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Whose values? The Rise, Fragmentation and Marginalization of Collective Choice in Postwar Economics, 1940-1981

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1. Introduction

Collective decision is a subject conspicuously absent from most economics curricula today. The few courses dealing with the subject are usually labeled as "social choice," "social choice and mechanism design," "social choice and game theory."[1] One exception the set of lectures offered by economists Laslier and Perez at the French Ecole Polytechnique, titled "theory of democratic collective choice".[2] Paradoxically, the prospective student looking for an economic analysis of collective decision processes should better turn to political science departments, where "public choice" or "collective choice" courses featuring lectures on "the logic on collective decision," voting rules and government behavior are proposed.[3] Also, such courses are sometimes required to complete a degree in philosophy.[4] While the reading lists of all these courses systematically refer to economists' work such as Kenneth Arrow's *Social Choice and Individual Values* (1951) and Duncan Black's 19?? *The Theory of Committees and Elections*", James Buchanan and Gordon Tullock's *The Calculus of Consent* (1962) or Amartya Sen's *Collective Choice and Social Welfare* (1970), it seems that economists have never been able to domesticate and incorporate collective decision into their mainstream, as suggested by the lack of reference to the issue in public economics syllabi.[5]

The purpose of this paper is to study economists' interest in collective decision processes. It

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1 See for instance http://economics.sas.upenn.edu/undergraduate-program/courses/econ-211-social-choice-theory
2 http://eduardo.perez.free.fr/TeachPolecon/syllabus2012.pdf
3 1 See James Snyder's "collective choice" course at MIT: http://ocw.mit.edu/courses/political-science/17-812j-collective-choice-i-fall-2008/syllabus/ . See also Bryan Caplan's course syllabus: http://econfaculty.gmu.edu/bcaplan/e854/econ854.htm
4 http://philosophy.columbia.edu/content/major-requirements
5 See for instance lectures by public economists Emmanuel Saez (http://elsa.berkeley.edu/~saez/course131/course131.html) and Raj Chetty(???) , Clark medalists in 2009 and 2013 respectively.

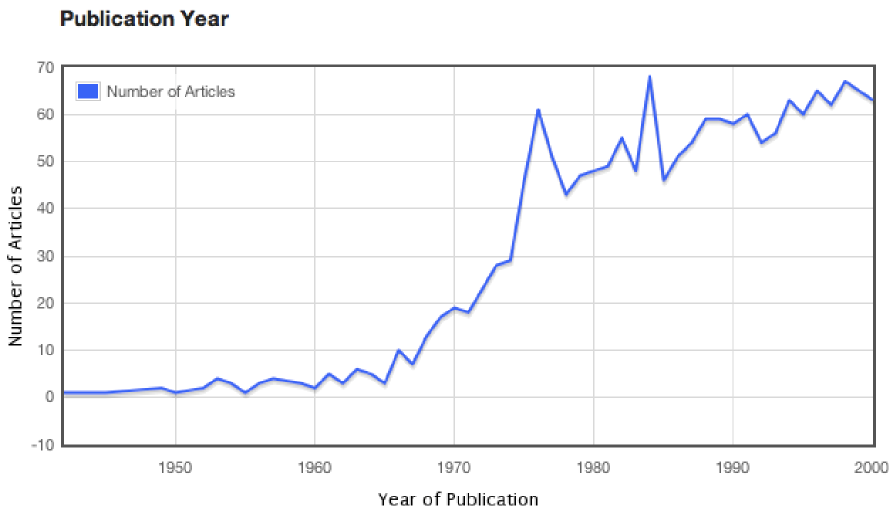
studies how the concern for collective decision emerged among economists in the late 1940s, flourished during the 1950s and 1960s, then fragmented and became marginal within the academic discourse from the late 1970s onward. Several historians have associated the rise of collective decision in social sciences with the Cold War. Amadae 2003, for instance, claims that grounding democratic processes and public policy-making into rational choice theory was a deliberate move by a small set of economists and political scientists associated with RAND to rescue the foundations of American democracy from the Soviet threat. We believe that such narrative misconstrue the identity of postwar economists. Rather than philosophers, they were practitioners increasingly involved in the daily business of policy design and evaluation, so that even most theoretical works were informed by practical policy-making concerns. Therefore, we argue that economists' interest in collective decision emerged in the late 40s and 50s as a response to the value dilemma they faced when designing, discussing, and defending or condemning economic policies. This required working with normative criteria at a time when the pressures of natural scientists, conservatives, McCarthyites and liberal politicians alike commanded the pursuit of "value-free" analysis (section 2). This concern with collective decision in public bodies, groups, firms, parties, etc. flourished in the 60s as economists faced the challenge of legitimizing or de-legitimizing government intervention in an age of domestic conflict (section 3). As economists' practices stabilized around the use of social welfare functions with different shapes within general-equilibrium models of government intervention, the precise study of collective decision was institutionalized in specific fields – public choice and social choice – which were pushed to the fringes of the discipline (section 4).

2. Wars, value dilemmas in policy-making and the emergence of collective decision

Individuals, the market and the benevolent planner

As shown by the graph below, which features the number of articles using the word "collective decision" or "collective choice" in the JSTOR economic journals, collective decision was not on economists' mind at all before the end of World War II.[6]

[6] Data provided by dfr.jstor for a search on "'collective decision' OR 'collective choice'" with selection criterion Discipline=Economics and Article Type=Research Article



In the interwar years, economists were debating the relative merits of those systems coordinating producers and consumers' plans through the adjustment of prices (markets) or through a central planner's decisions (socialist planning). The values underpinning such policy decisions were openly discussed: Abba Lerner 's conclusion that state intervention should be rooted into consumer sovereignty was challenged by Maurice Dobb and Oskar Lange, the former arguing that individual preferences should be sidestepped to the benefit of transcendental values (see Peart and Levy 2008 for an overview of these debates). Whether it was the task of the economist to discuss such values was also a matter of debate. On the one hand, Abram Bergson (1938, 323 and ft2), then a young Harvard PhD, regarded “the determination of prevailing values for a given community [as]...a proper and necessary task for the economist,” and Georges Stigler (1943) more explicitly urged economists to venture beyond the boundaries of positive economics and discuss “applied ethics.”[7] On the other hand, many economists agreed with Lionel Robbins's 1932 admonition that they should shy away from working with values and, more specifically, with his dismissal of interpersonal utility comparisons.[8] John Hicks and Nicholas Kaldor, among others, consequently developed what would later be called a “New Welfare Economics,” in which Pareto and Barone's definition of an optimal allocation of resources was extended to situations in which welfare losses could potentially be compensated by wealth transfers. Representing individuals' preferences as ordinal utilities, they derived conditions for the maximization of welfare (equalization of marginal rates of substitutions, of marginal costs and prices) without comparing individual utilities directly.

[7] “At the level of economic policy, then, it is totally misleading to talk of ends as individual and random; they are fundamentally collective and organized...the economist may properly exceed the narrow confines of economic analysis. He may cultivate a second discipline, the determination of the ends of his society particularly relevant to economic policy.... applied ethics” (Stigler 1943, 358).

[8] Robbins ([1932]1935, 137) argued, for instance, that the economist should refrain from making statements such as “transfers from the rich to the poor will increase total satisfaction.”

As made clear by the socialist calculation debates, an “organicist” (to use Buchanan’s terms) view of the State then prevailed, so that the values guiding its action were not conceived as deriving from individual choices. Economists' concern was thus not to question the legitimacy of the social planner's objective function. Their technical apparatus aimed at evaluating the effect of such and such policies on citizens' welfare, so as to study the comparative merits of public-policy and market outcomes. It was the objective that Bergson had in mind when he constructed his social welfare function. In his 1938 article, he introduced it as a tool for “stat(ing) in a precise form the value judgments required for the derivation of the conditions of maximum economic welfare.” It took all possible variables which could influence people's welfare and returned a ranking in which all configurations of the economic system were unequivocally considered 'better', 'worse' or 'indifferent' to others. Economists' value judgments subsequently imposed further constraints on the shape of this function, and enabled the determination of optimal conditions to be reached, he explained. Paul Samuelson, who had graduate from Harvard in these years, subsequently devoted the 8th chapter of his thesis – later published as *Foundations* (1947) – to the examination of such “value judgments.” He focused on consumer sovereignty, cases where prices were not included in the explanatory variables or where quantities consumed were comparable across families, and “a more controversial value judgment... that the welfare function is...symmetrical with respect to the consumption of all individuals” (Samuelson 1947, 224-227).

