Comparative Analysis of Decision Making Entities
Much debate and research has been conducted on the topic of how and why political production should take place. Topics ranging from how political decisions are reached to what should be produced politically to who should pay and everything in between have been argued and studied for millennia. Many different political institutions have been theorized and put into practice, with varying results. The purpose of political production is usually given as solving market failures. From providing public goods which the market would underprovide to coping with externalities which the market would ignore, market failures seem to abound which necessitate a government. To judge and plan governmental action, models are used which account for the market failure and what political actions can be taken to resolve the failure. Comparative institutional analysis has been used to take into account the realities of how political decisions work in the real world, in order to make modeling market failures and political action more accurate.

Government is the institution used for collective, coercive decision making. This is due to its comparative advantage in coercion. Political production can be facilitated by a political entrepreneur or by different groups of individuals. The entrepreneur acts alone, for his benefit, while political production done by groups can benefit either their own interests or the interests of others (potentially including society as a whole). The general model of government intervention in the market was that government only intervenes when it is necessary, and that the government does a good job of correcting market failures. Other assumptions included production taking place via a benevolent dictator and decision making by self-interested individuals who become benevolent humanitarians when making political decisions. Buchanan introduced the idea of government failure, destroying the notions of perfect decision-makers and perfect policy application.
Political production has many potential weak points. It is not likely, for example, that the administrators of governmental action will be immune to bribery and corruption. Bureaucrats, judges, and other political decision makers do not have strong incentives to make correct decisions. Those who have the opportunity will want to use political production to serve their own private ends, rather than correcting market failures. Different political decision making arrangements have their own specific weaknesses, as well.

Democratic methods of decision making have many intrinsic problems that are unique. Making optimal decisions in a democracy requires choosing between many different possible voting rules. It has been shown that outcomes can be determined simply by controlling the agenda. Voting itself is full of problems. Generally, private goods are oversupplied while public goods are undersupplied—counter to the reasoning for government’s existence.

Voting is the distinguishing characteristic of democratic political decision making. Yet it suffers from many flaws which make it undesirable. Voting is costly. It takes time and money to produce ballots, conduct elections, and count ballots. Extreme amounts of money are spent trying to capture political offices. Voters must take time to prepare for and conduct voting. In addition, voting is subject to fraud and manipulation. Agenda setters can control what the outcomes of a vote can be, while those willing to cheat can ensure that the vote tallies wind up in their favor. Voting is conducted anonymously, giving voters the ability to steal from others via political actions without having to own up to their wickedness. Individual voters have nearly no incentive to be well informed or to make correct decisions. The voters face extremely small costs if their decisions are wrong, but
face large gains if they get political actions approved which benefit their group.

Another undesirable trait of democracy is that due to the impersonal nature of democracy, no individual or group is entirely responsible for outcomes of political production. Instead of directing anger at the cause of some particular wrong in society, in most cases the government (and political classes) itself, individuals and groups turn their anger toward each other. Moral and philosophical differences become divisions which cause strife and hatred in society. Cheating the government, e.g. by not paying taxes or shirking onerous regulations, is considered immoral by most of society. Everyone and everything is up for grabs in a democracy; nothing is off limits.

The political class is highly transitive in a democracy. This causes incentives to disregard the long term outlook of the society in favor of politically expedient measures which pay off in the short run at the expense of the future. Economic problems caused by political actions are blamed on previous politicians, and dealing with those problems is left to future politicians. Special interests find it easy to advance their private agendas due to the needs of politicians for vast amounts of money to spend on election campaigns combined with the nonexistent personal costs to the politician of enacting special interest policies. This leads to extreme amounts of legislation, much of which ends up being broken or disregarded by the public. In turn, this engenders a general disregard for the law, since there exists no distinction between natural law and governmental legislation.

Large bureaucracies are created in order to interpret and enforce government legislation; these bureaucracies introduce their own set of problems. Bureaucrats will not tend to innovate. Their decisions will follow established protocols and methods. This is due to the incentives in a bureaucracy; those who innovate and produce a negative reaction are
singled out, while those who maintain the status quo do not face repercussions or backlash. Given the negative consequences of democratically determined political outcomes, it might do to consider another form of decision making. Given that models of optimal government behavior when correcting market failures assume a benevolent dictator is at the helm, consideration should be given to this method. After all, if competing interests are in control of a government, the outcomes may be quite contrary to what either group wishes; the outcome will likely be inefficient and wasteful. In practice, however, it may well be impossible to find a dictator with benevolent intentions. This is especially true since the requirements for becoming a dictator usually include ruthless behavior and extreme narcissism. Monarchs could also fit into this classification of sole decision makers.

