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John Carlo Colot, MPA [iD]

College of Political Science and Public Administration
Polytechnic University of the Philippines

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Rethinking Governance: Public Choice Theory and the Modern State

John Carlo Colot, MPA (iD)
College of Political Science and Public Administration
Polytechnic University of the Philippines
jccolot@pup.edu.ph

ABSTRACT

This study critically reexamines governance in the modern state through the lens of Public Choice Theory, which challenges the traditional assumption that government officials always act in the public interest. Developed by economists James Buchanan and Gordon Tullock, Public Choice Theory posits that political actors, like individuals in markets, are motivated by self-interest, which can lead to government inefficiencies such as corruption, rent-seeking, and policy outcomes that favor private gains over public welfare. By synthesizing recent empirical and theoretical literature from 2020 to 2025, this research explores how individual incentives and institutional arrangements influence bureaucratic behavior, governance styles, and political dynamics. The study highlights the underutilization and misapplication of Public Choice Theory in contemporary governance frameworks, particularly in bureaucratic decision-making and public service delivery. It further investigates the impact of technological advancements like artificial intelligence on governance accountability and public trust. The analysis underscores the importance of transparency, citizen engagement, and polycentric governance models to mitigate government failure and enhance state responsiveness. Drawing from qualitative thematic analysis of peer-reviewed sources, the study proposes pathways for reforming governance structures to align better political incentives with collective action and long-term public welfare. Finally, this work advocates for a realistic and nuanced understanding of political behavior to design more effective, accountable, and people-centered modern states.

Keywords: *accountability, bureaucratic behavior, governance, public choice theory, rent seeking*

INTRODUCTION

Governance constitutes the mechanisms, processes, and relationships through which public decisions are made and implemented, encompassing legislative processes, fiscal management, and the delivery of services such as education, healthcare, and infrastructure (World Bank, 1992). Good governance is characterized by accountability,

transparency, equity, and responsiveness, enabling societies to reduce poverty, protect human rights, and sustain political stability (OECD, 2021). In contrast, weak governance manifests in policy inconsistency, corruption, resource misallocation, and declining public trust. These outcomes threaten state legitimacy and hinder socio-economic progress.

For much of the twentieth century, governance scholarship and practice often rested on the normative assumption that public officials acted primarily in the collective interest. In this view, political actors were expected to prioritize public welfare, guided by principles of impartiality and civic duty. However, by the mid-20th century, this assumption came under systematic challenge from scholars who sought to apply economic reasoning to political processes. The most influential articulation of this shift emerged in the work of Buchanan and Tullock (1962), who developed what became known as Public Choice Theory—a framework grounded in the premise that political actors, like market participants, are motivated by self-interest.

Public Choice Theory reorients the analysis of governance by assuming that decision-makers seek to maximize personal utility, whether in the form of political power, career advancement, budgetary control, or electoral security (Mueller, 2003). While these goals are not inherently detrimental to public welfare, the theory highlights how misaligned incentives can lead to government failure, a condition analogous to market failure (Keech, 1995). In market failure, the private sector fails to provide goods and services efficiently due to externalities, information asymmetries, or monopolistic control. In government failure, similar inefficiencies emerge when political actors prioritize their interests over those of the public, resulting in suboptimal policy outcomes.

Several mechanisms explain how these failures occur. Rent-seeking (Krueger, 2008) refers to the pursuit of economic gains through political means rather than productive activity, such as when firms lobby for subsidies or regulatory advantages without providing equivalent public value. Logrolling describes reciprocal vote trading among legislators to secure mutual benefits, often producing laws that serve narrow constituencies rather than the broader public interest. The budget-maximizing bureaucrat model (Niskanen, as cited in Mueller, 2003) suggests that bureaucratic agencies seek ever-larger budgets, not necessarily to meet public needs, but to expand their influence and resources. These dynamics are not confined to any one country; they are observed in both advanced democracies and developing states, underscoring the theory's broad applicability.

Importantly, Public Choice Theory does not claim that all political actors are purely self-serving or that altruistic motivations are absent. Instead, it posits that institutional arrangements often fail to align personal incentives with collective welfare. When mechanisms for oversight, competition, and transparency are weak, the likelihood of policy distortions

increases. This insight has significant implications for the design of governance structures, suggesting that robust checks and balances, transparency measures, and participatory mechanisms are essential for mitigating self-interest–driven inefficiencies.

The application of Public Choice Theory to contemporary governance is particularly timely given recent global and domestic trends. Over the past decade, many states have experienced declining public trust in government institutions (OECD, 2021). Corruption scandals, perceived policy capture by elites, and inefficient public service delivery have eroded citizens' confidence. In parallel, technological transformations—most notably the integration of artificial intelligence into governance processes—have introduced new questions about transparency, accountability, and equity (Goldsmith & Yang, 2024). The COVID-19 pandemic further exposed the tension between public welfare and private or political interest, as policy responses often reflected lobbying pressures, electoral calculations, or bureaucratic inertia rather than purely evidence-based decision-making (Leeson & Thompson, 2021).

Two recent global developments underscore the necessity of reexamining governance through the lens of Public Choice Theory. First, the rapid integration of artificial intelligence into administrative processes is transforming how decisions are made, monitored, and communicated. While AI offers opportunities for efficiency and data-driven policymaking, it also raises concerns about algorithmic bias, opaque decision-making, and the centralization of power in technical elites—issues that challenge traditional accountability mechanisms. Second, the COVID-19 pandemic exposed structural weaknesses in governance systems worldwide, revealing how emergency decision-making can be shaped by interest group pressures, bureaucratic inertia, and electoral incentives rather than public welfare alone. These developments are not peripheral to governance reform; they directly test the capacity of existing institutional arrangements to align political behavior with collective needs. By explicitly incorporating these challenges, this study positions Public Choice Theory not merely as an analytical tool for diagnosing inefficiency but as a framework for redesigning governance structures to remain resilient under conditions of rapid technological change and crisis-driven policymaking.

