

**Form vs. substance in selection through competition:
elections, markets, and political economy**

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Abstract

Any competitive process selects among qualities possessed by the competitors, and with different processes selecting for different qualities. While the competitive form is universal, the substantive qualities that are selected depend on the particular environment within which competition occurs. With respect to athletic competition, for instance, diving selects for different qualities than swimming: a champion diver need not be a champion swimmer. Markets and politics are both forms of competitive endeavor, and it is reasonable to think that competition will select for excellence within each environment. This purely formal property of competition, however, generates different substantive qualities across environments, as we explore in this paper.

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Form vs. substance in selection through competition: elections, markets, and Political Economy

1. Introduction

Politics and markets are both arenas of human endeavor that are organized through competition among interested participants. It is reasonable to think that any competitive process will select for superior over inferior qualities within the environment within which the competition occurs, and across numerous environments with each selecting for different substantive qualities. For instance, both diving and swimming select among participants according to their abilities to master the water. The particular qualities selected, however, differ between those environments: someone can be a champion diver without being much of a swimmer.

With rationality residing within some interaction between mind and environment (Gigerenzer 2008), it is necessary to specify the environment within which particular instances of competition take place because the particular qualities selected are likely to vary across environments. In this respect, Alford and Hibbing (2004) stress the importance of integrating insights from evolutionary biology into political science to overcome the inadequacy of attempting to explain political activity without taking into account the environment within which action occurs. As they explain: “[a] research program focused on genetic factors to the exclusion of environmental factors would be deeply misguided—perhaps as misguided as a research program focused on environmental factors to the exclusion of genetics” (Alford and Hibbing 2004: 718). In other words, selection within societies involves both Darwinian genetic inheritance (Rubin 2002) and Lamarckian inheritance of acquired characteristics (Rosser 2012).

While this paper treats elections and markets as alternative forms of competitive endeavor, we do not seek to advance comparative claims about Pareto efficiency as advanced by, e.g., Becker (1983), Wittman (1989,1995), Persson and Tabellini (2000), and Besley (2006). Those claims are grounded on a framework where systemic equilibrium is postulated as an analytical point of departure. In contrast, our analytical framework is grounded on evolutionary processes of competitive interaction, where Pareto efficiency is undefined. Hence, we pursue a generative or emergent analytical framework, as in Potts (2000), the essays collected in Epstein (2006), and by Usher's (2012a, 2012b) examinations of bargaining. In a precursory paper on the generative mode of analysis, Armen Alchian (1950) explained how the logic of competitive survival could map onto the characteristics of competitive equilibrium without taking any recourse to the postulation of systemic equilibrium.

The point of this paper is to go beyond the generic statement that competition selects for people who are good at a particular activity. By itself, this generic statement says nothing about the substantive qualities that are selected and how those qualities are relevant for theories of political economy. Competition is analogous to gravity; it is ubiquitous, and just like gravity it differs in magnitude. Differing gravitational magnitudes are not inconsequential, as sufficiently large magnitudes can create a black hole where the conventional laws of physics break down. Similarly, the conventional conception of rationality may break down depending on the environment in which action takes place. Thus, we need to employ a concept of rationality that accommodates various environments; while they may be similar in their competitive form, they are substantively very different. To advance beyond generics, it is necessary to relate the substance of

rational action to the particular environment in which action occurs, thereby recognizing that different environments of competition are likely to select for different particular qualities. Our concern here is not to try somehow to square the circle by recourse to Pareto efficiency, but is simply to set forth a framework for exploring and comparing the selection qualities of different environments within which competition occurs.

We should also note that our concern diverges in a complementary manner from Buchanan's (1954) comparison of voting and markets with respect to individual choice. Where Buchanan was concerned with individual rationality under different settings for choice, we are concerned with how different environments of competitive action influence the selection of qualities possessed by the competitors. We take Buchanan's analysis as a point of departure, and seek to marry that line of analysis to recognition that all competition selects for excellence among the competitors, and with the substantive qualities of that excellence varying across environments. Market competition selects for people who are good at producing products for which people are willing to pay for. Electoral competition selects for people who are good at attracting votes. Just as someone can swim fast without being able to dive well, so it is plausible that someone who is commercially adept can be electorally clumsy.

