

# 30 years after the nobel: James Buchanan's political philosophy

Michael C. Munger<sup>1</sup>

Published online: 21 February 2018

© Springer Science+Business Media, LLC, part of Springer Nature 2018

**Abstract** There are three main foundations of Public Choice theory: methodological individualism, behavioral symmetry, and “politics as exchange.” The first two are represented in nearly all work that identifies as “Public Choice,” but politics as exchange is often forgotten or de-emphasized. This paper—adapted from a lecture given on the occasion of the 30th year after Buchanan’s Nobel Prize—fleshes out Buchanan’s theory of politics as exchange, using four notions that are uniquely central to his thought: philosophical anarchism, ethical neutrality, subjectivism, and the “relatively absolute absolutes.” A central tension in Buchanan’s work is identified, in which he seems simultaneously to argue both that nearly anything agreed to by a group could be enforced within the group as a contract, and that there are certain types of rules and arrangements, generated by decentralized processes, that serve human needs better than state action. It is argued that it is a mistake to try to reconcile this tension, and that both parts of the argument are important.

**Keywords** James Buchanan · Public choice · Subjectivism · Methodological individualism · Institutions

**JEL classification** B31 · B52 · B53 · D71

## 1 Introduction

### 1.1 Overview and roadmap

James McGill Buchanan won the 1986 “Swedish National Bank’s Prize in Economic Sciences in Memory of Alfred Nobel.” The selection committee cited “his development

---

✉ Michael C. Munger  
munger@duke.edu

<sup>1</sup> PPE Program, and Departments of Political Science and Economics, Duke University, Durham, NC 27708-0204, USA

of the contractual and constitutional bases for the theory of economic and political decision-making.” And in fact, Buchanan’s “contractarianism” is often cited, or criticized. I would argue instead that Buchanan saw the greatest problem in society as the necessity of restricting coercion unless it would be fully justified. For Buchanan, there was only one situation that could justify coercion: consent.<sup>1</sup>

Much is known of Buchanan’s contributions to the Public Choice movement in its “Politics Without Romance” (Buchanan 1979) incarnation. As Shugart (2008) says, “Public Choice applies the theories and methods of economics to the analysis of political behavior.” To put it simply, Public Choice has made use of the assumptions of maximizing behavior, subject to constraints, aggregated using the equilibrium behavior to ensure that individual actions are somehow coordinated and adjusted to account for the actions of others.<sup>2</sup>

And to be fair that’s a big part of Public Choice. But it is not all that Public Choice is, and it’s not all it should be. In this essay I review statements and arguments by James Buchanan from a number of sources, and argue that the following statement is the best simple summary of his work in *political economy*:

Buchanan’s Method: Starting with three assumptions—methodological individualism, behavioral symmetry, and politics as exchange—we proceed to analyze the rules and processes groups of people will adopt and sustain to achieve joint or collective goals. It is dangerous to be too optimistic about the “public interest” motivation of individuals, but it is also dangerous to be too dismissive of doing things in groups.

Further, there are four underlying notions that are key to understanding Buchanan’s thought. These are (in no particular order): (1) Philosophical anarchism, (2) The Relatively Absolute Absolutes, (3) Ethical neutrality, and (4) Subjectivism.

The “method” above, filtered through the four underlying notions, is the key to Buchanan’s political economy. The reason that it’s important to get this right is that this was not, and in many ways is not, the way that the profession reacted to news that Buchanan had won the Nobel Prize. In terms of that reaction, it is useful to recall John Maynard Keynes’ prediction about reaction to his own work, in the Preface to the *General Theory*: “[The reaction] will fluctuate, I expect, between a belief that I am quite wrong and a belief that I am saying nothing new.” The most interesting part of the reaction to Buchanan’s prize is that critics made both claims, in the same breath!

<sup>1</sup> Unsurprisingly, perhaps, over the long course of his career Buchanan gave a number of requirements describing what is sufficient to justify coercion, and described a variety of tasks for “What should political economists do?” (to paraphrase Buchanan 1964). In the description of the Thomas Jefferson Center Buchanan argues that the task of political economy is to find that institutional configuration that engenders *productive specialization* and *peaceful cooperation* among free men. The second task is to address the philosophical issues that underlie all discussions of these institutional arrangements and the appropriate role of government. The first task fits with a long standing Buchanan claim of influence from Routledge Vinning — that we never choose between distributions, but always between rules of the game that engender a pattern of exchange, production and distribution. In this sense, one could argue—As Pete Boettke correctly pointed out in reacting to rather stark claim about consent above—that Buchanan did at least on occasion, and early in his career, have considerable optimism about a “productive state” rather than just a protective state.

<sup>2</sup> One could argue that Buchanan was one of the most creative innovators present at the founding of public choice, but that his approach was in fact not pursued because the desire for operationalizability went much more in the direction of what Buchanan often called “that empirical nonsense.” For an even-handed review of Public Choice as a literature, including quite a bit of that “empirical nonsense,” see Mueller (2003).

One of the most famous reactions was the piece commissioned by the *New York Times*, written by Prof. Robert Lekachman, a deservedly obscure economist at Lehman College. He wrote:

As a founder of Public Choice theory, Mr. Buchanan has extended the imperial grasp of the free market model to politics. Other Chicago trained or influenced scholars have applied the logic of self-interest to the career choices of criminals, selection of marriage partners, and decisions to bring into the world few, many, or no new inhabitants...

Mr. Buchanan's contribution is an argument that politicians...are powerfully motivated by self-interest. *The novelty, if any*, in this discovery is his claim that self-interest is the only force operating upon them. Those who linger on the imperfections of private markets, refuse to reduce all human behavior to simple self-interest and fret about the unemployed and the poor, will continue to support business regulation remedies for gross inequity and social programs in aid of vulnerable groups....

