Articles 3

SOME ASPECTS OF THE DEMAND-REVEALING PROCESS

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This paper builds upon the recent work of Tideman and Tullock (1976) in explaining and generalizing an idea which has become known as the demand-revealing process. Part I of the paper discusses some of the criticisms relating to the strong claims that have been made regarding the scope and generality of the idea, the technique of persuasion for advancing the idea, and the lack of an ethical justification for using this method to make social choices.

In addition to lack of an ethical justification, critics have pointed to problems characteristic of all social choice processes, such as the incentive for coalitions and the lack of incentive for participation. In Part II, which is aimed at application of the idea, the practical relevance of these problems is examined in relation to how individuals would economize on information costs in a real-world setting.

The paper then sets forth a somewhat speculative view of the applicability of the demand-revealing process, which is intended to communicate the practical relevance of the idea while taking into account the main criticisms. The paper concludes with some thoughts about experimental application of the idea and its ethical justification.

I. Advancing The Idea

The Technique of Persuasion

However "exciting" the idea, its proponents are being criticized in some quarters for "overselling" the demand revealing process. The criticism has been directed, in particular, at some of the important generalizations that have been advanced, such as its application to problems of income and wealth transfers.

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These criticisms should be considered against the techniques of persuasion that must be employed by any originator or proponent of an important scientific idea. As George Stigler has observed:

> New ideas are even harder to sell than new products. Inertia and the many unharmonious voices of those who would change our ways combine against the balanced and temparate statement of the merits of one's original views. One must put on the best face possible, and much is possible. Wares must be shouted—the human mind is not a divining rod that quivers over truth.
>
> The techniques of persuasion also in the realm of ideas are generally repetition, inflated claims, and disproportionate emphases, and they have preceded and accompanied the adoption on a large scale of almost every new idea in economic theory . . .
>
> A new idea does not come forth in its mature scientific form. It contains logical ambiguities or errors; the evidence on which it rests is incomplete or indecisive; and its domain of applicability is exaggerated in some directions and overlooked in others.[1]

So may go the demand-revealing process. Nevertheless, as the papers in this volume demonstrate, the idea is being advanced in a balanced way. Yet energetic dissemination of the idea, including possible inflated claims and disproportionate emphases, has not been sacrificed in order to achieve this balance. In "selling" the idea, its proponents have dramatically demonstrated its potential scope, flexibility, and generality. In so doing, some sacrifice of scientific exactitude is prehaps desirable.

Need for a Philosophic and Ethical Justification

Important criticism has involved not just the analytics of the procedure but also the non-analytic and non-economic question of its basic justification. In a recent communication, James Buchanan, who with his public finance students recently undertook a semester-long scrutiny of the procedure, observed:

> A more general philosophical criticism emerged, both in my own thinking and in the papers of my students. This involves the application of the method in the first place, given the efficacy of its results. Why would we want to use this method? It is one form of a social welfare function, and it is little or no better than any other form. Why should I want a solution that satisfies the Clarke criterion? More needs to be done to justify the method philosophically, once the analytics are accepted.[2]

[1] See Stigler, G., "The Nature and Role of Originality in Scientific Progress", *Economica*, Vol. XXII (November 1955).

[2] Private communication from James Buchanan, December 1975.

Strong and philosophically inclined proponents of the idea cannot long ignore this important line of criticism. I suspect that a philosophic and ethical justification for the procedure will soon emerge, most probably from those of neoutilitarian persuasion.

Buchanan and his students have also tried to discover whether the method could be derived on generalized contractarian grounds. Although the exercise was somewhat inconclusive, many would agree on the need to define the areas of human life over which we would not allow the method to be used. That is, we must, in Buchanan's words, "place the method in an appropriate constitution that will limit and define the range of applicability".

