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Private Preferences for Public Goods: Towards a Model for the Interaction of Pressure Group and Electoral Politics

David Willis, Hull University

This essay explores two contrasting paradigms of collective action in the context of some observed anomalies in the development of the welfare states, focussing on private interest models of public expenditure growth versus models emphasising social choice and the degree of congruence between the political responsiveness of interest groups to the public expenditure crisis since the early 1970s, and the assumptions underpinning these models on political behaviour in the mixed economies. A bifurcation of the political system, resulting from the development of systems of functional interests representation alongside parliamentary and representative government, gives rise to a potential for strong governments to maintain regime support because of, rather than despite, the political fragmentation of majorities.

Introduction

In recent years, the assumption, bolstered by Keynesian macro-economic theory, that government entry into the supply of goods and services for private consumption will be economically beneficial during periods of economic recession, has been met by the counter-thesis that such interventions help to originate, foster, and nurture private interests in free goods that interfere with natural laws of supply and demand, and hence introduce irrationality into the process of collective choice. Put more generally, many of the proponents of an economic theory of democracy hold that government intervention has contributed to the creation of private interests in the growth of public expenditures. Mancur Olson, building on the basis of an economic theory of group behaviour revolving around the costs and benefits to the individual of collective action, has argued for the logic of the dominance of the private interests of small groups over the disorganised majority, discerning within the context of the modern interventionist states a tendency towards the formation of distributional coalitions which block adaptive responses to macro-economic and technological changes, contributing to economic sclerosis (Olson 1982, 43-47, 1984, 314, Colander & Olson, forthcoming).

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(Benjamin 1980, Rose & Peters 1979, Bergson & Goodman 1973), it has been widely acknowledged that economic theories of politics may be over-predictive to some extent, and fail to account in their present form for a number of anomalies in voting behaviour and support for government in a period of economic recession, and for the inclination towards politics of 'austerity' in most of the advanced industrial countries of Europe. For example, Schmidt (1983) in a comparative study of the reactions to economic crisis in the OECD nations, has shown that governments that have sought to do little more than 'muddle through' have performed relatively well economically, whilst, even in countries in which economic performance and government policies have adversely affected large sections of the population (and well organised interest groups), incumbent parties have maintained a higher level of political support than might be expected within the terms of an economic theory of voting (Hibbs 1982, Robertson 1983). Moreover, the empirical evidence concerning the nature of politico-economic interdependencies remains both ambiguous and controversial. Colander & Olson (forthcoming) have demonstrated a close relationship between union membership and unemployment in the United States, inferring from this evidence for the theory that cartelistic activity helps to explain the anomalous coincidence of high levels of unemployment and inflation, whilst Olson (1984) has sought to demonstrate that the theory, first developed in his *Logic of Collective Action* (1965) on the benefits and costs of providing collective goods and the accumulation of distributional coalitions over time, is consistent with and helps to explain some of the anomalies in growth rates in recent years in the advanced industrial nations (Olson 1982, 1984a, 1984b, 314). On the other hand, the application of interest-group theories to the 'demand' for protection and regulation and the development of protectionism in the European polities have been doubted at a more institutional level of analysis (e.g. Capie 1981, 156). Indeed Olson (1963) in an earlier, if less well known work on the growth of protectionism in relation to British agriculture, has plausibly demonstrated that the 'fear of starvation', rather than interest-group strengths, played a significant part in encouraging governments to control and co-ordinate production, an observation that points to the consequences of macro-economic changes for the distribution of political power (Buksti 1985). Finally, the causal relationship between macro-economic 'structural' factors and the strength of special interest groups remains variable between the different economies. Indeed some recent evidence on a decline in the bargaining power of trade unions (ILO 1985) associated with economic recession and high unemployment suggests a more dynamic and accommodatory relationship between economic interest groups and political parties than allowed for within the private interest model of collective action, or an economic model of politics in which political behaviour is explained exclusively in terms of utility-optimising behaviour.