*Nobel prizes are not awarded to physicists who rediscover Isaac Newton.* Yet, Public Choice theory resurrects the Adam Smith of "The Wealth of Nations" (*while conveniently ignoring the Adam Smith of the earlier "Theory of Moral Sentiments," who emphasized conscience as monitor of human action*). The anonymous Nobel Jurors inevitably make choices among conservatives, liberals and mild radicals, with occasionally ludicrous results. In 1974, the prize was divided between Gunnar Myrdal, one of the architects of the Swedish welfare state, and Friedrich Hayek, a stalwart opponent of the welfare state. It is as though an award were split between an evolutionist and a scientific creationist. (Lekachman 1986; emphasis added)

Notice that Prof. Lekachman cannot bring himself to settle on a criticism: We all already know that, *and it's wrong*.<sup>3</sup> That clipping, of Lekachman's review, became the near-universal sneering dismissal of Buchanan's Nobel. But no part of the criticism is correct. It is risible to claim that Buchanan's work was part of an orthodox Chicago modelling enterprise. He never argued that people are motivated only by self-interest. And far from arguing the perfection of markets, or the imperfections of choosing groups, Buchanan's scholarship was devoted to exploring how groups might improve on market institutions.

In what follows, I will first consider Buchanan's "method," which I claim has three elements. I will then examine the particular notions that underpin Buchanan's unique contributions to Public Choice. Finally, I consider Buchanan's contributions to political philosophy, in terms of his views on political authority.

<sup>3</sup> It may be worth examining Lekachman's dismissal of Hayek. Myrdal has collected a very respectable 17,000 professional citations, but Hayek has more than 90,000 and the total is still growing rapidly. Revenge is perhaps a dish best served in footnotes...

## 2 Buchanan's method

### 2.1 Methodological individualism

The origins of the notion of “methodological individualism” may be the work of Thomas Hobbes, who saw societies of chaotic particles bashing into each other. The institutions the society chooses can affect the way the particles behave, but it is still the individual particles behaving. The assumption of “methodological individualism” need not have any ethical content, and it is not an exclusive claim for the correct approach to modeling social activity.<sup>4</sup> But, as Max Weber said, it is a useful starting point:

[It may] be convenient or even indispensable to treat social collectivities, such as states, associations, business corporations, as if they were individual persons. Thus they may be treated as the bearers of rights and duties or as the performers of legally significant actions. But for the subjective understanding of action in sociology these collectivities must be treated as solely the resultants and context of the particular acts of individual persons, since an individual alone is the subjective bearer of meaningful oriented action....

It is a tremendous misunderstanding to think that an ‘individualistic’ method should involve what is in any conceivable sense an individualistic system of values. (Weber 1922; p. 13)

Buchanan's use of the assumption is best summarized in his own words (Buchanan 1990; pp. 13):

- (1). For constitutional economics, the foundational position is summarized in methodological individualism.
- (2). Unless those who would be participants in the scientific dialogue are willing to locate the exercise in the choice calculus of individuals, *qua* individuals, there can be no departure from the starting gate.
- (3). The autonomous individual is a *sine qua non* for any initiation of serious inquiry in the research program.

But then, the method must be qualified, because there are important considerations directing choice and the evaluation of alternatives that come from outside the individual:

- (4). Individual autonomy, as a defining quality, does not, however, imply that the individual chooses and acts as if he or she exists in isolation from and apart from the community or communities of other persons with whom he or she may be variously associated.
- (5). Any form of community or association of individuals may reflect some sharing of values, and, further, any individual's formation of values may be influenced by the values of those with whom he or she is variously associated in communities.

<sup>4</sup> One could plausibly object that Buchanan elsewhere wrote of normative individualism (e.g., Buchanan 1991) and that's true. But the normative claim is not part of the “method” of Public Choice.

- (6). The communitarian challenge to methodological individualism must go beyond the claim that individuals influence one another reciprocally through presence in communities.
- (7). The challenge must make the stronger claim that individuation, the separation of the individual from community is not conceptually possible, that it becomes meaningless to think of potential divergence between and among individual interests in a community.
- (8). Stated in this way, it is evident that methodological individualism, as a presupposition of inquiry, characterizes almost all research programs in economics and political science; constitutional economics does not depart from its more inclusive disciplinary bases in this respect.

Buchanan was trying to wrestle with what he saw as the “communitarian critique,” the objection not that individuals do not choose, but rather that starting with individuals privileges individualism as a normative stance. Even though “we” act as the aggregation of many “I”s, the motivations of the individual come from collectivities, not from something inside the individuals themselves:

Individual evaluations are superseded by those emergent from God, natural law, right reason, or the state. This...[view] rejects methodological individualism, not on the claim that individuation is impossible, or that individual evaluations may not differ within a community, but rather on the claim that it is normatively improper to derive collective action from individual evaluations. To the communitarian who posits the existence of some supra-individualistic value scale, the whole analysis that builds on a base of an individualistic calculus can only be useful as an input in schemes of control and manipulation designed to align individualised preferences with those orderings dictated by the overarching norms for the community. (Buchanan 1990, p. 14; quoted in Brennan 1999).

As we will see later in this essay, the communitarian critique runs directly afoul of one of Buchanan's core intuitions, the “Relatively Absolute Absolutes,” a kind of optimal adaptiveness. One might paraphrase this claim as “values start with us,” and cannot be based on revelation, right reason, or custom. On the other hand, the habits and norms handed down from the past are emergent, and may contain some wisdom; thus, one cannot throw out “overarching norms” unreflectively. This tension between a faith in emergent norms and the claim that nothing is sacrosanct is at the very core of Buchanan's political philosophy.

## 2.2 Behavioral symmetry

On the day after the announcement of the 1986 Nobel, Alistair Cooke of BBC, in his “Letter from America,” said: “Public Choice rests on the homely but important observation that politicians are, after all, no different than the rest of us” (quoted in Brennan and Lomasky 1997, p. 2).

