

# **What is Government?**

## **Why we do not get what we want**

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# What is the NIE?

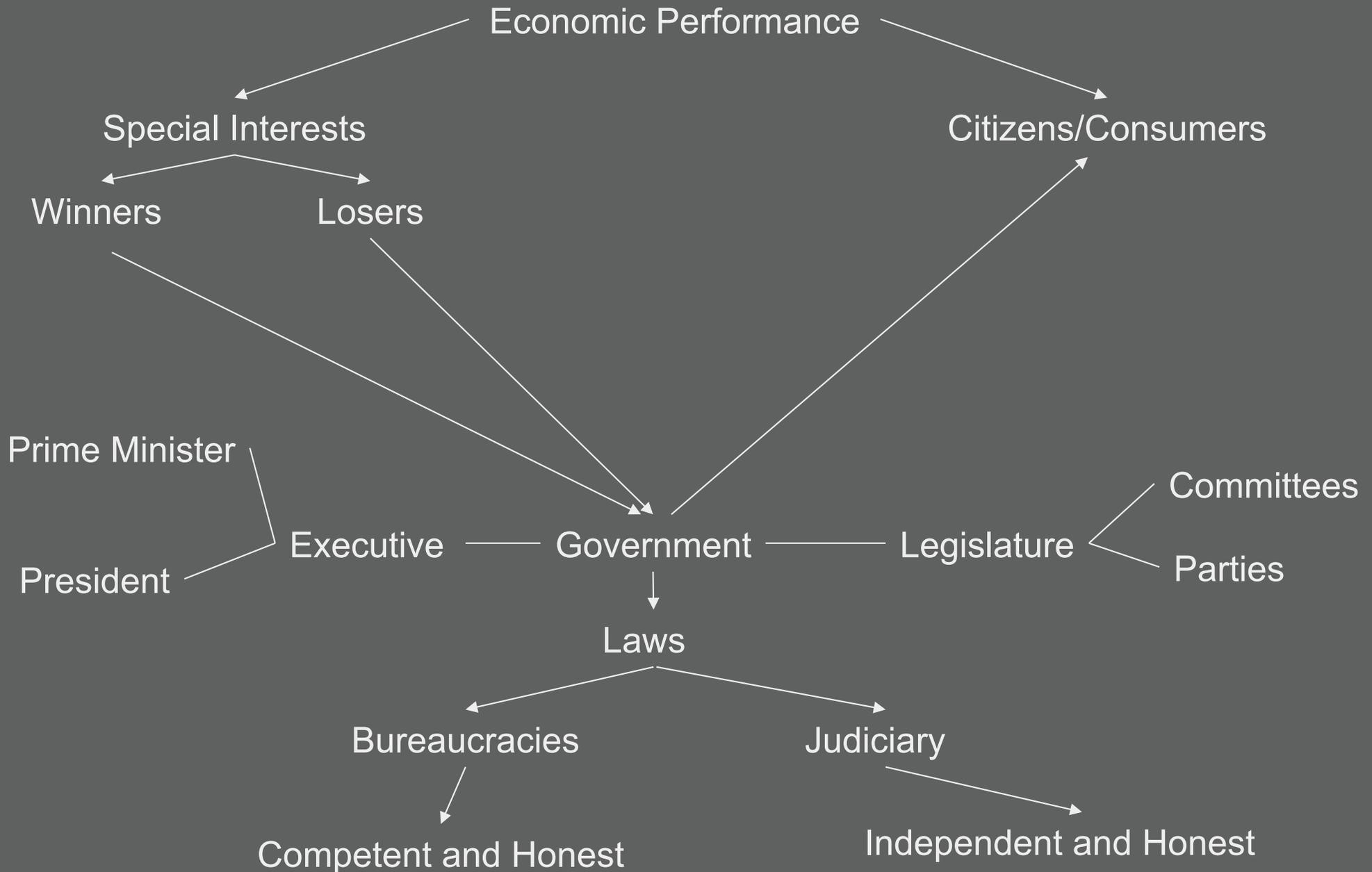
**1) Interdisciplinary**

**2) Comparative**

**3) Set of concepts, e.g., property rights, agenda control, credible commitment...**

**4) Different levels of analysis, e.g., causes and consequences of institutions**

**Figure 1**  
**The Determinants of Formal Institutions**



# Do we -the citizens - get what we want?

- Impossible- you can not get rid of friction in physics and you can not get what you want from government

## On the demand side of government:

1. Because of the "free-rider" problem, special interests as opposed to consumers/citizens have a greater incentive to lobby for benefits from government
2. Citizens do not have an incentive to be fully informed: rationally ignorant

## On the demand side of government:

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## On the supply side of government:

1. Costs of monitoring by citizens: politicians are able to engage in legislation that suits their ideological preferences at the expense of the preferences of their constituents.
2. Seniority in Congress brings power. Therefore it may not pay to "vote the rascal" out even if he does not vote in accordance with the preferences of his constituents. Term limits would not solve this.

3. To the extent that committees have agenda control, and politicians self-select to committees, we will get legislation that does not match of the preferences of Congress at large.
4. Laws are administered through bureaucracies, which creates a host of agency problems.
5. Crises give politicians more scope to enact legislation that does not disappear once the crises are over

# Is all lost?

- **NO!**
- Competition amongst politicians limits opportunistic behavior or malfeasance.
- Competitive Media?
  - Newspapers
  - Radio
  - Television
  - Internet

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