



# Beyond Public Choice

*Eduardo Fernández Luiña*

Today it is impossible to dissociate anarcho-capitalist philosophy from the Austrian School of Economics. Murray Newton Rothbard and, subsequently, scholars such as Jesús Huerta de Soto, Hans-Hermann Hoppe and Miguel Anxo Bastos Boubeta have made contributions of considerable value in this respect. It is here where Jesús Huerta de Soto has stood out so prominently, both within the Spanish academic world and at the international level. Understanding anarcho-capitalism as the theoretical consequence of the Austrian School's approach also opens up a line of communication with the Public Choice School. At the beginning of the twenty-first century, the illustrious journal *Review of Austrian Economics* devoted a complete issue to reflect on the connections that existed between Public Choice and the Austrian School of Economics, effectively developing a new concept known as "Austrian Public Choice." This chapter seeks to pay homage to Jesús Huerta de Soto, as well as to his work and his approach when it comes to discovering the unique characteristics of Human Action. His work goes beyond the realm of Public Choice,

---

E. Fernández Luiña (✉)

Universidad Francisco Marroquín, Guatemala City, Guatemala

e-mail: [efernandez@ufm.edu](mailto:efernandez@ufm.edu)

© The Author(s), under exclusive license to Springer Nature  
Switzerland AG 2023

123

D. Howden, P. Bagus (eds.), *The Emergence of a Tradition: Essays in Honor of Jesús Huerta de Soto, Volume I*,

[https://doi.org/10.1007/978-3-031-17414-8\\_12](https://doi.org/10.1007/978-3-031-17414-8_12)

effectively integrating the contributions made by this School into the Austrian approach.

The chapter is structured in the following manner. In the first section, we present a brief review of the development of Public Choice, as well as introducing the concept of Austrian Public Choice. Subsequently, we establish Jesús Huerta de Soto's links with this School. All of this will attest to the statements we have made above. Today, Jesús Huerta de Soto is one of the key representatives of the Austrian School and his work has been able to integrate the contributions made by Public Choice, producing some fascinating results that enable us to understand the nature of interventionism and the predatory nature of the State.

### THE PUBLIC CHOICE SCHOOL AND AUSTRIAN SCHOOL: A REFLECTION ON THE EXISTING RELATIONSHIP BETWEEN THE TWO SCHOOLS

Public Choice is an analytical school that emerged in the early 1960s in the United States. We can trace back the roots of this particular approach to the work that Duncan Black produced at the time regarding committees and their collective decision-making (Black, 1958). We might also mention the famous Impossibility Theorem developed by Kenneth Arrow (1950). While recognizing the value of these early contributions, it is obvious that the School gained momentum and shape through the endeavors of scholars such as James Buchanan and Gordon Tullock (1999), Anthony Downs (1957), and William Niskanen (2007).

If we were to summarize the purposes of Public Choice in just a few words, we could confidently state that this is an approach that seeks to analyze the political process (of power) by using conceptual instruments and analytical tools taken from the field of economics.

Naturally, over a period of more than fifty years (the Public Choice Society was founded in the early 1960s), the School has been able to generate a varied range of contributions. Notions such as *free-riding* and *rent-seeking* have become classic themes for research. We might also mention the idea of *regulatory capture*, which has undoubtedly enhanced our understanding of the decision-making process inside the state and the incapability of public policies to resolve problems that affect our daily lives.

It is important to point out that Public Choice sought to address three aspects:

- 1) First, it analyzed legal issues. In societies characterized by the application of positive law, many people believe that by changing a law we can solve a problem. Unfortunately, this is completely false.
- 2) At the same time, Public Choice also reacted against approaches that originated from the Science of Public Administration. Studies produced within this field have a mechanistic view of the bureaucratic machinery. They are based on a belief that administration is made up of a human team of individuals who answer to a decision-maker, obeying every command. The evidence shows that, in a large number of situations, this view is also incorrect. The administrative machinery is made up of individuals who possess private and clearly defined interests. And these individuals sometimes tend to disobey.
- 3) Finally, the Public Choice School reacted against the assertions of the welfare economics school of thought. The most important representatives of this School consisted of scholars such as William Baumol (1952), Francis Bator (1958) and the widely recognized Arthur Cecil Pigou (1932). These scholars directed their efforts at presenting the failings of the market in order to justify the intervention of the state in different realms, thus enhancing the capacity of coercive power to design and implement public policies. The Public Choice scholars sought to demonstrate the opposite, namely that the state and the initiatives of bureaucrats present greater failings than the market. When it comes to administrating and allocating resources, they believed that it was better to trust in market forces and the free and voluntary actions of private individuals than in the state, the bureaucracy and relationships of a coercive nature.