Public Choice may “rest” on that observation, but that is not all that Public Choice is. First, contra Lekachman and other superficial critics, no Public Choice scholar is claiming

that everyone is “only” self-interested. Neither is it that people behave exactly the same in political and market settings. Rather, the claim is that the motivations of people are uniform: people are more public-spirited than the pure homo economicus model would predict in market settings—they’ll pay extra for “fair trade coffee” — and people are not purely altruistic in the way that the “public interest” model dichotomizes politics.

Of course, the differences in incentives and institutional context may affect the behavior we observe, but then those differences should be attributed to the variability in incentives and context, not to differences in motivation. That’s all that behavioral symmetry means. As Brennan and Buchanan put it, it would actually be odd to assume that one person is actually two different people, and those who want to make that claim would need to offer some evidence.

[“Public Interest” theory] might suggest that individuals assume roles that are institution-dependent, that in politics, for example, persons take on character roles as “statesmen,” whereas in the market they take on character roles as “possessive profit seekers.” ...But the analytic presumptions in support of behavioral symmetry at the most basic level seem so strong *that the onus of proof must lie with those who would advance the institution-dependent behavioral model.* (Brennan and Buchanan 1985, p. 57; emphasis added)

It is clear that Buchanan’s view is the same as Wicksell’s on this count, though it is likely that Buchanan had himself reached this conclusion before finding it vindicated in the earlier work. As Wicksell (1958) put it:

. . . [N]either the executive nor the legislative body, and even less the deciding majority in the latter, are in reality . . . what the ruling theory tells us they should be. They are not pure organs of the community with no thought other than to promote the common weal.

. . . [M]embers of the representative body are, in the overwhelming majority of cases, precisely as interested in the general welfare as are their constituents, neither more nor less. (pp. 86-87)

In other words, motivations are the same. There is no reason to expect that behavior will be identical, but we can’t simply assume that motivations are entirely distinct. Second, and more importantly, the modelling approach we take should start with the idea that the observed differences can be explained by economic and institutional variables acting through essentially the same preferences rather than simply invoking different preferences at the outset.

### 2.3 Politics as exchange

Many observers thought, and for that matter think, that Public Choice starts and ends with behavioral symmetry. And the second claim, methodological individualism, is common in economics generally. But many people miss the importance of the third element, “politics as exchange.” Buchanan tried to explain what politics as exchange is actually central (from the Buchanan and Brennan 2001 interview, part 1, at 8:30):

First, the claim that politicians and bureaucrats are simply like the rest of us... There are no saints more saints in politics than in commerce... But that's not enough. If you start thinking about politics that way, then you have a very empty type of theory. So you have to try to explain political structure, political order, from some kind of perspective that will give you something other than an empty theory... At some ultimate level, people must enter into political for mutual gain, there must be a shared benefit from being involved in organized governments.

So what must be added to the "politics without romance" piece is the idea that politics is in some ultimate sense an exchange process. You have to enter into a shared enterprise with other people. Without that, you have no means of justifying any political coercion of one person by another person.

[Otherwise] You have no hope... It's a counsel of despair....

You have to be very skeptical about the motivations, about the behavior of politicians and bureaucrats. But also recognize that in fact there can be gains to all of us from sharing in a political enterprise. And we can lay on, we can construct schemes whereby everybody benefits. Everybody puts in and everybody benefits. What I would call a "Madisonian" element needs to be added to make Public Choice work.

Buchanan's core premise, and the source of his optimism about clubs and alternative forms of voluntary collective—though still *private*—organizations is this idea of politics as exchange. As we will see in the next main section, when we discuss the problem of authority, the idea of "exchange" makes certain background assumptions.<sup>5</sup> For an exchange to be voluntary, we require that individuals are autonomous, and able to act on their subjective assessments of the alternatives. In the case of "politics" this means that the individual—each individual—believes that the collective enterprise being contemplated makes that individual better off. The individual then consents, or signs up to participate. Of course, at that point there is a free rider problem that all individuals recognize *ex ante* and try to take advantage of *ex post*. So there must be mechanisms of enforcement that require parties to contract to fulfill their promised contributions.

Imagine that I need a new roof on my house, but I'm not very good at handiwork, though I am able to make a good living as a writer. I meet John Jones, an experienced roofer. I offer John \$5000 to do the job: \$1000 up front to buy the nails and shingles, and \$4000 on completion. Of course, John might just take the \$1000 and leave. Or he might be honest, and finish the job, only to have me refuse to pay the \$4000 I owe him for his labor.

Both of us know about this problem, and in the absence of some inexpensive and reliable means of enforcing our agreement, no agreement, and therefore no exchange, will take place. This is an infringement on our liberty, because we are prevented from entering into a mutually beneficial transaction. We would be willing to invest some amount of the surplus created by the transaction (say I'd pay up to \$5000 for the labor, and John would accept any amount more than \$3000) in enforcement. If we pay some neutral party to enforce the agreement, the agreement goes through. As a bonus, if the enforcement mechanism is efficient and effective it is never used, in equilibrium, because compliance is cheaper than cheating.

<sup>5</sup> I have discussed the problem of "truly" voluntary, or *euvoluntary*, exchange elsewhere (Munger 2011).

Paying for enforcement, which involves coercion, is a voluntary choice. Let's assume I'd prefer to cheat if I could, and so would John, after the agreement. That might not be true, of course, but the point is that having access to enforcement allows benefits from exchange even if some people, or all people, want to cheat. The point is that in an environment where cooperation—in this case a one-off exchange agreement—is mutually beneficial, coercion is voluntarily embraced. In fact, without the threat of coercion both John and I are worse off.