There are those, on the other hand, who see no obvious justification for significantly limiting the applicability of the method—those, for example, who would extend it to income redistribution. Their utilitarian line of defense would probably start with the observation that the procedure does in fact generate agreement, at rather low cost, on *a* social welfare function. The procedure will maximize consumer surplus over society as a whole, provided that we are willing to measure that surplus in monetary terms rather than utils. As Tullock (1976) has observed, this measure might be a defect from many standpoints, but "I would like to request that people who object explain to me what they want *and* how they feel they can get there."

Another important type of justification would probably arise out of what we have learned, over the last several decades, about the costs imposed on society by existing social choice processes. A procedure that would hold some practical promise of avoiding these costs must seem attractive, at least to those who appreciate these costs.

Yet, one must suggest some grounds for caution to proponents of the idea who would use this *cost-avoidance principle* to justify its application. Recall that the "classic utilitarians" were largely responsible for our present state. The standard lie of the Benthamites was, after all, "that only by democratic voting could there be an adequate guarantee that legislators would *always* or predominately serve the general interest without denial that they might sometimes do so even in the absence of democracy."[3]

Given even a justification that commanded wide social acceptance, however, one would not readily expect radical changes in existing social choice processes or their area of application. There are some exceptions that might be cited to counter this incremental view. Proportional representation, which swept the Continent (but not the Anglo-Saxon countries) as a substitute for single-member-district representation during the last century, is one striking example.[4]

Despite such exceptions, one could take a less sanguine view of the possibility of developing a philosophical justification that would command wide acceptance or lead rapidly to large-scale and non-incremental changes in social choice processes, or

[3]Viner, J. "Bentham and J.S. Mill," *American Economic Review*, Vol. 39 (March 1949).
[4]See Tullock, G., *Toward a Mathematics of Politics,* Chapter X.

in their area of applicability. At the same time, one could look into all the areas where the demand-revealing process holds the greatest promise of generating cost-beneficial results in relation to the existing processes. In Part II, I take such a look, in part as a justification for the demand-revealing process from the standpoint of the cost-avoidance principle.

II. APPLICATION OF THE IDEA

In addition to lack of an ethical justification, the demand-revealing literature has identified three problems that bear on the application of the process in the real world. These are: (1) the existence of "Clarke taxes" or a lack of *budget balance* when Lindahl prices (benefits equal to tax shares) are not known, (2) an incentive to *coalitions* when budget balance is lacking, and (3) the fact that individuals would have little incentive to invest time and effort in properly specifying their preferences—the *information* problem.

Tideman and Tullock have argued that the first two problems are unimportant, given a large number of participants in a public goods interaction. For example, they indicate that if every individual were participating in a decision on the level of the federal budget, the total of "Clarke taxes" would not exceed $2,000 or one-thousandth of a penny per person. Similarly, coalitions would be difficult or impossible to organize because, as Tullock has observed, the coalition provides public good benefits which will motivate people to conceal their preferences.

Conversely, many believe that the information problem is a serious obstacle to practical application of the demand-revealing process. In this paper, it is suggested that this is *not* a problem—that people will organize into groups so as to make their participation in public choice processes meaningful. To the extent they do, however, we may be confronted with small number interactions that could give rise to a significant incentive to coalition activity when budget balance is lacking.

The Information Problem

At a very general level, it was early recognized that *individuals* would have little incentive to invest time and effort in properly specifying their preferences (Clarke, 1971). Although the demand-revealing process is no exception to the general rule regarding individual voting behavior laid down by Downs (1957), there is reason to believe that the representative forms of organization which individuals could use to economize on information costs would lead to results superior to those generated by representation under existing social choice processes such as majority voting, absent special conditions (e.g., symmetrically distributed intensity of voter preferences) which lead to efficient outcomes with majority voting (Bowen, 1943).

Moreover, the demand revealing process could lead to representative forms of organization that would provide safeguards to citizens against the misuse of existing social choice processes and help to correct misallocative effects. As Tullock (1976) has observed, this is particularly important in the context of laws and administra-

tive regulation that are used to effect costly and perverse redistributions of wealth in our society. Tariffs, import quotas, price supports and the activities of the Interestate Commerce Commission are leading examples of such inefficient and inequitable governmental policies.

