



## **The Brief Story of the Public Choice Research Centre<sup>1</sup>**

**Hannu Autto**

Department of Philosophy, Contemporary History and Political Science  
University of Turku, email: htautt@utu.fi

**Hannu Nurmi**

Department of Philosophy, Contemporary History and Political Science  
University of Turku, email: hnurmi@utu.fi

*Keywords:* democratic governance, institution design, game theory, power indices, voting theory

### **1. Introduction**

The Public Choice Research Centre (PCRC) of University of Turku came to being at the behest of the then Chancellor of the University Professor Eero Vuorio who suggested the possibility of applying for the status of Centre of Excellence for an interdisciplinary group of economists, philosophers and political scientists based in University of Turku. The initiative was strongly supported by Rectors of University of Turku and Turku School of Economics and Business Administration, Professor Keijo Virtanen and Professor Tapio Reponen. These Centres are nominated by the Academy of Finland, one of the primary funding organizations of academic research in Finland. If successful, the application would enable the applicants to establish a research group for five years within the

---

<sup>1</sup> The authors thank Manfred J. Holler for helpful comments on an earlier version.

premises of some academic institution in Finland. The latter would, in turn, cover about a half of the costs of the Centre. Vuorio's long career on the board of the Academy made us optimistic about our possibilities of obtaining such a status. By "us" we mean the applicants, Hannu Nurmi and Mika Widgrén. Both applicants already had a network of research contacts, both in Finland and abroad. Widgrén held the position of Research Director at Yrjö Jahansson Foundation and had recently been nominated to the post of Professor of Economics at Turku School of Economics and Business Administration. Nurmi and Widgrén had met in the context of the yearly meetings of the Public Choice Society and the European Public Choice Society. Hence, it was considered appropriate – albeit, as it later turned out, somewhat unfortunate – to call the newly established research group the Public Choice Research Centre.

The professional contact network of Widgrén was very extensive, indeed, and it was thought natural to invite to the Centre the most important persons and groups from this network. And so, Manfred J. Holler and his research associates in University of Hamburg were asked to join and they graciously agreed to do so. Holler was a common long-time acquaintance of both Nurmi and Widgrén and his work had inspired many Finnish members of the Centre. Thus, PCRC came to stand on three pillars; University of Turku, Turku School of Economics and Business Administration and University of Hamburg. Eventually, the first two pillars came to one when the Business School became a Faculty of University of Turku.

The process of applying for the status of Centre of Excellence (CoE) in the Academy of Finland is long and demanding. The Academy invites internationally highly recognized experts to provide evaluations of the applicant groups. In the case of the PCRC the expert group later became the Scientific Advisory Board. It was the task of this Board to evaluate and advise the Centre several times over the funding period. Thus, the PCRC organized a two-day seminar with the Board at roughly 18-month intervals. The Board consisted of three highly respected scholars: Robert E. Goodin (Australian National University, Canberra), Dennis C Mueller (University of Vienna) and Donald G. Saari (University of California, Irvine).

## **2. The research groups and foci**

Public choice is usually defined as the study of political and social institutions and processes using the methodology of micro economics. Hence, *homo oeconomicus* is the central notion. However, the founding fathers of public choice, notably James Buchanan and Gordon Tullock, introduced – primarily because of their own specific research interests – theoretical ingredients that became associated with libertarianism as an

economic doctrine. Although libertarianism was very seldom discussed, much less advocated, within the PCRC, it was clear that our distinctive approach which included a critical examination of the foundations of public choice was not reflected in the name of the Centre the way we originally intended. From Buchanan and Tullock we, however, adopted an instrumental approach to social and political institutions.

Two research groups were formed initially: one on design of institutions and policy analysis (DIPA) and the other on democratic governance (DG). With less than ten senior scholars this division was largely artificial and unnecessary, more or less a product of striving for an organizational pattern that would not appear completely flat. CoE's of the Academy of Finland are expected to be somewhat organized in a way that leadership patterns are visible. Nonetheless, the PCRC remained a bazaar-like structure – and perhaps appropriately so.