This approach has important implications for a vexing “chicken and egg” problem: which came first, markets or government? Buchanan rather deftly finesses this problem, by defining politics as preceding either markets or government. The answer is that *exchange* came first:

...basic “political exchange,” the conceptual contract under which the constitutional order is itself established, must precede any meaningful economic interaction. Orderly trade in private goods and services can take place only within a defined legal structure that establishes individuals' rights of ownership and control of resources, that enforces private contracts, and that places limits on the exercise of governmental powers... Even within a well-defined and functioning legal order, “political exchange” necessarily involves *all* members of the relevant community rather than the two trading partners that characterize economic exchange. (Buchanan 1979; p. 50; emphasis original.)

This kind of cooperation, involving exchange, means that the agreement or contract involves non-market institutions and the mechanism of coercion is collective.<sup>6</sup> This problem of collective action is of course of ancient vintage; a clear antecedent is David Hume's description:

Two neighbours may agree to drain a meadow, which they possess in common; because 'tis easy for them to know each other's mind; and each must perceive, that the immediate consequence of his failing in his part, is, the abandoning the whole project. But 'tis very difficult, and indeed impossible, that a thousand persons shou'd agree in any such action; it being difficult for them to concert so complicated a design, and still more difficult for them to execute it; while each seeks a pretext to free himself of the trouble and expence, and wou'd lay the whole burden on others. (Hume 1978, p. 538).

There is a mutual benefit, a Pareto improvement, from cooperation. For Buchanan, “politics” is a means for groups to overcome the transactions costs of negotiating and enforcing agreements in groups too large to foster Coasian bargaining arrangements. Since, in the absence of coercion, many individuals would free ride, a prior agreement on procedures and enforcement is necessary for the gains from cooperation to be available to the group. Hence, “politics as exchange” is actually a way of justifying coercion. But there is no more coercion in this setting, where coercion is justified by informed prior consent, than in the bilateral market exchange setting where I am negotiating with John Jones the roofer.<sup>7</sup>

<sup>6</sup> It is for this reason that the journal *Public Choice* was originally entitled *Papers in Non-Market Decision-Making*.

<sup>7</sup> The author acknowledges discussions with Geoffrey Brennan, particularly at the Australasian Public Choice Society meetings in December 2016, for clarifying this argument.

### 3 The notions and nuance

#### 3.1 Philosophical anarchism

The very center of Buchanan's political philosophy was the problem of authority.<sup>8</sup> When can one person, or group, legitimately coerce someone? Or, as Rousseau (1973, Book IV, Chapter 2) put it, "How can a man be free and yet subject to wills not his own?" Isn't there a fundamental problem in a democracy where the external effects of the wills of others are forced on minorities? Rousseau famously answered "no," of course, but only by conjuring a genie, the "General Will." Buchanan thought that there was a problem, but the problem had a solution. His premise, as was discussed earlier, is that no source of authority outside of the individual is sufficient to justify coercion, whether it be revelation, natural law, right reason, or the state. On the other hand, the individual's consent is always binding, because to claim otherwise is to deny the autonomous individual both the right and the ability to make binding agreements.

There are two distinct notions of philosophical anarchism: one holds that it is impossible to justify state coercion; the other argues that no fully satisfactory argument for justification has yet been given.<sup>9</sup> In a way, almost everyone is a philosophical anarchist, in the sense that they would deny that any order given by the state obliges compliance in the citizen: Adolph Eichmann should have said "no" when ordered to organize shipment of Jews to concentration camps. Thus, the "Eichmann Defense" ("I was just following orders") is never always successful; sometimes citizens are obliged to disobey orders of the state. On the

<sup>8</sup> The current paper is derived from a public lecture, and it does not go into much detail in terms of background and references. The reader interested in learning more about the underpinnings of Buchanan's political philosophy might look at Kliemt (2004, 2011) for a much more rigorous and organized overview and critique.

<sup>9</sup> From the *Stanford Encyclopedia of Philosophy* (emphasis added):

[P]hilosophical anarchists...maintain that it is impossible to provide a satisfactory account of a general obligation to obey the law. According to Robert Paul Wolff, the principal advocate of this view, there can be no general obligation to obey the law because any such obligation would violate the "primary obligation" of autonomy, which is "the refusal to be ruled" (1998 [1970], p. 18). As Wolff defines it, autonomy combines freedom with responsibility. To be autonomous, someone must have the capacity for choice, and therefore for freedom; but the person who has this capacity also has the responsibility to exercise it — to act autonomously. Failing to do so is to fail to fulfill this "primary obligation" of autonomy.

This primary obligation dooms any attempt to develop a theory of political obligation, Wolff argues, except in the *highly unlikely case of a direct democracy in which every law has the unanimous approval of the citizenry*. Under any other form of government, autonomy and authority are simply incompatible. Authority is "the right to command, and correlatively, the right to be obeyed" (p. 4), which entails that anyone subject to authority has an obligation to obey those who have the right to be obeyed. But if we acknowledge such an authority, we allow someone else to rule us, thereby violating our fundamental obligation to act autonomously. We must therefore reject the claim that we have an obligation to obey the orders of those who purport to hold authority over us and conclude that *there can be no general obligation to obey the laws of any polity that falls short of a unanimous direct democracy*.

other hand, the claim that the state is always illegitimate and may always be ignored or opposed is not widely persuasive to most citizens.

Buchanan's answer has two parts: First, informed consent, freely given, does oblige compliance. Second, consent for every choice or decision is too high a standard. Instead, consent is given at the level of rules or procedures, and consent to rules obliges compliance to outcomes as long as those rules are followed. While this might seem a considerable concession, Buchanan is perfectly serious about actual, rather than tacit consent. In this he follows Wicksell (1958; p. 89): "It would seem to be a blatant injustice if someone should be forced to contribute toward the costs of some activity which does not further his interests or may even be diametrically opposed to them." And Wicksell intended the individual's conception of "his interests," requiring that individual's actual consent to justify the "force to contribute." Thus, one cannot overcome the "free rider" problem by enlisting "forced riders," and tacit consent cannot confer political authority where none would otherwise exist.<sup>10</sup>

How would this vision of liberty work?