Setting aside these aspects of redistribution, the process would hold some promise of assuring that socially desired levels of information are generated and that information is used to inform, rather than misinform, the decisionmaking process. Existing choice processes motivate the strategic use of information to modify the outcomes that would grow out of better analysis in ways that are both inefficient and inequitable. In contrast, the demand-revealing process would appear to complement outcomes that would be chosen by cost-benefit analysis by providing information about individual tastes and preferences that would lead to superior outcomes.

In particular, well organized special interest groups would be motivated to invest in information designed to lead to correctly specified preferences. They could then employ dollar voting, made possible by the demand revealing process, to modify outcomes in desirable directions. They would no longer have to resort to bribes, campaign contributions, vote trading, and other techniques they now use to reflect the intensity of their preferences and modify the outcomes of simple majority voting.

What about the underrepresented taxpayer or consumer? Why and how would he play a more influential role in this process? To answer this question, it is useful to consider how individuals might go about economizing on information costs in a real-world setting involving general use of the demand-revealing process for most social choices.

In such a setting, many individuals would not participate, just as they rationally do not vote in a representative democracy. Such individuals would simply accept a "benefit tax" representing their allocated benefit share of all public goods produced.

Other individuals would find it efficient to assign proxies to agents who would represent them in designated public goods markets. They would seek to be represented, through such agents, in groups of relatively homogeneous tastes (not necessarily equal tastes, because some differences such as income could be taken into account by the group). But allowing for such differences, an individual would seek an agent who would specify preferences as close to his own as possible. The group would pay a "Clarke tax" based on the whole group's impact on the outcome.

The agent, in this case, is similar in many respects to the general purpose representative of Edwin Haefele (1972). Like Haefele's representative, the agent would represent his constituent's interests on a potentially vast range of issues, relating to providers of specific public services through specialists in the provision of information about such services. His constituency, however, would not be limited to geographic groups of individuals as in a system, such as Haefele's, that must be adapted to the constraints imposed by majority voting.

On particular issues, preferences might also be communicated by appropriately recognized combinations of groups. These might be organized by specialists and be composed of those groups which share a relatively high degree of homogeneity of tastes on a given issue. Such combinations would, all else equal, generate a higher level of "Clarke taxes" than those generated by the individual component groups, taken as a whole. The combinations may, however, generate information that can be used to modify estimated "benefit tax" assignments that would reduce "Clarke taxes". The optimal combination size will, of course, reflect the possible economies of scale in information provision and voting in relation to the cost of organizing combinations, including any higher "Clarke taxes" that might be generated.

It should also be expected that individuals would seek some blend of general interest representation with special interest representation on particular issues where they believed their interests were significantly different from those with whom they would associate on general issues. In some cases, they might also choose to be individually represented by specifying their own preferences for particular social choices.

Representatives of general and specially constituted groups would be expected to seek an efficient level of information gathering and analysis for purposes of determining efficient outcomes and modifying the estimates of those who are given the responsibility of approximating Lindahl "benefit taxes". Information functions would be divided among central providers, specialist organizations, groups agents, and individuals in whatever manner would be most efficient. Group agents would interact with individuals in obtaining relevant information useful for estimating demand (e.g., wealth, relative tastes, public goods usage). In turn, they would interact with specialist organizations and central providers of information to assess how these determinants of demand translate into social choices elsewhere. It would be expected that the quality of analysis would be superior to that generated under existing social choice procedures, not only because of the absence of distortions discussed earlier, but also because much information for making effective interpersonal and intergroup comparisons would be generated. Analysis would not have to rely, as present cost-benefit analysis does, on indirect methods of comparison, such as what people pay for substitute goods or the "willingness to pay" implied by their behavior. The overall process would also be expected to exploit potential increasing returns to information gathering. For example, the process of determining the aggregate preferences of groups (say, for water quality in a given river basin) would generate an important stock of demand information that could be utilized elsewhere (e.g., for groups seeking to determine an optimum level of water quality in other river basins).