Present anomalies in economic performance and support for government and divergencies in the responsiveness of governments to economic crisis since the mid-1970's would seem to call for greater attention to the psychology of choice behaviour in the mixed economies, and the interaction between public and private interests and power, or what Hirschman has termed a 'shifting involvement' between the public and the private spheres (Hirschman 1982). At least starting in agreement with some recent suggestions by Olson on the importance of attention to the incentives and constraints facing 'all-embracing' political organisations in the pursuit of economic efficiency and redistribution (1985), it will be argued in this paper that an adequate explanation for divergencies and anomalies in the growth of the public sector requires, as suggested by Olson, a two-stage analysis of the incentives to political action: firstly, the nature of the incentives to, and constraints on individual participation in collective action that help to shape and support political organisation as a vehicle for needs satisfaction; and secondly, analysis of the political incentives and constraints facing political organisations once they are faced with the tasks of maintaining support and positively influencing the economy to satify those needs. However, in contrast to Olson, it will be argued that the latter cannot be explained in terms of the former. Departing from the Olsonian position, which adopts an essentially 'unitary' model of the political economy and a utility-optimising model of collective choice (employing market analogies and assumptions to describe political behaviour), it will be argued that an understanding of support for political systems and goals that are 'all-embracing' requires a more dualistic model of collective choice, in which the formation of second-order volitions in the process of collective action helps to sustain the political authority of over-arching political organisations. That is, political order may be as much a result of what Schelling has termed 'impartiality' – having a stake in the way other people behave (Schelling 1983, 91) – a possibility which has been given inadequate attention in economic theories of interest group and voter behaviour contributing to the 'ungovernability' theories of the welfare states.

Private Interest Models of Public Expenditure

The relationship between private and public interests, besides the analytical limitations imposed by the adoption of a fairly idealised notion of the role of government in relation to the latter, has been a central focus of interest in the development of the new political economy. A common starting point for the positivist assault on idealised conceptions of the role of government has been a critical questioning of a purely responsive, almost 'black box' model of the role of representative government within the political system, implicit in much early work on the causes of growth of the public sector. Against a model of government as a neutral agent responding to and correcting market imperfections, the positivist approach has sought to develop a utility-optimising or private interest model of government behaviour in which the profit motive dominates, and may tend to reproduce market imperfections within political arenas (Buchanan & Wagner 1978, Tullock 1976, Breton 1976, Mueller 1979).

A particularly powerful version of the economic theory of politics has been developed by Mancur Olson (1965, 1982). According to the theory of collective action first developed in *The Logic of Collective Action* (1965), there is an inevitable tendency towards the 'exploitation of the majority by the minority', due to the inherent problems encountered in large and socially heterogeneous groups organising politically to produce public goods. As a result of difficulties encountered in such groups in providing selective incentives or protecting against 'free rides', the benefits to be had from collective action in large groups are likely to be 'strikingly less than what would be required for "group optimality"' (Olson 1984, 312). It has to be conceded straight away that the essential logic has a striking application to some of the characteristics of the institutions for collective provision within the welfare states, their historical origins, and present troubles associated with these: for example, the dilemmas of universality (avoiding stigma) and efficiency (suggesting selectivity) in health service delivery, or the coercion associated with most state systems of social security provision. It also points to the crucial importance of the factors which might help a society sustain more encompassing political organisations, in ensuring that economic interventions by government serve to promote economic efficiency and the collective interest. As Olson suggests in a recent application of *The Logic* to problems of economic growth (Olson 1984, 312):

> It follows that large groups which succeed in organising to serve their collective interest must use 'selective incentives' or individual punishment or rewards that distinguish between those members of a group who do contribute to the collective effort from those who do not.

Collective action then, remains 'difficult and problematic' for large groups. Since small groups, by contrast, can organise 'with less difficulty and often without selective incentives', and, moreover, feel fewer constraints than more encompassing organisations in seeking to transfer some of the costs of organising to society at large (for example, through imposition of general taxation to subsidise pay-rises or other selective benefits) the result will tend to be the formation of effective distributional coalitions against the majority interest, and a skew in government policy in favour of private interests at public expense.

