



## Richard E. Wagner (Ed.): James M. Buchanan—A theorist of political economy and social philosophy

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### Abstract

Richard E. Wagner has published a multidisciplinary collection of fifty essays written by different scholars in the areas of James M. Buchanan's wide-ranging work. This volume is so broad in scope, so rich in fascinating reflections, so instructive that anybody should benefit from it who has a genuine, if critical, interest in Buchanan's work.

Round numbers are a good reason to celebrate: *Constitutional Political Economy (CPE)*, the present journal, was first published thirty years ago, in 1990. Created by James M. Buchanan (1919–2013), with Richard E. Wagner and Viktor J. Vanberg as its very first editors, *CPE* was to become the principal outlet for innovative research in the field—the “research program that directs inquiry to the working properties of rules and institutions within which individuals interact, and the processes through which these rules and institutions are chosen or come into being”. This is how Buchanan (1990, p. 1) defined the field in the inaugural issue.

Round numbers are also a good reason to commemorate: The 1986 economics Nobel laureate would have turned 100 last year. In time for the occasion, Wagner, once Buchanan's doctoral student at the University of Virginia, later a co-author and ultimately a colleague at the Center for Study of Public Choice at George Mason University, published a multidisciplinary collection of fifty essays written by different scholars in the areas of Buchanan's wide-ranging work.

The list of contributors, much too long to name them all, is replete with the familiar names of long-standing travel companions on Buchanan's intellectual journey throughout political economy and social philosophy, such as Geoffrey Brennan,

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Roger D. Congleton, Hartmut Kliemt, David M. Levy, Dennis C. Mueller, Sandra J. Peart, Viktor J. Vanberg and Yong J. Yoon. It also holds many names of younger scholars who have been flourishing in the ramifications of Buchanan's "oak tree", as Wagner (2017) dubs Buchanan's "scholarly oeuvre [that] sprang from a sapling he planted in 1949 with his first scholarly paper, 'The pure theory of public finance,'" among them Paul Dragos Aligica, Christopher Coyne, Daniel J. D'Amico, Peter Leeson, Alain Marciano and Georg Vanberg. The book is divided in seven parts, unfortunately with so many overlaps between them that one feels compassion with the editor for the tough choices he had to make in assigning the papers to the sections. Given its sheer size, bringing this impressive collection together and preparing it for publication must have been quite a task, even more so as the publishing house seems to have made no effort in copy-correcting.

As it happens, Part I has been nominally devoted to "Subjectivism and the methodology of political economy", a foundational set of issues, well apt to begin the book with. As Wagner explains, one cannot possibly think about the objects of political economy without theoretical construction, which renders methodology a vital aspect of scholarship in the field. Questions addressed here range from a return to Buchanan's (1964) famous question "What should economists do?" (Robert Sugden) to an update on his democratic political economy with the concepts of emergence and equilibrium as well as agent-based modelling (A. N. Devereaux and Richard E. Wagner). Part II deals with "Public Finance and the theory of the state", building on Buchanan's (1949) recognition that an explanatory theory of public finance must connect with some theory of the state. Much ground is covered, beginning with the fundamental conflict between constitutionally constraining the state and empowering it to provide public goods (Lawrence H. White) to a closer look at the U.S. defense sector as a fiscal commons, an example for the unproductive protective state (Christopher J. Coyne and Thomas K. Duncan). Part III then turns to "Collective action and Constitutional Political Economy", recognizing that collectives cannot act like a person and that for collective action to occur, the relevant collection of persons must be constituted through some set of rules. This leads the authors to look at topics such as the promise and reality of constitutional reform (Dennis C. Mueller) and the role of votes, vetoes, voice and exit, comparing the works of Buchanan and Vincent Ostrom (Roberta Q. Herzberg).