2. Form vs. substance in competitive selection

Rationality, in the conventional definition, resides in a two dimensional space wherein one dimension is the actor's goal and the other is the means he has available to reach the goal. When the chosen means achieve the intended end, the actor's rationality is confirmed. In the event of failure, several explanations are possible: the

actor might lack knowledge or competence; the link between means and ends may be subject to risk or uncertainty; the actor might be irrational; or the observer might misunderstand just what the actor is seeking to accomplish in the first place. In any case, the conventional framework for rationality is static in character and precludes the evolutionary or developmental analysis of human action that is necessary to distinguish between form and substance with respect to rational action.

The concept of ecological rationality, as developed by the evolutionary psychologist Gerd Gigerenzer (2008), introduces a third dimension to rationality: the environment in which action occurs. As a result of this new framework, an action can no longer simply be deemed rational or irrational; this would be equivalent to an incomplete sentence. Rationality of action must be studied within its respective environment. Therefore, rationality in its conventional definition – the consistency of means with ends – is a general ubiquitous form but when supplemented by the environment, it generates a much richer and more substantive concept – ecological rationality. While a certain heuristic may be ecologically rational in one environment, it may be ecologically irrational in another.

Similarly, the generic form of competition is distinct from the specific environment in which competition occurs. The competitive form is a universal quality of life in society; however, there are numerous particular environments in which competition occurs. The selection for qualities occurs within a particular environment, but the generic form that competition represents is a universal property of scarcity. Whatever the particular environment, more people will be competing to attain desired positions than there will be positions available to secure. In the face of this scarcity, all competitive processes

order participants by the qualities of their performances. This ordering maps into the distinction between success and failure, though this distinction is perhaps more vivid in some types of competition than in others. In Olympic competition, for instance, only three competitors receive medals in any event. In golf tournaments, by contrast, all players who make the cut for weekend play receive awards. While there is great variety in the distribution of rewards to various competitive environments, it is always the case that competition selects among competitors in a way that maps into an index of quality of performance relative to that environment.

Different environments of competition will select for different qualities possessed by the competitors. What particular qualities bring success in a particular environment of competition is a substantive matter that can't be addressed by recourse to the generic form of competition alone. Competition in hitting a baseball selects for different qualities than does competition in shooting a basketball. Michael Jordan, for instance, is widely regarded as one of the best basketball players ever, but proved to be ordinary when he turned to playing baseball. With respect to the material of political economy the relevant environments are markets and elections, as both entail competition among participants seeking to secure the favor of consumers or voters. To be sure, to denote markets and elections as the two environments pertinent to theorizing about political economy is to construct some average or representative environment of each type of social activity, when there are actually multiple examples of each type of environment. Market competition, for instance, can operate under wholly private ordering processes or it can operate with varying degrees of regulation and public ordering. Similarly, electoral competition can operate with single member constituencies and two candidates or with

multi-member constituencies and multiple candidates. It is surely reasonable to think that selection qualities would vary among the different types of market and political environments just as they would vary between the generic versions of market and electoral environments.

As a purely formal matter, entrepreneurs in both market and electoral environments seek to create programs that will lead to success within that particular environment. Any such program can be represented abstractly as a production scheme that combines inputs ($a_1, a_2, \dots a_n$) so as to produce a set of outputs ($x_1, x_2, \dots x_m$) that will prove successful in attracting support within the different particular environments. There is a universal template to which any competitive process conforms. That template entails two stages: (1) the formation of a plan with which to enter the competition and (2) the subsequent judgment by some external party of the quality of the execution of that plan. Beneath this universal template reside numerous particular manifestations of that template, and with those manifestations driving the selection qualities of a particular type of competition.

All entrepreneurial programs are subjected to tests suitable for the environment within which the competition occurs. Different environments select for different qualities, but any competitive process orders competitors according to their fitness with respect to the particular environment in which they are competing, given their universal concern with survival and then success. To illustrate our analysis, we proceed with respect to two stylized environments within which entrepreneurial projects are created and tested. Entrepreneurial projects proposed within a market environment are subject to a *market*

test, whereas projects proposed within a political environment are subject to an *electoral test*. The selection qualities of the different tests remain to be explored.