---

<sup>10</sup> One source from which a doctrine of "tacit consent" is often derived is Rousseau. But even in the passage where Rousseau seems to argue for tacit consent there is a famous footnote that foreshadows Buchanan's view on exit. If one takes the footnote seriously, the qualification mitigates much of the force of the argument.

There is but one law which, from its nature, needs unanimous consent. This is the social compact; for civil association is the most voluntary of all acts. Every man being born free and his own master, no one, under any pretext whatsoever, can make any man subject without his consent...

If then there are opponents when the social compact is made, their opposition does not invalidate the contract, but merely prevents them from being included in it. They are foreigners among citizens. When the State is instituted, residence constitutes consent; to dwell within its territory is to submit to the Sovereign. \*

FOOTNOTE: This should of course be understood as applying to a free State; for elsewhere family, goods, lack of a refuge, necessity, or violence may detain a man in a country against his will; and then his dwelling there no longer by itself implies his consent to the contract or to its violation. (Du C.S., Book IV, Chapter 2)

David Hume (1987) famously responded to this and other arguments for "tacit consent:"

Should it be said, that, by living under the dominion of a prince, which one might leave, every individual has given his tacit consent to his authority, and promised him obedience; it may be answered, that such an implied consent can only have a place, where a man imagines that the matter depends on his choice. . . Can we seriously say, that a poor peasant or artisan has a free choice to leave his country, when he knows no foreign language or manners, and lives, from day to day, by the small wages which he acquires?

We may as well assert, that a man, by remaining in a vessel, freely consents to the dominion of the master, though he was carried on board while asleep, and must leap into the ocean, and perish the moment he leaves her. —from "Of the Original Contract" (originally published in 1748)

If Rousseau can be taken seriously in the footnote (he did not use that many footnotes, in *Social Contract* or elsewhere), then it is not clear that Rousseau and Hume really are at opposite ends of the spectrum, as is often claimed.

To the individualist, the ideal or Utopian world is necessarily anarchistic in some basic philosophical sense. This world is peopled exclusively by persons who respect the minimal set of behavioral norms dictated by mutual tolerance and respect. Individuals remain free to “do their own things” within such limits, and cooperative ventures are exclusively voluntary. Persons retain the freedom to opt out of any sharing arrangements which they might join. No man holds coercive power over any other man, and there is no impersonal bureaucracy, military or civil, that imposes external constraint. (Buchanan 1975, p. 3)

The point is that by Buchanan's standard—and taking his philosophical anarchism alone—it is not clear that any nation or state, ever, met his requirements for justifying political authority.<sup>11</sup> As we shall see in the next sections, he remedies this problem through a combination of this “ethical neutrality” and “relatively absolute absolutes,” but there is little room for justifying a state using his standard of actual consent taken by itself.

### 3.2 Ethical neutrality

One of the most subtle, and for some readers frustrating, aspects of Buchanan's approach is that he generally advocated accepting the existing distribution of wealth and power and requiring something like unanimity to modify that distribution. Of course, even this requirement could be elided, if “the relatively absolute absolutes” dictated change. To reprise a passage already quoted above from the Brennan-Buchanan interview (2001):

You start with the idea that coercion is never justified in advance, on any grounds. Unless you can bring in some transcendental purpose, how can you justify coercion? Unless God's rules, or “right reason,” or [some a priori doctrine] justifies force, you can't have coercion. If you say, “No, values start with us,” start with the individuals, then how can one individual legitimately coerce another? (Buchanan and Brennan 2001, part I, at 14:10)

This “neutrality” might be summarized in one of Buchanan's stock phrases: “You have to start from where you are.” This is a commitment to the *status quo*, but (as is

<sup>11</sup> From the interview with Geoffrey Brennan (Buchanan and Brennan 2001; part 1, at 14:10):

[We need to go back to] the libertarian strand... There is no justification for anyone coercing anybody else. If you are not going to coerce someone, what can you do? You exchange with them, you engage in reciprocal relationships, one person with another person, and you build that up. You start getting more complex and more complex and ultimately you end up in a situation where we are participating in a big exchange, in which we are all sharing in a commonality of a government, of politics, and so forth. You start with the idea that coercion is never justified in advance, on any grounds. Unless you can bring in some transcendental purpose, how can you justify coercion? Unless God's rules, or “right reason,” or [some a priori doctrine] justifies force, you can't have coercion. If you say, “No, values start with us,” start with the individuals, then how can one individual legitimately coerce another?

noted by Brennan 2015, p. 8) the *status quo* commitment is contractarian, not “conservative.”<sup>12</sup> The notion of starting at the status quo is a big advantage in terms of making Buchanan’s approach more practical, because the nature of the consent required to accomplish his object of qualified unanimity only requires that changes to the rules, not the rules themselves, are consented to.

### 3.3 Subjectivism

Buchanan’s commitments to subjectivism are well-known. In fact in one of his oddest and in some ways most interesting books, *Cost and Choice* (Buchanan 1969), he explored the implications of subjectivism at a deep level. But he pulled back, retaining an objective assessment of the value of subjectively-based processes. Perhaps the clearest statement of this claim comes from Buchanan (1985; p. 73–74):

[T]he ‘order’ of the market emerges only from the process of voluntary exchange among the participating individuals. The ‘order’ is, itself, defined as the outcome of the process that generates it. The ‘it,’ the allocation-distribution result, does not, and cannot, exist independently of the trading process. Absent this process, there is and can be no ‘order.’