Such information might serve not only efficiency, but also an important distributional purpose—that of generating better approximations of Lindahl tax-prices. It was originally suggested that initial tax-price assignments be determined judicially, allowing individuals to move toward Lindahl prices by negotiations (Clarke, 1971). Tideman and Tullock would appoint a Lindahl price

setter who would have his salary determined by how close he comes to such prices. Using econometric techniques, initial price assignments could also be determined after people have voted, taking care to exclude an individual's reported preferences in determining his own price (Downing and Tideman, 1976).

In the group setting, a question arises regarding the role of the group agent in the proper preformance of what might be regarded as a purely judicial or econometric function. Certainly, one must prevent strategic manuvering on the part of groups to reduce their own taxes. Yet, should not the performance of such functions incorporate a right to present evidence to show that the judge's or econometrician's information was incomplete, inaccurate, irrelevant, or incorrectly analyzed? Such evidence might show how government activities or programs do, in fact, impact on a group, the reported preferences of similar groups elsewhere, even a suggested improvement in the econometrician's multiple regression model.

In addition to representing his constituency in the determination of their initial tax-price shares and in presenting evidence that might lead to their modification, the group agent could also seek to modify them through negotiations. In so doing, the agent utilizes information on group tastes that, because of its lack of objectivity, cannot be taken into account by Lindahl tax-price setters without leading to strategic behavior. The information, however, can lead to negotiated solutions that better approximate Lindahl prices.

The myriad dimensions and various possibilities of public choice in the group-demand setting where individuals organize to economize on information costs is perhaps best appreciated in the context of some very concrete examples. Those provided below, in the context of a somewhat Utopian conceptualization of how the demand revealing process would work if applied to all governmentally influenced decisions in our own society, are intended to not only to illustrate the process of group choice in a real-world setting but also to justify the demand-revealing process from the standpoint of the cost-avoidance principle.

A Parable

By some magic process, the demand-revealing process is applicable to all social choices in our own nation. An average family that has paid $6,000 annually for public goods ranging from the provision of national defense to the provision of neighborhood public recreational facilities may also be assumed to have paid $4,000 annually in additional consumer costs or "hidden taxes" as a result of the way government has intervened in the provision of privately produced goods affecting their price, supply or quality. These include goods that incorporate a degree of "publicness" (e.g., electricity facilities which are indivisible among users) as well as ones that generate externalities, including merely pecuniary ones, to some groups in the population. Thus, tariffs and other barriers to the importation of goods, as a wide array of domestic economic and social regulations that affect the price, supply and quality of the products, goods, and services for which the family spends most of its discretionary income, are of concern to the agent for a group of families.

Over a period of years, changes in arrangements influencing the provision of these goods and services, including those provided directly by government, could reasonably generate efficiency gains equal to half that paid in direct and "indirect" taxes by the average family, or $5,000 annually. These gains are net of the costs of decision and information required to generate them.

The information acquisition activities of the agent for a group of families are collective goods. To the extent that he makes decisions that benefit families that abstain, or generates demand information of value to groups elsewhere, the demand revealing process can be used to determine the efficient level of his activity and the proportion of his costs that will be shared by those outside the group.

Assume that 200 more or less identically situated families with relatively homogeneous tastes and characteristics choose a group agent to represent them. They each pay $500 for representation, so that the agent would have a $100,000 decision and information budget. Outsiders who benefit from the agent's activities pay additional amounts, but these are offset by government decision costs required to set the agenda for public choices, estimate preferences, and determine "benefit taxes" and election outcomes.