For all of these reasons, the Public Choice School can help to improve our understanding of human action. Nevertheless, the methodologies that the authors belonging to this movement have employed over time have been subject to innumerable criticisms. If we were to summarize the foundations on which Public Choice has been built, these would be as follows:

- 1) Methodological individualism.
- 2) Rational choice.
- 3) Politics and public policies as a process of exchange.

In the early twenty-first century the *Review of Austrian Economics* devoted a special issue to analyzing and understanding the connections that exist (or could exist) between both schools.

In 2002, Peter Boettke published a text entitled *Austrian Economics and Public Choice* in conjunction with Edward López, the President of the Public Choice Society. In this paper, these American scholars presented the differences that exist between the two approaches. For example, in the case of methodological individualism, they indicated that “Austrian and public choice economics often differ regarding the role of information in the polity” (Boettke & López, 2002, p. 112). The Austrian School believes that information is imperfect, and knowledge is dispersed. In contrast, Public Choice believes that “political agents (voter, bureaucrat, politician) act in their own interest with perfect information” (Boettke & López, 2002, p. 112).

Having said that, both authors demonstrated the existence of “common ground” with a view to designing a method that might facilitate our knowledge and understanding regarding human action. The contribution made by Sandford Ikeda in this respect is of great significance. He believes that the points of departure of one school and the other are entirely different. If we are talking about political action, for the Austrian School the key aspect is the difference between the results achieved and the results that are desired. Authors who ascribe to the Public Choice approach think in an entirely different way, believing that what is truly important is the difference between the intentions that are declared and the real intentions that lie behind the action (Ikeda, 2003, p. 65).

When we analyze the failure of public policies that emanate from the state, the conclusions we can draw are also different, as we might expect. In the case of the Austrian School, the problem has to do with results that are achieved based on the scarce knowledge that exists regarding the economy; in the case of Public Choice, this school regards the failure of the state as the result of a series of unexpected (and expected) consequences deriving from human action (Ikeda, 2003, p. 67). The conclusion that Ikeda draws is of considerable interest: while the Austrian School has an evident distrust of the state’s capacity to calculate properly, it reveals a sense of benevolence regarding the decision-maker. That is to say, the school does not perceive any untoward intentions among those who head the state. The problem is strictly one of knowledge, not perverse incentives and desire for power, status, or income (Downs, 1957).

In contrast, the adherents to Public Choice are aware of the problems that the political process entails, of the way in which asymmetrical information benefits perverse individuals who manipulate decision-making in order to obtain benefits of a private nature. Based on these conclusions, Sanford Ikeda (2003) believes that the approaches of the two schools should be combined:

- The Public Choice proponents should take into account the decentralized nature of knowledge and the subjective nature of individuals' evaluations and preferences. These are tenets that the Austrian School of Economics has advocated since it was founded.
- At the same time, the Austrian School should abandon its benevolent conception (of human nature) and its somewhat naïve vision of the state and the individuals who run it.

While agreeing with Ikeda in all aspects relating to this fusion, I believe there is sufficient evidence to state that the post-Rothbard Austrian School has already assimilated and adopted all of the contributions made by Public Choice. The works published by anarcho-capitalist authors are very clear in this respect. Murray Newton Rothbard (1977) does not believe that public policy problems solely derive from issues relating to access to information and knowledge. Perverse incentives certainly exist, as do individuals who act in their own benefit at the expense of others (taxpayers and voters). In fact, the American economist is fully aware of the evils that blight politics and the sense of perversity that surrounds the decision-making process, both of which affect regulators, decision-makers, bureaucrats, pressure groups, and voters.

The same could be said for the work of Hans-Hermann Hoppe. In this respect, it is the school's "classics" authors, figures such as Carl Menger, Eugen von Böhm-Bawerk, Ludwig von Mises, and Friedrich Hayek (although he might also be considered a transitional thinker), who might be considered the most "innocent" when it comes to interpreting the political power process and decision-making at a state level. Having said that, their "innocence" may simply have been the result of the upbringing and gentlemanly approach characteristic of the period in which these scholars published their works.

