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### “PUBLIC CHOICE” AND MARKETING-MANAGEMENT PROCESSES

*In this article the issues of “public choice” in the context of management processes, especially at the level of the state economic policy are examined. The ways to identify public choice, the opportunities and problems of implementation of the “public choice” in management decisions are analyzed.*

*Key words: public choice; management; economic policy; state; economic life of society.*

*Розглянуто питання “суспільного вибору” в контексті управлінських процесів на-самперед на рівні економічної політики держави. Проаналізовано способи виявлення “суспільного вибору”, можливості та проблеми реалізації суспільного вибору в управлінських рішеннях.*

*Ключові слова: суспільний вибір; управління; економічна політика; держава; економічне життя суспільства.*

**Problem formulation.** The management system is a rather complicated, multifactorial process. The management processes are dynamic, first of all, because environment, conditions and activities, etc. are continuously changing.

The management processes are implemented at different levels – organization, region, country, group of countries, the world community. Decision-making involves a certain analyzes, development of possible solutions, choosing the best of them, taking into account the various interests, evaluation of results and more.

The state is an institute of solving the social problems, an appropriate management authority. The state economic policy can be regarded as certain approaches and key milestones that are used by the state institutions for solving the public economic problems. We emphasize the attention at the word “public”: its meaning can be connected, firstly, with the direction of formally single vector of the state policy – to serve to the public interests, and secondly (that largely follows from the first one) – with the necessity of constant orientation of the state institutions to identifying the public interest and public preferences.

In the context of democratic imaginations and values the management decisions at the state level should reflect the public preferences, should be based on the public choice. But in practice it is much more complex and contradictory than the extension and upholding the relevant idea.

**Analysis of recent researches and publications.** There are sufficiently known publications by the authors of public choice theory – J. Buchanan, K. Arrow, D. North, M. Olson and some others [1–4]. In general, the problems of economic policy and regulation at the macro level are widely and constantly examined both in the scientific literature and analytical developments with practical focus. However, the problem of connection of economic policy and management, on the one hand, and social preferences, mechanisms of their identification and practical implementation, on the other hand, actually remains out of special studies in Ukraine, and in Europe too, perhaps, because of the existence of serious functional economic problems.

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**Purpose of the article.** The purpose of this article is to identify the connection between the management decisions of the state and the public choice (social vision) concerning the ways and means of solving the economic problems of society; to identify the factors that affect the tightness of such a connection.

**Main material.** The public choice is revealed preferences of citizens of the country. “Choice” is a variant, a mean, a way of solving a particular social problem. This “choice” in the context of the management process reflects the stage of formulation of the task, purpose or, probably, definition of the principle (principles) to solve the problem. After such a “choice” there is a need to move to the next stage of management activities and to determine a plan of action, and to continue ensuring the realization of the “choice”.

The public choice is always the choice of *the majority* of citizens of the country. At the same time the art of politics and the state management consists also in the fact that taken decisions were compromise to a certain extent with the minority interests, i. e. in the prevention of the “dictatorship of the majority”. In the state economic policy there is a need to keep balance between interests of different social groups, different vision of the ways and means of solving the economic problems. This is a very difficult task because there are huge temptations and significant interests in relation to “holding the power”.

The process of accounting of the public choice, i. e. the opinion of majority, is rather complex in the state policy. Two key questions are arising: the first one – how to create the necessary conditions for *identification* of the public preferences; the first one – how to organize the practical *realization* of the public preferences in the economic policy.

In a democratic system there are two *ways to identify the public preferences*:

– *direct identification*. To implement this method, you must conduct a direct survey of population (the referendum). Obviously, that during such a survey, it’s necessary to formulate clearly a question that is required to solve, as well as answers to it. Such variants should be a little, in order to have a chance to get a real majority in support of one or another alternative of solution. Ideally, there should be two answers. Even with three variants there may be a situation where the majority of votes on one of them (for instance, option A – 36 %) will not be the solution of the majority of citizens, because the other two answer choices (B and C) have received together 64 % of votes (for instance, variant B – 34 %, variant B – 30 %). And probably, if there were proposed only two alternatives (for example, A and B), then those who voted for option C would vote for option B, and consequently option B would have received a real majority of the votes;

– *representative identification*: every citizen of the country who has reached a certain age, has the right to elect periodically his representatives to the state and local authorities (to elect the President, the parliament, the local governments etc.). In this case, a two-stage mechanism for identifying the public choice is created. To be absolutely accurate, it’s necessary, probably, to say in following way: the mentioned mechanism is “embedded” in the overall system of the state management. Obviously, from the point of view as for achieving the “purity” (accuracy) of identifying of the public preferences the “executive” order is much inferior regarding to the first method.