A potentially more troublesome aspect of the theory – which is ironical given the insistence on the greater claim to behavioural realism of the model – has been its inability to explain the persistence over time of large scale political institutions (such as political parties), as for example, in the so-called voting paradox in representative systems, or differential rates of political participation between the different socio-economic groups, which have often seemed anomalous within a rational-choice model of political behaviour – because of an inverse relationship between participation rates and the advantages to be had from collective action to modify the 'free' workings of a market economy in the distribution of goods and services (e.g. Pateman 1971, Gooding & Dryzak 1980); or in the common occurrence of more altruistic forms of economic and political association in capitalist economies, and the rapid growth of public-interest groups over the last two decades (Moe 1980, Forsythe & Welch 1981). How adequate, then, is the economic model when applied to the growth of the public sector, and how important is the role of more all-embracing groups and institutions of government? What can a more comprehensive theory of collective action contribute to an understanding of present anomalies and paradoxes in choice behaviour?

The basic appeal of such a theory of public choice has been succinctly stated by Olson, calling for a more realistic model of market and government behaviour:

> In the 1930's John Maynard offered a dazzling and influential account of unemployment and depression, but now leading Keynesian and anti-Keynesian economists agree that Keynes' contribution, however brilliant and important it might be, assumed certain types of behaviour that are not reasonable or consistent with the interests of those individuals or firms that are assumed to engage in it. In other words, Keynesian *macro-economic theory* (a theory of the aggregate) does not have an adequate base in micro-economic theory (a theory of the behaviour of individual decision makers in the particular markets or contexts in which each operate) (Olson 1982, 7-8).

Political Diseconomies of Collective Goods

The claim to realism of the economic model of politics developed within the new political economy has been anchored principally in the rigorous assumption that individual utility optimisation (self-interest) applies equally to public, as well as to the private market behaviour, suggesting a re-conceptualisation of political activity in terms of market incentives and outcomes. The new theories have seemed powerfully supported by more rigorous analysis of the economic effects of collective provision. Among the points raised within the Public Choice perspective with regard to the relative balance of the public and private sectors has been a critical questioning of the concepts of national wealth and wealth redistribution underpinning systems of national accounting, especially within Keynesian economies. Two issues of an essentially normative nature have been raised by recent deliberations on the basis of official estimates of the size of the public sector: (i) a tendency towards over-estimation of the economy resulting from the neglect of the extent to which welfare services are merely transfer payments (or conversely, fail to 'add value' to an economy), with consequential dangers of overload resulting from an over-expanded public sector, and (ii) the tendency for political competition between the parties to produce a bias in favour of transfer payments as a means of maintaining popular support, with a resultant amplification of existing inequalities: a domination of public policy by 'distributional' rather than 'redistributional' coalitions. Concern with the dangers of an overload of the economy at the aggregative level of analysis has been focussed on the proportion of public spending contributing to, or detracting from, the productive assets of nations (Bacon & Eltis 1976, Gillies 1978, Hadjimatheou & Skouras 1979, Spindler 1982). The modern transfer view now being developed in general seems to take a far more restrictive view of the contribution of such transfers to the creation of national wealth. When coupled with the questioning within the Public Choice theories of bureaucracy on the extent to which value is 'added' by bureaucracy, the more restricted concept can lead to a dramatically different assessment of the size of the national product used as the basis for national planning. Spindler (1982), for example, accepting the strength of these arguments for a more restricted conception of the national product excluding transfer payments, has estimated that for the United States official figures may well have significantly 'over-stated' the overall size of the economy, leaving allocational and distributional policies, as well as stabilisation policies on which macro-demand management is founded, disastrously out of balance.