While the explanatory power of Public Choice Theory is evident, it has also attracted significant critique. Normative political theory challenges its reduction of political behavior to self-interest, emphasizing ideals of civic virtue, deliberative democracy, and the common good. Behavioral economics complicates the rational actor assumption by highlighting bounded rationality, cognitive biases, and framing effects that can lead decision-makers away from both narrow self-interest and collective welfare. Institutionalism adds another layer by underscoring the influence of historical legacies, cultural norms, and path-dependent institutional arrangements in shaping political behavior—factors that may either reinforce or

counteract the incentives identified by Public Choice Theory. These perspectives suggest that a comprehensive analysis of governance requires integrating the incentive-based insights of Public Choice Theory with broader understandings of moral commitments, psychological tendencies, and institutional contexts.

This integrated approach is particularly relevant in the Philippine setting, where complex interactions between formal institutions and entrenched socio-political structures shape governance. Patron–client networks, local oligarchies, and political dynasties create deeply embedded incentive patterns that influence bureaucratic behavior and policy outcomes. In such contexts, the "self-interest" of Public Choice Theory often manifests through a blend of material gain, loyalty obligations, and strategic alliance-building. These structures can distort democratic accountability, reduce policy competition, and perpetuate rent-seeking. At the same time, decentralization reforms have created opportunities for both innovation and abuse, depending on the alignment of local political incentives with public welfare.

The present study rethinks governance in the modern state through the lens of Public Choice Theory, with three primary objectives. First, it examines how the theory is underutilized or misapplied in contemporary governance frameworks, particularly in bureaucratic decision-making and public service delivery. Second, it analyzes how self-interest and rent-seeking behaviors among public officials influence policy outcomes in modern democratic states, highlighting the disconnect between theoretical assumptions and observed practices. Third, it explores alternative governance models—including polycentric arrangements—that reconcile the insights of Public Choice Theory with the collective action necessary for long-term public welfare.

To achieve these objectives, the study synthesizes recent empirical and theoretical literature published between 2020 and 2025, employing a qualitative thematic analysis to identify patterns and insights. This methodology enables a nuanced exploration of bureaucratic self-interest, the interplay of governance styles (pluralist, populist, technocratic), interest group influence, and the implications of technological change for governance accountability. The analysis also considers how transparency, citizen engagement, and incentive alignment can mitigate government failure and enhance responsiveness.

In doing so, the study makes three key contributions. Conceptually, it extends the application of Public Choice Theory by incorporating insights from normative political theory, behavioral economics, and institutionalism, producing a more balanced and reflective analytical framework. Empirically, it brings together recent studies across multiple governance contexts, including OECD countries, Brazil, Japan, Italy, and the Philippines, to illustrate the theory's explanatory scope and limitations. Practically, it proposes the Participatory

Incentives–Governance Model (PIGM) as a reform framework designed to align political and bureaucratic incentives with public welfare through participatory governance, transparency mechanisms, decentralized innovation, and continuous feedback loops.

Despite its long-standing presence in political economy, Public Choice Theory remains underutilized in practical governance reforms. Contemporary approaches often emphasize normative ideals, technocratic efficiency, or participatory mechanisms without systematically addressing the incentive misalignments that drive government failure. As a result, reforms may improve transparency or citizen engagement but still fail to curb rent-seeking, budget-maximizing behaviors, and policy capture by special interests. In the Philippines, these challenges are intensified by entrenched patron–client networks, political dynasties, and local oligarchies that embed self-interest into governance processes at multiple levels. Decentralization has empowered local government units but has also, in some cases, entrenched patterns of favoritism and resource misallocation. The urgency of rethinking governance through Public Choice Theory lies in its capacity to directly interrogate how institutional rules and incentive structures interact with these deeply rooted socio-political dynamics, offering a pathway to design reforms that are both context-sensitive and resilient against the self-interest patterns that persistently undermine policy effectiveness.

The remainder of the paper proceeds as follows. The next section reviews recent literature on the application of Public Choice Theory to modern state governance, organized thematically to highlight its explanatory strengths and theoretical limitations. It first examines bureaucratic behavior and governance styles, drawing on comparative case studies. It then considers the efficiency–trust relationship in public sector spending, the implications of artificial intelligence in governance, and the influence of interest groups during public health crises. Finally, it integrates counterperspectives from other theoretical traditions to frame a more comprehensive understanding of governance dynamics. This thematic synthesis provides the foundation for the subsequent analysis of the Philippine context and the proposed PIGM framework.

The evolution of governance in the modern state has been significantly influenced by Public Choice Theory, which applies economic principles to political processes. Over the past five years, scholarly discourse has increasingly focused on how this theory elucidates the complexities of contemporary governance structures. This review synthesizes recent literature, categorizing insights into thematic areas to provide a comprehensive understanding of the interplay between Public Choice Theory and modern state governance.

Recent studies have highlighted the relevance of Public Choice Theory in analyzing bureaucratic behavior in modern states. The theory suggests that bureaucrats, like individuals in markets, act in self-interest, aiming to maximize their utility, which often

results in inefficiencies. For example, in Japan, bureaucrats have been observed to seek larger budgets to boost departmental influence, regardless of public need, exemplifying the 'budget-maximizing bureaucrat' model. Likewise, in Italy, the practice of 'logrolling"—where legislators trade votes to pass laws that benefit their interests—demonstrates the formation of coalitions based on mutual benefit rather than the common good, aligning with the claims of Public Choice Theory. These behaviors highlight the theory's importance in explaining the self-interest actions within bureaucracies that can cause government inefficiency and waste.

The complexity of governance styles in modern states has been a focal point in recent literature. Filgueiras, et al. (2023) developed a typology of governance styles, illustrating how different styles combine pluralist, populist, and technocratic elements alongside hierarchies, markets, and networks. Their analysis of Brazilian policy domains revealed that governance styles are influenced by the interplay between political regimes and technocracy, affecting policy steering and public management practices. The study emphasized the necessity of reconciling policy and political dynamics to address the complexity of governance, suggesting that depoliticization through technocratic decision-making can impair legitimacy and problem-solving capacity. This perspective aligns with Public Choice Theory's emphasis on the importance of institutional arrangements and the incentives they create for political actors.