In both forms of competition, entrepreneurs must first convince backers to support their efforts, after which it is necessary to sell the plan to customers or voters. Any such program will require the use of inputs that have other employments, so a successful program must generate revenue sufficient to keep those inputs from moving to those other employments. As a formal matter, this requirement holds equally for market and political entrepreneurship, as it means only that a successful enterprise will be able to withstand challenges from competitors. In both cases, there are external judges of the entrepreneurial proffers. Market competition selects among competitors according to their abilities to provide goods and services for which customers are willing to pay. Electoral competition selects among candidates according to their abilities to convince voters to support them. Both competitive environments conform to the same formal template. They should, however, select for different substantive qualities, which we shall examine below.

3. Two stylized environments for competition: elections and markets

We can envision a society where at any moment some people are directing their entrepreneurial energy to electoral competition while others are directing their energy to market completion. Within an evolutionary setting, moreover, we can equally imagine a continual process of entrance into and exit from both forms of competitive activity. Before exploring substantive differences in the qualities selected through competition between the environments, it is first desirable to sketch a formal template that pertains

to both environments. That formal environment can be broken into two stages that apply to all enterprises regardless of the particular environment in which they operate. Those stages we describe as planning and operation respectively.

The planning stage denotes the various activities that precede the actual entry of the candidate or enterprise into the field of competition. The formation of vision or a plan that is suitable for the chosen arena of competition is one facet of the planning stage. As a purely formal matter, there would seem to be no significant difference between the two arenas of competitive endeavor. While sole proprietorships are found in markets, we focus on enterprises for which an entrepreneur must attract capital from investors because this situation pertains also to electoral competition. Hence, the planning stage also entails the creation of a network of supporters or investors who support the entrepreneur's effort with more than just cheap talk. Again, as a formal matter there is no difference in this respect between electoral and market competition. With the planning stage completed, the enterprise enters the operation stage.

The operation stage is when the actual competition begins. For electoral competition a candidate officially will become a candidate; for market competition, a firm will offer its product to the market. While substantive details of this stage differ significantly between electoral and market completion, we would also note that they are identical as a purely formal matter. As an old saying goes, however, the devil truly is in the details. Those details speak to substance and not simply to form. The various efforts cited above that seek to attribute Pareto efficiency equally to electoral and market competition focus on form and set substance aside. But the selection of qualities works on the level of substance. As a formal matter, swimming and diving are identical: both

are competitive endeavors where excellence is selected over mediocrity. The substantive character of those qualities, however, differs among particular competitive environments, as we shall now explore.

4. Competition and selection: the planning stage

All competition starts with a plan to enter the competition. For electoral and market competition, entrance into the competition typically will involve the creation of a team of supporters or investors. As a formal matter, the assembly of such a team is the same between the two environments. In either environment, the potential competitor must convince supporters to enlist in the effort by offering support, usually both capital and expertise.

Plans, however, are not substantively homogeneous. They are specific to an environment. For market environments, plans can be summarized through descriptions of product characteristics and projections regarding expenses and revenues, and evaluated by, for instance, banking and engineering experts. This is the realm of what Pareto (1935) described as logical action to indicate that success can be measured as a ratio of revenues and expenses. In contrast, electoral competition occurs within the realm of non-logical action. To describe this environment as non-logical, however, is not to assert some type of irrationality; for Pareto all action was rational, but in only a subset of cases could action be compared through ratios of revenues to expenses. For non-logical environments, the comparison was mediated through images that were constructed through ideological material. Among other things, Pareto claimed that a

good ideology could induce people to support actions they might oppose if they were able to reduce them to numbers.

The modern literature on political economy that seeks to assert Pareto efficiency in both electoral and market environments is in effect treating both environments as identical: competition is competition independent of the environment in which it occurs. A champion diver could thus be a champion swimmer, and could also be a champion poker player. In contrast, our claim is that qualities are selected according to the environments in which competition occurs. Within our evolutionary framework, moreover, we don't know of any non-judgmental manner by which one set of qualities can be ascribed as superior to another set.