Upon closer inspection, DIPA consisted mainly of people interested in the institutions of the European Union, on game-theoretic analysis of power, on mechanism-design theory and on domestic economic policy. The study of voting power distribution within and among the European institutions was one of the strongest themes connecting the Hamburg and Turku pillars of the PCRC. Power indices had been studied for decades before the launching of the Centre, but with the entrance of Finland to the Union these studies received a new boost. It seemed that they would help in designing just and fair decision rules.

The power index values ensuing from various vote distributions in the Council when combined with agreed-upon qualified majority thresholds were the standard tools in power analysis. The problem is that there are several such indices. In one-level (unicameral) bodies the values of the traditional Banzhaf and Shapley-Shubik indices do not yield ordinally different voting power distributions, but the specific values are often different. So which one to choose and apply? To make things more complicated, the foundations of both these indices were called into question, *i.a.* because they both were based on counting critical defections of voters from all winning coalitions. To mend this flaw, indices based on minimal winning coalitions were invented, one of them, the public good index (PGI), by Manfred J. Holler. These developments took place much prior to the PCRC, but the discussion about the relative merits continued throughout the PCRC funding period and is, in fact, still going on.

Within the PCRC another approach to voting power measurement emerged, *viz.* that emphasizing the preferences of actors in assessing their influence over the outcomes. Stefan Napel and Mika Widgrén were among the most active advocates of this view. Thus a most delightful internal debate with an unusually wide audience – provided by *Journal of*

*Theoretical Politics* (vol. 16/4, vol. 17/1 and Vol. 17/3) – ensued involving Stefan Napel, Mika Widgrén, Manfred Holler and Matthew Braham. The problem of the right measure of *a priori* voting power still divides the community into camps entertaining amazingly passionate views of their favorite measures and even more so of those of their competitors. By providing a forum for airing some of those views the PCRC undoubtedly made a contribution to the scholarly community. The debate is summarized and commented upon by Manfred Holler in “How Hamburg Cooperated with Turku” elsewhere in this book.

Considerably less visible was the work on foundations of mechanism design and applied game theory that took place in the weekly seminars of the PCRC in Turku and in the Adam Smith Seminar context in Hamburg. The weekly seminars were the main forum of discussing new ideas, draft reports and chapters of longer treatises. They also provided a convenient forum for debating the papers of the PCRC visitors. The game-theoretical work of the PCRC was largely done in the DIPA group under the supervision and active participation of Hannu Salonen and later also by Hannu Vartiainen. Both had contacts with the Hamburg pillar, especially with Manfred Holler. The economic policy analysis of the Centre was largely conducted by Matti Virén and the constitutional design problems were dealt with by Matti Wiberg.

The same forum was utilized by the DG group. The main focus of this group was on democratic theory, democratic institutions and their background conditions. Most participants either were social philosophers or had a firm background in political philosophy. Eerik Lagerspetz had for a long time studied the significance of social choice theory to the actual working of voting bodies and electoral systems. His junior colleagues Kaisa Herne and Maija Setälä specialized in theories of justice and deliberative forms of democracy. Hannu Nurmi had studied the theoretical properties of voting procedures for several decades prior to the PCRC. This work was continued under the PCRC auspices. Kaisa Herne and Maija Setälä also played a crucial role in the establishment of the PCRC lab, a laboratory for studying behavioral aspects of decision making, bargaining and norm selection. Although experimentation had, of course, been used in psychology in general and in social psychology in particular, the PCRC lab had to be built *ab initio*. This work involved not just soft-but also some hardware development. In this work the efforts of Olli-Pekka Lappalainen and Antti Pajala were indispensable. The lab provided a link between the two research groups.

The two research groups were overlapping both in terms of research subjects and in terms of personnel. As this was a genuinely multi-disciplinary Centre with cross-disciplinary ambitions, much attention was devoted to within-Centre communication of ongoing work. Most of the

time we had no difficulties in following each other's train of thought, but inevitably the most technical details had to be glossed over in seminars and workshops.