The relationship between government spending efficiency and public trust has been empirically examined in recent studies. Afonso & Kazemi (2016) conducted a panel data analysis across 20 OECD countries, finding that higher public sector spending efficiency is positively associated with increased citizen trust in government. The study utilized data envelopment analysis to compute efficiency scores and employed instrumental variable approaches to estimate the effect on trust. The findings suggest that efficient use of public resources not only enhances performance but also fosters legitimacy and confidence in governmental institutions. This aligns with Public Choice Theory's assertion that government actions are scrutinized by citizens who respond to the perceived effectiveness of public service delivery.

The integration of artificial intelligence (AI) into governance has introduced new dimensions to Public Choice Theory's application. Goldsmith and Yang (2024) explored how AI transforms accountability and discretion in urban governance, proposing that AI can enhance decision-making capabilities while necessitating new frameworks to address ethical concerns and public trust. They emphasized principles such as equitable AI deployment, adaptive administrative structures, and citizen engagement in oversight mechanisms. Similarly, the rise of automation in politics has led to data-driven political processes that may erode trust in government, highlighting the need to redefine digital infrastructures to uphold

democratic values. These developments underscore the relevance of Public Choice Theory in analyzing the incentives and behaviors of political actors in the context of technological advancements.

The COVID-19 pandemic has provided a context for examining Public Choice Theory in public health policy. Leeson and Thompson (2021) analyzed how public health regulations and resource allocations often reflect private interests rather than public welfare. They identified instances where policies driven by interest groups resulted in perverse effects that undermined consumer health and welfare. This analysis demonstrates how Public Choice Theory can elucidate the influence of interest groups in shaping policies that may not align with the broader public interest, highlighting the importance of institutional checks and balances.

The role of expert knowledge in the administrative state has been scrutinized through the lens of Public Choice Theory. Lofthouse and Schaefer (2024) discussed how the reliance on technocratic expertise can lead to the depoliticization of policy decisions, potentially undermining democratic accountability. They argued for a polycentric approach that balances expertise with participatory governance to ensure that administrative actions reflect diverse interests and values. This perspective aligns with Public Choice Theory's concern with the concentration of power and the need for institutional arrangements that mitigate the risks of technocratic dominance.

The recent literature underscores the continued relevance of Public Choice Theory in analyzing modern state governance. From bureaucratic behavior and governance styles to the impacts of AI and public health policy, the theory provides a framework for understanding the incentives and actions of political actors within institutional contexts. As governance structures evolve, particularly with technological advancements, Public Choice Theory remains a vital tool for assessing the alignment of policies with public interests and the mechanisms that ensure accountability and efficiency.

Objectives of the Study

- To examine how Public Choice Theory is underutilized or misapplied in contemporary governance frameworks, particularly in the context of bureaucratic decision-making and public service delivery.

- To analyze the extent to which individual self-interest and rent-seeking behaviors among public officials influence policy outcomes in modern democratic states, highlighting disconnects between theoretical assumptions and actual governance practices.

- To explore alternative governance models that reconcile Public Choice Theory's insights with collective action needs and long-term public welfare, identifying pathways for more accountable and responsive state institutions.

METHODOLOGY

This study employed a qualitative research methodology grounded in an interpretive paradigm to critically examine how Public Choice Theory informs and critiques governance structures in the modern state. The interpretive approach was selected for its suitability in exploring complex social phenomena, particularly the motivations of political actors and the institutional dynamics that influence policy outcomes. This approach allowed the research to delve deeply into the nuanced behaviors, incentives, and interactions within political and bureaucratic institutions, which quantitative methods alone might inadequately capture. An inductive research strategy was adopted, enabling themes and patterns to emerge organically from the data rather than imposing preconceived hypotheses. This inductive process facilitated a comprehensive understanding of the multifaceted ways in which Public Choice Theory applies to contemporary governance challenges.

The data collection relied exclusively on secondary sources, encompassing a purposive sampling of empirical and conceptual studies published between 2020 and 2025. The purposive sampling technique was deliberately chosen to ensure that the selected literature explicitly engaged with Public Choice Theory in the contexts of governance, policy-making, or institutional reform. The selection process began with systematic searches across major academic databases, including Scopus, Web of Science, JSTOR, and Google Scholar, as well as reputable institutional repositories such as the OECD iLibrary and the World Bank Open Knowledge Repository. Search terms combined "Public Choice Theory" with keywords such as "governance," "bureaucratic behavior," "policy-making," "rent-seeking," and "institutional reform," filtered for publications between 2020 and 2025. Initial searches yielded approximately 145 records. After removing duplicates and applying inclusion criteria—explicit engagement with Public Choice Theory, peer-reviewed status, and direct relevance to governance analysis—73 studies remained. Exclusion criteria eliminated works that mentioned Public Choice Theory only tangentially, lacked empirical or conceptual depth, or focused exclusively on historical case studies prior to the 21st century. The final corpus comprised 48 sources, representing a balance of empirical studies, theoretical works, and comparative analyses across diverse geographic contexts. This process ensured both the thematic relevance and methodological rigor of the literature base used in the study. This criterion ensured the relevance and depth of the data, focusing on peer-reviewed journal articles, scholarly books, and authoritative reports that provided robust theoretical frameworks or empirical findings pertinent to the study's objectives. The secondary data sources included

cross-national comparative studies, case analyses of bureaucratic behavior, investigations into rent-seeking and regulatory practices, and recent explorations of technological impacts, such as artificial intelligence on governance accountability.

While primary data collection methods such as interviews, surveys, or direct case studies can yield valuable insights—particularly given Public Choice Theory's focus on motivations and behaviors—this study deliberately relied on secondary sources for three reasons. First, the research objectives center on synthesizing and critically evaluating the most recent empirical and theoretical contributions (2020–2025) across multiple governance contexts, a scope that would be impractical to replicate through primary fieldwork within the project's time and resource constraints. Second, the selected secondary sources include peer-reviewed empirical studies that already incorporate primary data, such as interviews, case studies, and statistical analyses, thereby allowing this research to leverage high-quality firsthand evidence without duplicating data collection efforts. Third, given the comparative and conceptual nature of this inquiry, secondary data provide sufficient validity to identify thematic patterns, cross-national trends, and theoretical gaps, which form the basis for the proposed Participatory Incentives–Governance Model (PIGM). While future research could enhance these findings through mixed-method approaches, the exclusive use of secondary sources in this study ensures both breadth of coverage and methodological rigor aligned with its analytical aims.

