

# Robert Tollison and operationalizing public choice

Peter Boettke<sup>1</sup>

Received: 12 December 2016 / Accepted: 31 January 2017 / Published online: 14 February 2017  
© Springer Science+Business Media New York 2017

**Abstract** In this tribute to Robert Tollison, I will outline his contributions to the development of public choice. I focus on Tollison’s work on rent-seeking, the political economy of reform, and the rules level of analysis in sports economics. Throughout his career, Tollison brilliantly figured out ways to take insights from price theory and public choice theory and operationalize them using multiple methods of empirical analysis, including historical interpretation and statistical testing.

**Keywords** Robert Tollison · Rent-seeking · Political economy of reform · Sports economics

**JEL Classification** B31 · D70

## 1 Introduction

Anyone who knew Robert Tollison also knew his love of sports. He was a great sports fan as well as a great sports analyst. For many years, he continued to play pickup basketball with graduate students. When I was a graduate student, I played basketball regularly with Bob, and when I came back a decade later as I was deciding to move back to George Mason University, I went and played ball with Bob over at the field house. I hadn’t played full court basketball in 10 years, but that day I did—it wasn’t pretty for me as I struggled to keep up. But our team stayed on the court through the lunch hour, and Bob still had his touch from range. Anyone who played basketball with Bob can tell you about his shooting prowess, but I want to point out something else about Bob on the court that I think reflects the way he did economics as well.

---

✉ Peter Boettke  
pboettke@gmu.edu

<sup>1</sup> F. A. Hayek Program for Advanced Study in Philosophy, Politics and Economics the Mercatus Center, MSN 1A1, George Mason University, Fairfax, VA 22030, USA

Bob passed and picked away creating space for others to make their moves, and after he set a pick, he looked to get a pick for himself to get free for a shot. If you cut to the basket, he would hit you with the pass. He played the game correctly by always having his head up and looking for an opportunity for the team to score. The way he played basketball was simply a metaphor for the way he engaged in economic scholarship.

Tollison operationalized public choice theory in the modern economics literature. He always had his head up, and he surveyed the field of economics and political economy the way a point guard sees the court. He used the great theoretical talents of Buchanan, Tullock and others by translating their insights into testable propositions, which he then examined with the tools of basic economic reasoning and statistical analysis. He passed off these insights to his students freely, and set them up beautifully so it was easy for them to “score” publications. And, when the time was right, he would take his own shot and hit the big game winner. He did this so often and so effortlessly that it is sometimes forgotten the number of game winners he actually hit in his career.

In this short tribute I want to highlight what I consider to be three of Bob’s biggest game winners. In Sect. 2, I will talk about Bob’s contributions to the analysis of the rent-seeking society. Section 3 will discuss Bob’s contributions to the political economy of reforming the rent-seeking society. Section 4 will move to Bob’s contribution to the study of sports as the “school of rules.” Section 5 will conclude by stressing Bob’s role in translating wisdoms and insights into scientific propositions and how, in his role as a mentor and editor, his contributions were fundamental for the development of public choice analysis in the economics profession.

## 2 The rent-seeking society

Tollison’s research is defined by the persistent and consistent application of the economic approach to human behavior to all walks of life. He did so by clearly stating the testable propositions that follow from basic economic reasoning, and then submitting these propositions to empirical examination. Tollison’s work was grounded in economic theory, but his contributions primarily were located in the empirical examination of the implications of the theory so detailed. As Bob often told us—“They won’t let us be theorists”—while waving a copy of the latest issue of the *Journal of Political Economy*. So like any seriously competitive player, he understood the rules of the game he was playing, and how to play successfully within those rules. But that doesn’t mean he wasn’t a challenger to the prevailing orthodoxy. Economic explanation of any public policy reality was for Bob an intellectual horse race between a “public interest” story and a “private interest” story. As a result, he never shied away from asking the impolite, but necessary, question in studying politics: who benefits at whose expense? As Tollison (1982, p. 577) explains in “Rent-Seeking: A Survey”, if “competition is viewed as a dynamic, value-creating, evolutionary process, the role of economic rents in stimulating entrepreneurial decisions and in prompting an efficient allocation of resources is crucial.” From this perspective, “rent seeking” and “profit seeking” are standard features of the competitive market order. The seeking of profits drives the competitive market and creates value in the economic system. But, Tollison argues, we must distinguish between what is meant by profit seeking versus rent seeking.

