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An investigation into 'Public Choice' theory and its implications for education in New Zealand

Nesta Devine

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in Education,
The University of Auckland,
2000.
For my parents, Christine and James Devine, at last.
...one need not read in the history or economics — that is, past economics — to master present economists. ...the young economist will increasingly share the view of the more advanced formal sciences that the history of the discipline is best left to those underendowed for fully professional work at the modern level.

George Stigler: ‘Does Economics have a useful Past?’ 1965, p.107

Abstract

‘Public Choice Theory’ is defined by its proponents as ‘the application of economics to politics’. This thesis attempts to describe Public Choice Theory in its component parts and as a coherent and potent contemporary factor in the political and educational scene. The methodologies used are Foucauldian ‘genealogy’ and ‘immanent critique’, that is, the theory is examined in its historical context and in terms of its own logic. The process by which this theory has affected the educational situation in New Zealand is examined, and set in the context of the wider application of economics to politics in this country generally. Some of the major policy documents concerning Education are read closely in order to identify the extent of the Public Choice Theory influence on them. Whilst Public Choice Theory is commonly associated with the ‘New Right’ it is also the key element of ‘analytic Marxism’. Whether from ‘left’ or ‘right,’ Public Choice Theory, as a basis for the content or organisation of education is presented as a historically contingent theory, making dubious claims to scientific validation, and bringing about consistent changes in the nature of education and the construction of persons engaged in it.
Acknowledgments

This work arises out of my own long involvement in education and my engagement with politics in the 1980s, but without the intellectual stimulation and discipline afforded by Michael Peters and James Marshall my interest would never have found expression in this form. I owe the greatest possible debt also to my eldest daughter, Ruth Irwin, who has been a wonderful conversational and intellectual companion in this inquiry. Other people to whom I owe thanks are my sister, Georgina Murray whose vision of the completed task has been far more sustained than my own, Keith Rankin, whose gentle critique of my journey into economic theory and history have been invaluable, Martin Brett, who gave me a lead into mediaeval economics and canonical theory, Andrew Sharp who - of course- challenged some accepted wisdom, Joce and the late Bruce Jesson for some wonderful discussion, and my colleagues at Massey High School, with whom I experienced (and discussed - at great length and through many lunchtimes) the impact that Public Choice Theory was having on our lives and work as teachers. To all my children, Penny, Jesse, Oliver and Ruth, my thanks for their support, friendship and patience.
Prologue.

Public Choice is a vigorous growth industry. It has permeated New Zealand political life since the mid 1980s. It has formed a robust theoretical underpinning to a radical programme of reform, which has torn apart the lives and incomes of thousands of people in New Zealand and elsewhere. It continues to be a popular form of thought in New Zealand despite its monumental failure to deliver on the promised prosperity. It is seen as a necessary, almost unavoidable mode of thought for any country contemplating reform. Although some countries and agencies have decided that the New Zealand formula is too harsh for the political realities of their particular circumstances, they continue to regard it as some form of ideal, the paradigm towards which they should be working, to which, in time they will get closer.

My aim in writing this examination of the theory, and its origins and a case study of its application to a particular area of government responsibility in New Zealand is to demonstrate the limited form of rationality which underpins public choice, its inherent contradictions and poor arguments, and its use of ancient metaphors and references, unacknowledged, which lend to a theory which claims to take no position on personal choices, an element of social and moral legitimation to which it has dubious claim.

My most serious concern about Public Choice is that, because it offers such a wide interpretation of almost any action, and appears to have the legitimacy of science, logic and economics, it has permeated the way people think so that to offer any other form of explanation or procedure is tantamount to declaring oneself to be old-fashioned or irrational. In other ways, by becoming the new mode of 'governmentality' (Foucault, 1978) Public Choice operates as a censorship system to keep out other forms of thought and to reinforce itself. This has come about with amazing rapidity. It is reminiscent of the Cultural Revolution.
in more ways than one. The thought processes of virtually everyone with bureaucratic, financial, or political influence have been affected.