Part IV runs under the headline "Ethics, social philosophy, and liberal political economy", dealing with the complex normative question of how to deal with the fact of authority even though, normatively, one would prefer to consider a world of equals. Contributors look at this tension, stating, i.a., the optimism of Public Choice (Georg Vanberg) and exploring the limits of constitutional ambitions (Donald J. Boudreaux). Part V considers "Economic theory as social theory" rather than as a science of rational action, turning back to Buchanan's subjectivism, with aspects as diverse as polymorphic Hobbesianism (Gerald Gaus) and the findings in experimental economics (Gil Hersch and Daniel Houser). Part VI then offers a discussion of "Money, debt, and the rule of law", not so much looking at money and debt as instruments for macroeconomic management but rather, in Buchanan's lens, as parts of the constitutional background of a liberal order. It is here that the question is brought up, e.g., whether there can be legitimate public debt in democracy

(Giuseppe Eusepi). Part VII is summarily entitled “Buchanan in relation to other prominent scholars”, though his work is also put in perspective to other scholars in the other parts of the book. Here one learns more, for example, about the Italian influences on Buchanan’s research program (Alain Marciano and Manuela Mosca).

Some papers in the collection are theoretical, others applied. Some authors concentrate on explaining, interpreting and developing Buchanan’s approach; others take issue with him. The specific topics vary widely, from more abstract issues such as the importance of the “status quo” (Michael C. Munger), the definition of fiscal coercion (George Tridimas and Stanley L. Winter) and the “New Economics of Order” (Stefan Kolev) to more mundane concerns such as the quest for fiscal rules (Lars P. Feld), health insurance (Mark Pauly), blockchain technology (Shruti Rajagopalan) and fractional reserve arrangements (Leonidas Zelmanovitz). Some authors also delve into the history of ideas, assessing how Buchanan relates to Smith, Hume or Rawls, or asking disingenuously “Why James Buchanan kept Frank Knight’s picture on his wall despite fundamental disagreements on economics, ethics, and politics” (Ross Emmett).

Wagner makes clear in his preface that the huge volume aims to analyze, explore and assess the contemporary relevance of Buchanan’s ideas. This is indeed a much-needed and useful way to reorient a highly politicized debate in which one side has taken to hitting below the waist, and many of the contributions on contractarianism and constitutionalism are especially helpful in that. After all, the book comes at a time when the “neoliberal thought collective”—as Mirowski and Plehwe (2009) have come to frame the circles within which Buchanan’s oak tree stretches out its roots—finds itself under vitriolic attack from left-wing scholars and their own powerful thought collective. Slobodian (2018) is one example, but also Cahill et al. (2018) and, earlier, Stedman-Jones (2012). With regard specifically to Buchanan, the controversial book by MacLean (2017) is really the elephant in the room. It is also a perplexing example of the trend in recent historiography as depicted with due scorn by Mirowski (2019), where “you are enjoined to write a punchy page-turner for a general populace if you want to do history”. This is a trend that tends to place “speculative historical fiction” before careful, responsible historiography with a duly charitable reading of sources, as Munger (2017) explains.

MacLean in fact makes out Buchanan as the culprit behind the rise of the radical right in the United States. That is quite an accusation. While it is indeed high time to generally question whether political fusionism between free market advocates and conservatives was a good idea or whether the stereotypical complaints about rampant “socialism” didn’t miss the point, MacLean goes further—and too far. She maintains that Buchanan’s project was to weaken the democratic institutions of the country and to concentrate political power forever in the hands of a wealthy white elite. The rationale behind this kind of claim is simple and also, alas, rather common on the left-hand side of the political spectrum: As soon as one dares to even reflect on the proper design of constitutional rules to constrain government action, this is inevitably seen as an attack on democracy itself—as if constitutions were inimical to well-functioning democracies and not their most important pillar, as has been elaborated upon throughout the history of political philosophy at great length and proven *ex negativo* by dramatic experience.

