and conflict,” explains Robert Beisner, a historian of the period. “The United States,” anti-imperialists felt, “could no longer shine as the world’s favored nation, detached and unstained in her special place above the fray.”

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Public Governance and the Classical-Liberal Perspective: Political Economy Foundations
Paul Dragos Aligica, Peter J. Boettke, and Vlad Tarko

Classical liberal doctrine is often conflated with the “laissez-faire” perspective that advocates for a larger market sphere and a smaller government sphere. That conflation, however, neglects the work of classical liberal scholars such as Friedrich A. Hayek and James M. Buchanan, who both spent a great deal of their careers investigating the economic and political institutional arrangements—and the social-choice processes governing those institutions—that engender a prosperous and free society. In fact, Hayek and Buchanan both posited that governments had institutional superiority over the market for some collective-choice issues. Furthermore, classical liberal scholars did not simply complete their analysis with a market-or-state dichotomy. They recognized that, in the real world, the lines between markets are “fuzzy” and often overlap. Moreover, the market-or-state dichotomy neglects the “third sector,” civil society, which also needs to be analyzed and compared.

The writings of Hayek, Buchanan, and other classical liberals are often missed or misinterpreted, leaving the classical liberal position on public governance unknown, unarticulated, and understudied. In their book Public Governance and the Classical-Liberal Perspective: Political Economy Foundations, Paul Dragos Aligica, Peter J. Boettke, and Vlad Tarko seek to fill this gap in the literature by synthesizing the work of the aforementioned scholars and others in order to articulate a theory of public governance in the classical liberal perspective. The authors do so in three parts.

Part I aims to present the basic “building blocks” of public governance that are exegetical with classical liberalism: governance theory, applied governance theory, and institutional design principles.
These building blocks serve as a foundation for the latter two parts, so a summary of them is warranted.

The first building block consists of governance theory elements: normative individualism, skepticism of social aggregate functions, and comparative institutional analysis. The authors explain how each of these three components reinforces each other, once analyzed. Normative individualism places a normative emphasis on the individual being the correct unit of analysis and is skeptical of social aggregate functions, a skepticism most famously posited by a scholar who didn’t identify as a classical liberal, economist Kenneth Arrow. Arrow’s “Impossibility Theorem” stated that individual preferences could not be collectively aggregated through democratic procedures. Therefore, since individual preferences cannot be aggregated, individual preferences ought to be the focus, which is what normative individualism holds. Moreover, using public choice’s emphasis on “behavioral symmetry,” the authors use normative individualism to introduce the concept of comparative institutional analysis. Comparative institutional analysis examines which institutional arrangement—markets, governments, or civil society—fails the least in securing the diverse aims of all individuals.

Using those theoretical building blocks, the authors move to applied theory to examine how individuals interact at the public-private interface. Focusing on that interface helps break down the market-or-state dichotomy and sheds light on institutions that are a combination of markets and governments, or neither, such as civil society. Civil society institutional arrangements can be dictated by various things, such as the nature of the good, efficiency, or technology. But the authors describe a more important and interesting factor: how individuals react to these changes. If a critical mass of citizens has values, beliefs, or ideas about how something should be provided, the nature of the good, technology, or efficiency may not matter. The insights of Vincent Ostrom help demonstrate this. Ostrom emphasized values, beliefs, and ideas, which he recognized were subjective and often divergent per person. Those differences are not necessarily a problem, however, as pluralism is a paramount tenet of classical liberalism.

In the last chapter of Part I, the authors use the theories of the previous chapters to investigate the institutional arrangements and devices that “encourage and help individuals to self-organize and associate at different levels, in ways that they see as most effective for
realizing their individual and collective goals,” in particular
dynamism, adaptiveness, and flexibility. To observe the dynamics of
institutions, the focus ought to be on processes rather than on end-
states. They cite Vincent and Elinor Ostrom’s work on “polycentric”
institutions—overlapping, competing, and cooperating centers of
power, which often duplicate services and take place in both the pri-

date and public sphere. The Ostroms argued that polycentric institu-
tions are more dynamic than “monocentric” or centralized ones
because polycentricity elicits competition. Competition then engen-
ders experimentation, trial and error, and self-correction, or
dynamism, adaptability, and flexibility. Polycentric institutions are
also better at self-correction. The authors cite Vincent Ostrom’s and
F. A. Hayek’s emphasis on the epistemic features of institutions. By
allowing for overlapping systems that self-correct, each individual’s
diverse and disparate knowledge can be spread better throughout
and made use of in society. Here we see a return to normative indi-

idualism through epistemology.