The post-Rothbard Austrian School, the one that Jesús Huerta de Soto has contributed to with his monumental work, consciously applies a realistic analysis of the predatory and coercive nature of the individuals who

run the State. For this reason, scholars such as Huerta de Soto have currently gone beyond Public Choice, offering us a better understanding of the monster that the modern state has become for ordinary people who are trying to live their lives.

### JESÚS HUERTA DE SOTO: BEYOND PUBLIC CHOICE

When he received the Juan de Mariana Award for Freedom 2016, Jesús Huerta de Soto declared that he had devoted his life to three things: (i) studying the theory of freedom; (ii) conveying and teaching its principles at university; (iii) and disseminating and promoting freedom in all fields, without any reservations or concessions whatsoever. At the same ceremony, he expressed his profound gratitude to Friedrich Hayek for his help in enabling him to join the Mont Pelerin Society, as well as recognizing the influence that Murray Newton Rothbard had exercised over him. Luis Reig Albiol was another figure who influenced him greatly, since it was in his house that Huerta de Soto first heard the term “anarcho-capitalism” in 1974.

It was after this date that Huerta de Soto directed all of his research to a meticulous study of market forces, presenting a ferocious criticism of the state. His articles are innumerable, and they have been translated into more than eight languages. His books, as many of his readers know, analyze everything ranging from entrepreneurship, saving and life insurance provisions to economic history, money, credit, and economic cycles. His research articles go even further, delving into questions such as the euro, nationalist theory from the Austrian liberal perspective, the morality and justice of capitalism and the market and, more recently, the economic effects of the pandemic caused by the virus that the Chinese Communist Party has exported throughout the world.

Alongside his publications and always linked to the realm of research, Jesús Huerta de Soto has published and run the journal *Procesos de Mercado*, one of the key points of reference for anyone committed to research along the lines of the Austrian School. In addition to his work as a researcher, he has taught widely and disseminated his teachings extensively in the form of an endless series of videos, conferences, and short opinion articles.

If there is one aspect that we should highlight about his career, it is his commitment to the methodology of the Austrian School of Economics: methodological individualism and subjectivism. However, in addition, in

the works of Jesús Huerta de Soto we can clearly perceive the difference between the declared intentions and the desired intentions of those responsible for decision-making, with this line of thought being highly tuned and compatible with what Peter Boettke, Edward López, and Sanford Ikeda define as “Austrian Public Choice.”

The intellectual and academic work of Jesús Huerta de Soto reflects a distrust of decision-makers, bureaucrats, and politicians. But it also distrusts pressure groups that seek to obtain income from their political links and relationships with politicians. His work is fully conscious of the risks that can be observed in the competitive processes that revolve around policy (*free-riding* and *rent-seeking*). In fact, all the above explains his shift to anarcho-capitalism in the 1970s. The state is the problem. And this is nothing more than an organized minority of individuals who monopolize the power of coercion. The state is a monopoly of violence. Coercion eliminates spontaneous order, drastically curtailing the development of free and voluntary forms of cooperation that favor the material and spiritual growth of individuals. In Jesús Huerta de Soto’s opinion, the state is unnecessary, and should it exist, in view of the (dual and problematic) nature of individuals, it never ceases to grow and, ultimately, it destroys freedom.

These beliefs are reflected in the thinker’s most important works, such as *Money, Bank Credit, and Economic Cycles* (2006), as well as in his research articles and academic dissemination papers. For example, in his text “Liberalismo versus anarcocapitalismo” (2007), Huerta de Soto states that “a) the state is unnecessary; b) statism (even minimal) is theoretically impossible; c) in view of human nature, once the state exists, it is impossible to curtail its power” (2007, p. 15).

Points “b” and “c” are especially interesting for our analysis. In relation to point “b,” we can state that, in effect, and fully in line with the Public Choice view, the Austrian School recognizes the distorting effect of any public policy and any coercive state measure. It is logical that the state should fail. And this is because of

- a) the enormous volume of information that it would need, information that can only be found in dispersed and disseminated form amongst the millions of individuals who take part in the social process each day. b) due to the predominantly tacit and non-articulable nature (and, therefore, non-transmissible in unequivocal form) of the information that the intervention body would need in order to provide its mandates with the necessary coordinating content. c) because the information that is used at a social level

is not “given”, but constantly changes as a result of human creativity, it being obviously impossible to convey information today that will only be created tomorrow, which is the very information the state intervention body requires in order to achieve its goals tomorrow. (2007, p. 20)