The agent allocates his information budget to a variety of specialist organizations that are expert in estimating aggregate preferences for public goods (e.g., national defense, research and development, all the way down to the neighborhood public park), especially those relating most closely to his constituency's greatest concerns, which might be high quality cultural and recreational activities, high levels of advancement in science, and a "dovish" national defense posture. The agent, in his role as "consumer advocate" for his constituency, also contracts with specialists concerned with trade, agricultural, energy, and transportation policy, as well as labor relations and health care provision. He believes that his constituents are paying unnecessarily high prices for food, shoes, apparel, electricity, airline tickets, and annual hospital/medical bills as a result of current arrangements influencing the provision of these goods and services. He awards to the specialists his "proxy" (with measures relevant to determining the dollar intensity of his constituent's preferences) for a range of policy changes that will reduce the costs of these goods and services to both his constituents and others.

Moreover, his constituents would like to be sure that air quality in an area not too far from a copper smelting plant with emissions of SO_2 are not harmful to their health, and they fear an "accident" in a soon-to-be-constructed nuclear power plant that also promises to substantially reduce the price of electricity in their electrically heated homes. The group agent thus devotes special attention to national and local policies that might provide "safer" environmental alternatives at a reasonable cost. He is especially interested in proposed taxes on SO_2 emissions that would reflect their full "social cost" and in more information about the likelihood of a nuclear accident, which the governmental authorities presently declare to be "quite unlikely".

In all areas of policy, he devotes attention to the specialists who can better estimate the economic and social impacts of present policies, and alternatives to

them, on his constituents. These impacts, to the extent possible, are translated into dollar measures through the techniques of modern cost-benefit analysis. Where such techniques cannot be utilized, as with the nuclear power plant or some defense activities, he seeks to encourage specialist organizations to provide better measures of probability distributions relating to the relevant factors.

Finally his constituents desire to promote more efficient and equitable provision of economic security, health care, and educational opportunities through arrangements that permit greater choice to the individual recipient in the expenditure of public dollars. The agent also seeks a careful reassessment of the redistributive impacts of national and local policies in these areas.

This is an integral part of an effort to reduce "benefit taxes" levied on his constituency which have remained at the level of previous direct taxes of $6,000 per family annually (or $1.2 million) because efficiency gains have been achieved through reallocating national and sub-national budgets and eliminating or modifying laws and regulations that raise prices to the general consumer. Toward this end, he raises additional enforced, but in this case, non-subsidized, contributions from his constituents and works with specialist organizations to better define precisely how government expenditures are impacting on these constituents. The specialist organizations are eventually able to formulate an objective analysis of the relative benefits of expenditures to various groups that becomes the basis for a Lindahl benefit tax revision throughout the nation. This reform generates about $400,000 (or $2,000 per family) in gains for his constituency. This is net of redistributions designed to modify the adverse distributional consequences of applying Lindahl "benefit taxes" throughout the economy.

The agent also devotes additional constituent resources to careful identification of problem areas where he believes it is desirable to specify judicially determined property rights, a prerequisite to setting in motion the demand revealing process. Anticipated landings of Concordes at the local airport suggest a careful specification of property rights in aircraft noise combined with appropriate tax/subsidy arrangements that will compensate for the gradually reduced home values being experienced by his constituents. These supplement payments that his constituents receive from a tax/subsidy plan that approximates Lindhal pricing of SO_2 emissions from the copper smelting plant. Nevertheless, the positive payments from such sources are being offset by payments to communities, firms and workers throughout the economy who are adversely affected by steps taken to obtain general efficiency gains for the consumer. For example, certain rural communities, trucking firms and the Teamsters receive a portion of the approximate $100 per family in efficiency gains resulting from abolition of government economic regulation of the trucking industry. The agent assures that his constituents' interests are carefully represented in the design of such compensation arrangements where the demand revealing process is also used to determine the appropriate compensation of losers and the allocation of efficiency gains among various beneficiary groups.[5]

[5]Tullock (1976) has described how the demand revealing process can be used to determine compensation.