Further argument against too ready an acceptance of the social-democratic gloss on the development of the post-war welfare states has been forthcoming from the analysis of the distributional outcomes of government interventions, the results of which also seem congruent with the Olson thesis (e.g. Olson 1982, 43-47, 1984). At the institutional level, empirical evidence on patterns of social mobility and wealth re-distribution has been often inconsistent with the redistributive model of welfare, and highly suggestive of the way in which social welfare provided according to universalistic criteria may be prone to amplify existing social inequalities in the distribution of resources rather than ameliorate these (Le Grand 1982). At the macro-economic level, similar problems of amplification have been identified. Thurow (1980) and Shefrin (1980), focussing on problems in the re-distribution of wealth, have drawn attention to the tendency towards the formulation of 'distributional coalitions' in blocking re-distributive policies according to welfare criteria. In Thurow's argument, a combination of the openness of national economies, declining consensus on internal problems of distribution, and the relative ineffectiveness of political systems in reallocating economic losses and benefits as compared to the allocation of incremental shares in a fixed economics pie, has contributed to the adoption by governments of stop-gap solutions and conflicting programmes which favour the existing balance of power, subverting rationally derived economic goals.

The development of a more empirical concern as regards the question of who are the net beneficiaries of public expenditure has also contributed to a critical questioning of the analytical value of the public/private distinction (Lane 1985), and of what the distribution is of collective benefits from transfer payments (that have characteristically been on the increase as a proportion of welfare expenditures) (e.g. Boulding, forthcoming). There is no settled, unambiguous conception of the nature of the public sector in the debate on the growth of government, with provisions in the public sector demonstrating many of the characteristics used by welfare economists to delimit the private sector. Similar problems arise where the concept of the public is extended to market interventions so as to control externalities which do not involve the supply of goods or services as such – as for example in the case of compensatory legislation for industrial injuries, regulation of industry, or industrial subsidies. Whilst such provisions may be deemed as controlling undersirable externalities in some respects, empirical research has suggested that such measures can often be 'counter-productive' on a more broadly conceived cost-benefit appraisal over the long term (Burton 1979, Forester 1982, and for a review of some of the empirical evidence on the political origins and effects of protectionism and subsidy, Willis 1985).

Government Bureaucracy and Private Lobbies

Given these deliberations, proponents of an economic theory of collectivist politics have been strengthened in their conclusion that under certain conditions, when the direct link between costs and benefits is broken, government involvement in the supply of services will tend inevitably towards oversupply from the vantage point of the general public, 'reducing the process of demand and supply of public goods to a mere epiphenomenon of the political demand for private, divisible goods'. Such an uncomfortable reversal of the conventional welfare economics assumptions leads to the odd result that opposing such activities on the part of the groups would be tantamount to supplying a public good' (Aranson & Ordeshook 1980, 77, Kristensen 1980). Given the apparent failure of legislatures to exert democratic political control over the economy, a behavioural theory of government bureaucracy as an independent source of policy initiative has gained increasingly in the debate on the underlying political causes of ungovernability (Rose & Peters 1979, Kristensen 1980, Frey & Pommerhene 1982). But how adequate is a model of a self-aggrandising public bureaucracy given electoral constraints on the supply side?

A concern with conditions giving rise to the dominance of private interests of public bureaucracy over those of the sponsor of services has a special relevance to the problem of democratic political control of the welfare states. Firstly, the theories generally adopt a budget maximising model of public bureaucracy, leading to a view that decision-making by public officials will tend to produce outcomes at the aggregative level that are greater than the optimum desired by the median voter. A second important point of reference in the debate on problems of ungovernability and overload has been a theory of bureaucratic emancipation from political control (Niskanen 1973, Orzechowski 1977). Niskanen (1973) and MacKay & Weaver (1978) identify a number of decisional situations in which the preferences of the 'high demanders' of the bureaus' goods will be likely to prevail over the preferences of the median voter. Noll & Fiorina (1978) view the utility optimisation of public bureaucracy as liable to increase the size of bureaucracy itself, rather than the services provided, again stressing the absence of countervailing forces to correct the effects of bureaucratic imperialism. Kristensen (1980) has delineated an underlying 'logic' of bureaucratic decision-making, following an essentially Olsonian theory concerning the impact of the unequal distribution of the costs and benefits of political participation (between large and small groups), which is held to provide a priori grounds for assuming that the outcomes of the budgetary process will be an over-sized budget relative to the preferences of the median voter. The conclusion drawn is that under certain conditions the aggregative size of the budget will be larger than anyone would rationally want (Breton & Wintrobe 1975, Borcherding, Bush & Spann 1977, Fesmire & Beauvis 1979, Kristensen 1980).

