

# Contents

<i>Foreword by Gordon Tullock</i>	<i>page xi</i>
<i>Preface</i>	<i>xiii</i>
<b>1 Introduction</b>	<b>1</b>
Perspectives on budgetary decision-making	1
What kind of public choice theory?	8
Design of the volume	11
Guide to the literature	12
<b>2 The structure of the budgetary process</b>	<b>15</b>
Demand and supply in the public sector	15
Budgetary decisions	17
Budgetary decisions as transactions in internal markets	21
The competence rules of the budgetary process	23
The procedural rules of the budgetary process	30
Guide to the literature	32
<b>3 Demand in the public sector</b>	<b>33</b>
Public and private goods	33
Objectives of politicians	37
A partial approach to the public demand for public goods	43
A general approach to the public demand for public goods	52
Public demand for private and group goods	55
Guide to the literature	61
<b>4 Supply in the public sector</b>	<b>64</b>
The economic theory of bureaucracy	64
The structure of the internal market	67
	vii

Objectives of bureaucrats	75
A partial approach to the public supply of public goods	82
A general approach to the public supply of public goods	88
The public supply of private and group goods	92
Guide to the literature	95
<b>5 Political decision-making</b>	98
Elements of game theory	98
Domination and Pareto superiority in budgetary games	106
Presolutions	112
Some game-theoretical results	116
Guide to the literature	130
<b>6 Bureaucratic decision-making</b>	133
The extended budgetary game	133
A partial approach to bureaucratic decision-making about public goods	134
A general approach to bureaucratic decision-making about public goods	139
Bureaucratic decision-making about private and group goods	151
Guide to the literature	155
<b>7 Institutions</b>	157
Agenda rules	157
The modelling of agenda rules	159
The germaneness rule	164
The rule of non-intervention	174
Guide to the literature	187
<b>8 Ways to reform</b>	190
The deficiencies of the budget mechanism	190
Financial management	192
Privatization	197
The public choice perspective reconsidered	203
Guide to the literature	206
<i>Mathematical appendix</i>	
<i>Numerical example for model I</i>	209
<i>Numerical example for model II</i>	209
	216

**Contents**

ix

<i>The unimodal Preference Function</i>	224
<i>Numerical example for model IV</i>	228
<i>List of symbols</i>	236
<i>Glossary</i>	238
<i>Notes</i>	247
<i>References</i>	254
<i>Index</i>	270