Thus, the order emerging from market processes—in which people pursue their own subjective goals based on their own subjective information, coordinated through a price mechanism—is objectively better than a system of social planning operated from the top down, in terms of allowing people to achieve those subjective goals.<sup>13</sup>

But then in what sense is Buchanan a subjectivist? I think the answer is that he decided to occupy a middle ground, where there is an “as if” element to his use of subjectivism as a method, but in which the results of arguments at the system level still had objective merits, and therefore collective mechanisms can be fruitfully compared. Most importantly, market systems with spontaneously generated orders in the forms of networks and firms are objectively better at fostering the conditions where people are able to satisfy their subjective goals.

Of course, if one were completely committed to subjectivism one could not compare one system to another because that would involve comparing utilities. As Buchanan put it in the interview with Brennan:

I came to believe that the only [models for] individual choices were utility flows...I was sympathetic to that because Frank Knight himself sort of

<sup>12</sup> As Brennan (2015, p. 8) puts it:

Buchanan often insists that any normatively guided action—any attempt at improvement—must “start from where we are”. At one level, this claim could be read as a simple analytical requirement: it is difficult to imagine how one could start from anywhere else! But in Buchanan’s hands the requirement has a more normative cast. It is a feature of his contractarian approach that normative desirability is grounded in agreement—with the natural thought that individuals will not agree to changes that make them worse off (all things considered).

<sup>13</sup> For more description of this argument, see Richman (2013).

verged over into that. He had a review of Wicksteed's book, in which he almost bought into that...But he never quite got away from the standard equilibrium models. And neither have I, and one reason that I have been able to go forward a little bit, and still be a subjectivist, is that I haven't bought fully into. [Wiseman, Shackle, and Lachmann] were frustrated; they just sort of threw up their hands. A full-fledged subjectivist, you can't say anything. And so I've been able to say something and yet at the same time be completely sympathetic to their view. (Buchanan and Brennan 2001; II–13:00).

What this means, taken as a whole, is that Buchanan wants to be as subjectivist as possible while retaining the ability to make objective claims about rule systems and institutions.

### 3.4 The relatively absolute absolutes

I think that many listeners, when they heard Buchanan mention his “relatively absolute absolutes,” would laugh, thinking he must be kidding. He was not.

I couldn't live without the Relatively Absolute Absolutes. It gets me out of lot of jams. It gets me off of lot of hooks, too! But it's a concept...that I picked up directly from Frank Knight and Henry Simons.... It prevents the necessity of taking a position either as a relativist in all respects or as an absolutist. I am neither...it's an in-between position...

There are some moral values that have been in existence a long time, that have been proved by the test of history. [It] is best to live our ordinary lives by treating those as “relatively absolute absolutes” ...

[But] they are not beyond examination; nothing is sacrosanct. At one level of our existence you can evaluate those, you can say “Are they really as stable, authoritative, or unchallengeable as they might seem?” We can challenge them in the academy; that's the job of the academy...But at the same time that is not just going out and saying “anything goes,” at all. So it gets you off that terrible problem of becoming [a relativist or an absolutist in moral theory]. I am neither. (Buchanan and Brennan interview, 2001; part II— at 27:00)

In fact, in some ways the relatively absolute absolutes summarizes much of what is overarching and unifying about Buchanan's whole world view. He was very sympathetic to natural rights theories, and persuaded that the libertarian philosophy was correct, while at the same insisting that groups are sovereign and that no outside force, be it revelation, law, or custom, could restrict what they could commit to collectively. It is tempting to think that he was a natural rights theorist, or a pure contractarian. But he was neither.

## 4 Conclusion

### 4.1 Windows

One feature of Buchanan's thought bears emphasizing, and that is the extent to which he was (in principle) ecumenical. He would argue that as a matter of academic *organon* that no approach is privileged, and no conclusion is sacrosanct, as he often claimed (Buchanan and Brennan 2001) that Frank Knight had argued back in Jim's graduate training days at Chicago.<sup>14</sup> That fact that Buchanan himself had little use for these other perspectives as a practical matter did not stop him from defending their potential value.

In making this defense Buchanan would often invoke a metaphor from Nietzsche, that of "windows" on the world.<sup>15</sup> There are many different windows, and views of the world. The world will look different from each window, with differences in light, depth of field, and angle on reality. Each window has some claim to validity, to "truth," because it is a view of the world.

No one window – including Public Choice theory – can claim exclusive rights to truth.

But *there is a world*, one objective world. The views through different windows are distorted in different ways, and see entirely different directions, but there is still a world.

This metaphor is an extension of the "relatively absolute absolutes," of course. No one view through a "window" is sacrosanct, or privileged. But there is an objective world, and we needn't abandon one way of looking at things unless it is displaced by something better. It is not true that all views and all perspectives are equally good, but at the same time there is no absolute single best view or approach.

### 4.2 Contingent contractarianism

The final question, of course, is where this all leaves us in terms of the bottom line: what is the basis of the legitimate capacity to coerce others? Buchanan fiercely rejected any outside or a priori basis for authority, be it revelation, right reason, natural law, or tradition. Of course, the ethical neutrality premise ("start from where we are") means that we can accept traditions or rules that have emerged from experience as having the authority that "the relatively absolute absolutes" give them. But that authority is only conventional, and could never be the kind of political authority required for real coercion.

Buchanan's answer is actual informed prior consent, combined with an exit option. If I agreed, and I can exit the group at costs that are not prohibitive, then—and only then, so this condition is sufficient, but also necessary—can I be forced to follow the rules of the group if I enjoy the benefits the group provides. We might call this Buchanan's "contingent contractarianism."

How would it actually work? We can get a hint from the Buchanan-Brennan (2001) interview, at two points in particular. The difficulty Brennan identifies is that there

<sup>14</sup> For a lively and entertaining description of Buchanan's graduate days see Boettke (2013; pp. 43–47).