The methodological framework incorporated qualitative thematic content analysis as the primary analytical tool. This involved systematically coding and categorizing textual data from the selected literature to identify recurring themes, concepts, and theoretical insights related to Public Choice Theory's application in modern governance. The thematic analysis process was iterative, involving multiple readings and refinements to capture the complexity of political behaviors, institutional incentives, and governance outcomes. Key thematic areas that emerged included bureaucratic self-interest and inefficiency, the interplay of governance styles (pluralist, populist, technocratic), the influence of interest groups and rent-seeking, the role of transparency and citizen engagement, and the challenges posed by technological advancements such as AI.

To ensure analytical rigor and validity, the study employed triangulation by comparing findings across different sources and contexts. This cross-verification enhanced the credibility of the interpretations and helped mitigate potential biases inherent in relying solely on secondary data. The study also critically engaged with contrasting viewpoints and critiques of Public Choice Theory, such as its assumptions regarding rationality and self-interest, to provide a balanced and nuanced analysis.

The research scope was confined to examining governance within democratic and modern state systems, with particular attention to bureaucratic decision-making and public service delivery. This focus was chosen because these areas are central to understanding how individual incentives and institutional arrangements shape policy outcomes and government performance. The study also explored how Public Choice Theory intersects with emerging governance challenges, including the integration of AI and the management of public health crises, to assess the theory's contemporary relevance and applicability.

For greater specificity, this study's geographic scope prioritizes governance contexts in both developed and developing democratic states, with a particular emphasis on OECD member countries and the Philippines as a detailed case example. While the literature review includes comparative studies from other regions, non-democratic and authoritarian regimes were excluded to maintain analytical focus on systems with competitive elections, separation of powers, and legally enshrined civil liberties. The temporal scope is restricted to studies published between 2020 and 2025, ensuring that the analysis reflects contemporary governance challenges, including those arising from rapid technological change and the COVID-19 pandemic. Thematic inclusions comprise bureaucratic decision-making, institutional incentives, the role of artificial intelligence in governance, and public health policy under crisis conditions. Exclusions include literature that addresses governance solely in historical, pre-21st-century contexts or focuses on niche policy sectors without broader implications for governance theory. These parameters define the study's boundaries, ensuring the findings remain relevant and applicable to modern democratic governance structures facing current global pressures.

Ethical considerations were addressed by ensuring that all secondary data used were cited correctly and sourced from reputable academic publications. The study maintained intellectual honesty by acknowledging the limitations of secondary data analysis, including potential gaps in data coverage and the absence of primary empirical investigation. Nonetheless, the comprehensive and systematic review of recent literature provided a solid foundation for generating insightful conclusions and practical recommendations.

The methodology combined a qualitative interpretive paradigm with purposive sampling of recent, peer-reviewed secondary sources and thematic content analysis to investigate the role of Public Choice Theory in explaining and improving governance in the modern state. This approach facilitated a rich, contextualized understanding of political and bureaucratic behaviors, institutional incentives, and governance outcomes, while accommodating the complexity and evolving nature of contemporary public administration. The methodology's design ensured that the study's findings were grounded in current scholarly discourse and empirical evidence, providing a robust basis for rethinking governance through the lens of Public Choice Theory.

RESULTS AND DISCUSSION

The research was conducted to critically examine the application and implications of Public Choice Theory within the context of modern state governance, focusing on bureaucratic decision-making, policy outcomes influenced by self-interest, and the search for more accountable and responsive governance models. The study adopted a qualitative approach, guided by an interpretive paradigm, to explore the complexities of political behavior and institutional dynamics through the lens of Public Choice Theory. The research methodology involved purposive sampling of empirical and theoretical literature published between 2020 and 2025, with data sourced from peer-reviewed journals, working papers, and scholarly books available in major academic databases and institutional repositories. Thematic analysis was utilized to identify and interpret patterns across the selected studies, enabling a nuanced synthesis of contemporary discourse on governance and Public Choice Theory.

The findings revealed that Public Choice Theory remained highly relevant for analyzing bureaucratic behavior in the modern state. The theory posited that bureaucrats and politicians, much like individuals in markets, act primarily out of self-interest, often seeking to maximize their utility rather than the collective good. This was exemplified in various contexts, such as the tendency of bureaucrats in Japan to pursue larger budgets for departmental aggrandizement, and the prevalence of logrolling in Italian legislatures, where vote trading led to decisions that benefited narrow interests at the expense of broader public welfare. These behaviors, consistent with the 'budget-maximizing bureaucrat' model, highlighted the persistent challenges of inefficiency and waste in government operations, as predicted by Public Choice Theory.

While both Japan's budget-maximizing bureaucrats and Italy's logrolling legislators embody self-interest–driven inefficiencies, the underlying incentive structures differ markedly. In Japan, hierarchical prestige and administrative stability appear to fuel budget expansion, whereas in Italy, coalition survival and reciprocal obligations drive legislative bargaining. These contrasts suggest that Public Choice Theory's core premise—self-interest as a motivator—holds true. However, the expression of that self-interest is mediated by political culture, electoral systems, and institutional norms. This implies that reform strategies must be tailored not only to constrain self-interest broadly, but to address the specific pathways through which it manifests in each governance context.

The research further explored the evolution of governance styles, noting that contemporary governance often reflected a hybridization of pluralist, populist, and technocratic elements. Studies of Brazilian policy domains demonstrated that governance styles were shaped by the interplay between political regimes and technocratic expertise, with significant implications for policy steering and public management. The findings

indicated that while technocratic decision-making could enhance efficiency, excessive reliance on depoliticized expertise risked undermining legitimacy and the problem-solving capacity of state institutions. This underscored the importance of institutional arrangements and incentive structures, as emphasized by Public Choice Theory, in shaping the behavior of political actors and the effectiveness of governance.