A few economists attempted to relate policy objectives to individual preferences and choices, but they eventually concluded that such exercise either fell outside the boundaries of economics, or was too abstract and impractical as a guide for policy-making. Inspired by the continental tradition of Adolph Wagner, Antonio De Viti De Marco, Knut Wicksell and Erik Lindahl, the newly emigrated Richard Musgrave (1939) considered a more integrated theory of taxes and public expenditures that would emphasize a “voluntary exchange” relationship between the individual and the state rather than the traditional “ability-to-pay” vision characteristic of American public finance theorists, such as O.C. Brownlee and Allen, Hugh Dalton, and Henry C. Simons. Yet he quickly abandoned such approach he found of “little practical significance,” if only because individual were in practice *constrained* to pay taxes, and because of the underlying competitive price assumption. A “planning approach” to public finance was preferable, he reflected. Problem was, this approach raised the question of how individual tastes would be combined into the “social value scale” necessary for the determination of taxes by the planner. Such issue was one for psychologists, he warned, so that economists should take collective wants as given.[9] Finding out the optimal provision of public goods similarly led Howard Bowen to inquire how public decision could be made consistent with individual preferences. One solution was to resort to the voting process, that he (1943, 33) considered as "the closest substitute for consumer choice." Bowen identified some voting procedures in which the decision of the "modal vote" approximated the optimum allocation point, and others in which the inability to reveal information led to suboptimal results. Overall, he concluded that majority voting was often unreliable, sometimes "hopeless" and "virtually useless." They "can seldom be regarded as an unequivocal indication of public desires," he lamented. If "legislators, elected or appointed administrators, dictators, etc." wanted to find out "the points of intersection between the curves of total marginal substitution and average (or marginal) cost," they should better resort to other types of revelation mechanisms such as "polls, questionnaires, interviews, budget investigations, and other devices involving samples" (pp. 42-43).

Intellectual debates on the proper values to guide government intervention – and on the legitimacy of economists in discussing these – were however swept aside by the outbreak of World War II, the reconstruction and the ensuing mounting of Cold War tensions. In the United-States where many European economists found refuge, 1939 opened an era when the legitimacy of government planning was never questioned. Public expenditures rose from $9.5 billion to $93 billion in 1945, from 12% of the GDP in 1942 to 42.1 in 1945 (CEA 2008). Overnight, the government found itself in charge of devising new weapons (aircrafts, radars, nuclear bombs) and efficient ways to use them against the enemy, allocating national resources to organize production efficiently on an unprecedented scale, funding the war effort by levying taxes and borrowing, and preventing prices from soaring. Whether in charge of identifying the right amount of taxes at the *Treasury* (Friedman) or at the *Department of Commerce* (Bowen), of containing inflation at the *Federal Reserve Board* (Musgrave), of improving resources allocation and quality control at the *Office of Strategic Services, the Statistical Research Group* (Friedman, Stigler, Savage) or at the *National Planning Board* (Samuelson), virtually every economist in the United-States was suddenly thrown into the daily business of policy-making, compelled to identify the proper means to fulfill the government's ends. While most of them were not prepared to endorse Gunnar Myrdal's claim that economists should work with explicit value premises, they nonetheless reluctantly acknowledged that some values were necessary to guide their policy analysis and shared his idea

[9] "A theory of determination of group preferences is an important part of a general theory of social want satisfaction, but it may be separated from the economic problem of planning for the satisfaction of collective wants," he reflected (Musgrave 1941, 323).

that they could rely on the consensus found in the American society.[10] Musgrave (1948, 388) kept discarding the “social philosophy” problem of the determination of ends, but nevertheless retained as a policy objective “the requirement of a tax structure which is ‘good’ in the sense of contributing most to the maintenance of high employment and price-level stability,” one he believed consensual and minimal. Milton Friedman, who had worked with a Keynesian income-expenditure framework during the war, similarly opened his landmark 1948 paper “A Monetary and Fiscal Framework for Economic Stability” with the statement that: “the basic long-run objectives, shared I am sure by most economists, are political freedom, economic efficiency, and substantial equality of economic power” (Friedman 1948, 246). And while Samuelson (1947, 224-227) acknowledged that getting rid of values was a “delusion,” he contended that the values usually imposed on the government's social welfare function were “more or less tacitly acknowledged by extremely divergent schools of thoughts,' and “characteristic of much modern thought of the last century… typical of the beliefs of the classical and neo-classical economists.” Economists' claim that the values guiding their policy work reflected a wide consensus among American citizens did not however shield them from growing suspicion as the country entered a Cold War.

Policy-making, value suspicion and economists' dilemma

The war demonstrated that the country had survived the high levels of deficits and debt and that a controlled economy could yield powerful results. President Truman’s Fair Deal, which offered to warrant a certain level of economic security, consecrated the government's new economic role. It was given the responsibility of economic stability and the containment of inflation and unemployment by the Employment Act of 1946, which created the Council of Economic Advisers and the Joint Economic Committee establishing economists as forecasters, then policy-advisors during the Korean War (Bernstein 2001, Backhouse 2010). But it was the Cold War that made macroeconomic stabilization as well as the quest for efficient production management an emergency. The new tools developed by economists, from Cowles Commission's structural econometrics and large macroscale models to Charles Hitch and Roland McKean's system analysis-based Planning-Programming-Budgeting System, aimed at providing scientific, rational and quantitative foundations to government planning (see Mirowski 2002, Amadae 2003, Jardini 1996). But discussing policies with such methods inescapably required specifying the government's

[10] In his landmark analysis of the causes of racial discrimination, *An American Dilemma* (1944), Myrdal brought up the values premises (what he called the “American creed”) of U.S. society, namely the democratic ideals that allegedly formed the heart of American institutions, in order to show how segregation was incompatible with such creed.

objective function, that is, a criterion on which alternative courses of actions could be evaluated. By the early 50s, the attempts by new welfare economists to perform comparisons on the sole basis of Pareto optimality were perceived as a failure. "Concretely, the new welfare economics is supposed to be able to throw light on such questions as to whether the Corn Laws should have been repealed," Samuelson (1947, 250) wrote, only to point out that it "gives no real hue to action." In "practice, if pushed to extremes, this somewhat schizophrenic rule (make a distinction between the pure analysis of the economist and his policy recommendations qua citizen) becomes difficult to adhere to," he therefore complained. Similar concerns were expressed by the RAND graduate student Kenneth Arrow, who explained in a 1950 summary of his research on "social choice" that the new welfare economics based on Pareto optima criteria "cannot be used as a guide to social policy." "There is no prescription for action unless there is some principle by which society can make its choice among attainable income distributions," he warned (Arrow 1950, 329). Kenneth Boulding (1952, 1) likewise insisted that "the contribution of welfare economics to the discussion of economic policy...is not too encouraging," partly because it is not "a realistic guide to social policy."[11] As economists reluctantly acknowledge, then, the scientific management tools developed during the War and the Cold War did not suppress the need to work with values.

But in the context of the Cold war, the values economists worked with came under close scrutiny. Keynesian scholars were increasingly suspected, such as Bowen, then chair of the department of economics at the University of Illinois (see Solberg and Tomlinson 1997), and econometrician Lawrence Klein, an avowed communist who flew to Cambridge, UK, in the early 1950s. Textbooks spreading Keynesian ideas, such as Lorie Tarshis's and Samuelson's *Economics* were also attacked (see Giraud 2013). Economists' perceived endorsement of collectivist policies derived, in large part, from their previous participation to New Deal policy initiatives involving social welfare regulations, labor relations, social security, and agricultural planning. Economists' perceived ideological biases were not merely condemned by politicians and McCarthyites. As new regimes of scientific funding emerged, natural scientists such as MIT physicians Vannevar Bush and Karl Compton routinely pointed to social scientists' inability to produce value free knowledge. In spite of efforts by social scientists, among whom the NBER economist Wesley Mitchell and the agricultural economist Edwin Nourse, to advance the idea of an essential unity of natural and social sciences, the *National Science Foundation*, established in 1950 to allocate and oversee public

[11] "I doubt if a knowledge of the Seven Marginal Conditions has ever proven of any value to the statesman, and an intoxication with the ideal of marginal cost pricing might mislead him severely. On wonders even if the Paretian welfare economics has come up with anything as practically useful as the famous Pigovian proposition that Smoke is a Nuisance" (Boulding, 1952, 32)

funding for science, did not support social sciences (Solovey 2013). Public suspicion extended far beyond social scientists' practices. What was targeted was the very idea of government planning which was associated with a Soviet-like means of social organization.

