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MAJOR CONSERVATIVE AND LIBERTARIAN THINKERS

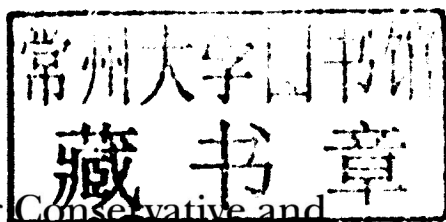
EDITED BY JOHN MEADOWCROFT

JAMES M. BUCHANAN

  
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# James M. Buchanan

John Meadowcroft



Major Conservative and

Libertarian Thinkers

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James M. Buchanan

## Series Introduction

The *Major Conservative and Libertarian Thinkers* series aims to show that there is a rigorous, scholarly tradition of social and political thought that may be broadly described as ‘conservative’, ‘libertarian’ or some combination of the two.

The series aims to show that conservatism is not simply a reaction against contemporary events, nor a privileging of intuitive thought over deductive reasoning; libertarianism is not simply an apology for unfettered capitalism or an attempt to justify a misguided atomistic concept of the individual. Rather, the thinkers in this series have developed coherent intellectual positions that are grounded in empirical reality and also founded upon serious philosophical reflection on the relationship between the individual and society, how the social institutions necessary for a free society are to be established and maintained, and the implications of the limits to human knowledge and certainty.

Each volume in the series presents a thinker’s ideas in an accessible and cogent manner to provide an indispensable work for students with varying degrees of familiarity with the topic as well as more advanced scholars.

The following twenty volumes that make up the entire *Major Conservative and Libertarian Thinkers* series are written by international scholars and experts:

- The Salamanca School* by Andre Azevedo Alves (LSE, UK) and José Manuel Moreira (Universidade de Aveiro, Portugal)  
*Thomas Hobbes* by R. E. R. Bunce (Cambridge, UK)  
*John Locke* by Eric Mack (Tulane, UK)  
*David Hume* by Christopher J. Berry (Glasgow, UK)  
*Adam Smith* by James Otteson (Yeshiva, US)  
*Edmund Burke* by Dennis O’Keeffe (Buckingham, UK)  
*Alexis de Tocqueville* by Alan S Kahan (Paris, France)  
*Herbert Spencer* by Alberto Mingardi (Istituto Bruno Leoni, Italy)  
*Ludwig von Mises* by Richard Ebeling (Northwood, US)

*Joseph A. Schumpeter* by John Medearis (Riverside, California, US)  
*F. A. Hayek* by Adam Tebble (UCL, UK)  
*Michael Oakeshott* by Edmund Neill (Oxford, UK)  
*Karl Popper* by Phil Parvin (Loughborough, UK)  
*Ayn Rand* by Mimi Gladstein (Texas, US)  
*Milton Friedman* by William Ruger (Texas State, US)  
*Russell Kirk* by John Pafford (Northwood, US)  
*James M. Buchanan* by John Meadowcroft (King's College London, UK)  
*The Modern Papacy* by Samuel Gregg (Acton Institute, US)  
*Murray Rothbard* by Gerard Casey (UCD, Ireland)  
*Robert Nozick* by Ralf Bader (St Andrews, UK)

Of course, in any series of this nature, choices have to be made as to which thinkers to include and which to leave out. Two of the thinkers in the series – F. A. Hayek and James M. Buchanan – have written explicit statements rejecting the label ‘conservative’. Similarly, other thinkers, such as David Hume and Karl Popper, may be more accurately described as classical liberals than either conservatives or libertarians. But these thinkers have been included because a full appreciation of this particular tradition of thought would be impossible without their inclusion; conservative and libertarian thought cannot be fully understood without some knowledge of the intellectual contributions of Hume, Hayek, Popper and Buchanan, among others. While no list of conservative and libertarian thinkers can be perfect, then, it is hoped that the volumes in this series come as close as possible to providing a comprehensive account of the key contributors to this particular tradition.

John Meadowcroft  
King's College London

## Acknowledgements

As the editor of the series in which this book appears I would like to begin by expressing my thanks to Marie-Claire Antoine of Continuum for her brilliant work in helping to bring the series to publication. I would also like to thank Anthony Haynes, the original commissioning editor of the series at Continuum, for inviting me to be series editor. Thanks are also due to the other nineteen authors for writing such excellent books within a strict timescale to enable the publication of twenty books in two years.

In respect of the present book, I would like to André Azevedo Alves for reading the second chapter and providing extremely helpful and detailed comments and feedback. Over the last few years I have had many conversations about Buchanan, public choice theory and political economy more generally with Anthony J Evans, Paul Lewis and Mark Pennington that have undoubtedly contributed to the development of this work. Finally, I would like to acknowledge the support of my colleagues in the Department of Political Economy at King's College London, most notably Professor Ken Young, in my academic endeavours.