Both market and electoral competition involve the making of promises and commitments. The products offered through market competition are mostly those whose qualities can be discerned through either inspection or experience. With the value of inspection goods readily ascertained prior to purchase, the seller spends little on advertising and other types of quality assurance. The quality of experience goods cannot be ascertained prior to purchase, so the seller will engage in techniques to increase customer trust and satisfaction. What is offered through electoral competition, however, is more on the order of a credence good (Darby and Karni 1973; Emons 1997). The cost of detecting the quality of a credence good is thorny because the customer may never *really* feel assured of the quality of that good. For instance, a potion meant to relieve a migraine can produce a placebo effect. While the customer truly feels better after using it, how much of that relief is caused by the potion's actual chemical compounds and how much to pure psychology is unknown.

Political goods, described as different bundles of public goods and rhetorical platforms, are also a subset of the credence goods category as their quality cannot be determined after election. Consider the recent economic stimulus packages as examples of a political good, the advertised purpose of which was to prevent financial and economic meltdown. If standard macroeconomic variables, e.g., unemployment rates, worsen after the stimulus, this should indicate that the stimulus was a low quality good. Of course this is not the political puffery one hears in defense of that spending initiative. Instead, political actors use the same statistics to speak of the *high* quality of the good. One can only imagine what these numbers would have looked like in the *absence* of such a stimulus, they argue. As we can see, subject to such counterfactuals, the nature of political goods renders unambiguous determination impossible. Political goods lack “convincing counterfactuals” as in Jeffrey Sachs’s (2012) commentary on current macroeconomic policy:

The US policy choice has been four years of structural (cyclically adjusted) budget deficits of general government of 7 per cent of gross domestic product or more; interest rates near zero; another call by the White House for stimulus in 2013; and the Fed’s new policy to keep rates near zero until unemployment returns to 6.5 per cent. ... We can’t know how successful (or otherwise) these policies have been because of the lack of convincing counterfactuals. But we should have serious doubts. The promised jobs recovery has not arrived. Growth has remained sluggish. The US debt-GDP ratio has almost doubled from about 36 per cent in 2007 to 72 per cent this year.

The type of good is important because it influences the type of seller. Inspection and experience goods are characteristics of the market environment, which in turn selects for sellers able to close the gap between puffery and product quality. Credence goods are particularly characteristic of the political environment, for that environment

selects heavily for sellers who compete through puffery when independent verification of the quality of the goods being offered is often impossible. Such goods are particularly susceptible to fraudulent practice, as Darby and Karni (1973) and Emons (1997) explain.

Given that sellers desire their products to sell, they have to convince their customers of their quality. The seller, then, must recognize the category into which his product falls in order to take the appropriate quality assurance measures. Since the qualities of inspection goods are readily verifiable, little investment in such measures is required. As for experience goods, not only do sellers need to recognize that their good requires time for customers to gather information from actual use but they must also determine the average magnitude of this experience time. The longer the experience time, the more quality assurance is needed and thus the costlier it is for sellers to convince customers of the credibility of their pre-purchase claims regarding product quality.

Sellers of experience goods, however, seek to reduce quality assurance costs by relying on a combination of quality assurance devices – such as money-back guarantees – and marketing rhetoric. For instance, sellers compete on the name of the product, logo, slogan, and advertisement. These rhetorical tools are ways for sellers to mimic the characteristics of inspection goods in the eyes of consumers. For instance, a company attempting to sell a hair regrowth product, when faced with marginal improvements in the scientific proof for their product's claimed benefits that will cost millions to fund clinical trials, may opt instead to flash images of men with full heads of hair attended by youthful women in their commercials. If they can increase revenue by

the same amount, but at a lower cost, they will prefer this method. Convincing the customer to “suspend his disbelief” is a tried and true tactic for salesmen and film producers.

The ratio of rhetoric to quality assurance measures, therefore, increases with the costs of quality assurance needed and with the experience time. In the extreme case of religious salvation goods, where no experience time is sufficient to determine quality, the ratio becomes infinite as experience approaches zero, leaving rhetoric as the only tool for enticing consumers to purchase the product. Political goods are a less extreme example but could not be sold without rhetorical flourishes. The ratio of rhetoric to quality assurance measures is much higher than that of any experience good sold on the market. While a seller on the market may refuse to use rhetoric and rely solely on quality assurance measures to support claims about product quality, the same would not be feasible in the political environment as quality assurance costs are very high and experience time is very long.