Economic policies were thus inescapably dependent on values, economists reluctantly acknowledged. But whose values?, politicians, natural scientists, public decision-makers and citizens asked them. It seemed that economists couldn't get away with Samuelson's (1947, 221) cautious statement that “without inquiring into its origins, we take as a starting point for our discussion a function...which is supposed to characterize some ethical belief – that of a benevolent despot, or a complete egoist, or 'all me of good will', a misanthrope, the state, race, or group mind, God, etc.” Faced with such value dilemma, the idea that the values underpinning public policies could be derived from a collective choice by citizens became appealing. The state was not forcing an idiosyncratic notion of “public interest” onto citizens; it was implementing their collective choice for such and such policy. Economists from a wide range of methodological and political orientations agreed that policy ends should be derived from some sort of aggregation of individual preferences. “State decisions are, in the final analysis, the collective decisions of individuals,” that is, the state had “no ends other than those of its individual members,” James Buchanan (1949, 498) wrote.[12] Such view was shared by scholars with radically opposed political leanings. In the book derived from a Yale “planning” seminar that, a sign of the times, was rebranded as a “critique of planning” one (Lindblom 1997), political scientist Robert Dahl and economist Charles Lindblom (1953, xxi) asked “what are the conditions under which numerous individuals can maximize the attainment of their goals through the use of social mechanisms?” Such vision was also echoed by Arrow. Collective choice ought to be built solely in the basis of individual preference, he argued, thereby rejecting “mysticism” and “the organism approach to social problems” (Arrow 1950, 133). In his famous theory of public expenditures, Samuelson (1954, 387) later used the same words to dismiss the existence of “mystical collective mind.”

[12] A Jstor search indicates that from 1940 to 1950, only 14 papers used the wording “collective choice” or “collective decision”. And none of them except Buchanan’s paper were the work of an economist using such wording to characterize the state as such. Other papers used the wording to characterize individuals being coordinated, for instance when referring to the saving behavior. Interestingly, collective decisions were addressed before 1940, for instance by Musgrave (1939).

Social objective functions derived from the aggregation of individual choices? The emerging concern with collective decision

If policy ends were to be grounded in individual preferences, then two questions had to be answered: whether individual were characterized by similar or conflicting values, and what was the appropriate mechanism whereby individual preferences could be aggregated into a common social objective. Because they were drawing on political science as well as economic insights, Dahl and Lindblom were able to consider a large range of collective decision processes "through which the… values… can be maximized whenever scarce resources are significantly involved" (54). More specifically, they listed the market, polyarchy (democracy), hierarchy, and bargaining.[13] A few economists began to analyze processes other than the market whereby individual preferences could be aggregated. Against the former pessimism of Bowen (1943), the Scottish economist Duncan Black (1948, 1959) demonstrated that simple majority voting could yield interesting results for those looking for optimal decisions. His goal was to "contribute to the development of the theory of trade-unions, the firm, and the cartel; and to provide the basis for a theory of the equilibrium distribution of taxation or public expenditures" (Black 1948a, 23).[14] He explored committee decisions following a simple majority rule, under the restrictions that individual ordinal preferences were single-peaked. Under these assumptions, the result of the political equilibrium, defined as the collective ranking derived from individual ones, would lead to the choice corresponding to the one of the median voter.[15] With such an approach, the criterion to assess the rationality of a collective choice was shifted away from Pareto and traditional welfare economics. Here, a rational collective choice would elect the candidate that "stands highest on the average on the electors' schedules of preferences" (Black 1949, 159). Several other economists turned to the study of voting mechanisms during the 50s (see for instance May 1952, McGarvey 1953, Farquharson 1956). They would however work within a very specific framework, one developed by Arrow at Chicago and Rand in the late 40s and set forth in his *Social Choice and Individual Values (1951)*. The core of his monograph was an (im)possibility theorem which stated that no collective choice could satisfy the rationality conditions *and* another set of five conditions further restricting the domain of collective choice—for instance that the social welfare function should not be imposed on individuals or be

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[13] For instance hierarchy could "be used to remedy the deficiencies of the price system" (213).

[14] Note that Black wasn't focused on the competition of political parties, but chose as illustrations many different situations, such as the choice of college curricula, the "proposal… to establish a to factory manufacture a certain good" (1950, 511), or choosing a certain price for a product, the "output for a certain period, or the wage rate of labor, or the height of a particular tax, or the legal school-leaving age" (1948a, 24).

[15] The commonly accepted story tells that this result came to Black almost as a revelation as he was playing around with diagrams, at Warrick Castle in February 1942, while "firewatching in case of air raids" (e.g. Amadae 2003).

dictatorial. The greatest impact didn't however come from this negative result, which Arrow's colleague immediately tried to sidestep (see Baumol 1952 and Kemp 1953), but from his representation of individual preferences as a complete and transitive ordering – a formalization he took from his reading of Tarski's logic –, and more broadly, from the new intellectual framework and associated language he put forward in his monograph. Although the continuity with the problems of new welfare economics was emphasized, Arrow displaced its focus from the definition of a collective welfare criterion to the issue of how society choose the value-judgments which shape the Bergson-Samuelson function, with the new vocabulary of "social choice."

Thinking about collective decision thus had an uncertain beginning. Black's analysis notwithstanding, most early contributions pointed to difficulties encountered in the identification of a efficient and implementable mechanism to aggregate individual values. To Arrow's theoretical impossibility, Bowen, Musgrave and Samuelson all added, at different degrees, concerns with information revelation. Samuelson's (1954) 3-pages-long paper on the theory of public expenditures, in particular, made it very clear that economic agents had interests in lying about the information needed to identify the optimal amount of public good to produce. By and large, the various attempts to present the government's policy ends as the result of a collective decision process still essentially rested on the idea of a consensus. The similarities of individuals' values and the resulting stability of the American society were systematically emphasized. Dahl and Lindblom argued that, because of some kind of "social indoctrination," citizens shared a common set of values which encompassed freedom, rationality, democracy, subjective equality, security, and progress.[16] Arrow (1950, 339) conceded that the five conditions restricting the domain of social choice were value-judgments, but they were "apparently reasonable" expressions of "the doctrines of citizens' sovereignty and rationality in a very general form" (Arrow, 1950, 339).[17]

A sign that the defense of specific theoretical tools and practical voting procedures was associated to a set of purported "consensual" values, those few economists who fought the existing moral consensus within Western societies also rejected all the aforementioned collective decision

[16] Lindblom (1997, 246) remembers that the wide majority of political scientists in the 1940s and 1950s relied on a set of undisputed axioms, among which the notion "that stable governments requires the consent of the governed; that some degree of agreement on values, at least among elites, is necessary for stability." According to Smith (1997) although these studies of political behavior re-emphasized the role of the individual, they shifted from "an emphasis on scientific analyses (of systems [David Easton], group politics [Robert Dahl], and incrementalist decision-making [Lindblom])… to explicitly normative efforts to further democracy" (Smith 1997).

[17] For instance, "we certainly wish to assume that the individuals in our society be free to choose, by varying their values, among the alternatives available," he wrote (p. 338).

processes. Against the growing reliance on government intervention and the defense of democratic vote, some scholars attempted to reassess the benefits of market mechanisms and rethink the conditions under which public intervention was legitimate. Several of them, including Frank Knight, Aaron Director, Friedrich Hayek and Milton Friedman gathered at the Mont Pelerin, Swiss in 1947 to create an international society aimed at reviving liberalism, and converged to Chicago where, at the same time, President Robert Hutchins greeted favorably the establishment of a "Free Market Study" (Mirowski and Van Horn 2011). Moreover, a graduate student of Frank Knight, Buchanan set to counter the emerging tendency to revamp government intervention as the consequence of a collective decision process reflecting and respecting individual preferences. In 1954, he criticized Arrow's confusion between the construction of a social welfare function and the concrete *process* of collective choice: the impossibility theorem could only apply to the market or majority voting if they were considered as a social welfare function, which, as *processes* of collective choice, they were not. Thus, Arrow's notion of collective rationality came down to thinking the group with the properties of an individual, which was inconsistent to Buchanan and stood as another illustration of the "organismic" approach to the state that Buchanan had criticized as early as 1949. A defender of individual freedom, Buchanan had advocated the development of an individualistic outlook to public finance, once rejected by Musgrave and others during the war, and, which implied a *quid pro quo* relationship between the individual and the state. The problem, now, was to evaluate which process might reflect best the preferences of individuals. For Buchanan, the market's allocative efficiency ensured that preferences would be satisfied, while Arrow's impossibility stood as a "desirable" protection of freedom in a constitutional democracy by generating cyclical majorities that allowed for experimentation, avoided stalemate situation, and limited the problem of the tyranny of the majority.