John Meadowcroft  
King's College London

## The Referencing of Buchanan's Work in this Book

Throughout this book references to Buchanan's own work included in his *Collected Works* published by Liberty Fund of Indianapolis between 1998 and 2003 are to the versions of his works that appear in those volumes. It has been decided to reference the Liberty Fund editions on the presumption that in the future these editions will become the standard versions of Buchanan's works. The following abbreviations have been used in the text:

- LFCL: Volume 1, *The Logical Foundations of Constitutional Liberty* (collected articles and papers)
- PPPD: Volume 2, *Public Principles of Public Debt* (book, originally published in 1958)
- CoC: Volume 3, *The Calculus of Consent* (book, originally published in 1962, co-authored with Gordon Tullock)
- PFDP: Volume 4, *Public Finance in Democratic Process* (book, originally published in 1967)
- DSPG: Volume 5, *The Demand and Supply of Public Goods* (book, originally published in 1968)
- CaC: Volume 6, *Cost and Choice* (book, originally published in 1969)



- LoL: Volume 7, *The Limits of Liberty* (book, originally published in 1975)
- DiD: Volume 8, *Democracy in Deficit* (book, originally published in 1977, co-authored with Richard E. Wagner)
- PT: Volume 9, *The Power to Tax* (book, originally published in 1980, co-authored with Geoffrey Brennan)
- RoR: Volume 10, *The Reason of Rules* (book, originally published in 1985, co-authored with Geoffrey Brennan)
- PPNI: Volume 11, *Politics by Principle, Not Interest* (book, originally published in 1998, co-authored with Roger D. Congleton)
- EIIL: Volume 12, *Economic Inquiry and Its Logic* (collected articles and papers)
- PPC: Volume 13, *Politics as Public Choice* (collected articles and papers)
- DT: Volume 14, *Debt and Taxes* (collected articles and papers)
- EPET: Volume 15, *Externalities and Public Expenditure Theory* (collected articles and papers)
- CCC: Volume 16, *Choice, Contract and Constitutions* (collected articles and papers)
- MSMO: Volume 17, *Moral Science and Moral Order* (collected articles and papers)
- FLL: Volume 18, *Federalism, Liberty, and the Law* (collected articles and papers)
- IPE: Volume 19, *Ideas, Persons and Events* (collected articles and papers)

The twentieth volume contains an index to the entire Collected Works.

Three of Buchanan's books do not appear in the Collected Works. The following abbreviations are used in the text to refer to these books:

- AiA: *Academia in Anarchy*, New York: Basic Books, 1970, co-authored with Nicos D. Devletoglou  
 WITANAC: *Why I, Too, Am Not a Conservative*, Cheltenham, UK: Edward Elgar, 2004  
 EFTOI: *Economics from the Outside In*, College Station, TX: Texas A&M Press, 2007

In addition, a 1999 book in which Buchanan and Richard A. Musgrave engaged in a debate about questions of public finance and public choice was also not included in Buchanan's collected works. This book is abbreviated as follows:

- PFPC: *Public Finance and Public Choice*, with Richard A. Musgrave, Cambridge, MA: MIT Press, 1999.

Finally, Buchanan published with a number of co-authors during his career. Throughout this book it is assumed that the co-published works represent Buchanan's own personal views, unless there is a reason not to do so, such as where authorship of specific chapters is assigned to the different co-authors, or where there are known differences of opinion between the authors on particular issues.

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## Chapter 1

# Buchanan's Intellectual Biography

### Introduction

On 16 October 1986 the Royal Swedish Academy of Sciences announced the award of the 1986 Alfred Nobel Memorial Prize in Economic Sciences to Professor James McGill Buchanan 'for his development of the contractual and constitutional bases for the theory of economic and political decision-making' (Nobel Prize Citation, in LFCL, p. 3).

The award of the Nobel Prize in economics – the most prestigious professional accolade that can be presented to an economist – to Buchanan was first and foremost recognition of the importance of his personal contributions to the discipline of economics. Whereas mainstream, neo-classical economics focuses on private decisions in markets, Buchanan's work was groundbreaking in applying economic theory and analysis to public decisions in the political realm: public choice. The award of the Nobel Prize to Buchanan also recognized the importance of the scholarly contribution made more generally by public choice theory, the new political economy that Buchanan had helped to establish as a powerful intellectual force in the social sciences.