The Brazilian case also reveals an important tension: technocratic dominance can deliver efficiency but risks eroding participatory legitimacy, while pluralist elements enhance inclusion but may slow decision-making. Public Choice Theory would predict that actors choose governance styles that maximize their influence within prevailing constraints. However, the hybridization observed here suggests that political regimes often adopt blended styles to balance legitimacy and control. This raises a conceptual question for Public Choice Theory—whether mixed governance forms alter incentive structures sufficiently to produce outcomes that diverge from those predicted in purely pluralist, populist, or technocratic systems.

Efficiency in public spending emerged as a critical factor influencing public trust in government. Empirical analysis across OECD countries demonstrated that higher efficiency in public sector spending was positively correlated with increased citizen trust. The research employed data envelopment analysis and instrumental variable techniques to establish that efficient allocation and use of public resources not only improved governmental performance but also fostered legitimacy and confidence among citizens. This finding aligns with the core assertion of Public Choice Theory, which posits that citizens respond to the perceived effectiveness of public service delivery by scrutinizing government actions and holding officials accountable for outcomes.

Interestingly, the positive link between spending efficiency and trust may not be linear across all contexts. In high-trust societies, marginal efficiency gains might yield limited additional trust, whereas in low-trust settings, visible efficiency improvements could produce outsized legitimacy benefits. This divergence points to an interaction effect between institutional reputation and performance outcomes—an area where Public Choice Theory could be expanded to account for path-dependent public perceptions. Understanding this dynamic is critical for reformers seeking to leverage efficiency gains as a means to rebuild trust.

The integration of artificial intelligence (AI) and automation into governance was identified as a transformative development with significant implications for Public Choice Theory. The research found that AI could enhance decision-making capabilities and accountability in urban governance, but also introduced new ethical and trust-related challenges. Scholars advocated for adaptive administrative structures, equitable deployment

of AI, and increased citizen engagement in oversight mechanisms to ensure that technological advancements supported democratic values and accountability. These developments highlighted the need for updated frameworks to analyze the incentives and behaviors of political actors in the context of rapid technological change, reaffirming the adaptability and relevance of Public Choice Theory.

The integration of AI also complicates the traditional incentive models within Public Choice Theory. While technology can reduce opportunities for discretionary manipulation, it may simultaneously create new concentrations of power in technical elites and algorithm designers. This shift raises the possibility that "rent-seeking" in the AI era will center less on legislative lobbying and more on shaping algorithmic parameters to favor particular interests. Such developments call for extending Public Choice analysis to account for digital-era incentive landscapes and the opacity of algorithmic decision-making.

The study also examined the influence of interest groups and rent-seeking behavior in shaping public policy, particularly during the COVID-19 pandemic. Analyses of public health policy revealed that regulations and resource allocations frequently reflected the interests of powerful groups rather than the broader public welfare. This resulted in policies with perverse effects, undermining health-consumer welfare and demonstrating the explanatory power of Public Choice Theory in identifying the mechanisms through which special interests capture policy processes. The findings underscored the importance of institutional checks and balances to mitigate the influence of rent-seeking and ensure that policies are aligned with collective needs.

The pandemic experience underscores a subtle but important point: in crisis conditions, the opportunity structure for rent-seeking can expand rapidly due to urgent policymaking and relaxed oversight. The divergence in COVID-19 policy outcomes across countries suggests that institutional resilience—such as the speed and independence of auditing bodies—may be a stronger predictor of public-oriented decision-making than the formal presence of anti-corruption laws. This nuance reinforces the idea that, under stress, incentive alignment mechanisms must be not only robust but also agile.

The role of expert knowledge and technocratic expertise in the administrative state was critically assessed, with the research highlighting the risks of depoliticization and concentration of power. Scholars argued for a polycentric approach to governance that balanced expertise with participatory mechanisms, ensuring that administrative actions reflected diverse interests and values. This perspective resonated with Public Choice Theory's concern about the dangers of unchecked bureaucratic power and the necessity of institutional arrangements that promote accountability and responsiveness.

The call for polycentric governance reflects a recognition that no single center of authority can perfectly align incentives with the public interest. From a Public Choice perspective, dispersing power increases the transaction costs of collusion and rent-seeking, thereby indirectly promoting accountability. However, polycentric systems can also create coordination challenges and dilute responsibility. This trade-off highlights a gap in the literature: under what conditions does polycentricity enhance rather than hinder public welfare, and how can incentive structures be designed to balance autonomy with coherence?

In sum, the research demonstrated that Public Choice Theory provided a robust framework for understanding the incentives, behaviors, and institutional dynamics that shape governance in the modern state. The theory's emphasis on self-interest, incentive structures, and the risks of government failure offered valuable insights into persistent challenges such as inefficiency, corruption, and declining public trust. At the same time, the study identified pathways for reform, including the promotion of transparency, accountability, and citizen engagement, as well as the careful integration of technological innovations to support democratic governance.

CONCLUSION AND RECOMMENDATIONS

Governance, as the mechanism by which decisions are made and implemented within a state, is a cornerstone of societal well-being. In the Philippines, the quest for effective, transparent, and accountable governance remains central to national development. Recent scholarship has increasingly turned to Public Choice Theory to interrogate the motivations and behaviors of government officials, the structure of bureaucratic institutions, and the efficacy of policy outcomes. This discussion synthesizes recent findings, relates them to the Philippine context, critically examines existing studies, and proposes an original framework for enhancing governance.

This study's contribution lies in moving beyond description to offer a critical, integrative framework—grounded in Public Choice Theory but enriched by insights from normative theory, behavioral economics, and institutionalism—that addresses both incentive alignment and participatory governance. The proposed Participatory Incentives–Governance Model (PIGM) is positioned as a novel tool for reconciling self-interest–driven political behavior with the collective action necessary for effective and equitable governance. By applying this model to contemporary governance challenges, particularly in the Philippine context, the research advances both the theoretical and practical discourse on how states can adapt to technological, social, and institutional pressures. This approach not only strengthens the explanatory reach of Public Choice Theory but also demonstrates its prescriptive capacity in designing resilient, citizen-centered governance structures.