On the whole, it appears that economists' interest in collective decision was tied to their concern regarding the redefinition of their role within society, that is, regarding the adaptation of their practices and prerogatives –in particular their discussions and definition of policy-making-- to the changing intellectual landscape. Of course, as others (Amadae 2003) noted, the Soviet threat loomed in the background, but economists were not motivated by philosophical reflections regarding the salvation of American democracy only. Black argued that the positive analysis of various voting procedures would help the economist perform the normative task of selecting the one that would yield the most consistent collective choice. His writings also display a sheer concern with the implementable aspects of the voting schemes he favored.[18] Divergent visions of the role of the economists were also at the heart of Buchanan's disagreement with welfare economists. His sustained correspondence with Samuelson in the 50s enabled him to spell out more clearly such disagreement (Marciano 2013). The bone of contention was the possibility to reveal individual preferences. Buchanan (1959, 124) argued that Samuelson's view of the economist as omniscient should be replaced with "a presumption of ignorance." Patero-improving policies only exist in the mind of the economist until the existence of such situation is revealed through the <u>unanimous</u> agreement of citizens on the policy to be implemented, an idea he took from his reading of Wicksell.[19] Buchanan's vision of collective decision-making, although still on the fringe of mainstream economics in the 1950s, aimed to reassert the central place of the individual and the market within American society, which, as Cravens (2012, 127) commented when addressing the development of the social sciences at the time, was "a convenient ideology for a nation fighting the Cold War", supported by patrons such as the NSF (see also Amadae 2003). This line of inquiry was part of a broader movement within the social science.[20] Another offspring was the "behavioral revolution" which induced political scientists to shift their attention away from the study of governments, legal structures and large political units and to focus on the explanation of individual political behavior, which involved culture, opinions, and interests groups (Dahl 1961, Adcock and Bevir 2010, Cravens 2012).

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18 Black (1949, 173) offers to design a voting card gathering individuals' own ordering so as to build a matrix that can tell us what is the rational collective choice, from the points of views of both the exhaustive voting process (majority criterion) and the net surplus criterion: "The voter would mark his ballot paper and the information on it could be transcribed by a series of holes punched on a separate card or perhaps on an extension of the ballot card itself. When this had been done the process of counting and writing down the matrix would occupy only a very short time. There seems to be little doubt that both the punching of holes and the counting could be done by electrical machinery… Elections conducted on this basis (and using either of the criteria we have given) would have a number of advantages. Voters would find no difficulty in recording their preferences; and the method would take into account, so far as can be done, their entire felt attitudes. The presiding officer at the election would find the procedure straightforward. When electrical machinery was employed the result would be quickly obtainable. The matrix would give the complete picture of the voters' preferences. It would elect a candidate on a rational basis of choice. The grounds of election would be quickly visible to all and would command confidence."

19 On balance, Wicksell's proposal hardly seems more impractical and unrealistic than many of the more sophisticated modern proposals for the application of the marginal cost pricing rule," he concluded (Buchanan 1952, 178).

20 For instance, a number of social scientists were increasingly aware that the recent development within the American society and politics couldn't neglect such a topical question. For instance, the sociologist Kimball Young as early as 1945 thought that the growing control of the state, in the form of "a host of controls which are quite alien to the traditions and customs of our national society," would influence the relations of individuals to the state, and therefore, the subject matter of sociology (493).

3. Government intervention, individual preferences and collective decision in an age of domestic conflict

In the early 50s, economists generally acknowledged that some "minimal" and "consensual" values were necessary to guide the policy analysis that economists were increasingly asked to perform, and that these should be derived from some aggregation of individual preferences. With a few exceptions, they were yet not prepared to agree that determining these collective ends was part of their job, and tended to rely on the idea that a value consensus was to be found in the American society. From the mid-50s onward, positive and normative analyses of collective decision processes, in particular voting mechanisms, flourished. These were associated with heated discussions of whether the economist is able to identify, formulate or orient the result of such collective decisions, and whether agents are characterized by similar or conflicting preferences. Such debates echoed the profound changes in an American society increasingly dominated by domestic conflicts, which made the appeal to a "social consensus" to guide policy-making more difficult.

Collective decision as a legitimate object of study for economists?

Economists' growing interest in collective decision mechanisms was characteristically illustrated in the most prominent synthesis on public policy of the decade, Musgrave's *Theory of Public Finance* (1959).[21] The book devoted space to discussing democracy and voting, which Musgrave (1959,74) justified by the confession that "I have reversed my original view… that the theory of the public household need not concern itself with how social preferences scales are determined. As I see it now....the theory of the revenue-expenditure process remains trivial unless these [the social preferences] scales are determined." Motivated by the "search for the good society" (vi), he believed that the field of public finance would guide the "intelligent and civilized conduct of government and the delineation of its responsibilities" which were "at the heart of democracy." The determination of the optimal amount of public goods, for instance, was thus to be achieved through democratic voting, and the determination of government's budget was seen as "a

[21] The importance of the book for the field of public finance is, for instance, clearly explained by Buchanan (1989, 289): "in retrospect, it is, I think, fair to say that public finance was in intellectual disarray in the early 1950s. Marshallian incidence theory along with Pigovian-Edgeworthian utilitarian normative principles of taxation had characterized pre-World War II English-language public finance. This structure had already been shocked by the Robbins critique of utilitarianism, by Keynesian fiscal policy, and by Samuelson's formal theory of public expenditure emerging from theoretical welfare economics. Richard Musgrave, almost alone, was able to re-establish intellectual order through his treatise, a book that was, almost literally, waiting to be written."

special application of the general problem of social choice" (116). Acknowledging that majority rule enforced majority decision upon the dissenting minority and suffered from paradoxes, he nevertheless concluded that it was the best collective decision process. The decisions taken aimed at marginal shifts rather than "the whole array of social wants," he explained, and, provided that one was willing to accept interpersonal utility comparisons ("made continuously" by real agents anyway), it yield results akin to the maximization of collective utility. To warrant his intuition that democracies were, in practice, stable systems, he further noted that "evidence on measurable characteristics of people… lends credence to the assumption that there is a fair degree of similarity among individuals living in a given society" (108-109), an argument reminiscent of the "consensus" put forward by most economists at the early 50s.

Many of Musgrave's colleagues found such premises and conclusions far too ideal a representation of actual decision mechanisms. Samuelson (1954, 389) contemplated "utopian voting and signaling schemes" to reveal the information on individuals' preferences needed to reach a public good optimum, but readily dismissed the subject as unsuitable for an economist. It was, instead, the domain of mathematical sociology or "welfare politics" *à la* Arrow and Black, he explained. That collective decision wasn't a proper subject for economists showed through the reception of Arrow's social choice theory. Not only Samuelson (1954), but welfare economists Little (1952) and Bergson (1954) contended that Arrow's monograph was of no consequence for their work. Arrow's work aimed at choosing some ends to guide policies while theirs were concerned with the identification of the *consequences* of such ends on social welfare.[22] Buchanan too had refined and expanded his critique of Arrow, Samuelson and Musgrave's ties between government intervention and collective decision. With the help of Gordon Tullock, a new recruit of the Thomas Jefferson Center at UVA, he co-authored *The Calculus of Consent* (1962), in which he explored the economic thinking of citizens regarding the set of constitutional rules (i.e. the type of voting rules to be used for collective choice) to decide when forming the social contract. On the one hand, they acknowledged that government –collective—decision was necessary to compensate and limit the external costs generated by the market. Yet, such action was itself costly, because collective decision-making generated itself a number of costs. Any less-than-unanimity rule implied that a

[22] All on all, throughout the fifties, "the problem of social choice" enjoyed limited and narrow discussion, always in relation to Arrow's initial hypotheses and in the formal language of logic he had set forth. A JSTOR search yields 69 occurrences of the term 'social choice' for the years 1951 to 1955, XX occurrences between 1956 and 1960, and 53 occurrences between 1961 and 1965. The bulk of these deal either with Arrow's 1951 monograph, with the consequences of Arrow's results for welfare economics (Bator 1957, Blau 1957, Mishan 1960), or with comparisons between Arrow and Black and extensions of their framework for the study of voting (see for instance May 1952, McGarvey 1953, Farquharson 1961).

collective decision would be imposed on the minority that voted against it. Majority rule was no panacea. Unanimity was Pareto-optimal, but reaching such a consensus could be long, costly, and sometimes impossible. Thus, individuals, when thinking about constitutions, had to balance the costs of those external effects generated by the market with the costs of having them corrected by a collective decision. To the authors, the final scope of government intervention resulted of the minimization of these "interdependence costs".[23] Consequently, depending on the costs, government intervention was not necessarily justified to correct market failures.