Majority Coalitions against Sectional Interests?

The application of the logic of utility-optimising behaviour in political systems finds a particularly powerful formulation in the work of Mancur Olson (1965, 1982). On the other hand, the analysis seems incomplete in its neglect of the particular qualities and criteria for resources re-distribution evolving in the transfer of distributional conflicts in the economic sphere into the political sphere; the theory is in danger of focussing on the methods of group action, whilst ignoring the content and context of collective goals.

As is noted by Olson in his more recent notes towards a theory of the incentives facing political organisation (1985), there have been important differences in the responsiveness of different Nation States to public expenditure crisis that seem to be related to the extent to which political systems are encompassing – as, for example, between multi-party and two-party systems, or between pluralist and corporatist systems of interest-group representation. However, the development of encompassing political organisations and their source of cohesion remain to be explained. A crucial element may well be the scope for majority coalitions cemented by ideological considerations against small group claims, as one possible outcome of the intensification of defensive political activity in a period of economic recession. Whilst it is plausible to view such an escalation under conditions of 'imperfect democracy' or weak central political institutions as contributing to 'pluralistic stagnation', as Beer (1982) has suggested, especially where these are sanctioned by groups with 'veto powers' over government, it is equally plausible that an escalation of such distributional conflicts and an accumulation of small group successes in winning benefits for members will help to strengthen political parties claiming to represent majority interests. These may have as one effect a tendency to tip the scales away for special interest group politics and towards electoral politics, as for example in growing electoral resistance to the so-called tax-welfare backlash common to most of the Atlantic economies in the late 1970's led by anti-tax special interest groups (e.g Peretz 1982).

There are, then, fairly plausible a priori arguments in an economic theory of public goods for rejecting the reading-off of symptoms of 'ungovernability' or special interest dominance from a single frame of the picture, and for rejecting the corrollary assumption that a reduction of the public sphere is a 'way-out' of the present crisis in the control of public expenditure in Europe. However, accepting the complex and dynamic nature of the interaction between the public and private interests and goals seems to lead to a failure of conventional paradigms of the welfare state that assume a simple dichotomy between public and private interests, or make the simplistic assumption that democracy can do without competition between self-interested groups. Some of the requirements for a more adequate model seem evident in some recent international discussions of the concept of the State which point to decentralist trends and a diffusion, rather than a crisis, in welfare values (as for example, in the attempt to substitute the concept of 'Welfare Society' (OECD 1980) for that of 'Welfare State'). Some attention to the 'difference' that the development of more all-embracing political organisations makes to the conduct of economic affairs also seems to be called for, though not fully elaborated on by Olson in the *Rise and Decline of Nations*, or, more recently, in some reflections on the analytical usefulness of the concept on the State (IPSA World Congress 1985, Olson 1985), in which the British Two-Party System (perhaps somewhat mischievously) was taken by Olson as an example of the dilemmas facing 'encompassing' political organisations, from the logical requirement that they promote both efficiency *and* redistribution in majoritarian systems.

At least one more logical step may seem necessary to bridge the present gap between theory and empirically observed developments in the governability of the mixed economies. Whilst most attempts to account for the present crisis in the welfare states in economic terms have generally sought to remain consistent with the utilitarian assumptions of the dominant economic paradigms of liberal democratic systems (for example, that politicians are responsive to voter preferences), the model seems to flounder on an explanation of the special position of political parties or other 'encompassing' organisations capable of winning majority support. The arguments in favour of a more 'dualistic' conception of political behaviour in these cases would seem strong. The point can be illustrated in the treatment of the 'coercive' power of encompassing organisations in *The Rise and Decline of Nations.* Olson notes that the electoral logic at least in a two-party system will tend to foster parties concerned with the welfare of the whole society rather than a section of it, whereas in 'fragile coalition governments' coalitions of majorities against minorities are less in evidence. This leads to an acceptance of what is arguably an important qualification to the utilitarian assumptions of the 'logic of collective action' that favours the dominance of minority interests over disorganised majorities:

> The power of special interest groups cannot be defined solely in terms of their organisational strengths, but should be defined in terms of the ratio of their power to that of more encompassing structures such as presidents or political parties (Olson 1982, 52).