I have organized the thesis in the following way: The ‘overview’ is a summary of the theory and its applications. Part I is an account of the theory using as far as possible Public Choice theorists or theorists like Hayek who are very close to Public Choice and are approvingly quoted by them, at least on some issues. I have done this so as not to confuse the account of the theory with too much other, critical material. In the first part, the focus is on developing an understanding of the range and nature of Public Choice Theory, including its internal contradictions, but not using very much in the way of secondary sources or empirical accounts as ways of illuminating or criticizing the theory.

In the second part ‘Genealogies: the relation of Public Choice Theory to science’, I have examined the ancestry of the key terms of the theory, by means of a ‘genealogical’ (Foucault, 1976, p.83) account of the use of the term in the past. I do this because a large part of the acceptability of public choice is derived from the use of ideas and metaphors which have a long, respectable history, even though some of these ideas and metaphors in themselves are completely contradictory to the general drift of public choice theory. The use of a genealogical process in accounting for the ideas of Public Choice can be seen as a direct confrontation to the ‘scientific’ position, derived from the status of economics as a science, which would posit that Public Choice is ‘always already’ true, and that its history is irrelevant. (This issue is discussed in the chapter ‘Introducing the Theoretical basis’, with which Part I begins.)

Part III is concerned with the application of the theory. I suggest that rather than looking for the direct influence of the ‘seminal’ text of Public Choice, Buchanan and Tullock’s (1962) *The calculus of consent,* it is more productive to look for the ‘conditions of possibility’ than
for a linear process of dissemination. There are educational and political dimensions to the creation of the conditions in which public choice could gain acceptance in New Zealand.

Chronologically later than the acceptance of Public Choice in other fields of government, education came under the attention of the Public Choice reformers in 1987. I argue that although the programme was transparently that of Public Choice as far as Treasury and the State Services Commission were concerned, to some politicians and to some influential educationists, the picture was clouded by assumptions derived from the ambiguity of key terms.

As is likely always to be the case with public policy, the application of the theory was not uncontested, or undiluted. The effects of the policies on education are instructive. Education is regarded in New Zealand as being a key area of public policy, one that forms a large part of the legitimization process of any government as well as an instrument for affecting hearts and minds. Néo-liberal governments in New Zealand have well understood the point: the interesting question is whether or not adherence to Public Choice actively interferes with either of those two policy goals. Public Choice policies do pose major policies for the legitimization of government policy, and education is being required to bear the brunt of alienation of the poor from the rest of NZ society. At the same time that education is the one of the few remaining government services which is available to all, at least at the compulsory level of schooling, the insertion of the concepts of néo-classical economics into the very structures of education has altered the way in which education is conceptualized, its relation to government and society. In similar fashion, it has altered the relations of people within it—teachers, students, administrators, parents, volunteers—to each other. Some of these altered relations are investigated in Chapter 15.

Before coming to my Conclusion, I look at the implications of Public Choice Theory for people who do not conform to western enlightenment assumptions about what it is to be
'rational', 'individual', and so on. The term 'indigenous' is inadequate here, but I am at a loss for a better one. All people who do not live their lives according to the tenets of *homo economicus* might be included in this account of the injurious effects that Public Choice Theory has on human lives - and to some extent all of us differ from that model at some points of our lives, so the account might, ironically, be read as universal.
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An investigation into ‘Public Choice’ theory and its implications for education in New Zealand

Nesta Devine

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in Education,

The University of Auckland,

2000.
For my parents, Christine and James Devine, at last.
...one need not read in the history or economics – that is, past economics – to master present economists. ...the young economist will increasingly share the view of the more advanced formal sciences that the history of the discipline is best left to those underendowed for fully professional work at the modern level.