What was new in the later 50s and early 60s was that these continuing debates on desirability of such and such collective decision mechanism were drawing on an expanding literature aimed at analyzing the actual processes of collective decision, not only within governmental bodies, but also within political parties, clubs, firms, and society at large. These studies were conducted by a few economists interested in applying their traditional tools to issues previously considered the realm of political scientists or sociologists. One such scholar was Anthony Downs who, under the guidance of Arrow, investigated the competition among political parties to secure votes. Using spatial competition *à la* Hotelling, Downs showed that the result of political competition would lead a two-party system to lean towards the center of voter's preferences distribution, echoing the median vote theorem. But in some cases where preferences would show strong heterogeneity, or when there would be more than two parties, cyclical majorities and dangers of political instability could arise.

Interestingly, these studies led to identify deficiencies in the collective decision-making process. Downs, for instance, underlined the problems of rational abstention and rational ignorance of individuals, which undermined the efficacy of democratic competition. While the deficiencies of collective action were not the main focus of Downs's work though, it laid at the heart of Mancur Olson's (1965). Olson also underlined the lack of incentives to participate in group actions. Alongside with Buchanan, Olson introduced the size of the group as an important factor playing down the efficiency of its action. The problem created by the "free riders" (and then "parasites", to use Buchanan's terminology) was, thus, given increasing attention. Other studies emphasized that public decisions derived from bureaucrats' attempts to expand their influence or personal benefits,

[23] Sometimes, the external costs generated by market activities would be inferior to the costs imposed by the voting process implied in state intervention. The individual would veto resorting to state intervention, and failing to reach a unanimous consent, the constitution would prevent the state to interfere in such case. The authors also considered a similar case, where the costs of voluntary contractual arrangements (reminiscent of Coase's solution, although formulated independently, according to Marciano 2013) would be inferior to the external costs generated by both a state intervention and the market. Thus, the type of voting rule, from dictatorship to unanimity, was to be chosen with regard to the type of situations to be solved by collective action.

after Gordon Tullock's *Politics of Bureaucracy*, Downs's Rand-commissioned memorandum *Bureaucratic Structure and Decisionmaking* (1966) and William Niskanen's work in the late 1960s.

In general, a significant part of the nascent public choice literature was devoted to the analysis and limitations of these collective decision-making rules, revolving around the above-mentioned contributions (see also Reksulak, Razzolini, and Shughart 2013). But collective action problems didn't only relate to public policy, but permeated many spheres of social life, as Olson and others noted, such as the family, the military, and labor unions. The firm was also increasingly a place where economists found disagreement and collective action issues. To James March (1962), one of the founders of the Carnegie's behavioral theory of organizations, the firm was a place of *conflict*, that is, where Pareto improvements were impossible. Influenced by the early public choice literature, the analysis led to a similar disentanglement between individual goals and the firm's superordinate ones. Like in Olson's theory, which underlined the role of selective incentives, individuals had to be induced to cooperate, leading to temporary coalitions. Thus, from the study of how to ground public policies on individual preferences, economists were now opening a host of black boxes addressing the problems of collective decision-making and collective action (democracy, the firm, the group).

Their outlook emphasized how heterogeneous individual values were, and led to a criticism of the view that the group as a whole could be represented by a single objective function to be maximized.[24] They all concluded that the group coordination of conflicting individual goals led almost systematically to a different situation from the traditional maximization of some collective function. Their analysis was emptying the relevance of resorting to some set of commonly shared values, of notions such as the "public interest".[25] In opposition with economists' tendency to emphasize the similarities between individuals' values in the previous decade, this new generation of studies was built on the premises that conflict was pervasive in human organizations. This outlook echoed the transformation an American society riven with domestic violence and contestation in the 60s.

24 In the case of the firm, for instance, March (1962, 24) noted that the system did not "have a preference ordering in the usual sense of that term".

25 "Most conspicuous by its absence in most of the modern literature on political conflict resolution is the imputation of a super-ordinate goal to political organizations. Except for some students of international relations, most modern observers have viewed concepts of the "general will," "national interest," or the "common interest" as unsatisfactory concepts in the development of a theory of how political systems behave. "Public interest" as a theoretical tool suffers from the standard problems of superordinate goals. It is almost impossible to make it simultaneously meaningful, stable, and valid. Because of such difficulties and because the existence of unresolved conflict is conspicuous in political systems, students of such systems have moved heavily toward process descriptive case studies of specific political organizations or decisions" (March 1962, 671).

Policy making and policy evaluation in a society torn by value conflicts

After the election of John Kennedy, the debates regarding the role of the government to stimulate growth illustrated such notion that individual values (here, among scientists) could not all be represented by collective decisions. More than even, the newcomers within the CEA –Samuelson (Kennedy's adviser during the campaign), James Tobin, and Robert Solow—would strengthen the case for Keynesian macroeconomic policies, after a few years of relatively high unemployment.[26] But these developments were met with increasing skepticism from a number of other economists. It faced the increasing opposition of Buchanan, who worried about the continuous shift in activities from the realm of private markets to the "realm of collective choice" (Buchanan and Tullock 1967, 22), and had already expressed concerns with the mainstream idea that the burden of the debt wasn't a problem to the future generations (Buchanan 1958); both were actually posing important constitutional issues. For different reasons, Friedman and other Chicago and monetarists attacked government's intervention, because of its inability of to reach the very objectives that the government had set forth initially. And by 1968, Friedman's critique (1968) of the Phillips curve was convincing enough to be the center of his presidency address to the American Economic Association.

As the 1960s unfolded, the evolution of the American society would certainly provide ground to the notion that individual values were not only heterogeneous, but they were increasingly hard to reconcile. After the publication of such books as Michael Harrington's *The Other America* (1962), the country progressively realized that in the midst of plenty and affluence, a significant portion of the population was left behind. The racial problem was not far: although desegregation had started in 1955, the Civil Right movement kept on mounting, and the 1964 Civil Right Acts divided the country. Urban riots soared and civil disorder would progressively make the headlines. From the mid-1960s on, the students massively joined the "movement", which provided academics with a first-rate view on society's tensions, as unrest disrupted the peaceful order within university campuses (see Anderson 1995). The tensions were, thus, not only racial, but generational as well. The students were standing against the values of the Cold War generation, and, as a consequence, were massively opposed to the War in Vietnam. Pressured by the escalading discontent, Lyndon Johnson's government soon reacted by focusing on the protean notion of poverty, that provided the

[26] There were a few moments of economic downturn during Eisenhower, and from 1958 to 1961, the unemployment rate averaged 6%.

unifying theme for fighting the many domestic issues, as well as showing the superiority of the U.S. over communists as the first nation to enter the “poverty race” (Jardini 1996). Among the mains themes tackled by Johnson’s War on Poverty –the cornerstone of his Great society program-- were: crime, urban renewal, education, social insurance, as well as local assistance to the poor. This put economists into a new kind of value dilemma. There was an urge to design new social policies, but at the same time, the need to legitimize the normative criteria on which such policies rested was also much more important, and much more difficult: relying on the notion that the general public held consensual values was much more difficult.

> ----here should be a paragraph or two about the use of social welfare functions by economists, for instance industrial economists and public economists at the time, to decide the optimal level of public good.------

This rising concern with value conflict and the legitimacy of public decisions was best seen in the search for new ways of designing policies. They show that the problem, in these troubled years, was not merely to *take into account* citizen's preferences into the choice of a policy as old welfare economists had done, but genuinely to *derive* public decisions from individual preferences. In many places, a new idea emerged: the best way to design efficient policies to fight poverty was to let citizens decide which ends and means were most suitable for themselves. William Capron, then a member of the Council of Economic Advisors in 1963, remembers that

> “all kinds of social scientists, practicing social workers and the like did not seem to agree on the diagnosis; they certainly didn’t agree on the cures. It was quite clear that poverty had . . . many faces, that to talk of some cutoff below which everyone was a glob had no programmatic meaning at all because you were talking about widely disparate groups, and that a single magic answer was not to be found” (quoted in Jardini 1996, 106).

Several scholars, including Assistant Budget director Charles Schultze and Ford Foundation program director Paul Ylvisaker advocated the establishment of Community Action Programs (CAP), whereby local development corporations “would involve local communities in the design of systematic, local planning for its own self-help, and, out of this experience, developing recommendations for a longer-term program for an attack on poverty which would form the basis for legislative and administrative actions that need to be taken by the various levels of Government”

(Jardini 1996, see also Sundquist 1968, Aaron 1978, 29).[27] But soon Johnson was struggling with the CAP, as it sharply conflicted with the centralized guidance of economists at the Bureau of Budget and Department of Defense. To many, the empowering actions of the CAP were nurturing unrest, encouraged protests and, overall, had destabilizing effects. Thus, Johnson approved the development of the Program Planning and Budgeting System (PPBS) to promote new and more rationalized ways to conduct his War on Poverty (Fleury 2010 drawing on Jardini 1996). PPBS promised that a value-free conception of policies was possible, and that the broad orientations of policies had to be given to executives (heads of federal agencies), then translated through a process of programing and cost-benefit estimation into multi-year budgets.

