

## **THE STATE: PUBLIC CHOICE AND/OR PATERNALISM?**

One should not think that paternalism of the state is an invention of the last centuries. And although the term came much later, the very same phenomenon emerged in early history, along with the formation of communities of people and the emergence of individuals who speak on behalf of these communities and represent their interests. At the same time, all other interests of the community, as Max Weber notes, "inevitably give way to an interest in the maintenance or propaganda of the community as such" (Weber, 2017, p.27). It is probably not a mistake to extend this conclusion to society and to such a political community as the state.

### **What is the interest of society as such?**

In accordance with the CES and the Theory of Custodial Goods, it may be defined as an autonomous interest of society which is incomprehensible to the interests of the individuals constituting this society (Greenberg, Rubinstein, 2000; Rubinstein, 2009, 2018). The bearer of such an interest is the state whose model has been changing over the years of evolution, conditioned by the mechanisms of forming the interest of society as such (Rubinstein, Gorodetsky, 2018).

As a matter of fact, with the emergence of the state, a state paternalism also emerged, which can be defined as an aspiration to ensure the realization of the said interests through the use of the resources available to the state, the power of coercion and the establishment of corresponding norms and rules that in one way or another restrict the freedom of individuals. After A. Smith, economic theory has repeatedly attempted to prove an alternative thesis that the state does not have its own, autonomous interest, and only "executing the will of individuals" seeks to ensure the welfare of all and everyone.

Such a view, though underwent various modifications, was inherent in Kameralwissenschaft (Sonnenfels, 1776, 1882; Justy, 1778), the German Finanzwissenschaft (Wagner, 1883; v. Stein, 1885) and the Italian "Scienza delle Finanze" (Mazzola, 1890; De Viti de Marco, 1934) financial science, remained almost unnamed even in the second half of the XXth and the beginning of the XXIst centuries, when R. G. Bernard, who was a member of the Russian Academy of Sciences, did not know about it. Musgrave introduced the notion of "merit goods" and "merit paternalism" (Musgrave, 1959, 1987), and R. Thaler and his coauthors proposed the concept of "new paternalism" (Thaler, Sunstein, 2003a, 2003b; Camerer et al., 2003).

#### **About the Nature of Paternalism of the State.**

By the end of the 20th century, publishers of behavioral and experimental economics D. Kahneman, A. Tversky, and R. Thaler had accumulated a representative collection of "anomalies" that de-emphasize examples of individual behavior that differ from the predictions of standard theory based on the principle of rationality. At the same time, the explanation of cases of irrational behavior of people on the part of behavioral economists continued the merit based argument based on the idea of the multiplicity of the "Self", turning it into its main methodological technique, which caused justified criticism of many researchers.

Accepting the behavior of individuals and their consumer choice as a given, one can look for an explanation of this phenomenon without using artificial models of "bifurcation of personality", but in another interpretation of irrationality itself, which is proposed in the Theory of Custodial Goods. Thus, if the behavior of economic agents is evaluated as irrational or limitedly rational, then from the point of view of the Custodial Goods Theory it means that such an evaluation is obtained from an external source in relation to an individual. Irrationality of behavior of

economic agents is an evaluation of the state (path), which is formed within the political branch of generating public interest.

"In other words, recognition of the possibility of irrational behavior is the same as legitimization of paternalism. In this sense, both meritorial and libertarian paternalism, strictly speaking, are private cases of the theory of protected goods defining paternalism as an integral element of the state's existence, with its positive and negative consequences [Rubinstein, 2018].

### **Shaping public interest is a public choice?**

The attempts to prove the alternative thesis that the state does not have its own interest, based on the methodology of Friedrich von Hayek (Hayek, 1973) are presented in modern literature. Thus R. Wagner writes, "An alternative theoretical framework is one in which the state is regarded as an order that reconciles the actions of countless participants pursuing different goals" (Wagner, 2016, p. 90). Using the category "order" in his reasoning, the author seems to proceed from the presence of a perfect institutional environment in which the interests of individuals interacting with other agents and institutions are harmonized and transformed into the interest of society as a whole. In other words, the theoretical construction in which the state is regarded as an order ensuring the reducibility of the public interest in the interests of individual individuals is identical to the assumption that there is a perfect institutional environment. The situation changes radically if this hypothesis is not confirmed. Under such circumstances, there is no reason to assert that there exists such an order, in accordance with which the interests of "self-serving" acting individuals are transformed into their aggregate interest, which is the interest of society as such.

In fact, with this in mind, a category not reducible to individual preferences of public interest, which is formed outside the market of the current political system, was introduced into the scientific circulation (Rubinstein, 2019). It is a question of

declaration of public interests by the elected parliament, determination of corresponding development goals and their priorities. In the first approximation, it can be considered that the interest of society as such can be formulated in terms of public choice.

However, the political process, as it is known, "has its own logic, which in many cases does not coincide with the usual logic of optimizing economic mechanisms" (Radygin, Entov 2012, p. 26), and, as J.-J. Laffon notes, "the true interest" of society differs from the decisions implemented by the political system (Laffon, 2007, p. 23). I risk assuming, therefore, that we encounter here the paternalism of the state, which declares its decisions as a public choice. And if the paternalism of the state differs from the patriarchal co-keeping of paternalism as a system of relations based on submission of individuals to the pater, it is only the collective character of determining the interest of society and a certain liberalization of the very process of its formation.

### **Instead of a conclusion.**

To sum up, one of the motives of the paternalistic act of the state is lack of trust in the agent's ability to judge or act (Shiffrin, 2000, p. 220). Shiffrin argues that "paternalism is a substitute for judgment and a circumvention of the agent's will" (Shiffrin, 2000, p. 213). With this in mind, paternalism, in any form, is always an imposition of "paternalism" on members of a particular set of individuals, be they a household, a firm, a social group or a society as a whole, whose behavior and/or the institutional environment in which they operate is judged by them to be ineffective.

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