In most instances, it will be necessary for a planned enterprise to attract supporters and investors. As a formal matter, this is the same for electoral and market competition, for those supporters must be convinced of the enterprise’s capacity for success. As a substantive matter, there are differences in how supporting networks are constructed. For market enterprises, entrepreneurs must convince supporters of the prospect for a positive return on investment. For entry into electoral competition, a different type of selling effort is necessary because there are not direct returns to investment. For market competition, the selling effort is concentrated on experience goods. Electoral competition almost exclusively involves the selling of credence goods.

Market entrepreneurship is local and experience-centered in that success is based largely on creating successful experiences in consumers' minds. The distinction between experience goods and credence goods is surely relevant here. People can vary in their abilities to sell the different kinds of goods. Electoral competition is more about selling dreams and images of systemic problems that require repair. In market competition, one must elicit support from people who are free to refuse it. There is support at two stages. One stage is support by backers; the other stage is support by customers. The first stage is the same for electoral competition. The second stage, though, differs because electoral competition can be financed by those who oppose the candidate.

Market-based enterprises face two sets of problems: (1) on the supply side sellers need to combine inputs in least cost fashion and (2) on the demand side sellers need to provide goods and services with characteristics for which consumers are willing to pay enough in the aggregate to hire the inputs necessary to produce the output. Each enterprise represents an experiment, with the market process selecting among experiments. While there is no god's-eye vantage point from which certainty can be attained, there are market-based practices and procedures that surely operate to promote success over failure.

Market competition, moreover, is continuous, in contrast to the periodic character of electoral competition. This means that the list of competitors is never a piece of data because a new source of competition can arise at any time. A market competitor can never know completely the identity of the other competitors, and so must always be vigilant against surprise sources of competition. Entrepreneurial alertness (Kirzner

1973, 1979) is surely a quality that is promoted through market competition. Where electoral competition selects for the ability to acquire votes in periodic elections against known opponents, market competition selects for the ability to continually attract customers in the presence of an indefinite number of competitors when customers can change their allegiances whenever they desire. There are no lame-duck periods in markets, as competition for customer support never ends. A lame-duck period in politics means exactly that the competitive political process has entered its sabbatical stage where the political entrepreneur's status is known for a pre-determined period of time.

A market is a network of transactions constituted through dyadic relationships: voluntary trade between buyers and sellers. This is the world of private ordering where the dyads agree to the terms of their relationships. Even if the transactions are complex and involve multiple participants, they can reasonably be reduced to a series of dyadic exchanges. Market networks might be constituted through lengthy chains of relationships, yet each node in that chain is able to opt-out of that chain. To prevent that exit, the node that might otherwise opt-out must be convinced to remain connected to the chain, which in turn means that that node anticipates that its value will be higher by remaining connected to the chain than by exiting.

It is different with electoral competition. Politics is replete with exchanges within complex networks of rules that govern interaction among participants, rendering fiscal phenomena products of complex interaction and not simple choice (Wagner 2007, 2012). These transactions, however, are triadic and not dyadic in character because there is no exit option available to participants (Podemska-Mikluch and Wagner 2012). Market transactions, no matter how complex, can be reasonably reduced to a

representative dyadic transaction where exit is always an option. When a dyadic relationship becomes triadic through political imposition, the exit option is only made available if both private entities refuse to deal with the political entity. The triad no longer has to convince all participants to remain in the network, only a subset of the members (Usher 2012b). Triadic exchange entails an admixture of agreement and coercion and thus cannot be reduced to dyadic exchange, and while it can be described in the same network framework as dyadic exchange, triadic exchange entails a node that cannot be avoided. Electoral competition proceeds within a framework wherein candidates compete to occupy triadic nodes. In contrast, market enterprises compete for position within dyadically generated networks.

In the market environment of dyadic exchange, a trader must craft offers to potential participants that are regarded as so *desirable* that they will not be refused. Each party to a trade must convince and assure the other of the quality of the service they are receiving relative to what they are giving up in payment. Dyadic exchange entails a genuine meeting of the minds of all participants within the transactional nexus. Successful participation in dyadic exchange requires a talent for creating and negotiating the provision of services that customers willingly embrace, so market competition selects for those qualities. One such characteristic, including the unwritten social rules such as good business manners, is respect for the “rules of the game.”