Economists' concern with the legitimacy of the objective criteria they chose in their work is also seen in a new task they were asked to perform: policy evaluation. Methods to evaluate policies included cost-benefit analysis, experiments, and the development of a stream of the above-mentioned indicators. Interestingly, economists' work on evaluation also included a concern with relating such evaluation criteria to collective decision processes very explicitly. This can be seen in the numerous evaluations of what was then perceived as one of the most crucial and contentious program of the government: urban renewal. Such evaluations were usually based on cost-benefit techniques, but Jerome Rothenberg (1967, 21-22), a MIT welfare economist in charge of writing a methodological book on the subject, took pain to explain how cost-benefit analysis could be interpreted as the outcome of a collective decision process characteristic of democratic societies:

> "A reasonable minimal procedure is to aggregate the money value of program consequences, positive and negative (net benefits), for each individual, thereby giving his net position. But empirical applicability requires additional aggregation over groups of individuals. Monetary magnitudes and other measures of the effect can, of course, be aggregated at will for descriptive purpose. The problem is to determine which types of aggregation have normative significance as well. It is assumed in this study that the social expressions of value judgments about distribution are related...to certain central decision making processes, and that in a representative democracy governmental process bear elements of this centrality. Therefore, a form of aggregation in which the aggregated groups represent individuals who would both themselves tend to behave

[27] The idea to create the CAP in particular emerged from the numerous local experiments supported by the Ford Foundation ("Grey Areas") and the National institute of Mental Health ("Mobilization for Youth") in the early 1960s.

> similarly with respect to urban renewal issues in the political process *and* be perceived by others as having to be treated similarly would tend to approximate the relative weights given to these groups in the political process. These groupings would include individuals whose fortunes society treats interchangeably. And this is, at least under the present conception of social value judgments, a basis for normative aggregation."

By the late 60s, collective decision had become so central to the reflection on government intervention that some of the early effort to turn public finance into a science of public economics more focused on public management, production, expenditures and taxation was shaped around this issue. A characteristic example is Margolis's introduction to the first collective volume to bear the name "Public Economics" published in 1969.[28] The proceedings of a 1966 conference on the "analysis of the public sector" held in Biarritz under the auspices of the *International Economic Association* and the French *Centre National de la Recherche Scientifique*, the book featured papers and comments by Samuelson, Musgrave, Sen, Marglin, Malinvaud or Dorfman. In his opening essay, Margolis framed the changing field of "public economics" as one essentially concerned with helping public managers in their decisions to produce public goods. The problem at the core of public economics was thus the choice of an objective function to guide policy makers' decisions, and, secondary, the process whereby these decisions are implemented. He contrasted two conceptions of the government's objectives: one he associated with political scientists, sociologists and applied economists, in which the government was considered as an independent social body endowed with its own view of the public interest, and one uphold by welfare economists in which the government's objective was represented as a social ordering deriving from the aggregation of individual preferences:

> The search for operational objective functions has taken two general forms... The approach most common to the literature of economic theory is the aggregation of individual preferences. A less rigorously stated approach, which is found more frequently in practice, is a social ordering expressed by the government. The distinction between these two

[28] Two individual books had previously been titled "Public Economics." In the early fifties, the Norwegian economist Leif Johansen published "Administrative Economics" (translation from Norwegian), his lectures on policy instruments *à la* Tinbergen, fiscal policy for stabilization purpose, the pricing of public goods and the problem of majority rule for allocating public resources. The book was translated in English in 1965 as *Public Economics,* two years after French economist Serge Kolm had published his lecture notes as *Foundations of Public Economics.* And although Musgrave retained the label "public finance" for the title of his 1959 book, he acknowledged in his introduction that he found such label misleading: "the problems, to a large degree, are not those of finance...it might have been better to describe this as an examination of the theory of *public economy* following the useful German concept of *Staatswirtschaft,"* he wrote (p. vi).

approaches can be blurred if one believes that the political process is a mechanism by which individual preferences are aggregated. The distinction becomes strong if one views the political process as a distinctly different form of resource allocation where the motive force is a view of public interest...

The government's objectives were thus sometimes conceived as expressed through a political process, sometimes taken as given, but more often to be identified by economists themselves, provided their role included the formulation of the social consensus underpinning those ends. Such task required the "assignment of value weights which would have been revealed by market behavior, if there had been some way to overcome the technical limitations which gave rise to public supply." Margolis then pointed that the cost-benefit practices of the kind developed at the US Department of Defense – the value of public output and its cost of production are estimated and the two are equated by public decision makers as are a marginal rates of substitution and transformation on a market – embodied an efficiency objective which was more reflective of a political rather than an economic-aggregative conception of public interest. He argued that the positive theory of government behavior underpinning the "political" view of public interest, upheld by only a minority of participants to the conference and, more generally, of economists was still in infancy, but nevertheless yielded important insight for the applied economists. He thus ended with a plea for the development of such approach, without any mention of the work of research such as Buchanan's, who was conspicuously absent from the conference.

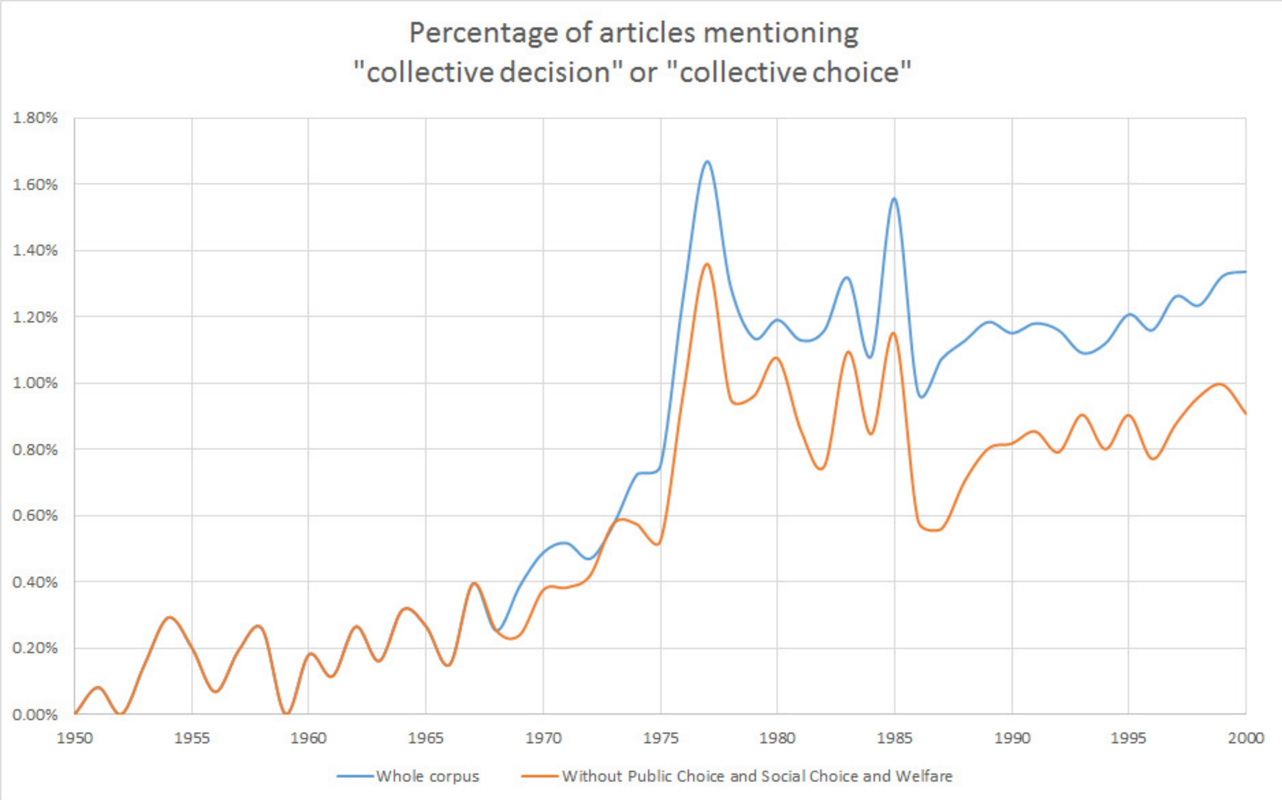
Participants' discussions also revealed that their understanding of the relationship between government intervention and collective decision was framed by national traditions. The French economists – represented by co-organizer Henri Guitton, Lionel Stoleru, Edmond Malinvaud among others, drew on a tradition where engineer-economists had been involved with the State for decades, thinking about "surplus" (Dupuit), marginal cost pricing, optimum taxation and pricing of public utilities, and issues of congestion. As emphasized by Kolm (2010), these technical issues were constantly tied to the definition of political and moral objectives on behalf of the state: concerns for freedom, distribution, and fairness were as important as those for efficiency, so that grounding social choice on individual preferences was not seen as natural a move as for American scholars.