Public Choice Theory posits that public officials, like individuals in markets, act in their self-interest, seeking to maximize personal utility, be it power, prestige, or material gain, rather than purely serving the public good. This perspective challenges the traditional assumption of government benevolence and provides tools to analyze government failure, inefficiency, and corruption.

Recent studies underscore the theory's relevance in explaining bureaucratic inefficiencies and self-serving behaviors. For example, bureaucrats may pursue larger budgets to increase departmental influence, irrespective of actual public need, a phenomenon known as the "budget-maximizing bureaucrat" model. Similarly, practices such as "logrolling" - the trading of political favors - highlight how coalitions form around mutual benefit rather than the common good.

Empirical research supports the assertion that self-interested behavior among government officials leads to inefficiencies and erodes public trust. Afonso & Kazemi (2016) found that higher public sector spending efficiency is positively associated with increased citizen trust in government, suggesting that when public resources are used effectively, legitimacy and confidence in institutions rise. This aligns with the core tenets of Public Choice Theory, which emphasize the scrutiny of government actions by an informed citizenry.

However, some critics argue that Public Choice Theory may overstate the universality of self-interest, neglecting instances where public servants act altruistically or are motivated by professional ethics. Lofthouse and Schaefer (2024) caution against excessive reliance on technocratic expertise, which can lead to depoliticization and undermine democratic accountability. This suggests a need for balanced frameworks that recognize both self-interest and the potential for collective action.

From a normative political theory standpoint, the self-interest paradigm of Public Choice Theory can be critiqued for underestimating the role of civic virtue, public service motivation, and deliberative democratic ideals in shaping political behavior. Thinkers from Aristotle to contemporary communitarian scholars have argued that the pursuit of the common good should guide political life, and that institutions should cultivate rather than merely constrain virtue. Meanwhile, insights from behavioral economics complicate the rational actor model by demonstrating that decision-makers—whether voters, bureaucrats, or politicians—are subject to bounded rationality, cognitive biases, and heuristic-driven judgments. These tendencies can produce policy outcomes that diverge from both narrow self-interest and optimal collective welfare. Institutionalism further broadens the critique by emphasizing that political behavior is embedded in historical trajectories, cultural norms, and path-dependent institutional arrangements. Formal rules, informal conventions, and entrenched organizational cultures can sustain patterns of action that neither maximize

utility nor align with public welfare, yet persist due to institutional inertia. Integrating these perspectives with Public Choice Theory allows for a more nuanced analytical framework—one that acknowledges the power of incentives but situates them within moral aspirations, psychological realities, and the constraining or enabling structures of institutions.

The Philippine government is characterized by a hierarchical structure modeled after the American system, comprising executive, legislative, and judicial branches. Local government units (LGUs) – provinces, cities, municipalities, and barangays – play a vital role in service delivery and local governance, with powers devolved under the Local Government Code of 1991.

Despite these structures, the Philippine bureaucracy is often criticized for its vulnerability to nepotism, patronage, and resistance to change. These traits are consistent with Public Choice Theory's predictions about self-interested bureaucratic behavior.

Recent reform efforts, such as the Philippines' fifth Open Government Partnership (OGP) Action Plan (2019–2022), aimed to enhance transparency, citizen participation, and public accountability. Notable achievements include progress on freedom of information and increased civil society participation in local governance. However, only five of eleven commitments achieved early results, and momentum was not sustained throughout implementation. This partial success reflects the persistent challenges of aligning institutional incentives with public welfare.

The discipline of public administration in the Philippines faces an "identity crisis," stemming from the dominance of foreign theories, the disconnect between academic concepts and real-world practice, and persistent corruption despite numerous reforms. This crisis underscores the need for context-specific frameworks that integrate both global insights and local realities.

Public Choice Theory's insights are evident in the Philippine context, where personal and political incentives shape bureaucratic behavior. The prevalence of patronage, resistance to change, and political alignment with the party in power are well-documented. These behaviors contribute to inefficiency, waste, and diminished public trust.

In the Philippine political landscape, these incentives are deeply intertwined with local socio-political structures such as patron–client networks, local oligarchies, and entrenched political dynasties. Patron–client relations often create reciprocal obligations that bind voters and public officials in exchanges of favors, resources, or protection, effectively reshaping the "self-interest" assumed in Public Choice Theory into a blend of material gain and social obligation. Local oligarchies and dynasties consolidate power through control of economic assets, media influence, and strategic appointments, enabling them to perpetuate

rent-seeking behaviors while limiting competition. These structures not only distort market-like incentives in politics but also weaken accountability mechanisms, as political loyalty often outweighs performance in determining electoral success. The result is an incentive environment where policy decisions are frequently calibrated to maintain political dominance rather than optimize public welfare, underscoring the need for institutional designs that explicitly disrupt these entrenched arrangements.

Decentralization, a key reform strategy, has empowered LGUs to deliver services and generate revenue. However, local autonomy is often constrained by national oversight and the persistence of patronage networks. This creates opportunities for both innovation and rent-seeking, as local officials may prioritize personal or political interests over community welfare.

Efforts to widen public participation, such as town hall meetings and capacity-building for civil society organizations, have shown promise in enhancing accountability. However, sustaining these initiatives requires institutional commitment and mechanisms to ensure that citizen input translates into policy change.

Proposed Framework: The Participatory Incentives-Governance Model (PIGM)