The most sensible way to do this is to analyze rent seeking as “the expenditure of scarce resources to capture an artificially created transfer” (Tollison 1982, p. 578). Thus, the

monopoly rents are created by the King's granting of the right to be the sole seller of a commodity or service. As a result, an artificial scarcity is created by the state, and this sets in motion activities by various individuals in the hope of gaining the favor of the King. Real resources are expended in an effort to capture these rents through activities such as lobbying. This activity results in wasted resources from a social point of view because the expenditures in the process of competing for the transfer of this artificially contrived rent determine the contest's winner, but do not create value for anyone else.

Tollison's brilliance was to see the pervasiveness of this rent-seeking society not only in the contemporary US economy, but also to explain historically the organizational logic of mercantilism as well as the medieval church. In his classic work with Robert Ekelund, *Mercantilism as a Rent-Seeking Society* (1982), the two scholars show how economic regulation historically contemplated is best understood as a by-product of rent-seeking behavior, rather than as a policy enacted out of public interest or pure intellectual error. It is important to understand the significance of Ekelund and Tollison targeting the *mercantilist* system because mercantilism is the classic example of erroneous economic doctrine that was overturned by the correct economic reasoning of Adam Smith and other classical political economists. But Ekelund and Tollison demonstrated that no matter how correct Smith and others were in their critique of the doctrines of mercantilism, the practice of mercantilism was characterized by government dictating the creation of artificially scarce rents.

An important idea from Ekelund and Tollison's work is how fiscal technology at any point in time structures the political organization of the economy. In seventeenth and eighteenth century France, for example, tax revenue was raised by the selling of monopoly privileges, whereas in England at the same time the domestic economy was relatively free, though tariffs were utilized to raise revenues. The operative question is always who benefits at whose expense, and the fiscal technology of any given time will dictate how the fiscal state will be organized to pursue the power to tax as a revenue-maximizing leviathan.

### 3 Realism, reform and political economy

The ubiquity of the rent-seeking society helps bring the question of political and economic reform into sharp relief. Realism demands that rather than viewing reform merely as a matter of identifying the intellectual error behind current policy and costlessly implementing the appropriate change, the political economist must recognize those who benefit from the existing arrangement, and the costs of reform. Tullock (1975) had identified this as the "transitional gains trap" and Tollison pursued that insight to its logical conclusion. Tollison and Wagner's "Romance, Realism and Economic Reform" (1991) argues that the transitional gains trap means that fixing past deformities are so costly that genuine reform should focus not on the past, but on the prevention of new deformities arising in the future. They walk the reader through the various scenarios that the transitional gains trap creates to the would-be reformer, and demonstrate that the costs of transition outweigh the benefits from fixing the deformity. To put this in a contemporary context, imagine how difficult the political task would be to eliminate the taxicab monopoly in Washington D.C. or New York City. However, emerging technology and business innovation, such as Uber, has eroded the market power of the incumbent taxi companies. Provided new barriers to entry are not erected, innovation will erode the impact of the existing deformity on economic well-being in a more effective way than any direct effort to eradicate those deformities.

The applications of this insight are numerous and can explain at least two major puzzles in the contemporary US economy. The first puzzle is how economic deformities persist in the wake of changes in economic thinking, even after clarifying the doctrinal error justifying a particular public policy as well as identifying the underlying interest groups who benefit from existing arrangements. The second puzzle is how economic growth results, in spite of these deformities, owing to market innovations that erode monopoly power through entrepreneurship and technological change. Tollison first developed these insights in the context of the 1980s' deregulation movement, and the paper with Wagner was published in 1991 as socialist economies throughout East and Central Europe were embarking upon efforts to radically address past deformities.

A fundamental proposition of public choice is that politics is about exchange. In standard Paretian terms, no one will agree to an exchange unless they are made better off. Once stated in those terms, the dilemma of bargaining away from the existing status quo—no matter how deformed—reveals itself; those who currently benefit from the status quo would have to agree to a position that is less desired unless compensated appropriately. Not only is the calculation of the appropriate compensation package difficult, but also the task of establishing a binding and credible commitment to pay that compensation is not trivial. In fact, credibly committing to compensation may be impossible for political agents to achieve, as the literature on why there is no political Coase theorem suggests (see Acemoglu 2003; Parisi 2003). So in some sense, what Tollison and Wagner say is that the only way to play the reform game is not to play at all and instead focus on ensuring that future political structures are such that the deformities from rent-seeking activity are precluded in the first place.