All in all, during the 1960s, economists' thinking about collective decision was characterized by a paradox. At the theoretical level, a sustained interest was developing, so that several solutions whereby collective decision was to be grounded on individual preferences were lively discussed.

However, such theoretical leads were not mature enough to be directly implementable. Facing the emergency of devising social policies to answer the many domestic issues, economists contemplated processes of policy design which might rely on grassroot participation, but eventually ended up generalizing the methods they had used during the Cold War.

4. Becoming mature, becoming estranged: the fragmentation and marginalization of collective decision?

At the turn of the 1970s decade, it seemed that the positive and normative study of collective decision mechanisms by economists was taking off, although it appeared that it was still of little help for the practical task of designing and evaluating economic policies. It is therefore interesting to see that, during the 70s, interest began to wane. The figure below displays the percentage of articles mentioning the terms “collective decision” or “collective choice” in the journals references in the JSTOR database as belonging to the “economics” discipline. It shows, first, that interest in collective decision had permanently remained low, and second, that after a peak in the mid-70s, economists' attention shifted away from the subject. Such phenomenon is even stronger when the articles published in specialized journals, namely *Public Choice* and *Social Choice and Welfare* are subtracted from the total. What happened during the 70s is a dual process of fragmentation and marginalization of collective decision scholarship.



Granted, external pressures were driving economists toward greater institutionalization of their research programs. AEA sessions did not provide enough space for discussions on specific topics, and dedicated conferences and workshops mushroomed, usually supported by newly-created societies. The trend toward the evaluation of scientific production through peer-reviewed articles kept growing (See Mirowski and Sent 2002), and was matched by journal publishers' desire to expand their catalogue, thus to establish field outlets. The result of these trends was a push toward the fragmentation of economics, and, in the sixties and early seventies the flourishing literature on collective decision fragmented accordingly, mostly into the two subfields of public choice and social choice. Yet, such fragmentation also occurred through a process of (self?) segregation of part of the researchers interested in collective decision initiated in the late 60s.

Public Choice breaking away

One major reason for this isolationism was their explicit self-identification with specific political convictions, some that were closely intertwined with the research program developed at the Thomas Jefferson Center. Established in 1957 at the University of Virginia (in Charlottesville), the center gathered "a community of scholars who wish to preserve a social order based on individual liberty" and was "organized to promote scholarly discussion of the basic ideals of Western civilization and of the solutions to modern social problems most in accordance with those ideals….", the brochure read. Such political bent was problematic enough so that Kermit Gordon, head of the Ford Foundation, turned down grant proposal because of ideological bias and the University set up a secret commission to inquire on the political orientations of the Department of economics, of which the Center was a subset. It concluded on its very bad reputation within the economics profession, and on the permeation, at every possible level of institutional decision (e.g. hiring decisions, field offerings, dissertation topics, and fellowship award) of a strong ideological bent—if not downright dogmatism (Medema 2011). The report recommended, among other things, more diversity in recruitment, away from Chicago school type of scholars. As a result of increasing tensions between the Center and the University, offers made to Coase (by the University of Chicago) and Andrew Winston (from Purdue) were not matched, and the refusal to promote Tullock full professor triggered a movement away from the University of Virginia. Tullock went to Rice while Buchanan left for UCLA, but the exodus was short lived, with Charles Goetz quickly succeeding in reestablishing the Center and bringing back its main architects at the Virginia Polytechnic Institute (VPI) in 1968.

Yet, the center provided a fruitful environment for the development, of a "community of mind," in Buchanan's term, one that built itself around the endorsement of common methodological principles: a focus on a great variety of existing institutions and legal frameworks – constitutions, clubs, parties etc. –, and an associated interdisciplinary bent, in particular forays into political science and legal studies with economic tools, which was not yet apparent in Buchanan's early writings. Although by no mean the sole interest of the Center's members, collective decision nevertheless functioned as its focal point, and it became entrenched in the quest for a name for the new community. In October 1963, Buchanan and Tullock invited economists among whom Downs, John Harsanyi, Olson, Jerome Rothenberg, Arrow (who, according to Buchanan, declined the invitation), and political scientists among whom Riker and Ostrom, sociologists and philosophers, such as John Rawls, to a "Conference on Non-Market Decision-Making" (Medema 2000), and an associated committee was created. Yet, the AEA session they organized the same year was on the "efficiency of the government sector," more reminiscent of traditional public finance. Another conference was subsequently organized in 1964 but this time, the AEA session organized was similarly titled "Nonmarket Decision-Making", and featured papers by Buchanan, Charles Plott and William Niskanen on urban renewal, bureaucratic and democratic settings, illustrating the expansion of the scope of collective choice analyses at the time. Those venues attracted more and more participants. John Rawls and Harsanyi regularly attended, sharing an interest in collective choice issues, in the nascent concept of a veil of ignorance (also to be found in the Calculus), and in the application of psychology and philosophy to the study of the process of individual evaluation of various states, interpersonal comparisons and the role of the scientist/philosopher (see also Fontaine 2001).

Two other conferences, in 1966 and 1967, were funded by the SSRC. The grant application had been drafted by Olson, who chose to emphasize the interdisciplinary nature of their endeavor (Medema 2000, 311). In a memorandum advancing the idea of the establishment of a society, political scientist Vincent Ostrom explained that an intellectual and institutional space was needed where scholars interested in questions that lied outside the traditional domain of economics, such as the principles of political constraints, the calculus of threat systems, the logic of collective action, interdependent decision-making, and so on, could meet. These scholars debated in the common universal language of economics and scarcity, he continued, one that was transforming social sciences' traditional approach to group behavior and offered a some kind of paradigmatic revolution for "political science, sociology, anthropology, and the law" (quoted by Amadae 2003, 147).[29] The development of another "center" at the political science department of the University of Rochester from 1963-on, confirmed the interdisciplinary bent of the institutionalization of public choice. Riker was chosen by the administration of University of Rochester to lead the political science curriculum, in a changing institutional context characterized by a will to create one that would compete with the best universities.

During the 1967 conference, dissatisfaction was expressed with the (long) name of the conference series, the committee, as well as the associated journal—*Papers in non-market decision-making*—that Tullock had begun to edit in the face of major publication outlets' unease with the content and methods displayed by the kind of article the community wrote.[30] Although the minutes of the discussion had been lost, it seem that participants had looked for a name that conveyed the focus on collective decision while conjuring up the phrase 'social choice' and its reminiscence of the welfare economic tradition. William Mitchell is said to have eventually come up with the term "public choice" (Amadae 2003, 146), which was used as a label for the new society, the journal, the VPI "Center for the Study of Public Choice," and the 1968 AEA session attended by Black and

[29] Ostrom believed that the revolution brought together many strands of thinking and thinkers, among which the constitutional approach of Buchanan and Tullock, but also Kenneth Boulding's and Thomas Schelling's theories of international decisions, the above-mentioned theories of voting processes, as well as Musgrave and Baumol's public finance theory (*ibid.*). See also Fleury (2009) on the imperialistic nature of Olson and Tullock's endeavour to turn economics into a general framework for the unification of social sciences.

[30] Brady and Tollison (1991) mention the case of Tullock's "Welfare Costs or Tariffs", eventually published in 1967 in the *Western Economic Journal*, which had been rejected by the *AER, Economica*, and *The Southern Economic Journal*. The first issue was released in 1966, and soon, an editorial board was composed of Buchanan, Riker, Olson, Harsanyi, Black as well as the quantitative sociologist James Coleman (Medema 2000).

Tullock among others.

By the early seventies the Public Choice community was fully institutionalized. The society had more than 500 members (Medema 2000, 310), the conference had become an annual event, the *Public Choice* journal, after three years funding by the NSF, had moved to three annual issues in 1973 with a circulation of 900. A sign of its stabilization, the field was given in 1970 a separate JEL code: 317 "Public Choice Analysis." All in all, public choice economists had been pushed to the fringe of the academic discourse by a mix of pressures: identification with a specific political program, interdisciplinary methods and blend with political science that were alien to most economists, a certain style of argumentation, and a wider concern for the ethical and political foundations of American society not shared by most economists.