However, the representative identification (reflection) of the public preferences is the dominant way in real life, because it is impossible to hold referendums for each issue of the economy, as well as other national or local issues.

It’s necessary to take into account the fact that the most important prerequisite for the proper resolution of any issue is the *competence* in that issue of those who take part in its decision.

Through the representative form it is carried the delegation of plenary powers – society transfers the right of solution of the absolute majority of issues to their elected representatives. The elected representatives act as the special managers, as a specific national or regional supervisory council with very broad powers which must ensure the implementation of citizens’ interests and to exercise control over the executive authorities – the state and local bureaucracy.

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Representative identification of the public preferences in the framework of a democratic social system, essentially, has no alternative. However, it is imperfect and has a lot of “problem areas”, reducing the number of which requires very precise “tuning” of the whole management system.

The main “weak link” of that system is connected with the fact that “representatives” in their actions and in their participation in solving some social economic problems come in general, first of all, from their *personal* economic and other interests. As a rule, the main motive is to keep (to expand) their power and those possibilities that are offered by the “representation” for the realization of personal interests. Consequently: a) the real interest of the “representative” to voters and their opinion is formed only in the frameworks of accounting the degree of their influence on the achievement of his personal interest; b) interest of the “representative” to manipulation of voters’ opinion for his own purposes; c) willingness of the “representative” to “invest” money and other resources to ensure the “correct” behavior of voters and more other, that “shakes down” the settings, and “deforms” the system, and reduces its ability to “identify” and “transfer” correctly.

“Investing in votes” is an eternal temptation for those who are struggling to “represent”. In this case there are *two approaches to “invest in votes”*.

*The first of them* is some approaches of people who have administrative authority at the time of elections.

Firstly, the power gives an opportunity of administrative influence on the heads of organizations (enterprises, institutions, etc.) through which it’s possible to influence “correctly” on their subordinates. Apparently, it concerns largely the public sector, especially budgetary organizations. Possession of the power gives the opportunity to influence on the communication channels. Also the power gives the opportunity, at least, to limit the freedom of free expression of opinions from many people. The last ones begin to control their statements in order to ensure the necessary level of tolerance to the current government. Obviously, that in the basis of such behavior of people there are the common fears that “disloyalty” to the current government may adversely affect the possibilities for implementing their vital interests. The stronger people lives and implementation of their interests depend on the specific individual subjects of the power or their actual representatives, the more outwardly tolerant to the current government, its requirements regarding the “correct behavior” the specific individuals will be during the election campaign.

But people are not subjects who are completely rational and programmed by the nature on strict observance in their behavior of the course to receive benefits. They, fortunately, also have feelings and abilities to shape perceptions of fairness, honesty, dignity, will, solidarity, etc. And that’s why the specific response of the individual on the use of “administrative resource” makes a lot of factors. Public traditions, informal social norms are ones of the most important among them.

Secondly, the current government can use “administrative *economic* resources”. “Carrot” and “stick” are known as universal methods of influence on people. The use of “administrative economic resources” can occur in two ways:

- economic stimulation of voters;
- formation and use of economic resources of the “party of power” for the implementation of communication influence on voters.

If the “carrot” and “stick” can be attributed to the elements of the general theory of management, in particular, the theory of motivation, the abovementioned two moments convey the key tools of the marketing influence on consumers – namely, the sales promotion and the special means of communication (advertising, PR, and so on). In our case, we are talking about tools of promotion of the political services.

The economic stimulation of voters can occur in various ways, for instance, after giving promises or actual implementation of increase of pensions, salaries in the budgetary sector, scholarships for students; introduction of new social benefits, distribution of promises to implement investment projects in some settlements: “large” (construction of health facilities, roads, bridges, etc.) and “small” (food “gifts”, etc.). Voters do not want to think that they are simply “bought”. In

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general, the poorer the country is, the lower the economic, educational and cultural level of its population is, the more chances for the validity of methods of “economic bribery” of voters.