George Stigler: 'Does Economics have a useful Past?' 1965, p.107

Abstract

'Public Choice Theory' is defined by its proponents as 'the application of economics to politics'. This thesis attempts to describe Public Choice Theory in its component parts and as a coherent and potent contemporary factor in the political and educational scene. The methodologies used are Foucauldian 'genealogy' and 'immanent critique', that is, the theory is examined in its historical context and in terms of its own logic. The process by which this theory has affected the educational situation in New Zealand is examined, and set in the context of the wider application of economics to politics in this country generally. Some of the major policy documents concerning Education are read closely in order to identify the extent of the Public Choice Theory influence on them. Whilst Public Choice Theory is commonly associated with the 'New Right' it is also the key element of 'analytic Marxism'. Whether from 'left' or 'right,' Public Choice Theory, as a basis for the content or organisation of education is presented as a historically contingent theory, making dubious claims to scientific validation, and bringing about consistent changes in the nature of education and the construction of persons engaged in it.
Acknowledgments

This work arises out of my own long involvement in education and my engagement with politics in the 1980s, but without the intellectual stimulation and discipline afforded by Michael Peters and James Marshall my interest would never have found expression in this form. I owe the greatest possible debt also to my eldest daughter, Ruth Irwin, who has been a wonderful conversational and intellectual companion in this inquiry. Other people to whom I owe thanks are my sister, Georgina Murray whose vision of the completed task has been far more sustained than my own, Keith Rankin, whose gentle critique of my journey into economic theory and history have been invaluable, Martin Brett, who gave me a lead into mediaeval economics and canonical theory, Andrew Sharp who - of course- challenged some accepted wisdom, Joce and the late Bruce Jesson for some wonderful discussion, and my colleagues at Massey High School, with whom I experienced (and discussed - at great length and through many lunchtimes) the impact that Public Choice Theory was having on our lives and work as teachers. To all my children, Penny, Jesse, Oliver and Ruth, my thanks for their support, friendship and patience.
**Prologue.**

Public Choice is a vigorous growth industry. It has permeated New Zealand political life since the mid 1980s. It has formed a robust theoretical underpinning to a radical programme of reform, which has torn apart the lives and incomes of thousands of people in New Zealand and elsewhere. It continues to be a popular form of thought in New Zealand despite its monumental failure to deliver on the promised prosperity. It is seen as a necessary, almost unavoidable mode of thought for any country contemplating reform. Although some countries and agencies have decided that the New Zealand formula is too harsh for the political realities of their particular circumstances, they continue to regard it as some form of ideal, the paradigm towards which they should be working, to which, in time they will get closer.

My aim in writing this examination of the theory, and its origins and a case study of its application to a particular area of government responsibility in New Zealand is to demonstrate the limited form of rationality which underpins public choice, its inherent contradictions and poor arguments, and its use of ancient metaphors and references, unacknowledged, which lend to a theory which claims to take no position on personal choices, an element of social and moral legitimation to which it has dubious claim.

My most serious concern about Public Choice is that, because it offers such a wide interpretation of almost any action, and appears to have the legitimacy of science, logic and economics, it has permeated the way people think so that to offer any other form of explanation or procedure is tantamount to declaring oneself to be old-fashioned or irrational. In other ways, by becoming the new mode of 'governmentality' (Foucault, 1978) Public Choice operates as a censorship system to keep out other forms of thought and to reinforce itself. This has come about with amazing rapidity. It is reminiscent of the Cultural Revolution
in more ways than one. The thought processes of virtually everyone with bureaucratic, financial, or political influence have been affected.

I have organized the thesis in the following way: The ‘overview’ is a summary of the theory and its applications. Part 1 is an account of the theory using as far as possible Public Choice theorists or theorists like Hayek who are very close to Public Choice and are approvingly quoted by them, at least on some issues. I have done this so as not to confuse the account of the theory with too much other, critical material. In the first part, the focus is on developing an understanding of the range and nature of Public Choice Theory, including its internal contradictions, but not using very much in the way of secondary sources or empirical accounts as ways of illuminating or criticizing the theory.