Social choice unchained

At about the same time, that is, after more than a decade during which the notion of social choice had remained in limited circulation and was mostly used in relation to Arrow's work, social choice finally experienced increased interest. Among others, Arrow played an influential role in such development. He published a second edition of his monograph in 1963, and gradually resumed his interest in collective decision and its philosophical underpinnings. In particular, he was interested in discussing how individuals make "value judgments" (his own words) and how those could be combined, and willing to deepen the philosophical roots of his now famous "assumptions." The intellectual context was more favorable than in the early fifties for such philosophical discussions of the normative content of economics. Moreover, the 1960s were characterized by increasing concerns about the inability of economic growth to solve poverty-related social problems alone, while the possibility of complementing economic indicators with an emphasis on values such as the equality of opportunities, and the "realization of human potential" were debated (see Fleury 2010). In 1966, Arrow participated into a symposium on "Human Values and Economic Policy" at the New York University Institute of Philosophy, and subsequently published two papers, one of which was tellingly titled "Values and collective decision making" (see collected papers).

In between Britain and India, Amartya Sen too was increasingly interested in both the philosophical underpinning and the economic formalization of collective choice. He had read Arrow's monograph soon after its completion while studying at Presidential college in India back in the fifties and discussed it with Maurice Dobb at Cambridge. While pursuing his research his development economics, a visiting position at Berkeley in 1964-1965 gave him the opportunity to write on vote and the transitivity of majority decisions (Sen 1964). Back in Delhi, he got his young graduate student Pattanaik interested in majority decisions, and published a possibility theorem (see Sen 1966, Sen and Pattanaik 1969). He also reflected on the philosophical nature of prescriptive judgments (Sen 1967). The status of individual judgments was also an underlying issue in his work on the evaluation of industrial policies in India, conducted in collaboration with Stephen Marglin and Pattanaik under the auspices of the United Nations (later published in 1972 and making use of cost-benefit analysis). A consequence of this collaboration was Marglin's invitation of the two Indian scholars at Harvard, where Sen set up a seminar on justice with Arrow and Rawls, who was working on his theory of Justice.

A community was thus emerging around the theoretical analysis of collective decision, which principles were set forth by Sen's collection of essays published in 1970 under the title *Collective Choice and Social Welfare* and the landmark paper “The Impossibility of a Paretian Liberal,” published the same year. In these pieces, Sen worked within the framework set out by Arrow, only to unchain his formal theory of collective decision. Sen explained that the restriction on the informational base imposed by Arrow's social welfare function was responsible for the impossibility to achieve a satisfactory collective choice. Should it be defined as a functional of utilities, rather than a function of preferences relations, the economist could reach different results, given that invariance requirements are imposed to enable limited measurability and comparability of utilities. Investigating various choice criteria such as utilitarianism, maximin criteria, and Pareto optimality, he campaigned for the enlargement of the informational basis on which social choices rely to both utility and non-utility information (intensity of preferences, distribution of utility), for limited as well as extended, ordinal as well as cardinal interpersonal comparisons of utility, for consideration of interpersonal preferences interdependence, and for the use of a “veil of ignorance”. He formally showed that the Pareto criterion cannot be upheld if individual are endowed with minimum liberty, opening the door to individual rights and justice issues in collective choice. Although highly theoretical and abstract, Sen (1970, 1) acknowledged that such contribution targeted “the relation between the objectives of social policy and the preferences and aspirations of members of a society”, and made it clear that working on individuals and society's values could be handled with rigorous theoretical tools. Coupling philosophical and theoretical insights, economists such as Sen and Arrow had by 1970 buried the reluctance and fear in handling values economists had inherited from the intellectual and political developments of the forties.

In the wake of Sen's reframing of social choice research, the field flourished. Not only did

Arrow's theorem enjoyed renewed interest—a substantial literature refined his results (see Sen 2008)—but the issues of domain restriction, manipulation (see Maskin's early work on collective decision under uncertainty and cheat proof game forms), implementation, fairness and justice were investigated by a new generation of economists more comfortable with the use of formal techniques. Yet, Sen and others' theoretical breakthroughs had another unexpected consequence : they help stabilizing the maturing field of public economics around a narrow proxy for collective decision: social welfare functions.

Public economics, social welfare functions, and the marginalization of social choice

During the 70s, the theoretical and empirical practices of these economists formerly associated with "public finance" were rapidly evolving. The general equilibrium framework, stabilized with the publication of Debreu's Theory of Value (1959), was gradually replacing partial equilibrium and the use of surplus analysis in the normative analysis of taxation. A characteristic example of this move was the work by Diamond and Mirrlees on optimal taxation, which resorted to a social welfare function. As for positive analysis, the spread of new econometric methods, sustained, in America, by the rise of computational hardware, and the development of new data sets by the Fed and the fiscal administration, enabled the development of empirical analysis of the effects of taxation and expenditures schemes.[31] These evolutions were located in a discipline undergoing institutional changes, with several publishing companies building on the rise of peer-reviewed articles as the standard for scientific expertise, to expand their journal portfolio. In the wake of the Biarritz conference, several other conferences were organized, culminating in a conference organized in Essex by Tony Atkinson in 1972, in which North-Holland's suggestion to create a field journal was implemented. The *Journal of Public Economics* was born, with Atkinson as editor, helped by 20 co-editors, among whom Felstein, Johansen and Stiglitz (Atkinson 1993). The balance between theorists and applied scientists reflected the two legged development of the field, one that became apparent in Atkinson and Stiglitz's *Lectures in Public Economics.* Circulated from 1971 onward, the book, eventually published in 1980 laid bare the intellectual framework within which all public economists would conceive their work in the next decades.[32]

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[31] Note the particular focus on labor supply, social insurance and health programs, and the measures of inequalities (See in particular Feldstein and Atkinson's research).

[32] In spite of this unification, public economics still appears as a distinctively "flexible" (underinstitutionalized?) field: both labeling and content are still widely interpreted by each public economics according to his own interest: two of the most widely circulated undergraduate textbooks today are labeled *Public Finance and Public Policies* (Gruber) and *Economics of the Public Sector* (Stiglitz).

In the introduction, Atkinson and Stiglitz (hereafter A&S) explained that their task was to describe "in a systematic manner the principal consequences of... economic activities by the government and their relation to social objectives" (p. 3). The two middle chapters of the book were devoted to the discussion of government's objectives. Ch10 closed the first part on the positive analysis of government policies, and is written as an attempt to make "the state's decisions endogenous rather than exogenous" by examining models in which public decisions are influenced by voters, political parties, legislators, and administrators"(11). It introduced the reader to voting, bureaucratic and interest group models. In particular, A&S examine whether voting mechanisms can efficiently aggregate individual preferences into some collective decision with certain properties. Chapter 11 opened the second part dealing with the normative analysis of state decisions, that is "ways in which the objectives of the government have been formulated and the resulting criteria for decision making..investigate the sensitivity of the policies chosen to the formulation of objectives" (p12). It featured discussions of Nozick's "minimal state," Buchanan and Tullock's unanimity rule and Pareto efficiency, Rawlsian, utilitarian and Benthamite conceptions of state objectives, vertical and horizontal equity and cases where the two theorems of welfare break down. In the end, however, neither discussions from these two chapters significantly influenced the bulk of the public economic scholarship presented in the book (and later spread in the profession). Positive public economics was tackled within a general equilibrium framework in which government decisions were considered exogenous, and public economists overwhelmingly came to write down models in which its objective is represented as a social welfare function. From A&S presentation, it clearly appears that the success of the tool relies on its tractability. The authors had succeeded in presenting all the alternative social objective aforementioned as specific cases of social welfare functions.

The pervasive use of social welfare function was enabled by Sen's dedramatization of interpersonal utility comparisons (see A&F 1987, 339. *Any other reference to frame this idea, reader?).* But paradoxically, such move, together with the increasing use of representative agent modeling, signed the death sentence of economists' interest in collective decision. By the turn of the 80s, editors of major journals became increasingly reticent to accept 'social choice and voting theory' submissions, perceived as too abstract and remote from economists' practical concerns (Sonnenschein 1979, quoted in Salle 2004). In reaction, the decision to establish a field journal was taken by Maurice Salles and Pattanaik in association with Springer Verlag editors in 1982. The name of the journal, *Social Choice and Welfare*, was intended both as a tribute to Arrow's foundational contribution and as an invitation to submit papers on welfare measurement, justice and inequalities in addition on social choice theory.[33]

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[33] Conferences on social choice were regularly organized, but it was only in 1992 that a society and an annual conference were formally established (Salles 1994).

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