<sup>15</sup> "This same [spirit or will of knowing] has at its service an apparently opposed impulse of the spirit, a suddenly adopted preference of ignorance, of arbitrary shutting out, a closing of *windows*, an inner denial of this or that, a prohibition to approach, a sort of defensive attitude against much that is knowable, a contentment with obscurity, with the shutting-in horizon, an acceptance and approval of ignorance: as that which is all necessary according to the degree of its appropriating power, its "digestive power"..." Nietzsche (1997; p. 98).

seems to be two things going on: Buchanan's personal libertarianism, which entails certain claims about the limits of government action, and Buchanan's general contractarianism, which would appear to allow a group to have highly non-libertarian values as long as all the members of the group agree. How could a group legitimately embrace values that Buchanan believes to be wrong?

Brennan: [But some agreements would require infringements on liberty]. Your interpretation of liberty and how liberty is to be structured seems to depend on getting constitutional consensus around it. So how does your libertarianism—which is undoubted—sit with the logic of contractarianism?

Buchanan: I acknowledge that there is a tension—a possible contradiction—there. I could respond in part by saying that it's the constitutionalist that is primary, and the libertarianism is secondary. But that's not necessarily the case...in many cases my libertarianism might trump my constitutionalism.

If you could observe a constitutional consensus developing on some restrictions on individual liberty that I might be very strongly opposed to...then I wouldn't be in the consensus but you might have an overwhelming [consensus] view...<sup>16</sup>

Brennan: The ultimate question of [natural rights] is not the issue. The issue is rather whether we can get consensus on that particular proposal at the appropriately constitutional level.

Buchanan: That's right. There may [activities] that we simply do not approve of...that are ruled out [by consensus]. The question is, can we agree, to more or less reach a substantial consensus, on what that list [of political and economic rights] is.

Now, we don't want some people going around and saying people shouldn't [have rights] just because they happen to not like it or they happened to get in charge. On the other hand, we certainly want—if there's a consensus—...we just don't want it to happen. I—52:53

The interesting thing about this exchange is that Buchanan fully acknowledges the tension between the contractarian and the libertarian natural rights position that he personally favors. But there is no *contradiction*; in fact, there is a fierce and perhaps excessive consistency. Buchanan was personally, subjectively, a philosophical anarchist. But he was committed to contractarianism, and believed that a sufficient condition to justify coercion was actual unanimous consent among the relevant group.<sup>17</sup> Buchanan was firmly

<sup>16</sup> Interestingly, this very closely connects to Rousseau's view of "residence implies consent," discussed in footnote 7 above.

<sup>17</sup> It is possible to argue that Buchanan also considered consent necessary, in the sense of fully justifying political authority. But this problem is made moot by Buchanan's other notion, ethical neutrality ("we start from where we are"). We are bound by the rules we have, even if we did not consent to them, but we are allowed to question and change those rules, because nothing is sacrosanct.

committed to maintaining both his own normative commitments and his positive commitment to the requirement that rules start with the group making the rules.

For “consent” to justify coercion, there must be provisions for exit.<sup>18</sup> And of course forced membership equates to a restriction on exit. But with that proviso, Buchanan would agree that groups could form and could coerce their members to be (for example) pure communists and prohibit private property.

Thus, I think that we have to conclude that the answer to the question, “Was Buchanan a Kantian or a contractarian?” was emphatically “yes!” He thought that it was possible to make reasoned arguments that pointed to particular conclusions, in terms of the consequential and deontic value of free markets. But he also fully believed that no one could impose those values on anyone else on the grounds of utilitarian superiority or better knowledge. People are ultimately the best choices of their own welfare, and Buchanan remained enough of a subjectivist to accept that sometimes other reasonable people might make choice he disagreed with.<sup>19</sup> It takes a remarkable force of will to maintain that conclusion, especially in the face of the honors and near-worship his work attracted. But Jim Buchanan was a remarkable man.

**Acknowledgements** This paper was presented at the Mercatus/George Mason symposium “40 Years After the Nobel,” in Fairfax, VA on October 6, 2016, and again at a plenary session of the Australasian Public Choice Society meetings at the Australian National University, Canberra, Australia, December 9, 2016. The comments received after those two sessions were invaluable in extending, and in several cases correcting, portions of the paper. I wish to thank Michael Brooks, Keith Dowding, Timothy Groseclose, Jonathan Pincus, David Schmidt, Barry Weingast, and Larry White for helpful comments. Two guides offered nearly heroic aid and suggestions: Peter Boettke and Chris Coyne, and the finished paper uses many of their suggestions verbatim without (other than herein) acknowledgement. Finally, since it goes without saying it must be said: the errors the paper still contains are no one’s fault by mine.

## References

- Block, W. (2003) “Toward a libertarian theory of inalienability,” *Journal of Libertarian Studies*, 17(2), 39–85
- Boettke, P. (2013). *Living economics: Yesterday, today, and tomorrow*. Oakland: Independent Institute.
- Brennan, G. (1999). *Notes on Buchanan and methodological individualism*. Research School in Social Sciences. Canberra: Australian National University <http://publicchoice.info/Buchanan/files/brennan.htm>
- Brennan, G. (2015). Buchanan’s anti-conservatism. *Public Choice*, 163, 7–13.
- Brennan, G. And J. Buchanan (1985) *Reason of Rules: Constitutional Political Economy*. New York: Cambridge University press. Vol. 10 of *The Collected Works of James Buchanan*. Indianapolis, Indiana: Liberty Fund.
- Brennan, G., & Lomasky, L. (1997). *Democracy and decision: The pure theory of electoral preference*. New York: Cambridge University Press.

<sup>18</sup> This raises an issue I don’t think Buchanan ever took a position on: should an individual be allowed to sell him/herself into slavery, voluntarily, if the other conditions for valid contract are met? He came pretty close to justifying “voluntary slavery” in Buchanan (1991; pp. 289–291). For an evaluation of the arguments on this question outside of Buchanan’s thought, see Block (2003).