A large proportion of the agent's efforts are devoted to the *ex-post* revision of "benefit taxes". New information is continually being generated which will permit better approximations of Lindahl tax prices and he is continually submitting evidence or counter-evidence to the specialist organizations and the Lindahl price setters, excluding only the reported preferences of his constraints. In some cases, where his constituents' tastes are significatly different from what is implied by the determinants of demand that enter into the equations of the price setters, it is impossible to find objective evidence to support modification of their price assignments. The problems are particularly significant in decisions relating to national defense, advancement in science and cultural affairs. In these areas, rather significant "Clarke taxes" have been imposed on his constituents because of the intensity of their preferences. In these and other areas, specialist organizations have arisen which permit group agents to make "trades" (much along the lines of an organized stock-exchange) regarding price assignments which results in lower levels of "Clarke taxes". Utilizing such exchanges, the agent is able to make rather routine exchanges in almost all defense related decisions, so as to offset the excessive tax-price assignments imposed on his extremely "pacifist" constituents with the understated tax-prices of "hawkish" constituencies elsewhere who see a threat to their very survival in almost every action of a foreign power. Of the $1,200 annually in defense related expenditures imposed on each of his constituent families, he has found that even though the "Clarke taxes" amount to only $60 per family the very cheap exchange process (only a few cents per exchange) reduces these taxes substantially.[6] In decisions relating to local cultural and recreational facilities and services, the savings promise to be substantially larger.

Information and Related Problems

The approach illustrated above represents one of a number of possible approaches for dealing with the information problem. This particular formulation, however, could lead to a relatively small number of groups or combinations of relatively homogeneous groups participating in a decision on any given issue. This could give rise to not insignificant levels of Clarke taxes and incentives to coalitions.

Of course, recognized and appropriately taxed combinations can also ameliorate the problem of coalitions. In fact, the coalition problem would tend to arise in the absence of declared combinations, when two or more groups on the same side of an issue (e.g., whose benefits are over and understated in relation to tax-prices) *fail* to announce that they have combined in a coalition and misreveal their preferences so as to exploit groups on the other side of the issue (e.g., whose benefits are conversely under or overstated). Thus, one would want to encourage such combinations while finding ways of providing safeguards against coalitions.

The potentially powerful incentives to coalition activity, where, as Tideman and Tullock observe, "the benefits of forming coalitions varies with the square of the errors in tax shares, and with the square of number of members minus one", suggests that much research attention should be devoted both to methods of

[6] For a discussion of this exchange process, see Clarke (1971), pp. 30-31.

preventing them and ameliorating their effects. Tideman and Tullock, however, could be misleading when they note that the demand revealing process is no exception to the fact that all existing social choice processes are subject to exploitation by suitably designed coalitions. In the case of the demand revealing process, the degree and intensity of such exploitation appear to be far greater, at least in some cases, when compared with existing processes such as majority voting. If we cannot find ways of preventing or effectively outlawing collusive behavior in the provision of collective goods, as we have with the antitrust laws in the case of private goods, there is good reason to try to ameliorate the adverse effects of coalitions by more nearly approximating Lindahl prices n the determination of assigned tax-prices, or by designing some other mechanism that would remove the incentive for coalition activity.

Experimental Application with "Local" Public Goods

The somewhat speculative scenario set forth above is intended to suggest not only the wide potential applicability of the demand revealing process, but also the subtlety of the information and related problems. Future testing and experimentation with the demand revealing process must recognize this subtlety and the potential degree of sophistication that is required in any real-world organizational arrangements to deal with these problems.

Pilot efforts have already been made to experiment with the demand revealing process in a laboratory setting (Scheer and Babb, 1975). And I have commented on the results of these efforts elsewhere (Clarke, 1975). I believe that the most useful future efforts in the area of empirical testing lie, however, not in the laboratory but in the real world.

Why not undertake the research that would be required just to set the stage for one or more experiments with the demand-revealing process in one or more localities? Setting aside some of the more obvious difficulties—an Act of Congress, amendments to one or more State Constitutions, and strong indications of local willingness to participate might be required—the program of research itself might be worthwhile in providing understanding of the impact of existing social choice processes on our citizenry. For before we think about utilizing the demand-revealing process, we should try to understand the impact of the status quo as well as the impact of alternatives that would be presented to the local citizenry. Most observers of existing social choice processes perceive this understanding to be, at best, primative.