Figure 1

Participatory Incentives-Governance Model (PIGM) Diagram
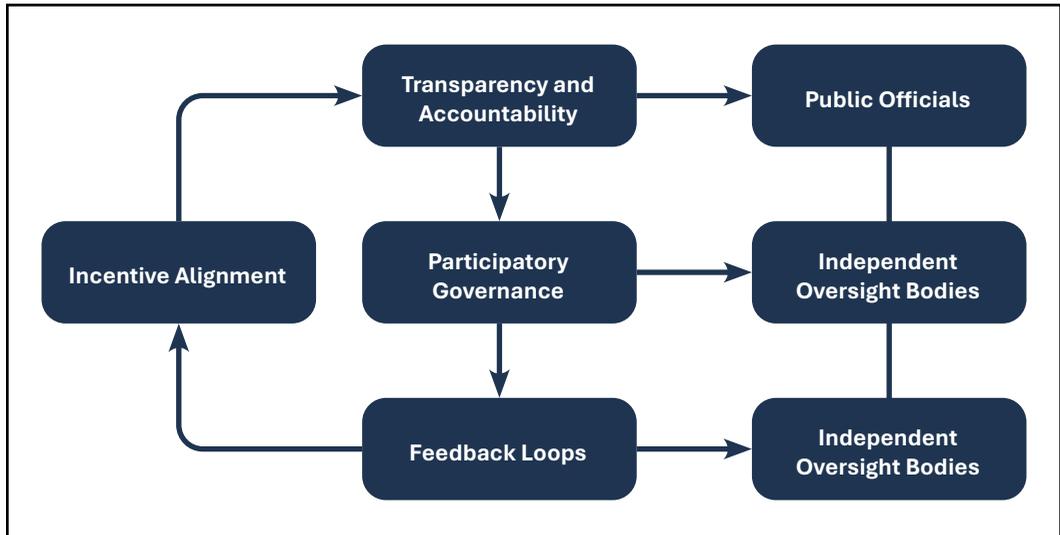
Rationale

Building on the insights of Public Choice Theory and empirical findings, this framework seeks to reconcile individual incentives with collective action through participatory mechanisms and institutional checks.

Framework Components

1. **Incentive Alignment**- Design rules and rewards that align bureaucratic and political incentives with public interest outcomes.
2. **Participatory Governance**- Institutionalize regular, meaningful citizen engagement in policy-making and oversight.
3. **Transparency and Accountability**- Implement robust systems for transparency, open data, and independent audits.
4. **Decentralized Innovation**- Empower LGUs to experiment with service delivery models, while maintaining oversight to prevent abuse.
5. **Feedback Loops**- Establish mechanisms for continuous feedback from citizens and civil society, enabling adaptive governance.

How the PIGM Model Works

The Participatory Incentives-Governance Model (PIGM) is designed to address the core challenges of governance illuminated by Public Choice Theory, particularly the self-interested behavior of public officials and the disconnect between government actions and public welfare. The model operates through an interconnected cycle of five key components:

1. Incentive Alignment

At the heart of the model is the principle of incentive alignment, which seeks to structure rewards, career progression, and recognition systems in government institutions so that the personal interests of public officials are closely tied to the achievement of public goals. For example, promotions and bonuses could be linked to measurable improvements in service delivery or transparency metrics, reducing the motivation for rent-seeking or corruption. By aligning officials' incentives with public welfare, the model mitigates the classic Public Choice problem of officials acting primarily out of self-interest.

2. Participatory Governance

Building on aligned incentives, the model institutionalizes participatory governance by ensuring that citizens and civil society organizations are actively involved

in decision-making processes. This can take the form of participatory budgeting, citizen advisory councils, public consultations, and regular town hall meetings. Such participation empowers citizens to voice their needs and priorities directly, creating a democratic check on government actions and fostering a sense of ownership and trust.

3. Transparency and Accountability

Transparency mechanisms are crucial to maintaining the integrity of governance. The model calls for open data portals, freedom of information laws, and independent audits to make government actions visible and understandable to the public and oversight bodies. Transparency increases the likelihood that corrupt or inefficient behaviors will be detected and sanctioned, thus reinforcing incentives for good governance. Independent oversight bodies play a critical role here by monitoring compliance and investigating irregularities.

4. Decentralized Innovation

Recognizing the diversity of local contexts, the model encourages decentralized innovation by empowering local government units (LGUs) to experiment with new approaches to service delivery and governance reforms. This decentralization allows for tailored solutions that respond to specific community needs and encourages a culture of learning and adaptation. Successful innovations can then be scaled up or adapted by other units, while failures are transparently reported and analyzed.

5. Feedback Loops

Finally, the model emphasizes robust feedback loops that connect citizens, civil society, and government officials. Continuous feedback mechanisms, such as surveys, digital platforms for complaints and suggestions, and participatory monitoring, enable real-time adjustments to policies and programs. This responsiveness enhances government legitimacy and ensures that governance remains dynamic and attuned to evolving public needs.

The PIGM model works as a continuous, cyclical process where aligned incentives motivate public officials to engage constructively with participatory governance mechanisms. Citizen involvement and transparency create accountability, which in turn fosters innovation at the local level. Feedback loops ensure that the system remains adaptive and responsive, closing the cycle by reinforcing incentive structures. In the Philippine context, where bureaucratic inefficiencies, patronage, and limited citizen engagement have historically hindered governance, the PIGM offers a practical framework to foster more honest, effective, and inclusive governance.

Public Choice Theory offers a powerful lens for understanding the persistent challenges of governance in the Philippines. While self-interest and rent-seeking behaviors are pervasive, they are not immutable. By aligning incentives, institutionalizing participation, and strengthening accountability, it is possible to build a more effective, honest, and people-centered state. The proposed Participatory Incentives-Governance Model provides a roadmap for integrating these principles into practice, offering hope for a more responsive and equitable Philippine government.

The PIGM framework directly responds to the critical governance gaps identified in both the literature and the empirical synthesis—specifically, the persistent misalignment between political incentives and public welfare, and the limited institutionalization of citizen participation in decision-making. By integrating five interdependent components—incentive alignment, participatory governance, transparency and accountability, decentralized innovation, and continuous feedback—PIGM operationalizes the principles of Public Choice Theory in a manner that is both context-sensitive and transferable across governance settings. In doing so, it offers a conceptual advancement to the field: a governance reform model that does not merely constrain self-interest but strategically channels it toward collective outcomes. This positions PIGM as a significant addition to comparative governance scholarship and a practical blueprint for reformers confronting similar institutional pathologies.

The research found that the underutilization and misapplication of Public Choice Theory in contemporary governance frameworks contributed to persistent problems in bureaucratic decision-making and public service delivery. Bureaucrats often pursued budget maximization and departmental influence rather than public needs, while politicians engaged in coalition-building and vote trading that prioritized narrow interests over collective welfare. These dynamics led to government failure analogous to market failure, where public resources were inefficiently allocated and public trust eroded. The study underscored that without proper checks and balances, transparency, and accountability mechanisms, self-interested behavior among public officials undermined effective governance.