<sup>19</sup> If you doubt he meant this, check his statements in Buchanan (1959). He didn’t always practice the view that others might reasonably disagree, but it was generally true for him as a matter of policy. The exception was his utter rejection of the radicalism of the 1960s, as discussed in Buchanan and Devletoglou (1970). Those people rioting at the universities were not reasonable, in Buchanan’s view. As Buchanan and Devletoglou put it, in the Preface (p. vi): “What seems to be needed most at this point is less talk from the top of soft heads and more thought in hard heads.”

- Buchanan, J. (1959). Positive economics, welfare economics, and political economy. *The Journal of Law & Economics*, 2, 124–138.
- Buchanan, J. (1964). What should economists do? *Southern Economic Journal*, 30(3), 213–222.
- Buchanan, J. (1969) *Cost and Choice: An Inquiry in Economic Theory*. Chicago: Markham Pub. Co. Reprinted in vol. 6 of *The Collected Works of James Buchanan*, 1999. Indianapolis, Indiana: Liberty Fund.
- Buchanan, J. (1975). *The Limits of Liberty: Between Anarchy and Leviathan*. Chicago: University of Chicago Press. Vol. 7 of *The Collected Works of James Buchanan*. Indianapolis, Indiana: Liberty Fund.
- Buchanan, J. (1979) Politics Without Romance: A Sketch of the Positive Public Choice Theory and Its Implications. Inaugural Lecture, Institute for Advanced Studies. Vienna. IHS-Journal, *Zeitschrift des Instituts für Höhere Studien*, Wien 3 (1979): B1–B11. Reprinted in *The Logical Foundations of Constitutional Liberty*, 1999. Vol. 1 of the *Collected Works of James Buchanan*, 45–59. Indianapolis, Indiana: Liberty Fund.
- Buchanan, J. (1985). Order defined in the process of its emergence. In *Liberty, Market, and State: Political Economy in the 1980s*. New Washington Square: NYU press. Pp. 73–74. Reprinted in *The Logical Foundations of Constitutional Liberty*, 1999. Vol. 1 of *The Collected Works of James Buchanan* (pp. 244–246). Indianapolis, Indiana: Liberty Fund.
- Buchanan, J. (1990) The Domain of Constitutional Economics. *Constitutional Political Economy* Vol I No.1 (1990) p. 13–14. Reprinted in *The Logical Foundations of Constitutional Liberty*, 1999. Vol. 1 of *The Collected Works of James Buchanan*, 377–395. Indianapolis, Indiana: Liberty Fund.
- Buchanan, J. (1991). The foundations of normative individualism. In *The Economics and the Ethics of Constitutional Order*. Ann Arbor: University of Michigan Press. Reprinted in *The Logical Foundations of Constitutional Liberty*, 1999. Vol. 1 of *The Collected Works of James Buchanan* (pp. 281–292). Indianapolis, Indiana: Liberty Fund.
- Buchanan, J., and G. Brennan. (2001) The intellectual portrait series: A conversation with James M. Buchanan, liberty fund, Indianapolis. <http://oll.libertyfund.org/titles/buchanan-the-intellectual-portrait-series-a-conversation-with-james-m-buchanan-part-1> and <http://oll.libertyfund.org/titles/buchanan-the-intellectual-portrait-series-a-conversation-with-james-m-buchanan-part-2>.
- Buchanan, J., & Devletoglou, N. (1970). *Academia in Anarchy: An Economic Diagnosis*. Phoenix: Basic Books.
- Hume, D. [1739–40] (1978) *A Treatise of Human Nature*, L. a. Selby-Bigge and P. H. Nidditch (eds.) Oxford, Oxford university press, 2nd ed.
- Hume, D. (1987) Of the Original Contract. Pp. 465–487, In *Essays, Moral, Political, and Literary*. Eugene F. Miller, ed. 1987. Library of economics and liberty. 30 December 2016. <http://www.econlib.org/library/LFBooks/Hume/hmMPL.html>.
- Kliemt, H. (2004). Contractarianism as liberal conservatism: Buchanan's unfinished philosophical agenda. *Constitutional Political Economy*, 5(2), 171–185.
- Kliemt, H. (2011). Bukantianism: Buchanan's philosophical economics. *Journal of Economic Behavior and Organization*, 80(2), 275–279.
- Lekachman, R. (1986) A controversial Nobel choice. New York Times. October 26, <http://www.nytimes.com/1986/10/26/business/business-forum-controversial-nobel-choice-turning-these-conservative-times.html>.
- Mueller, D. (2003). *Public choice III*. New York: Cambridge University Press.
- Munger, M. (2011). Euvoluntary or not, exchange is just. *Social Philosophy and Policy*, 28(2), 192–211.
- Nietzsche, F. (1997). *Beyond Good and Evil: Prelude to a Philosophy of the Future*. (Helen Zimmern, trans) (William Kaufman, ed). Dover publishing.
- Richman, S. (2013) James Buchanan's subjectivist economics. Foundation for Economic Education. <http://www.ffe.org/explore-freedom/article/james-buchanans-subjectivist-economics/>.
- Rousseau, J.J. [1762] (1973) *The Social Contract*, translated by G. D. H. Cole. London: Dent.
- Shughart, W. (2008) Public choice. Concise encyclopedia of economics, library of liberty, <http://www.econlib.org/library/Enc/PublicChoice.html> accessed 12/26/2016.
- Weber, M. (1922/2013). *Economy and Society*. Berkeley: University of California Press.
- Wicksell, K. [1896] (1958) *Finanztheoretische Untersuchungen*. Jena: Gustav Fischer Verlag. Partially reprinted as Wicksell, Knut. 1958 a new principle of just taxation. In *Classics in the theory of public finance*, edited by Richard A. Musgrave and Alan T. Peacock, London, 72–118. Macmillan.
- Wolff, R.P. [1970] (1998) *In Defense of Anarchism*, 3rd edition, Berkeley: University of California Press.