### **3. Our way of working**

Although the funding for the PCRC came from Finnish sources, the participation of Hamburg turned out to be very beneficial not only in the application but also in the execution phase of the PCRC project. Manfred Holler had an extensive experience in scholarly publishing and his network of scientific contacts was quite exceptional. This network augmented the already existing contacts of the Turku pillar of the PCRC. With the aid of these the PCRC was able to host several high level workshops. These are listed in the following:

1. "Proper Scope of Government", January 21, 2008, Turku (co-sponsored by the Tampere Club);
2. "Power, Games and Institutions", August 18-21, 2008, Mariehamn;
3. "Rules, Games and Democracy: Mika Widgrén Memorial Workshop", September 7 – 9, 2009, Turku;
4. "Philosophy, Politics and Economics: Reflections on Geoffrey Brennan's Contributions", June 3, 2010, Turku (co-sponsored by the Tampere Club);
5. "Voting and Allocations Systems", June 8-9, 2010, Mariehamn;
6. "Conflict Resolution and Public Choice" (co-organized by Centre of Conflict Resolution), October 1 -2, Pargas;
7. "Politics and Economics" (organized by Department of SocioEconomics, University of Hamburg), November 5-6, 2010, Hamburg;
8. "Politics and Economics" (organized by Department of SocioEconomics, University of Hamburg), January 21-24, 2011, Hamburg;
9. Summer School "Bargaining Theory and Applications", August 15-19, 2011, Turku.

Of these 7 and 8 were teaching modules organized by Manfred Holler and Hannu Nurmi. Others were events of 20-25 participants, typically with 50-50 split of Finnish and foreign participants. Together with the weekly seminars these events were the most important forums of scholarly exchange.

### **4. The research output**

Eight doctoral theses were completed either completely or in major parts during the Centre of Excellence period (four in Economics, two in Political Science and two in Philosophy). In addition, four dissertation projects initiated during the CoE-period are about to be finished in near future (two in Economics and two in Political Science). These are not included in the list below.

Doctoral theses:

- *Proportionality and Party Success in Europe* (Maria Maunula 2008)
- *Decision-making in Committees: Game-theoretic Analysis* (Nicola Maaser 2009)
- *Essays on Bargaining and Voting Power* (Andreas Nohn 2010)
- *Four Essays on Implementation Theory* (Ville Korpela 2011)
- *Studies on Institutions and Central Bank Independence* (Aleksandra Maslowska 2012)
- *Collective Action in Commons: Its Diverse Ends and Consequences* (Hannu Autto 2014)
- *The Rejection of Prioritarianism* (Arvi Pakaslahti 2015)
- *The Concept of Betterness and Sport Competitions* (Mika Hämäläinen 2015)

The number of books written and/or edited by the PCRC personnel from 2008 till 2013 is 17 and the yearly number of scholarly articles published by the PCRC members varied between 39 and 52.

## 5. The junior scholar perspective

In many respects the PCRC provided excellent opportunities for junior scholars pursuing an academic career. These can be loosely categorized into resources, networking opportunities and academic environment.

The most obvious – and crucially important – form of support was a long-term work contract. This brought about at least two positive things. It removed some of the risks and uncertainties associated with pursuing a doctoral degree in the first place rather than working outside academia. It also removed the constant need to apply funding, which is typically a significant part of junior scholars' academic work. On top of the long-term contract PCRC-members had a travelling budget at their disposal, which made it possible to attend e.g. summer schools and conferences. In that respect, junior scholars at the PCRC (as colleagues in other CoEs and long-term projects) could count themselves among the blessed ones.

As already explained above, the PCRC was active in organizing academic events. As a rule these were multidisciplinary and provided good

opportunities to follow the latest research in several areas as well as opportunities for networking. Junior scholars at the PCRC were both encouraged and required to present their work in these workshops, which effectively doubled the exposure of their work to international audiences (the other possibility was travelling to international conferences, workshops, or alike). The junior members of PCRC were also actively engaged in the organization of the workshops. Considering that the CoE-period lasted for six years this can be considered a nearly unique and excellent position in Finnish standards.