The analysis also revealed that governance styles in modern states were complex and multifaceted, combining pluralist, populist, and technocratic elements with hierarchical, market, and network mechanisms. While technocratic decision-making offered potential efficiency gains, overreliance on experts risked depoliticization and diminished democratic legitimacy. The study advocated for polycentric governance models that balanced expert knowledge with citizen participation, ensuring that diverse interests and values were represented in policy processes. Such models aligned with Public Choice Theory's emphasis on institutional design to mitigate power concentration and promote responsiveness.

Technological advancements, particularly the integration of artificial intelligence (AI) in governance, introduced new challenges and opportunities. AI enhanced decision-making capabilities, but it also raised ethical concerns and risks to public trust. The study found that equitable AI deployment, adaptive administrative structures, and citizen oversight were essential to maintaining accountability in increasingly data-driven political environments. These findings extended Public Choice Theory's relevance by illustrating how evolving incentives and behaviors of political actors must be understood in the context of technological change.

Empirical evidence demonstrated a positive relationship between efficient public sector spending and increased citizen trust in government. Efficient use of resources not only improved performance but also fostered legitimacy and confidence in institutions, reinforcing the theory's assertion that citizens respond to perceived government effectiveness. Conversely, rent-seeking behaviors and interest group influence were shown to distort public health policies during crises such as the COVID-19 pandemic, producing outcomes that undermined consumer welfare and highlighted the need for robust institutional safeguards.

The study acknowledged criticisms of Public Choice Theory, particularly its assumptions of universal self-interest and rationality, which could overlook altruistic behavior, social norms, and systemic inequalities. Nonetheless, it noted that contemporary scholarship had incorporated behavioral economics insights to address these limitations, preserving the theory's explanatory power regarding incentive-driven political behavior.

Based on these conclusions, several recommendations were proposed to enhance governance effectiveness and align political incentives with collective welfare:

- Institutional reforms should prioritize transparency and accountability to reduce opportunities for corruption and rent-seeking. This includes strengthening oversight bodies, enhancing public access to information, and implementing performance-based evaluations for public officials.

- Governance structures should adopt polycentric and pluralistic models that distribute decision-making authority across multiple centers, balancing technocratic expertise with participatory mechanisms to ensure democratic legitimacy and responsiveness.

- Public sector budgeting and resource allocation processes must be reformed to discourage bureaucratic budget maximization and promote efficiency aligned with public needs. Introducing competition and market-like incentives in public service delivery, such as contracting out and privatization, can mitigate bureaucratic inefficiencies.

- Policymakers should design electoral and legislative systems that better aggregate individual preferences into collective choices, taking into account the complexities highlighted by Condorcet's jury theorem and the challenges of preference cycling. Voter education campaigns should be enhanced to improve information levels and decision-making quality.

- The integration of artificial intelligence and digital technologies in governance requires ethical frameworks, adaptive administrative capacities, and active citizen engagement to maintain accountability and public trust. Regulatory mechanisms must evolve to address the risks of data-driven political manipulation and loss of transparency.

- Public health and other critical policy areas should incorporate institutional checks to prevent undue influence by interest groups and ensure that policies serve the broader public interest, especially during emergencies.

- Future research and policy design should continue to refine Public Choice Theory by incorporating behavioral insights and contextual factors such as culture, social norms, and power relations, thereby enhancing its applicability to complex governance challenges.

Finally, the study affirmed that rethinking governance through the lens of Public Choice Theory offered valuable insights into the motivations and behaviors of political actors, the institutional dynamics of modern states, and pathways for reform. By acknowledging the self-interested nature of political behavior and designing institutions that align incentives with public welfare, governments could improve accountability, efficiency, and legitimacy. These reforms were essential for building more effective, transparent, and people-centered governance systems capable of addressing contemporary challenges and fostering sustainable development.

About the study's stated objectives, the research has achieved the following: First, it has demonstrated the underutilization and occasional misapplication of Public Choice Theory in contemporary governance frameworks, particularly in the realms of bureaucratic decision-making and public service delivery, where incentive structures often reward self-interest over public welfare. Second, it has analyzed how self-interest and rent-seeking behaviors among public officials shape policy outcomes in varied democratic contexts, revealing the institutional and cultural factors that sustain these patterns. Third, it has developed and positioned the PIGM framework as an innovative governance model that aligns political and bureaucratic incentives with the public interest through participatory mechanisms and robust accountability structures. Collectively, these outcomes address the original research

questions, synthesize the most recent empirical and theoretical contributions, and advance a practical, adaptable model for improving governance effectiveness and legitimacy.

Future research could build on this study by conducting qualitative fieldwork or stakeholder interviews to empirically test and refine the Participatory Incentives–Governance Model (PIGM) in diverse real-world contexts. Such research could involve in-depth case studies of selected local government units, participatory observation in policy-making forums, and semi-structured interviews with key stakeholders, including public officials, civil society leaders, and community members. This approach would allow for the identification of contextual factors—such as cultural norms, resource constraints, and local power structures—that influence the model's implementation and outcomes. The findings could then inform iterative adjustments to the PIGM framework, ensuring its practical applicability, adaptability to varied governance environments, and capacity to address both incentive alignment and participatory engagement in tangible policy settings.

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ABOUT THE AUTHOR

John Carlo Colot, MPA, is a faculty member at the College of Political Science and Public Administration, Polytechnic University of the Philippines. He serves as an instructor in both the Department of Political Economy and the Department of Political Science and International Studies.

He previously held roles of On-the-Job Training Coordinator and Quality Assurance Coordinator of the college. Mr. Colot earned his Master's in Public Administration from PUP and is currently pursuing a Doctor of Philosophy in Political Science at De La Salle University-Manila.

He also possesses academic grounding in Entrepreneurship and Law. His teaching and research interests encompass public administration, political science, gender studies, and legal frameworks.

He is an active member of professional organizations, including the Philippine Political Science Association (PPSA) and the Philippine Society for Public Administration (PSPA), reflecting his commitment to scholarly engagement and professional development in the field of governance and policy studies.