Part II diverts from the theoretical discussion to examine the con-
fluence of public choice and public administration during the 1960s
and the transformation of both traditions. Public choice was the intel-
lectual bearer of the classical liberal ethos during the time this con-
fluence took place in the 1960s, thus the authors thought it important
to review the connection.

Chapter four begins with a brief history of public administration,
starting with the monocentric bureaucratic view of Woodrow
Wilson. Wilson’s thesis, broadly conceived, was to centralize power.
Having more power meant more responsibility and accountability,
and, by giving one person power, Wilson argued that power would
not be abused but rather the leader would be “elevated by it.” Wilson
deemed separating power, as our Founders intended, “irrespon-
sible.” Wilson’s position is antithetical to classical liberalism.

The authors then continue the history of scholarship in the field
up until its main challenger, Vincent Ostrom. Ostrom repudiated
the mainstream work of public administration at the time, which
included Wilson’s monocentric view, by bringing public choice—the
intellectual apparatus of classical ethos at the time—into the analy-
sis. Using public choice, Ostrom theorized a democratic, as opposed
to bureaucratic, administration that promoted self-governance,
competition, pluralism, and polycentricity. Ostrom’s work helped
shift the field of public administration by “revitalizing Madisonian
federalism and Tocquevillian democracy,” both of which have classical liberal roots.

The last chapter in Part II discusses the work of both Elinor and Vincent Ostrom and what separates them both—but mainly Vincent—from other public-choice scholars: their epistemology and ontology and their focus on diverse values, beliefs, and ideas. The Ostroms used a production theory termed “co-production”—which posits that consumers are an important input for production—to deal with the difficulties that can arise from the heterogeneity of values, beliefs, and ideas. Co-production can be extended to citizens’ values, as they are an important input to determine what governance arrangements are needed to meet them. However, the shapes of co-production curves are unknown, meaning that co-production produces a “market failure.” The Ostroms proposed that polycentric institutions can overcome this market failure. As previously discussed, polycentricity allows for duplication, trial and error, competition, and coordination among governance levels. These aspects of polycentricity elicit diverse, overlapping institutions that allow heterogeneous values to be met. Hence, polycentricity produces institutions that dovetail with classical liberal goals.

Essentially, the authors use Part II to posit that the Ostroms’ scholarship, despite their not explicitly identifying as classical liberals, fits within the classical liberal tradition. The authors then use the Ostroms’ work as a major foundation in Part III, which applies the first two parts of the book to articulate the classical liberal perspective on real-world governance issues.

The first study is on community policing, one of the metropolitan governance research projects done by the Ostroms. Their project empirically demonstrated that polycentric police systems are more efficient and responsive to their communities than are monocentric, centralized ones. While the Ostroms didn’t say so explicitly, they invoked the concept of co-production by arguing that polycentric police systems make better use of aggregate knowledge and goals determined by citizens’ responsiveness.

Next, the authors use comparative institutional analysis and public choice to examine independent regulatory agencies (IRAs). IRAs typically form because they are one solution to “common-pool resource” issues, which are both controversial and difficult to decentralize. The common criticism of IRAs is that they are “undemocratic” and therefore their functions ought to be returned to Congress. However, the
authors believe this might worsen the rampant inefficiency, corruption, and rent seeking currently in IRAs. Rather, the authors present two solutions from the classical liberal perspective. One is to use the Internet to increase the pool of experts and knowledge-aggregation mechanisms in IRAs. The second is to turn IRAs into private certification firms, a polycentric solution and therefore more efficient and resilient. A certification firm called the American Society of Mechanical Engineers (ASME), whose accreditation system came about as a private industry solution when different states had disparate and conflicting regulations, is cited as an example. ASME’s safety code system is more robust than state and federal codes, and almost all global buyers of industrial equipment require ASME’s accreditation. Hence, this presents a feasible polycentric alternative to accreditation-type IRAs, such as the FDA or OSHA.