Wagner refrains from even mentioning the Duke historian, and it is not clear that all the authors were already thinking about her book when penning their contributions, but the elephant has made it inside the book. MacLean's accusation is defamatory and incorrect, as many of her competent critics have explained (see, i.a. Munger 2017 and Vanberg 2017). The principle of natural—and therefore political—equality was beyond any doubt for Buchanan, no less than the dignity of liberal democracy that follows from it. His ambition was to protect all citizens, without exception, from arbitrary coercion. “We are democrats here and not autocrats”, he once insisted in a classroom debate with his student Wagner (2017, p. 178) who got carried away with his calls for reform of the American tax system. The self-effacing attitude in this anecdote probably resulted less from Buchanan's personality—he could be drastic about bad politics—than from his understanding of the economists' duty.

In their contribution to the present volume, Peter J. Boettke and Rosolino A. Candela take up Buchanan's (1964) worry about economics being reduced to the logic of choice and allocation and his plea for economics focusing on exchange and the institutions within which exchange is carried out. Regarding the role of the economist, they dwell upon his useful distinction between the role of the economic scientist “who understands institutional emergence and change arising as a result of human choice, and how changes in such institutions generate alternative patterns of interaction” on the one hand, and the political economist on the other hand who, based on such theoretical knowledge, applies it to “*suggest* that there are multiple margins of improvement on existing institutions, *discovered* through democratic deliberation, in order to better facilitate the mutually shared goals among free and responsible individuals” (p. 69, italics in the original). While Buchanan cautioned, much in line with Hayek (1942), that economists should resist the ever-present scientific urge (the “envy of physics”), he also did not quite warm up to the role of preacher as suggested by George Stigler (1982). What he obviously favoured, and what Boettke and Candela are very likely to endorse, is the economist's role of “the teacher that cultivates in the students an appreciation and understanding of the spontaneous ordering of the market economy” (p. 77).

It is precisely because Buchanan's research program stood so firmly on the ground of liberal democracy that he was able to ask, as he put it in his Nobel address, the “continuing question of social order: How can we live together in peace, prosperity, and harmony, while retaining our liberties as autonomous individuals who can, and must, create our own values?” (Buchanan 1986). This goal should seem acceptable to everybody. Buchanan was simply not so naïve to ignore that democracy must be more than the application of the majority rule in collective decision-making if it is to fulfil the promise of legitimacy, of liberty and justice. In order not to end up in majoritarian tyranny, i.e. to protect all the minorities that society consists of, democracy needs the rule of law, as well as a set of robust institutional safeguards.

This is why Buchanan distinguished the constitutional rules of the game, the determination of which requires unanimity or at least virtual unanimity, from ordinary day-to-day majoritarian politics within these rules (see Horn 2011, p. 360). As V. Vanberg explains, Buchanan argued that “a consistent liberalism must [...] supplement its emphasis on *individual liberty* by recognizing the principle of *individual sovereignty* as a fundamental normative premise, i.e. the premise that

individuals are to be respected not only in exercising their private autonomy but also as ‘the ultimate sovereigns in matters of social organization’. It means that the *ultimate* source from which the rules and institutions *within* which individuals deal with each other as private law subjects derive their legitimacy can only be the voluntary acceptance of these rules and institutions by those who are subject to them” (p. 570, italics in the original).

The unanimity criterion has often been derided, either because it is unworkable in practice or because it allegedly confers a veto to the rich and powerful. The veto is extended to everyone, however, rich and poor alike. And behind a sort of veil of ignorance, these categories don’t play a role anyway. In their paper on “The constitution of markets”, Geoffrey Brennan and Hartmut Kliemt explain that “Buchanan’s thought was that the shift to the level of decision-making on which the choices are constitutional commitments expected to be in place ‘for good’ would make it exceedingly difficult for individuals to foresee how alternative institutional arrangements would differentially affect them personally. This would moderate the role that narrow self-interest plays in bargaining over rules and make securing unanimity at the constitutional level more likely” (p. 821). Yet, Buchanan has also been criticized for downscaling the same unanimity criterion through his adoption of Wicksell’s own pragmatic notion of ‘virtual unanimity’: if real unanimity is unworkable for reasons of cost, the minimal test for legitimacy of a rule or a regulatory change could be to ask oneself whether individuals with a given set of interests would, under conditions of unanimity, theoretically be able to endorse it. “Hypothetical consent gives you one criterion that is better than saying ‘I want it’ or ‘God wants it’ or a thing like that”, Buchanan himself once explained (Horn 2009, p. 100).