Certainly, a complex issue is the distinction of real economic achievements of the current government and those that are presented (portrayed) to voters. To be enough competitive in the next elections the power should achieve the real social and economic results. At the same time, always there is a temptation to present the results as best as possible: and then occurs the mixing of real and economically implemented or projects reasonable for future with “PR-projects” with populist and deceitful projects. The last ones have their own potential of influence, their competitive sense, because the tendency to believe, to hope for the best is a feature of human psychology. The populist projects are manipulating the feelings of trust and hope for the best. Moreover, the political manipulators use another natural feature of people: the human memory does not keep a lot of information for a long time.

Formation of economic resources of the “party of power” for the implementation of communication influence on voters occurs in hidden forms. The power has several important tools of influence on the business (it may be the dominant provider of financial resources for the government): the state purchases of goods and services; the tax and credit preferences; the customs tariff and non-tariff preferences; the provision of land and rights for use of natural resources; “control-checking work”... The power can privately offer for businesses its loyalty and preferences in exchange for supplying by the business some financial resources for the “communication-election” fund of the power. Going to this, the business actually buys for itself some certain current and future preferences and realizes such a peculiar type of the futures contract. This “contract” is absolutely immoral in its essence. Almost constantly the big business in Ukraine conducts such “economic games” with the government, and at the same time is struggling to win seats in the government. Herewith voters remain banal object of political marketing.

*The second approach* to “investment in votes” is an approach on the part of those forces, which have no administrative authority at the time of the election campaign. In principle plan it can be assumed that for such political groups the access to administrative resources is closed. However, there may be certain nuances. Thus, the current government may reflect the power of any political bloc, that to say the association of political organizations. A priori, the block is less stable formation in comparison with a political party. The block is a current complex combination of certain political interests. And those interests are mobile. Moreover, taking into account the experience of Ukraine it can be said that the individual components of the block can display hidden or relatively-open interest for the possible current or future collaboration and cooperation with those forces that are currently not included in the powerful bloc (formal opposition). Under such conditions, there may appear some hidden access of powerless forces to administrative resources.

Regarding to forms of “investment in votes”, here it is usually used a combination of the actual investment with promises of future investment in certain socio-economic projects. In the first case we can see essentially local PR-actions (building the playgrounds, repair of some communal objects, repair of elevators, holding of fundraisers, etc). In the second case, the “creative ideas” acquire in general a very wide scope. And one of the factors, contributing to it, is that the human memory does not fix everything. It means that such aspects as fairness and reasonableness of the promises can greatly trouble the power.

Consequently, in the representative public choice one of the key values belongs to the *private* interest. The politician’s behavior has a predominantly rational character. We can consider him as a subject, which creates demand for electorate’s votes to obtain certain benefits for himself in future (in the case of a positive vote of his electorates). Formally, the essence of his proposal to voters is providing services in representing their interests. At the same time, the system of values exchange between voters and politicians works as follows: in the beginning the voters give their votes for the challenger, and only after that the process of “providing services to voters” by the

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elected politician begins. It is obvious that under such an order, the voters are in worse position than the politicians. Some important circumstance is also added to it: the content of politician's service is not enough concretized, in many cases it is highly blurred. Promises during the election campaign are a "cute game", the details of which the majority of voters quickly forgets.

The system of representative expression of public choice changes in a certain way, when citizens for the role of their representatives elect not rather individual, particular people, but certain *political parties*. The party actually becomes the subject of unwritten agreement with the voters. At the same time, voters may actually have no influence on how the electoral lists of parties are formed. Accordingly, voters in their assessments and preferences begin to focus on party leaders. And it's greatly contributed by the media, especially television, which actively and regularly "shows" party leaders to the society. As a result, if political competition is conducted, for example, between 4–5 parties, then it really compete in general the charisma, promises, power etc. of 4–5 leaders, rather than projects of ideas for future economic and other policies of the state. At the same time, perhaps, through such projects there could occur the specification of those services of political parties that they offer to voters. But in fact it is not happening. It should also be noted that, the more parties participate in the electoral competition the less chances can be for the detection of choice of the real majority of citizens, including as for solving the economic problems.

Undemocratic inner-party order leads to the fact that the party leaders (they probably can be called in such situations as founders of the parties, holders of "control shares sets" of the parties) form independently the electoral lists of their own parties. Those ones, who appear into these lists, feel and understand their priority dependence not from the voters but from the leaders (founders) of the parties. The political party acts as a *corporate* subject of a political agreement with the voters. The deputy – "party members" should be "right" in the eyes of the leaders of the party, but not of the voters. He acts primarily as a representative of the party and not as a representative of the voters. Although the rhetoric of "representative" may be permanently filled with references to the interests of voters, for which the representative serves "selflessly". The verbal manipulation form becomes quite typical for "representatives".