The research could begin by taking a significant subset of state and local expenditure functions in a typical American community of about 100,000 persons, for which expenditures presently average in excess of $3,000 per family. One could attempt to build production functions that specify the impact on relatively homogenous categories of families (e.g., by income levels, usage of particular functions, their geographic location), and then use the best available techniques of cost-benefit analysis to arrive at estimates of Lindahl "benefit" tax-prices for these family categories.

Ideally, local decision processes for coping with important "externality" problems through other than direct expenditures would also be included. For both these problems and the treatment of externalities through direct expenditures, one might follow the approach utilized by Downing and Tideman (1976) in their analysis of environmental regulation by the demand revealing process. In all cases, careful analysis of the institutional structure of the externality would be required along the lines set forth earlier by Buchanan (1973).

Such research would then set the stage for specifying alternative approaches to coping with these externalities by regulation and subsidy as well as the provision of local public goods through direct public expenditure.

An essential step is the creation of a structure of decisionmaking for dealing with the information problem and appropriate safeguards against coalition activity. Research could be undertaken on various possible approaches, including the kind of organizational structure described earlier. This structure would then be integrated with appropriate institutional structures for coping with externalities in a local setting.

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A serious attempt to demostrate the aggregation of individual preferences in the real world can perhaps be best justified by the costs presently imposed on our society by majority rule, which ignores the intensity of individual preferences. It is curious that a "felicific calculus", designed to achieve that harmony between the interests of individuals and the social interest which was sought by Jeremy Bentham, would emerge a century or so after his "Radical Reformers" had set in motion an inexorable process that vastly expanded the domain of majority rule.

Demonstration of the practical relevance of the demand-revealing process as a means of now restricting the domain of majority rule would, of course, demand as much originality as Bentham and his followers evidenced in finding means and devices for putting his philosophy into practical use. It would also demand a reaction against intellectuals in our own time who are so remarkably similar to the eighteenth century philosophers from which the general lines of Bentham's thought originated. Though "fertile in ideas", they were "almost completely void of zeal for the application of these ideas to change of institutions, or even of zeal in generating ideas which would call for change in existing institutions".[7]

In the year that the Public Choice Society has chosen to commemorate not only "1776 and Constitutional Choice" but also "1776 and Economic Choice" in its desire also to commemorate the publication of the *Wealth of Nations,* many of us like to think of Adam Smith as an exception to this political complacency but he was only to a moderate extent. As Jacob Viner has observed, "Smith had little confidence in his ability of ideas to move worlds" and "rarely ever felt moved to do anything, and especially to resort to anything rude or, in the eighteenth century meaning of the term, to 'enthusiasm', to obtain acceptance and execution of his reforming ideas." [8]

In calling attention to the possibilities in the idea of a demand-revealing process as a means of restoring a measure of economic freedom in the way we

[7]Viner, op. cit.

[8]Viner, op. cit.

attempt to harmonize individual and social desires, one should acknowledge its intellectual and social foundations, concluding with an observation about criticism of these foundations. As Viner has observed of these criticisms of utilitarianism:

> It is taken to task for failing to build a bridge between individual and general happiness. But this would be a valid criticism only if either it had professed to do so and failed, or if it were a proper demand of any moral philosophy that it should provide a practicable scheme of perfect harmony of interests.

Bentham did not pretend to complete bridge the gulf and proponents of the demand revealing process have only barely begun to demonstrate the practical relevance of the idea or think seriously about its ethical justification as a principle for collective action. But progress will proceed on the development of a yet another idea that has its intellectual foundations in a philosophy that has guided so much of economic thought. This stream of ideas, and the presuppositions underlying them, began with Bentham, who once said prophetically:

> But I have planted the tree of utility. I have planted it deep, and spread it wide.

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