Triadic exchange, by contrast, elevates in significance the ability to “game the rules,” so to speak, as a reflection of Pareto’s (1935) recognition that an effective political ideology can induce people to support measures that they would have opposed had they thought about them. The triad compels participation under terms that are

advantageous to some and disadvantageous to others, accompanied by a soothing ideology that aims to blunt the sharp edges of the power that holds together the transactional network. So while in a market environment an entrepreneur can gain only by providing valued service to willing customers, in the political environment survival depends on alternative heuristics that entail the ability to wield force or fraud in a generally soft manner, as Tocqueville (1966) and Ostrom (1997) have explained with particular clarity.

5. Competition and selection: the operation stage

Market competition entails degeneracy; electoral competition does not. Within a network, degeneracy means that there is no particular node that must be visited in moving between two non-adjacent nodes (Tononi, Sporns, and Edelman 1999). Degeneracy also implies that exit is possible from any particular relationship. This means there is consensus among investors. Someone who thinks that an enterprise won't yield a positive net return will not support the enterprise and provide it with capital. There are no identifiable gatekeepers who, by withholding permission, can keep an enterprise from going forward.¹ For electoral competition, degeneracy is absent. While a person might choose not to vote, the electoral outcome cannot be avoided. Hence, candidates in an election do not face the same competitive conditions as commercial entrepreneurs who continually must attract customers who are free to go elsewhere and can even refrain from consuming the type of good altogether. Not consuming a good is

¹ The qualifier "identifiable" means that there is no specific person whose permission is required. With market competition, an enterprise will go forward only if the entrepreneur is able to attract sufficient backing to hire the inputs necessary to operate the enterprise. If one supplier rejects an overture from the entrepreneur, other candidates can be approached because there is no specific person or office whose permission must be obtained.

always a substitute for any good in the market environment. In electoral competition, voters are always presented with option A or option B but never option C, or the “none of the above” option.

Selection under political competition operates to different effect. Political enterprises likewise require capital and must return gains to their supporters, but they do so under different institutional environments. Political enterprises receive significant capital from forced investors through budgetary appropriations and, moreover, operate without alienable ownership rights, which means, in turn, that political enterprises have no market value (Wagner 2007: 99-124, 2012: 68-90). Political entrepreneurs, unlike market entrepreneurs, do not have their own skin in the game (Taleb 2012). The entrepreneur’s profits and the survival of the political enterprise do not require the net creation of wealth as reflected in rising enterprise values, but instead reside in the successful manipulation and coercion of significant subsets of the population.

With respect to the formation of enterprises, electoral competition selects for different entrepreneurial qualities than does market competition. With market competition, entrepreneurs must secure support from willing investors who are free to redeploy their resources to pursue other options. With electoral competition it is necessary to secure support from only a subset of those who supply capital to support the enterprise because taxation creates forced investors. Both market and electoral competition operate to create a functional relationship between entrepreneurial action and enterprise success, but the arguments in those functions differ. For market competition, all suppliers of capital to the enterprise must be convinced of its likely success. For electoral competition, only a coalitional subset of those who supply capital

must be convinced of the enterprise's probable success. Within the electoral environment, it is reasonable to expect less careful exploration of options when the promoters of the enterprise do not work with their own capital.

The subsequent evaluation of the success of an enterprise also differs between market and electoral competition. If after some period of time the enterprise has not generated a stream of revenue sufficient to compensate input suppliers and to induce the owners to maintain the enterprise, the owners can choose whether to add capital to the enterprise or to disband it. It is, of course, impossible to know the future before it arrives, so an enterprise that appears to be failing today may nonetheless become highly profitable if given more time to mature. With market competition, entrepreneurs who have their own skin in the game make such choices, and it is reasonable to expect that such choices would be made in a spirit of sober realism.

With political competition, taxpayers who do not participate either in forming the enterprise's activity plan or in judging its success are forced to invest. At the electoral level, success is determined by voting. In an environment where many voters pay little or even no tax, no sense of a budget constraint is even present. Under such circumstances, people can cast votes in favor of programs even though they would not have contributed revenue sufficient to support those programs had they been offered on the market.