Most of the academic interaction within the PCRC took place in a weekly seminar and it was perhaps the seminar that did most of the shaping and crafting of the academic environment or culture of the PCRC. The main ingredient consisted undoubtedly of academic backgrounds of senior members. The result was by no means a unified culture or – even less – a monoculture. But if one must somehow describe it, it is possible to do much worse than state that it centered on the *homo oeconomicus*, micro-economics and their limitations. This, of course, is to be expected from a Centre that carries Public Choice in its name. Now, the effects of the seminar on junior researchers quite likely varied considerably. In order to understand this it is helpful to take a look on different backgrounds of junior researchers who regularly attended the seminar (all of whom were graduates of the University of Turku).

To students of economics the seminar was perhaps an extension of their departmental seminar, albeit possibly with more variety on approaches and topics. To students of political science and philosophy, however, the seminar provided an opportunity (and requirement) for learning as the *homo oeconomicus* represents only one possible study path in their Master level studies.<sup>2</sup> Given that rational choice is a positivistic program of study and that its applications require some time to master (think of game theory, for example), a student was presented with a problem: how heavily to invest in rational choice during one's PhD-project? Casual observation suggests that responses varied somewhat. For the same reason the possible impact of the Centre on the content of junior researchers' academic work was largest among non-economists.

## **6. Lessons learned**

---

<sup>2</sup> The Departments of Philosophy and Political Science (at the University of Turku) both provide an excellent Master level program, which aims to provide the student with an understanding on various approaches to social sciences. A downside, if one so chooses to see it, is that a graduate is not likely to be particularly well read in rational choice. Exceptions do occur.

Cross- and multidisciplinary projects are by no means a new invention, but in the field of social sciences they are less common than one would expect, given the inherently multi-disciplinary nature of many important problems studied by the social sciences: causes and consequences of national and international conflicts, the impact of social and economic legislation, the persistence and change of cultural patterns associated with technological changes, to name a few. As all scientific work involves some degree of problem-processing in order to render the conceptual apparatus applicable – conflicts are described using armament levels, casualties, direct and indirect costs, legislative impacts are related to average income levels of the affected parties, cultural patterns are related to behavioral changes etc. – additional efforts are called for to communicate results and approaches of various disciplines to the representatives of others. The PCRC was based on a community of scholars that existed prior to the CoE status. Thus the first months and years were largely a continuation and moderate enlargement of the work that had been going on for a while. The main communication problems had therefore been solved before embarking on the CoE journey.

The public choice or *homo oeconomicus* perspective seemed to provide a useful benchmarking tool for modeling political and economic institutions and the behavior of actors within those institutions. The instruments provided by decision, game and collective decision theory were the shared tools of the PCRC. Perhaps naively, we believed that even a cursory acquaintance with these theories would be adequate for useful communication within our community even though the specific areas of individual studies might differ. In hindsight, more resources should have been devoted to the exposition, criticism and demonstration of the applicability (or lack of it) of the basic common tools. Since things appeared to be running smoothly and efficiently, everyone was basically doing their own thing. Critical stock-taking did not take place in time. Hence, we lost the opportunity to re-direct our research efforts, form new cooperation networks and collect our findings in one corpus in order to see what we had achieved, where we had lost our way, where we should be heading, given our findings.

It now seems that the PCRC has developed into several smaller, perhaps more vibrant, research units: game-theoretical, democratic theory-oriented, experimental. It seems that the common public choice umbrella has done its job and the more specialized working groups and units are the order of the day.

The Finnish-German cooperation in PCRC was in general quite natural and efficient. Given the modern communication technology, the geographical distance between individuals plays basically no role at all.

Still, there are situations where face-to-face meetings are essential. Our basic discussion forum, the weekly seminar, would have benefited enormously had all members of the PCRC been able to attend all or even most meetings. The short and longer research visits compensated this to some extent, though. It seems that future CoE's will be in a much better position when fully functional electronic classrooms become standard ways of organizing scholarly gatherings.