Consequently, in the representative system of identification of the public preferences it is shaped the gap in the relationship between social groups (voters), on the one hand, and "representatives", on the other hand. Last ones receive a wide corridor of freedom in their actions, including those that may be very far from the real preferences of voters. For the "simple" electorate it is very difficult to influence on correct behavior of "representatives", on their performance of the unwritten political agreement. The lack of influence leads to a reduction or even to the elimination of liability of "representative" for the correctness of reflection of electoral choice in his political actions.

In that way, we can say that under certain conditions only the direct survey may give a "pure" public choice. But the direct detection of social preferences is the procedures which, at the best case, can only occasionally be used for decision-making on specific important issues of the public life. All other decisions within the state or regional economic policy are the solutions of "representative" character. The real alternative of the "representative economic policy" in modern conditions doesn't almost exist. Therefore, it only remains to form, maintain and develop those *conditions* in which the "representative economic policy" can display the public choice and public interests the most completely, but the opportunities of "representatives" to use the power in their own interests will be the lowest. Such conditions may include:

- achievement of free expression of citizens' willingness – without fear for the consequences of their choice;
- existence of a real internal democratic order in the political parties – the main subjects of political competition. The party leaders must be not the owners of "control shares sets" of the parties, but the real democratically elected people. The party leaders must depend on their "representa-

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tives-party members” but not vice versa. Apparently, deeper laws governing the party activities are needed;

- control on the number of parties participating in political competition – to ensure the effectiveness of representative order of the public choice reflection. The more political parties take part in the electoral process, the less prerequisites to ensure that the voting results will reflect the actual preferences of the *majority* of voters. It is one of the reminders of that democratic system is important primarily as a mechanism for identifying the actual opinion of majority, the real public choice, but not as a mechanism of simple unlimited “growing” of alternatives;

- politicians, political parties should represent to voters the proposals about the content and nature of their political services in quite specific view. Voters should aware more or less clearly that, in fact, is offered for them by the other side of the political agreement;

- activity of “representatives” should be really transparent, as open as possible for voters. “Representatives” should be maximum limited in possibilities for converting the public political activity in their own political and economic business;

- moral principles and ethical standards that are used by “representatives” must meet the same level of responsibility to the society that is put on those people;

- voters should be sufficiently literate people who can perceive critically the events in the field of political competition. They should be able to overcome the temptation to vote for charismas of the party leaders and for their populist promises. Voters should demand from the “representatives” of their voices the clear and concrete ideas in economic and other spheres, the ways and terms of their possible implementation. The enough specific ideas and possible ways of their implementation should be the main objects of voters attention, but not the charisma and oratorical skills of political leaders;

- activity of mass media, including the Internet, should be regulated deep enough by the laws and other legal acts in order to distinguish the most clearly the PR-materials and the objective information.

As a result, we can note the following: firstly, it is difficult to see the existence of opportunities for achieving the “pure” public choice in the economic policy of the state (the statement of such a task would be public illusion); secondly, a potentially very narrow range of economic issues can be put to a referendum; thirdly, development and support of conditions for achieving efficiency of the representative system is a very complex task. But it is necessary to solve, if we think about achieving the real inclusion of public choice in the economic policy of the state.

**Conclusions and further researches directions.** In that way, it is difficult to identify accurately the public preferences. The identified public preferences don’t always correspond with the real public interests. Politicians actually hold in their hands the vision of “public interests”. They mostly declare those interests (their vision), use that issue in their public rhetoric, often manipulating with the consciousness of voters. Exactly the politicians set the direction of the country’s movement, the making of appropriate management decisions.

The “pure” public choice is an episodic event. The “correct” public choice is not as much the product and the result of fine-tuning of the socio-political system as the result of a particular set of circumstances.

The minority’s position may be more correct than the choice of the majority. Realization of minority’s choice may be more useful and more perspective for the society than the ideas and actions of the majority.

The “destiny” of the public choice in policy and decisions of the state is the existence of a democratic formula, which *is remembered* to some extent and *is sought* with certain efforts as for the ways of its practical implementation. The absolute majority of economic decisions at the state level are the solutions, defined by the politicians and the state bureaucracy. The main issue is how to send closely these solutions into the mainstream of the public interests.

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