Whilst Olson clearly recognises the importance of the special position and sanctions of encompassing organisations (the case of the Scandinavian corporatist political systems is cited in RADON), the a priori commitment in the importance of selective incentives to the successfulness of collective action leads to a neglect of the logic of the electoral system itself – that minorities are motivated under an office-seeking assumption to represent the majority interest, due to the selective rewards associated with an office that is in the last resort supported by majorities. Thus the success of small group claims depend ultimately on the benefits accruing to the majority.

The 'private interest' model of public expenditure that has developed from economic theories of politics and is implicit in much of the 'ungovernability' literature thus poses an artificial separation not only between electoral politics and interest group bargaining politics, but also, ironically given the insistence on a 'unitary model' of public choice, between political and market decision making. Moreover, there are firm historical reasons for considering that the potency of groups with a vested interest in over expansion of the public sector – the civil service in policy formulation, and union organisations within the public sector generally – has varied in its strength in inverse relation to the strength of the economy: the more emaciated the economy, the more enervating for cartels of producer-consumer groups relative to state power (Middlemass 1979, Booth 1982, ILO, 1985). It would therefore seem historically perverse to couple economic decline with the strength of producer groups. Unless we accept the implausible view that politicians have no independent power sources stemming from their office and public sanctioning, the interest group 'capture' and 'ransom' theories would seem to overstate the case, ignoring the realities of state power.

Interaction of Politics and Markets

It is, then, suggested that one possible way out of the difficulties posed by evidence of inconsistencies in the economic preferences of the individual as voter, producer, and consumer of public services may be through the adoption of a more interactive and differentiated, and 'dualistic' model of the policy process, allowing for a complex interplay of political and market systems, and for inconsistencies and contradictions in the preferences expressed at different decisional stages in the public budgetary process between public and private preferences for the development of the economy (van den Doel 1979, Willis 1983, van Mierlo 1983).

Fig. 1 below proposes a comprehensive model of politico-economic cycles and interactions triggered with government interventions in the economy.

The model builds on the work of Frey (1975) concerned exclusively with electoral politics, but includes additional demand loops, involving interest group bargaining, administrative bargaining, and 'log-rolling', and demand generated in response to the administrative practices in the process of service delivery; the model is complex if the various institutional links are more precisely specified. However, it gives more explicit recognition to the scope for interaction between interest group bargaining politics, administrative politics, and electoral politics as differentiated sub-systems, and hence represents a more dynamic model of the politico-economic system than models that have concentrated on either electoral politics or bureaucratic decision-making in isolation. The model also allows for the possibility of voters expressing a variety of conflicting options through an essentially bi-furcated (if not fragmented) political system. The principal assumptions of the model that should be open to empirical verification are: the political system represents an alternative, rival, but not 'closed' market for the expression of economic preference; political parties play a key role in the ideological reconciliation of conflicting preferences, with politicians acting as authoritative allocators of community values; government interventions in the economy are a response to pressures for the supply (or restriction) of public goods brought to bear by private interest groups or coalitions of voters whose preferences have not been adequately met within the private market; the distribution of income and wealth within an economy will determine the elasticity of demand for the supply of public goods as an alternative to private purchase. However, there will also be a zone of indifference to the supply of public goods arising from the ability of groups to purchase services on the private market; voter-consumers have a greater measure of control over the flow of selective benefits through processes of interest group representation than through the political parties, which may give rise to patterns of demand on government inconsistent with those expressed through the party political system; individuals do not have fixed economic preferences due to a rational anticipation of the ability of governments to alter the distribution of resources through economic interventions in response to macro-economic trends; due to limitations of knowledge of costs and benefits at the level of the individual voter, political parties with state power have a strategic advantage over both consumer groups and public bureaucracy in dealing with competing claims on economic resource, but,