Monarchs are not immune from the weaknesses of other humans, however, and could still turn out to be as malevolent as any dictator. They could also turn out to be as kind as Mother Theresa, and truly have the best interests of their subjects at heart. A monarch might, then, fit with the presumed model of what an optimal government undertaking to provide public goods should rightly look like.

The major issue of sole decision making in political production is similar to that of a firm; it is the principal-agent problem. The question of how to get the desires of a worker to match those of a firm is of vital importance to market producers; the same is true of political producers. The answer, for the firm (at its highest level) is to give its Chief Executive Officer (CEO) stock options. These stock options mature in the future, and can be extremely profitable for the CEO- provided he can increase the stock price of the firm. The CEO then has an extremely strong incentive to undertake actions which will make the firm more valuable as this will lead to large earnings for himself.
Stock options have not ever been issued for a government, however the incentives and mechanisms are similar for the monarch as they are for the CEO. Since a monarch is entitled to a share of the revenues made for political production activities, he has an interest in making sure the total amount available to be appropriated to the government is large and grows. If the economy under a monarch experiences growth, so will the monarch’s income. His interests are therefore aligned with those in the market who wish to maximize their incomes. In this way, monarchical government is much more likely to be aligned with the interests of the individuals in society than would be a democracy.

There are other benefits to a single decision making entity controlling political production. The monarch is ultimately responsible for all the decisions of his government. Everyone knows with certainty from whom a hated tax or regulation comes from; their anger will doubtless be directed at the monarch. As sole decision maker, the monarch can be responsive to the desires of society. He can enact new policies quickly, he can end them just as quickly. Voting issues are not present in a monarchy; wasteful spending on campaigns would serve no purpose. A monarch will not experience the problems of a divided government’s natural wastefulness.

The government of a monarch would be as small and efficient as possible. Since the monarch is entitled to all of the leftover revenue, tax collection would be simple and cost efficient. For this reason, he would not wish to employ an army of bureaucrats. Every intervention in the marketplace would cost the monarch, personally and directly. Every restriction that reduced output and trade would cost him money. Every extra government worker or superfluous program would cost him money. Assuming nothing but self-interest, the monarch is not very likely to undertake political actions which are costly.
The monarch is not therefore, likely to favor one group over another. Aside from the damage this would do to his popularity, and the damage done to the future value of revenues, the direct cost to the monarch would make the action unprofitable. If the monarch begins providing private goods to certain groups, he will have to increase government expenditures, hire bureaucrats, and eventually extend more privileges to more groups as they demand preferential treatment.

An underproduction of public goods, however, would lead to negative results as well. Popular anger against the monarch would swell if he failed to provide adequate national security, for instance. Therefore the monarch must provide a basic functional level of services. He must do this both to appease his subjects, but also to retain legitimacy. If the monarch provides no public services or services so poor they do not function properly, the individuals would have no reason to pay taxes.

A monarch is also more likely to apply just rules for taxation as well. Since he will wish taxes to be (or at least seem to be) as non-burdensome as possible, he would do well to structure his taxes in accordance to Wicksellian principles. Taxes would also be much lower, since the population would tolerate less taxation and the monarch could be very wealthy even with a very low tax rate. Cheating on taxes would not likely be viewed as harshly as in a democratic society; more liberty would be the result.

Government under a monarchical ruler would not have the right to appropriate anything and everything it desired. Since its only duty would be to provide public goods, it would only be entitled to enough revenues to serve those functions. The monarch would have no right to confiscate land from private owners for 'public use'. This limit on his power to tax and steal would constrain his policy choices even further. Government
workers would likely be seen for what they are: parasites on society, living off of the productive activities of others.

Some of the issues involved that make democracy so unappealing could possibly be resolved; for example, raising the voting standard towards unanimity would keep special interests from dominating. This would only work, however, if political representation was eliminated and every political decision made through direct voting. This, unfortunately is extremely unlikely, as it requires both the willingness of politicians to give up their power and the unrealistic expectation that making decisions in this manner would be efficient. Comparatively, the institution of monarchy is clearly far superior to that of democracy. Every political decision which rests on coercion is suboptimal. Every system devised for political production has flaws and experiences government failures. The only true solution is to prevent political production in the first place.