological assumptions and used the modifier "new" (new Keynesianism, new classical economics, new microeconomics) so as to preserve intellectual tradition.

Public choice theory is a product of the expansion and infiltration of neoclassical microeconomic analysis after World War II (Sirůček, 2001). In contemporary mainstream economics, it has become the prevailing methodology. The latest research confirms (e.g., Macháček, 2015) that despite long-term criticism and the progressive development of alternative approaches, neoclassical economics (including neo-Keynesian economics and its modification, new Keynesianism) is considered the main school of economic thought ("mainstream economics") even as it starts a third millennium. Nothing has changed – not even the attempt for appropriate theoretical reflection on the dramatically changing social environment. Our analysis confirmed that the new political economy has absorbed neoclassical methodology primarily via public choice theory (although other approaches incorporated within the new political economy – e.g., the new institutional economics, rational expectations, etc. – are tied into methodological individualism). Therefore, the genesis of the relationship between public choice and the new political economy can be summarized as follows: according to Kouba and Gregor (2005), public choice was singled out from the mainstream in the 1960s in order to expand economic methodology to include studying political markets. During the second half of the last century, many mainstream economists (from macroeconomics, game theory, international economics, public economics, etc.) turned to public choice theory, becoming interested in political markets. Since the 1990s, it has gained a strong following of economists. The publication of books by Drazen (2000) and Persson, Roland, and Tabellini (2000), which fully integrate the new political economy into mainstream economics, can be seen as specific milestones (Gregor, 2005).

## Discussion

If we accept these conclusions concerning the relationship between public choice and neoclassical economics, we believe that they can also be generally applied to developing other economic research programs. Development results from criticism of neoclassical economics' paradigm; on this basis, new alternative schools of thought break away and evolve – ones which de facto apply neoclassical methodology to a wider socio-historical context. By means of this methodological infiltration (or endogenization of other variables), the gaps in neoclassical economics' paradigm are gradually filled in. In this context, neoclassical economics' methodological approach (however extensively it has been perfected today – mathematically, formally, and even technically), confirms its original ambition to be a universal, generally applicable, and timeless tool for economic analysis.

Public choice theory's interpretive shift towards the new political economy reflects one of the current age's important trends in the development and formation of modern economics. This can be called "economic eclecticism," which results in the gradual fading and erosion of the traditionally perceived, paradigmatically defined boundaries of individual intellectual movements. Thus, thorough paradigmatic delineation of approaches and their systematization within theoretical economics has been clashing more often with opinions that deny the necessity of strictly defining boundaries and classifying economic approaches according to doctrine. According to these opinions, to engage in disputes on the exact boundaries of individual economic schools is irrelevant at this point in the evolution of knowledge. In economics as a whole, development arises from general theoretical systems for verifying particular hypotheses, which are primarily united by a formalized approach (Gregor, 2005; Šíma, 2008; Sojka, 2009). Therefore, as a final result, the boundaries of long-standing disputes on economics' nature as a social or formally abstract science gradually disappear.

We consider the advancing trend to relativize the boundaries of traditional economic approaches, the separation and subsequent synthesis of approaches with institutional crossover, and the formation of the new political economy to be determining trends in economics' evolution since the last third of the 20th century. This development is evolutionary in nature and is distinctly shaping the face of economics for a third millennium. Specifically, at the turn of this century, ignorance of the neoclassical paradigm as it related to the institutional environment's significance within socio-economic development – including the transformation of centrally planned economies – has made itself fully evident when clarifying social changes. According to Sojka (2009), the alternative approaches' findings have been indisputably more successful in this respect. Therefore, the ongoing trend in current economic theory primarily expresses economists' attempts to revive the original social nature of economics and rehabilitate it as a relevant social science. The economists' consensus is evident in the need to explain changes in socio-economic development, globalization trends, the transition to a knowledge economy and the massive growth of information and communication technologies, the causes and impacts of contemporary crises, and the differences in economic development between individual countries and regions – moreover, importantly, even to theoretically absorb the circumstances surrounding the pandemic crisis. It is possible to explain all these phenomena using only an understanding the creation mechanisms for different institutions and analyzing their impact on various cultures. According to Šíma (2008), analyzing institutions' creation and functioning, clarifying the role of market mechanisms, and analyzing government measures – all of these are essential to allow us to once again answer Smith's key question of why certain countries are rich and others poor.

Questions about the future of economic theory are most often linked to change in the reigning paradigm. In this respect, however, we believe that the conditions for changing the paradigm have not yet ripened. The ongoing exchange of opinions between economists is far from over, and the question is open as to economics' future path. On the basis of our analytic results, we have concluded that only a sensitive and balanced interconnection between the social and formal aspects of economics can explain contemporary problems and perhaps even establish a tradition for further research. Public choice theory is proof of this. According to our conclusions, the fact that it is anchored in a way that is both historically conditioned and theoretical methodological and, primarily, that it reaches beyond the boundaries of pure economics makes this theory viable for yet another millennium. There will be the text of the contribution. There will be the text of the contribution:

## Conclusion

The self-evidence of today's economic possibilities and consequently the assumption of a prosperous future have their roots in theory. In economic theory, economic phenomena are understood scientifically. They are generalized in order to express essential context and economic development's trends and in order to retroactively become a source of instructions for advancing economic practice. Whereas many economic theories and approaches reflect only the era of their creation, others have developed and been further refined by the influence of societal knowledge. Therefore, their conclusions and recommendations can be used to resolve problems in other historical periods as well. Public choice theory is one of these economic approaches. Our goal was to point out public choice theory's position and wide theoretical methodological significance within theoretical economics' past and future evolution using literary research, comparative analysis, a comparison of alternative approaches, and a synthesis of these elements. Today, public choice theory is considered a immanent part of the new political economy, a relatively new school of opinion. In the broadest sense, we have determined the following to be key causes for this interpretive shift away from independent scientific disciplines: historical roots, institutional overlap, and the microeconomic foundations of public choice theory. In our opinion, these determinants also confirm public choice theory's prospects for a new millennium.

## Acknowledgement

This work was supported by the Student Grant Competition of the University of Pardubice SGS_2020_014.

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