

EDITOR'S CORNER

Iraq and Public Choice

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While watching the U.S. government approach war with Iraq, I wondered as a public choice economist what lessons public choice would provide for the government, and whether the government's behavior might teach public choice economists something. Now that the main campaign is over, I believe that the Bush administration could have learned from studying public choice, but public choice economists (or, at least this one) missed some lessons about political behavior.

Let me start with the lessons that we economists might be neglecting, which came out in the move to war.

1. A Week Is a Long Time in Politics. During the disputes with France and Germany at the U.N. Security Council, I kept thinking about the long and complex negotiations that the U.S. constantly carries out with the EU—over the Doha round trade talks, over current WTO disputes such as our steel protection and GM foods, over international antitrust matters—and thought, “How can the U.S. gain from getting into unneeded fights with these people? They will punish us later in return, when we will need their cooperation!” This idea may or may not turn out to be true, but U.S. politicians often do not think long-term. Or, more precisely, they will take some available gain now, even if there could be large costs later.

When we work through game-theoretic models of international politics, or even models of Congress and the President passing laws, we usually think that the discount rate to use is the same one as that in the regular economy. But if it isn't—if the correct discount rate is far higher—then small benefits to a politician now should be greater than huge costs in the future. If the public really receives those benefits and costs in the end, there are elements in political systems that need to be re-examined. Are politicians just different? Or, is politics so varied and uncertain that long-term benefits are hard to capture?

2. You Can Gain by Making and Fighting the Right Enemies. You don't have to win! In economics, mutual gains are a fundamental principle, and conflict that does not lead to some material gain would be considered illogical. Similarly, a traditional principle of machine politics was to avoid making enemies—while you might beat someone, it's not wise to make big fights or attack people who might fight back. Getting benefits for oneself and one's constituents was the point of politics.

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(See William Riordan's *Plunkett of Tammany Hall* [New York: E.P. Dutton, 1963] one of the classic works on machine politics.) Most of public choice, certainly including my own work, presumes that getting what one's constituents want is the goal of politicians, and I've always presumed that constituents don't benefit from getting into costly fights. Virtually every paper looking at constituency preferences and legislator voting presumes and finds that material interests are the main ingredient.

Some work on "ideology" does imply that a number of constituents, and maybe politicians, have a worldview that favors conflict. But most economists have trouble seeing why people would like to fight for no material gain. So, why do environmentalists fight over a few caribou in Alaska? Or how porpoises die in the South Pacific? I think that most economists have basically dismissed such behavior as very minor.

But maybe Robert Fogel was correct in his recent book, *The Fourth Great Awakening* [University of Chicago Press, 2000], that with our material desires satisfied, people in wealthy countries will turn to personal or ideological self-expression. Maybe also, part of that self-expression will involve conflicts with others. Come to think of it, just that kind of conflict was a theme of Orwell's *1984*.

Chancellor Schroeder gained re-election campaigning against the United States' aggressive stance toward Iraq, even though he could not do anything practical about it; Presidents Chirac and Bush have both gained at home from getting into conflict with each other—even though both have hurt their own countries materially. Rallying one's people to fight enemies—even imaginary enemies, and even while causing real material losses to one's own people, might be a politically successful strategy.

But political leaders might have missed some public choice lessons too; actually, these are nearly mirror-images of the points above.

1. Politics is Like a Market. Theories of vote-trading, logrolling, and political exchange are basic to public choice. Helping other legislators, or other politicians' constituents, is a core activity of public choice models. The idea of political exchange is that others can help you, so you should help them when you can. Going back to the idea that "a week is a long time in politics" a politician can never know what other politician might be able to provide benefits. Yet from the beginning of the Iraq matter, the Bush administration claimed that other countries and even the U.S. Congress were unimportant.

If the Iraq war turns out badly in the end, with large reconstruction costs in dealing with the world economy, this administration will want to have chits to use in getting joint projects done. Beating up foreign leaders, making demands of foreign countries (rather than making joint deals), and saying that foreign countries are insignificant and must obey the United States just throws away chances to build political exchange.

A "neorealist" model of politics, contrary to most public choice work, is like the zero-sum game, where one uses strategy to annihilate one's enemy. In this model, it doesn't matter how one offends or harms others, since in the end one wins. Perhaps that model has been in the mind of some members of the Bush administration. If those others who have been offended have to be relied on later, the value of an exchange view of politics will be clear.

2. The Political Business Cycle Still Lives. Since Nordhaus' work, and with Ray Fair's quadrennial predictions, it has been clear that Presidents should have a very good year in the 12-18 months before a re-election campaign. The economy is the most important element that voters look to. Anything that hurts the economy will hurt re-election.

President George H.W. Bush faced that reality when the conflict with Iraq held back the economy for six months to a year, through the fall of 1990 and the beginning of 1991. Even a victorious war did not save him in 1992. The economy had been growing for well over a year before that election, but the public realized it only after Clinton had been elected. While the current President Bush has high approval ratings, most probably the growth of the economy from this past spring up to October 2004 will be decisive in his re-election. The war in Iraq seems to have held the economy back over the past year, and so is likely to damage his re-election prospects, even if it is eventually seen as a glorious victory.

3. Checks and Balances Aren't Merely Parchment Barriers, but Political Incentives. The U.S. Constitution sets a variety of hurdles for the passage of legislation, hurdles intended to require a variety of political interests to agree on a policy. The Constitution requires that Congress declare war, clearly with the purpose of assuring that such large issues as wars are seriously supported by the U.S. public. President Bush chose to evade the declaration of war—contrary to his father—by using last year's Congressional resolution. It allowed the U.S. President to pursue military action against Iraq if the U.N. Security Council voted for military action, or if Iraq was preparing an immediate attack on the United States using weapons of mass destruction, or was planning to pass such weapons on to Al Qaeda.

But it seems rather unlikely that one of these two latter conditions was really true.

If the Iraq war and occupation turns out well, the lack of a vote by Congress will not be a problem; President Bush will get the credit. But suppose that it turns out poorly? If the decision was made by the Congress, acting at the request of the President, then any blame must be shared widely. More important, if the "going gets tough" but the Congress, and by implication the U.S. public, have committed to some action, it is hard for them to change their minds.

At this point in early July, it isn't clear what the political fallout to the Iraq war will be, but if the occupation turns out badly, President Bush may come to regret neglecting the incentive effects of a declaration of war.