Most of the time, Public Choice models are built on the *homo oeconomicus* assumption, just like any branch of neoclassical economics. This is a heuristic tool providing “a robustness check to institutional design”, as Boettke and Candela reiterate (p. 79). And yet, it may indeed also have an effect on how people, educated accordingly, tend to think and behave. While Buchanan, one of the fathers of Public Choice, didn’t consider himself a neoclassical economist (but rather a classical one, in the spirit of Adam Smith), he didn’t otherwise object to modelling politicians and bureaucrats as rational, utility-maximizing agents guided by self-interest just like anybody else. In this context, J.R. Clark and Dwight R. Lee take MacLean’s statement (2017, p. xxx) to heart according to which this implies that Buchanan “believed that government failed because of bad faith: because activists, voters, and officials alike used talk of the public interest to mask the pursuit of their own personal self-interest at others’ expense. His was a cynicism so toxic that, if widely believed, it would eat acid at the foundation of civic life”. The contrary is true. Clark and Lee draw attention to a paper in which Brennan and Buchanan (1988, p. 85) voiced qualms that “[c]ynicism about the behaviour of political agents, however empirically justified it may be, may wreak damage to the ‘civic religion.’” They also quote from a letter that Buchanan wrote to Richard McKenzie in 1979, showing that this danger deeply bothered him. One also doesn’t have to think of such qualms as an inconsistency in Buchanan’s thinking—it is in fact very well possible, and even prudent, to conceive of rules for a community under the worst of assumptions about

individual motivations and behavior, in order to make them robust, while hoping that people will turn out morally better than that.

Instead of putting MacLean's and other leftists' minds at rest, Clark and Lee go on to argue that Brennan and Buchanan shouldn't actually have worried in the first place. Clark and Lee in turn fear that "[p]rotecting the already inflated perception of government morality" would be counterproductive, if not outright dangerous. To make their case, they draw on Buchanan's (1981) distinction between three types of human communities—moral community, moral order, and moral anarchy—with a decreasing degree of identification of the individual to the other members of the community and the community itself. While Buchanan did recognize the possibility of a collapse into moral anarchy leading to repressive government, the authors argue the other way round: if government is upheld by some sort of moral high ground, there are also gradual ways for it to increase its activities toward repressive levels, "something that could eventually lead to collapse into moral anarchy" (p. 412). Recurring crises such as 9/11 or the financial meltdown of 2008 may create public demands for government to centralize power, which will erode constitutional restrictions and create opportunities for rent-seeking of one group at the cost of another. The result is "more hostility between moral communities, more social divisiveness and the emergence of identity politics supposedly dedicated to increasing social justice [...] This can easily increase public demand for heroic presidents whose outlandish promises many expressive voters will benefit from believing" (p. 413).

So much for what has been only a small sample of the voluminous, rich, and multi-faceted material that Richard E. Wagner has put on the table for everybody to study. Is he successful? With respect to his own professed objective, to analyze, explore and assess the contemporary relevance of Buchanan's ideas, the answer is quite clearly yes. With respect to persuading Nancy MacLean, a claim the editor obviously never made, this question would much harder to answer. After all, it might also not be so important. And finally, with respect to the goal of enabling discourse with the critics instead of simply preaching to the choir – yes, one would sure think so. This volume is so broad in scope, so rich in fascinating reflections, so instructive that anybody should benefit from it who has a genuine, if critical, interest in the work of James M. Buchanan. On this basis, it should be a pleasure to enter an informed, open discussion.

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