With this recommendation, however, the authors may have a problem. They write that “private certification companies cannot be easily corrupted because if an unsafe product is certified, they risk losing their reputation.” Yet later in the chapter they describe how ASME faced an antitrust lawsuit for enforcing a code that disadvantaged non-US producers. While some private accreditation agencies may not be easily corrupted, it seems that sometimes private certification companies give special favors to companies based on personal connections, bribery, or other means. While the authors describe what happens when a private certification company approves unsafe products, they don’t discuss the possibility of not certifying safe products because of favoritism. As the authors mention, discrimination (or favoritism) is more relevant in a monopoly situation in which there is only one accreditation company. Therefore, this might be more of a monopoly problem than a problem with private certification companies. However, since corruption is, in fact, possible in monopolies and nonmonopolies, rather than saying that these companies “cannot be easily corrupted,” the argument could be made stronger by stating that the private certification companies cannot be as easily corrupted as the current system of IRAs.

Chapter 9 presents what the authors describe as a classical liberal theory for corporate social responsibility (CSR): polycentric stakeholder analysis (PSA). PSA differs from other CSR theories because it considers both heterogeneity of values of individuals, not groups, and the complex emergence of systems. PSA challenges Milton Friedman’s claim that a business’s only responsibility is to maximize
profits for shareholders. The authors argue that businesses can voluntarily deal with social issues; in fact, they can sometimes deal with them better than governments. The polycentric framework of PSA, with its multiple centers of decisionmaking that elicit innovation and dynamism, allows for businesses to pursue CSR when there’s a heterogeneity of values by an efficient proportion of stakeholders.

In the conclusion, the authors describe how contemporary public administration literature has started to converge closer to the classical liberal ethos. That isn’t surprising given the evolution in the field led by the public-choice revolution, but it is a promising discovery for both classical liberalism and public governance. Further, this should give classical liberals in academia some hope. Although we are the minority—and the academic climate is not particularly affable to classical liberalism—our ideas can be taken seriously and engrained into the mainstream.

On the point of the academic climate, one might wonder why the authors wrote a book that presented an ideological perspective rather than just a book that formulated a governance theory. In fact, the authors say in the introduction that they received this question as feedback, but they felt that classical liberalism’s tenets have a strong intellectual history in governance. Therefore, classical liberal influence ought not be cloaked but be championed.

This argument is the most valuable part of the book. In the introduction the authors not only explain that they wrote the book to articulate a classical liberal perspective on public governance, but also defend incorporating classical liberalism in their theory by stating, “The programmatic normative individualism and the associated intellectual and institutional apparatus meant to reflect and protect it are not something new” (emphasis added). The authors’ mention of “protect” in reference to the intellectual apparatus of normative individualism—among which includes classical liberalism—brings to mind a quote by James M. Buchanan. In a lecture titled Notes on Hayek, Buchanan argued for the importance of spreading ideas of a “free society” in academia:

Those who seek to preserve and maintain the values of a free society, of the free market, and of elementary individual liberty, are beginning to recognize that the important battle-grounds are located in the realm of ideas. . . . We are now winning a few battles in the ongoing war of ideas, but we
cannot lapse into complacency. The diverse approaches of the intersecting “schools” must be the bases for conciliation, not conflict. We must marry the property-rights, law-and-economics, public-choice, Austrian subjectivist approaches.

That’s what Aligica, Boettke, and Tarko accomplish in this book. They incorporate scholars from all the schools Buchanan mentioned: Armen Alchian for property rights; Ronald Coase for property rights and law and economics; Buchanan, the Ostroms, and Gordon Tullock for public choice; and F. A. Hayek for the Austrian subjectivist approach. By heeding Buchanan’s advice, intentionally or unintentionally, the authors carried on the mantle of Hayek, Buchanan, and classical liberals before and after them in protecting and spreading the classical liberal intellectual framework and creed. This gives current and aspiring academics some valuable inspiration to continue to also carry this mantle during our polarized academic climate.

More important, the book is valuable in that it helps not just academics but also interested citizens better understand the classical liberal perspective on public governance. A better understanding of classical liberalism is paramount for citizens in a political climate that is increasingly approaching “Orwellian newspeak” with political propaganda misrepresenting political ideologies. Thus, this book helps correct the notion that classical liberalism is simply “laissez-faire,” and shows that it is a perspective that touts and supports the institutions of democratic self-governance that allow individuals to live peacefully and freely among each other.

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The Enlightened Capitalists: Cautionary Tales of Business Pioneers Who Tried to Do Well by Doing Good
James O’Toole

James O’Toole, a professor emeritus at the University of Southern California’s Marshall School of Business, has assembled an impressive collective history of dozens of innovative—and even visionary—business leaders in his new book, The Enlightened Capitalists: Cautionary Tales of Business Pioneers Who Tried to Do