Political economy involves comparative analysis of politics and markets as institutions via which people seek to

achieve individual and collective ends. It would seem logical, therefore, for economists to apply the same basic analytical framework to investigate the political realm as that employed to understand the economic realm. Yet, surely surprisingly, economic analysis had not been applied to the political realm in any systematic way before the work of Buchanan and the early pioneers of public choice theory. Hence, Buchanan later wrote of what is now considered a classic 1954 article comparing individual choice in voting and the market that ‘the points made seemed simple, but surprisingly no one had made such a basic comparison’ (LFCL, p. 16). Similarly, when Buchanan and co-author Gordon Tullock wrote what may now be considered the foundational text of public choice theory, *The Calculus of Consent*, it was not with the sense that they were discovering new frontiers, but rather with the feeling that they were working through a series of seemingly straightforward applications of economic theory:

Tullock and I considered ourselves to be applying relatively simple economic analysis to the choice among alternative political decision rules, with more or less predictable results. We realized that no one had attempted to do precisely what we were doing, but the exercise was essentially one of ‘writing up the obvious’ rather than opening up wholly new areas for inquiry. (LFCL, p. 19)

Although the basic premise of public choice theory that economic analysis can be usefully applied to the study of non-market decision-making may seem relatively obvious and imply a relatively straightforward research agenda, the results that follow have often been highly controversial.

In particular, public choice theory logically leads to questions about the efficacy and therefore desirability of

political decision-making relative to the choices people make in markets. For example, in the political realm voters are required to choose every four or five years between a small number of large bundles of goods and services offered by different parties or candidates, often constituting between a third and a half of GDP, whereas in the marketplace people may purchase relatively discrete, personal bundles of goods and services on a day-by-day basis. On this basis it may be concluded that choices made in the marketplace are more likely to correspond to individual preferences than choices made in the political realm (LFCL, pp. 81–82; PFDP, Chapter 6). It is conclusions like this that imply criticism of democratic institutions and practices that many scholars have found difficult to accept (e.g. Kelman, 1988; Self, 1993; Shapiro, 1996; Udehn, 1996, pp. 180–184).

Buchanan's ideas will be discussed in detail in Chapter 2, and the key criticisms of his ideas will be considered in Chapter 3. This chapter will provide an intellectual biography of Buchanan that sets out the key life events and experiences that influenced his scholarly work. After this introduction, the next section will set out Buchanan's early life in rural Tennessee, early academic training and his war service. The third section will present Buchanan's entry to the University of Chicago where he encountered the two most important scholarly influences on his life: his teacher Frank Knight and the hitherto neglected work of the Swedish economist Knut Wicksell. The fourth section will then give an account of Buchanan's early academic appointments and his encounters with Italian public finance theorists during a year spent in Italy in the early part of his career. The fifth section will set out the historical development of Buchanan's contribution to public choice theory against the backdrop of dramatic social

change and social unrest in the United States and in the context of the creation of a series of institutional centres for public choice scholarship in the State of Virginia, that led Buchanan's particular brand of public choice that emphasizes the importance of institutions to political outcomes to be named Virginia public choice theory. A short final section will bring the account up to date with consideration of Buchanan's life after the award of the Nobel Prize.

### Early Years and War Years

In an essay written less than two years after his receipt of the Nobel Prize, Buchanan wrote that 'if Jim Buchanan can get a Nobel Prize, anyone can' (EFTOI, p. 35). What Buchanan meant by this statement was that if someone from his relatively humble background who had spent his teaching and research career at provincial university institutions could achieve such an accolade, then anyone could do the same:

Here was Jim Buchanan, a country boy from Middle Tennessee, educated in rural public schools and a local public teachers college, who is not associated with an establishment university, who has never shared the academically fashionable soft left ideology, who has worked in totally unorthodox subject matter with very old-fashioned tools of analysis, chosen by a distinguished and respected Swedish committee. (EFTOI, p. 36)

Buchanan, then, was not born into privilege, nor did he live and work in the most rarefied academic settings. His work challenged the prevailing ideological current of his



time, yet he was able to achieve the highest possible academic recognition.

James M. Buchanan was born on 3 October 1919 in Murfreesboro, a small town in the largely rural Southern US state of Tennessee. His family owned a small farm, on which Buchanan was born and grew up. Buchanan later wrote that 'My family was poor, but, in the county, it was important' (LFCL, p. 11). This importance came from the fact that Buchanan's grandfather, John P. Buchanan, had been a governor of the State of Tennessee as a representative of the populist Farmers' Alliance Party from 1891 to 1893. Buchanan attended the local public school, named Buchanan School, in tribute to his grandfather.

Buchanan has written that his parents had high hopes that he would emulate his grandfather's success in the world of politics, via training in law at the prestigious Vanderbilt University in the state capital of Nashville. However, 'Economic reality destroyed this dream', as the depression meant that Buchanan could only afford to attend Middle Tennessee Teachers College in Murfreesboro. Buchanan enrolled in 1936 and lived at home on the family farm which enabled him to pay for fees and books 'by milking dairy cows morning and night for four years' (LFCL, p. 12). The disappointment of not being able to attend a premier university, combined with missing out on the quality of tuition available at Vanderbilt, could have been an overwhelming setback, but Buchanan has written positively of the enduring impact of the intellectual and personal education he received from committed and talented teachers at Middle Tennessee Teachers College. In particular, Buchanan received a sound basic college education with a strong grounding in mathematics and statistics (EFTOI, Chapter 3).