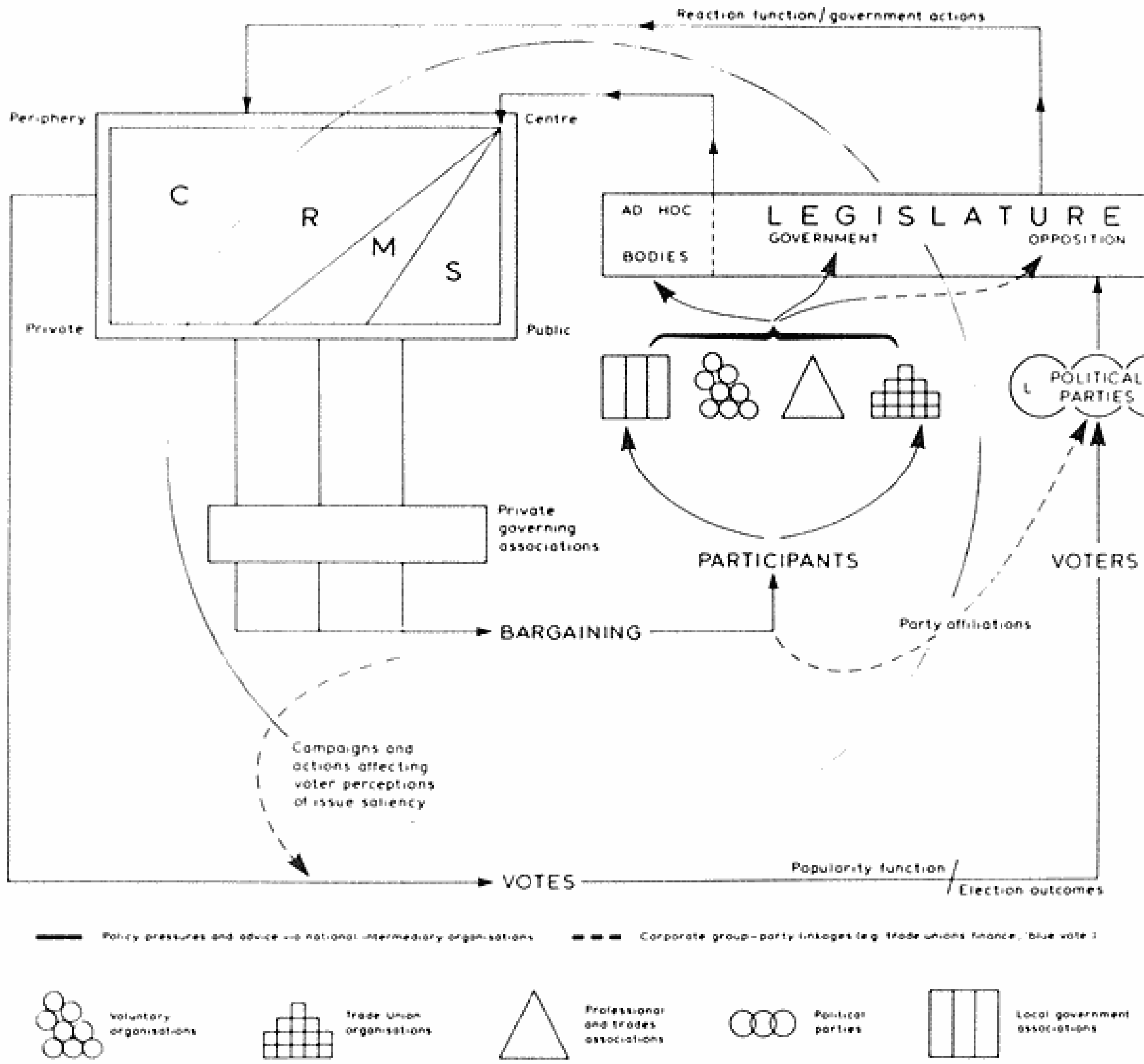

Fig. 1. Electoral[a] and Bargaining Politics in at Three-Sector Economy[b].

