

## **Peter H. Schuck: Why government fails so often: and how it can do better**

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“Market failure” is a common topic in every principles-level microeconomics course. Some goods, such as externalities and public goods, can be troublesome for the market to provide in efficient quantities. The standard textbook solution is that it is the responsibility of the government to correct these, and other, market shortcomings.

Peter Schuck’s *Why Government Fails So Often* extends this reasoning one step further. If we are to assume that markets can be less than perfect, why not hold the public sector to the same standard?

Schuck’s systematic exploration of the issue falls into three broad sections. First, he discusses the broad issues surrounding policy-making and how to frame policy success and policy failure. Cost-benefit analysis is a popular measure, though, as he properly notes, it is not without its shortcomings.

Accurately capturing all costs and benefits is tremendously difficult in the real world; establishing proper geographic and time boundaries, as appropriate, further clouds the process. And even if costs and benefits could be tallied effectively—opportunity costs included—there still exists the conundrum of bias in the cost-benefit process as those performing the calculations often have a political axe to grind or tax dollar to secure given a particular outcome. Nevertheless, we remain in need of some measure of policy success and imperfection will have to suffice if an objective assessment of policy is of interest.

Further setting the evaluation groundwork is a discussion of America’s political culture—a culture which, compared to “dynamic” and “subversive” popular culture, is “stable” and “cemented,” and whose pace of change is “glacial.” The commitment to this multi-faceted aspect of policy-making—which includes constitutionalism and decentralization, but also interest group pluralism and public opinion—helps explain policy failure. As such, there exists a tradeoff between policy improvement and the cultural status quo, and thus far, the latter appears to be the favored choice.

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The strength of the volume comes from the second section. Schuck provides a public choice primer on policy failure. Starting in Chapter 5, he shows that policy-makers, for example, must be simultaneously incentivized to pursue good policy, must be rational in their means of pursuing desired outcomes, and possess up-to-date information by which to make the appropriate decisions. Any one of these assumptions is a substantial leap of faith; taken together, the failure of policy does not only seem plausible or likely but perhaps the only possible result.

The practical difficulties continue. Policies focused on improving market outcomes often run into the strength of these markets themselves. Markets move at too quick of a pace for policy improvement to be expected; heterogeneous preferences undermine one-size-fits-all regulation; information shortcomings in policy-making cannot be overcome; policy begets unintended consequences; and so on. Further, aside from the problems of policy *generation* lie the problems of policy *implementation*. Chapters on “The Limits of Law” and “The Bureaucracy” complete the analysis. Policy students in need of a one-shot reading on the intractable economic realities that make effective policy-making extremely difficult would be well suited to absorb Schuck’s systematic breakdown.

The book concludes with a list of plausible steps to take to improve policy-making vis-à-vis the current policy environment. Fixing a broken system may be nigh impossible; nevertheless, marginal improvements hopefully can lead to a more effective public sector. The recommendations, however, make the reader realize exactly how deep within the policy crevasse we find ourselves. One cannot help but to think that a volume such as this one necessitates at least a cursory attempt at practical solutions. Nonetheless, a healthy degree of optimism must accompany most of the proposals if any improvement is likely to be seen in practice.

Consider a proposed expansion of the General Accountability Office (GAO). While a reasonable recommendation in theory, what with the *de jure* independence and non-partisanship of the office, one wonders the degree to which an expanded GAO could achieve *de facto* independence. After all, the GAO plainly states that it “works for Congress;” so, too, do dozens of bureaus where congressional dominance rears its ugly head (see Weingast and Moran 1983 for a theoretical view, and Ryan 2014 for a practical example and summary of empirical analyses), and the political business cycle challenges the concept of *de jure* independence as well. (see Nordhaus 1975, amongst many). Conjuring a pure-intentioned Congressional watchdog certainly moves us in the right direction—then again, imagining flawless policy-making may be a bit more direct considering the problem at hand.

Political cultural changes are called for—the same “cemented” political culture that experiences “glacial” change. Constitutional changes are on the docket as well; in today’s Congress, even a simple majority of 50 % plus one often seems a daunting mount to ascend, much less the two-thirds and three-quarters stipulations required for amendments. Creating randomized policy experiments to improve information about proposed policies, à la the randomized controlled trials of the development economics world (see, for example, Banerjee and Duflo 2009), *does* improve information on policies particular to the experiment. At the same time, this approach leaves open the issue of exactly how much extrapolation can be done so as to improve future policy efforts that differ on key margins from the original trial.

This is not meant to denigrate this substantive, and important, effort by Schuck. After all, if improving the American policy-making process were but a few book chapters away, we have either severely overestimated the problems inherent in the political process or we have been staggeringly misguided in our political economy research agenda—or both.

Still, realizing exactly where we are is the first step towards moving to a better state of affairs. This volume sets us squarely down that path.

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