As we can see, the Austrian School goes much further by going beyond the problems that Public Choice encounters with regard to information. The following point is also of considerable interest, relating to the impossibility of curtailing the power of the state in view of the nature of human beings. This is where the work of Huerta de Soto entirely eclipses that of the early Austrian theorists, who are excessively benevolent with regard to human nature, while surpassing the analytical capacity of the Public Choice theorists:

[T]he combination of the state, as the institution that has a monopoly over violence, with human nature is “explosive”. Like a magnet with irresistible force, the state promotes and attracts passions, vices and the most perverse facets of human nature, which, on the one hand, seeks to evade its mandates and, on the other, takes advantage of the monopolistic power of the state as far as it can. Furthermore, and especially within democratic environments, the combined effect of the actions of privileged interest groups, government short-sightedness and “vote-buying”, not to mention the megalomaniac nature of politicians and the irresponsibility and blindness of bureaucrats, creates a dangerously unstable and explosive cocktail, one that is constantly accompanied by social, economic and political crises, which, paradoxically, are always used by politicians and social “leaders” to justify subsequent doses of intervention that, instead of solving problems, simply aggravate them still further. (Huerta de Soto, 2007, p. 22)

As we can observe in this passage, the fusion of Public Choice and the Austrian School is quite evident, while also demonstrating that the analytical power of the Austrian School thinker is more effective by adding the school’s subjectivism and its better understanding regarding information (disperse and imperfect) and the management and production of knowledge (totally decentralized). This helps us to acquire an appropriate and satisfactory understanding of the interventionist process, as well as the nature of the state as a political entity.

The work of Jesús Huerta de Soto goes beyond Public Choice, taking on the latter’s contributions while incorporating those of the Austrian approach. As a result, his analyses pack a theoretical punch that is quite self-evident, helping us to understand the world we live in today.



## CONCLUSION

This chapter pays homage to the magnificent and monumental work that Jesús Huerta de Soto has carried out over an academic career spanning more than forty years. Don Jesús, as we the disciples of Bastos Boubeta like to call him, has gone beyond Public Choice. He had been capable of integrating the significant contributions made by this theoretical school founded in the 1960s into the research project of the Austrian School.

His work, in line with that of one of his teachers, Murray Newton Rothbard, represents a milestone when it comes to understanding the predatory and coercive nature of the state as a political entity. In 2013, shortly after the passing of James M. Buchanan, Jesús Huerta de Soto wrote a marvelous and moving *Memoriam* in his honor. The fact is that, in spite of their methodological differences, the Spanish academic felt extremely grateful to the American scholar and held him in great esteem. The connections were and continue to be quite evident.

## REFERENCES

- Arrow, K. (1950). A Difficulty in the Concept of Social Welfare. *Journal of Political Economy*, 58(4), 328–346.
- Bator, F. (1958). The Anatomy of Market Failure. *The Quarterly Journal of Economics*, 72(3), 351–379.
- Baumol, W. (1952). *Welfare Economics and the Theory of the State*. Green & Co.
- Black, D. (1958). *Theory of Committees and Elections*. Cambridge University Press.
- Boettke, P. J., & López, E. (2002). Austrian Economics and Public Choice. *Review of Austrian Economics*, 15, 111–119.
- Buchanan, J., & Tullock, G. (1999). *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Liberty Fund.
- Downs, A. (1957). *An Economic Theory of Democracy*. Harper and Row.
- Huerta de Soto, J. (2006). *Money, Bank Credit, and Economic Cycles*. Ludwig von Mises Institute.
- Huerta de Soto, J. (2007). Liberalismo versus anarcocapitalismo. *Procesos de Mercado: Revista Europea de Economía Política*, 4(2), 13–32.
- Huerta de Soto, J. (2013, January 3). *James M. Buchanan, “in memoriam”*. Libre Mercado.
- Ikeda, S. (2003). How Compatible are Public Choice and Austrian Political Economy? *Review of Austrian Economics*, 16, 63–75.
- Niskanen, W. (2007). *Bureaucracy and Representative Government*. Routledge.
- Pigou, A. (1932). *The Economics of Welfare*. Macmillan.
- Rothbard, M. N. (1977). *Power and Market: Government and the Economy*. Columbia University Press.