a. Based on models of competitive political systems developed in the formal modelling of politico-economic interdependencies (Frey & Schneider 1975, Frey 1978).

b. The economic system component of the model follows the description of economic sectors proposed by Offe (1983). These are:

C = the competitive sector of the market

M = the monopoly sector characterised by a high degree of organisation of the retail and capital markets

S = social labour power organised in State bureaucracies and institutions (the public sector)

R = the informal sectors providing a 'residual labour power' but 'maintained through the official allocations of financial and material resources' (Offe 1983, 40-46).

at least in majoritarian systems, are not independent of majority preferences in the long term. Given the existence of cultural sanctions against non-economic claims, against 'free-riders', 'welfare chiselling', and 'scrounging', governments may readily manipulate the environment of bargaining with interest groups, by influencing the perceptions of welfare provisions among consumers and taxpayers, or through symbolic acts subordinating the claims of sectional interest groups to the national interest.

What is left indeteminate in this interpretation of the interaction of interest group bargaining politics and electoral politics is the party political input – in terms of political education and the adoption of 'preference shaping' strategies (Dunleavy & Ward 1981). This to some extent highlights the limitation of a model that simply conceives of interest group and party political organisation as links in a communications chain. Thus assuming for a moment that in a bifurcated political system individuals are free to express conflicting economic preferences, then individuals may be either divested of individual responsibility for formulating and acting on rational economic choices, or, alternatively, squarely confronted with these, depending on the level of democratisation of each of these systems of interest representation. This would seem to open the way for political parties particularly where there are exogenous shocks threatening the existing distribution of benefits, to positively 'educate' perceptions of economic self interest.

Conclusion

A process of conversion of public bureaucracy into private pressure groups has become the central public choice perspective on the growth of the public sector, and has offered a plausible account of a tendency towards overload of the political economy of the post-war welfare states within a 'unitary' model of politics and markets emphasising the profit motive. However, such a private interest model of government is not as closed as it claims to be from the standpoint of the positivist economics, and requires to be supplemented by theories on the relative imbalance of power between political representatives and public bureaucracy. Moreover, understanding of the ability of political parties elected on a popular mandate, and the similar capacities of other types of all-embracing organisation to subordinate special interest group claims to some conception of the majority interest, and, more crucially, voluntary compliance with this, would seem to be helped by a more 'dualistic' model of collective action involving the political formulation of second-order values concerning the direction of the political system as a whole. To that extent, the economy and distributional conflicts within this may be properly treated as endogenous to the political system. The conclusion to be drawn on the present state of theorising on the political origins of the present economic crisis is that, whilst interest groups have figured heavily in the debate, the political and economic significance of provisions for functional interest representation may not yet have been fully realised and provide a means for the political regulation of demands, as well as their articulation. Thus whilst resultant economic cleavages may run counter to political loyalties, these may not necessarily be detrimental to partisanship, or the power of political parties, owing to a collective preference for maintaining a final 'court of appeal' under circumstances of pluralist politics and conflicting economic preferences. It has increasingly been recognised that bifurcated political systems have the potential for reconciling complex and conflicting economic preferences associated with the growth of group politics in the mixed economies (Jessop 1982, Cawson 1982, 10, 15-30, Harrington 1983).

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loyalties, these may not necessarily be detrimental to partisanship, or the power of political parties, owing to a collective preference for maintaining a final 'court of appeal' under circumstances of pluralist politics and conflicting economic preferences. It has increasingly been recognised that bifurcated political systems have the potential for reconciling complex and conflicting economic preferences associated with the growth of group politics in the mixed economies (Jessop 1982, Cawson 1982, 10, 15-30, Harrington 1983).

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