In the second part ‘Genealogies: the relation of Public Choice Theory to science’, I have examined the ancestry of the key terms of the theory, by means of a ‘genealogical’ (Foucault, 1976, p.83) account of the use of the term in the past. I do this because a large part of the acceptability of public choice is derived from the use of ideas and metaphors which have a long, respectable history, even though some of these ideas and metaphors in themselves are completely contradictory to the general drift of public choice theory. The use of a genealogical process in accounting for the ideas of Public Choice can be seen as a direct confrontation to the ‘scientific’ position, derived from the status of economics as a science, which would posit that Public Choice is ‘always already’ true, and that its history is irrelevant. (This issue is discussed in the chapter ‘Introducing the Theoretical basis’, with which Part I begins.)

Part III is concerned with the application of the theory. I suggest that rather than looking for the direct influence of the ‘seminal’ text of Public Choice, Buchanan and Tullock’s (1962) *The calculus of consent.* it is more productive to look for the ‘conditions of possibility’ than
for a linear process of dissemination. There are educational and political dimensions to the creation of the conditions in which public choice could gain acceptance in New Zealand.

Chronologically later than the acceptance of Public Choice in other fields of government, education came under the attention of the Public Choice reformers in 1987. I argue that although the programme was transparently that of Public Choice as far as Treasury and the State Services Commission were concerned, to some politicians and to some influential educationists, the picture was clouded by assumptions derived from the ambiguity of key terms.

As is likely always to be the case with public policy, the application of the theory was not uncontested, or undiluted. The effects of the policies on education are instructive. Education is regarded in New Zealand as being a key area of public policy, one that forms a large part of the legitimation process of any government as well as an instrument for affecting hearts and minds. Néo-liberal governments in New Zealand have well understood the point: the interesting question is whether or not adherence to Public Choice actively interferes with either of those two policy goals. Public Choice policies do pose major policies for the legitimation of government policy, and education is being required to bear the brunt of alienation of the poor from the rest of NZ society. At the same time that education is the one of the few remaining government services which is available to all, at least at the compulsory level of schooling, the insertion of the concepts of néo-classical economics into the very structures of education has altered the way in which education is conceptualized, its relation to government and society. In similar fashion, it has altered the relations of people within it—teachers, students, administrators, parents, volunteers—to each other. Some of these altered relations are investigated in Chapter 15.

Before coming to my Conclusion, I look at the implications of Public Choice Theory for people who do not conform to western enlightenment assumptions about what it is to be
‘rational’, ‘individual’, and so on. The term ‘indigenous’ is inadequate here, but I am at a loss for a better one. All people who do not live their lives according to the tenets of *homo economicus* might be included in this account of the injurious effects that Public Choice Theory has on human lives - and to some extent all of us differ from that model at some points of our lives, so the account might, ironically, be read as universal.
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CONCLUSION

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**Introduction: Overview**

Choosing determines all human decisions. In making his choice man chooses not only between various *material* things and services. *All* human values are offered for option. All ends and means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. Nothing that men aim at or want to avoid remains outside of this arrangement into a unique scale of graduation and preference. The modern theory of value widens the scientific horizon and enlarges the field of economic studies. Out of the political economy of the classical school emerges the general theory of human action, *praexology.*

Ludwig von Mises *Human Action (1949)*

**The Argument.**

Education as a discipline, a field of knowledge, has been largely supplanted in schools, and universities and other institutions of learning by public choice theory. Essentially, this 'theory' is a practice, the application of economics to politics and to other areas of human activity where economics has not traditionally been held to be an appropriate form of knowledge.

Under cover of 'rationality' and 'efficiency' economics has moved into disciplines where it has no traditional authority. Economists, or Public Choice theorists, are not particularly well-informed about education, and the application of their principles to this highly complex social arena is of dubious value. It is based on a belief in the scientific foundation of economic principles which does not stand up to examination.

Users of Public Choice Theory have appropriated the language: changed, attenuated, distorted it without telling us what they are up to. They have ruled educationists' legitimate considerations irrelevant, or even to be signs of non-legitimate self-interest, and have taken Adam Smith's notion that the economy is co-extensive with the market to extreme lengths, with the result that, the 'economy' is apparently co-extensive with all human activity.