#### 4 Sports as the school of rules

One must never forget that Bob Tollison was a student of James Buchanan. One of Buchanan's great methodological and analytical innovations was to insist on the rules' level of analysis. In the Buchanan approach to political economy, the analyst must examine both the choice over the rules, and the economic activity of individuals within any given set of rules. Analysis of rules and strategies within rules, and the tacking back and forth between those levels, is the hallmark of the Buchanan approach to political economy. The vast majority of Tollison's work, as most work in positive political economy, treats the existing rules as given, and examines the optimal choice of strategies that *Homo economicus* would choose in such circumstances.

This is seen throughout Tollison's pioneering work in the economic analysis of sports, such as his examination of the designated hitter rule in the American League versus no such rule in the National League, led to a sharp prediction about the rule's impact on hit batsmen (Goff et al. 1997). But Tollison also was keenly aware of opportunities to examine intellectually changes in the rules and their enforcement on sports behavior. A classic paper in this genre was with Robert McCormick, "Crime on the Court" (1984), in which they exploit a change in the Atlantic Coast Conference, moving from two referees to three referees in college basketball games. They find that adding the additional referee had a statistically significant impact on the number of fouls ("crimes") committed by the players. They also argue in the process that sports provides a great economic laboratory because we have history of accurate reporting from which to analyze the impact of changes in relative prices on human decision making, and how alternative institutional arrangements impact

performance through time. The McCormick and Tollison paper, for example, used the complete history of the Atlantic Coast Conference tournament (1954–1983) to examine the impact of the change in the enforcement regime on behavior on the court controlling for other factors, such as talent, other rule changes, attendance, and so on. Their paper is a brilliant example of the power of price theory, but also an exemplar of comparative institutional analysis.

## 5 Conclusion

In each of the examples I have provided—the rent-seeking society, the political economy of reform, and the rules level of analysis—Bob Tollison skillfully figured out ways to take insights from price theory and public choice theory and operationalize them in ways that lent themselves to empirical analysis—including historical interpretation as well as statistical testing.

His work follows the lead laid out by his teacher Buchanan (1968, p. 5) in *The Demand and Supply of Public Goods*: “Appropriately thorough analysis should include an examination of the institutional structure itself in a predictive explanatory sense. The economist should not be content with postulating models and then working within such models. His task includes the derivation of the institutional order itself from the set of elementary behavioral hypotheses with which he commences. In this manner, genuine institutional economics becomes a significant and an important part of fundamental economic theory.” As mentioned already, Tollison throughout his career focused relentlessly on the persistent and consistent application of economic reasoning to all human endeavors, *and* to the analysis of the rules of the game and their enforcement that constitute the environment within which economic activity is played out.

Robert Tollison as a mentor and friend to numerous graduate students and junior faculty over the years, and in his capacity as an editor of *Public Choice* and other journals and book projects, was both a rigorous and nurturing scholar. He was the “point guard” for the public choice team, and he set up generations of players at Texas A&M, Virginia Tech, GMU, Mississippi, and Clemson to easily “score” publications owing to his vision of the court, and to build their own careers. Tollison made the players on his scholarly team better than they ever could have been on their own. His vision and his generosity were unmatched in his generation and this is reflected in the dissertations he supervised (50) and the co-authors he worked with (93) throughout his career. It was a privilege to play ball with Bob both on and off the court.

## References

- Acemoglu, D. (2003). Why not a political Coase theorem? Social conflict, commitment, and politics. *Journal of Comparative Economics*, 31, 620–652.
- Buchanan, J. (1968 [1999]). *The collected works of James M. Buchanan: Volume 5. The demand and supply of public goods*. Indianapolis: Liberty Fund.
- Ekelund, R., & Tollison, R. (1982). *Mercantilism as a rent-seeking society*. College Station: Texas A&M Press.
- Goff, B., Shughart, W., & Tollison, R. (1997). Batter up! Moral hazard and the effects of the designated hitter rule on hit batsmen. *Economic Inquiry*, 35(3), 555–561.
- McCormick, R., & Tollison, R. (1984). Crime on the court. *Journal of Political Economy*, 92(2), 223–235.
- Parisi, F. (2003). Political Coase theorem. *Public Choice*, 115(1/2), 1–36.

Tollison, R. (1982). Rent seeking: A survey. *Kyklos*, 35(4), 575–602.

Tollison, R., & Wagner, R. (1991). Romance, realism, and economic reform. *Kyklos*, 44(1), 57–70.

Tullock, G. (1975). The transitional gains trap. *The Bell Journal of Economics*, 6(2), 671–678.