Whereas market relationships are crafted through voluntary participation, political relationships only partially and incompletely follow the contractual form. For one thing, only a subset of participants is included inside the contractual web. The remaining participants are in the position of Ellsberg's (1956) reluctant duelists who would choose

not to participate if that option were open to them. In a market environment a successful entrepreneur will have to attract support for the enterprise in competition with other enterprises that are in the same position. Each dyadic relationship is between equals who must continually convince the other party to avoid exercising the exit option. Within the electoral environment, however, the political entrepreneur constructs a triadic relationship by convincing one dyad to cooperate in the expropriation of another dyad. The requirements for electoral success are exacting, as failure often plagues competitors. Yet the substantive qualities required for electoral success are surely different from those required for market success. Electoral success requires a talent for holding supporting coalitions together, which is a talent that can be practiced with varying ability. To hold a coalition together when individual members of the coalition can be replaced, however, requires different qualities than what is involved in securing willing participation in environments of open competition.

With electoral competition, the quasi-contractual nature of creating and maintaining coalitions replaces the explicit contractual character of market relationships. The incomplete nature of political contracting means that political candidates are not liable for their failure to fulfill expectations created by their promises. The life of a public good project may extend over many administrations. Hence, it is possible to make wildly inconsistent promises, as illustrated by unfunded public pension liabilities, where the extent of the funding gap indicates the extent of the inconsistency between promises made to recipients of receipts of future payments and promises to taxpayers as to their tax burdens.

Political competition can select for qualities that would have led an enterprise to fail in a market environment. While rhetoric is a feature of a great deal of market competition, it is still necessary that market competitors create offerings that consumers are willing to support in direct competition with other offerings. Puffery might help a product to gain initial attention, but it is still necessary that the product deliver on its promised qualities if it is to survive in open competition with other products. In contrast, political competition is in large measure about puffery. While false puffery may work on occasion in market competition, its most secure home resides in electoral competition owing to the absence of exit options and the change in competitive environment that this absence entails. This brings us back to Pareto's (1935) distinction between logical and non-logical action. Markets are the domain of logical action where different producer offerings can be compared within an environment of voluntary exchange. Politics is the domain of non-logical action where there can be no direct comparison of options by referring to prices in relation to qualities. In this setting, as Pareto noted, ideology takes on especial significance, with successful ideological formulations being capable of inducing someone to support a program that would have been rejected if it had been subjected to logical appraisal.

6. Concluding remarks on conflicting rationalities and societal tectonics

Similar to Gigerenzer (2008), we have explored some implications for political economy under the recognition that the substance of rational action depends on the environment in which competition occurs. Darwin, for instance, also understood the significance of the environment in shaping an entire species. When he endeavored to

comprehend the origin of species, he journeyed to the Galápagos Islands and not to the local zoo or circus, having recognized that while the drive to survive and succeed is ubiquitous, a harsh natural environment does not select for the animals most suited to impress spectators but instead selects for those best at escaping predators.

Both market and electoral environments select for people who are good at what they do. But those environments differ in what leads to success. For instance, in a legal dispute between a pair of market entities the disputants have strong reason to settle out of court to avoid litigation expenses. The situation changes, however, if the plaintiff is a political entity because litigation expenses saved cannot thus be pocketed. Expensive litigation can, in fact, serve as investment for higher political office or alternative employment, depending only on whether successful prosecution catapults the plaintiff to notability or notoriety.

All competitive processes select among competitors according to the quality of their performances. Electoral competition surely selects for the ability of candidates to attract voters just as market competition selects for the ability of entrepreneurs to attract customers. Some recent literature on political economy has sought to compare the two environments by the same standard of Pareto efficiency, but the two environments are governed by and in turn cultivate different rules of attraction. We have avoided the Pareto efficiency label here for the simple reason that it is not an identifiable concept within an evolutionary framework. What is identifiable in an evolutionary framework is an ecological concept of rationality. Judging political economy by the standards of traditional economic efficiency requires a normative judgment. Ecological rationality, on the other hand, can shed light on the different types of behavior that take place in a

political economy without resorting to obscure conclusions on efficiency, fairness, or superiority.

The ancient Greeks did not have a word for blue but were not colorblind; they could recognize well the different color of the sea and referred to it as wine-dark (Taleb 2012). Just like the ancient Greeks, Darwin was well aware of the concept of ecological rationality and its profound implications, even though he did not coin the term. It is time to include the environment in the study of political economy. It is time to reexamine the wine-dark political behavior from the more accurate and enlightening lens of ecological rationality.

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