The Collected Works of
James M. Buchanan

VOLUME 1
The Logical Foundations of
Constitutional Liberty
James M. Buchanan receiving the Alfred Nobel Memorial Prize in Economic Sciences from Carl XVI Gustaf, king of Sweden, 1986
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The Logical Foundations of
Constitutional Liberty

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The cuneiform inscription that serves as our logo and as the design motif for our endpapers is the earliest-known written appearance of the word “freedom” (\textit{amagi}), or “liberty.” It is taken from a clay document written about 2500 B.C. in the Sumerian city-state of Lagash.

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Foreword

The Logical Foundations of Constitutional Liberty is the first volume in a series comprising the Collected Works of James M. Buchanan.¹ The series consists of twenty volumes involving all of the major monographs and scholarly papers that Buchanan wrote from 1949, the date of the first published paper, to the point at which the final decisions on the collected works project were effectively taken in early 1998—an exact fifty-year span. The arrangement of the volumes is as follows:

Vol. 1  The Logical Foundations of Constitutional Liberty
Vol. 2  Public Principles of Public Debt: A Defense and Restatement
Vol. 3  The Calculus of Consent: Logical Foundations of Constitutional Democracy (with Gordon Tullock)
Vol. 4  Public Finance in Democratic Process: Fiscal Institutions and Individual Choice
Vol. 5  The Demand and Supply of Public Goods
Vol. 6  Cost and Choice: An Inquiry in Economic Theory
Vol. 7  The Limits of Liberty: Between Anarchy and Leviathan
Vol. 8  Democracy in Deficit: The Political Legacy of Lord Keynes (with Richard E. Wagner)
Vol. 9  The Power to Tax: Analytical Foundations of a Fiscal Constitution (with Geoffrey Brennan)

¹. Hereafter referred to as the Collected Works or the series.
Foreword

Vol. 10  The Reason of Rules: Constitutional Political Economy  
(with Geoffrey Brennan)

Vol. 11  Politics by Principle, Not Interest: Toward Nondiscriminatory Democracy  
(with Roger D. Congleton)

Vol. 12  Economic Inquiry and Its Logic

Vol. 13  Politics as Public Choice

Vol. 14  Debt and Taxes

Vol. 15  Externalities and Public Expenditure Theory

Vol. 16  Choice, Contract, and Constitutions

Vol. 17  Moral Science and Moral Order

Vol. 18  Federalism, Liberty, and the Law

Vol. 19  Ideas, Persons, and Events

A final volume is planned, containing an index to the series and a full curriculum vitae. Volumes 2 through 11 were originally published as monographs and are here republished in their entirety, including all the original prefaces, introductions, forewords, and any appendices or afterwords. Volumes 1 and 12 through 19 are collections of papers and essays by Buchanan, arranged according to theme. The editing of the monographs, and of the papers collected in volumes 1 and 12 through 19, has been restricted to ensuring homogeneity of style and reference conventions in each paper and correction of typographical errors, conspicuous grammatical errors, and errors of fact. Editors’ forewords written for the series have been added to each volume. The Calculus of Consent, written with Gordon Tullock, is produced here with an index prepared by Buchanan expressly for the Collected Works version, and Cost and Choice will have a subject index (also prepared by Buchanan) to accompany the author index that appeared in the original. No other changes in the written texts have been made.²

Several of Buchanan’s books and a small proportion of the articles have been omitted from the “collected works.” In particular, textbooks, volumes of papers by other authors edited by Buchanan, and previously published collections of Buchanan’s own papers (whether collected by Buchanan or by others) have all been left out. Most of the Buchanan papers are republished here, but they have been rearranged to fit within the thematic structure that has been designed for this series. Articles have been omitted only where the degree of overlap with other papers actually included was such that publication of both versions seemed unnecessary or where Buchanan’s contribution took the form of a comment on another scholar’s work and was such that the Buchanan commentary would not stand intelligibly on its own. In other words, although the series does not quite literally represent Buchanan’s “complete works,” the intellectual coverage is, we believe, complete in all essential respects. There have been no papers independently written for this series: all have been published previously in either professional journals or edited volumes.

The omission of two monographs requires specific discussion. One is Buchanan’s set of autobiographical essays, Better than Plowing. Several of these essays were excluded on the basis of a judgment that the scope of the series should encompass Buchanan’s academic and professional work rather than the entire range of his writings. The second exclusion is the book Academia in Anarchy, written with Nicos Develoglu. The grounds for exclusion in this case lie in the judgment that the book is really an extended occasional essay written in response to the crisis in universities in the late sixties: as such, we considered it too long to include as an essay and too time-specific to be published as a separate book.3

As editors for the series, we have not wanted to construe our tasks expansively. Buchanan is a contemporary scholar, so there has been none of the detailed exegetical work that might be required in preparing a “scholarly edition” of some seventeenth- or eighteenth-century text. Our presumption has been that Buchanan can speak for himself—and certainly, better than we could speak for him. Specifically, we have not wanted to obscure Buchanan’s voice with our own particular interpretations. There are, therefore, no extended essays attempting to explain this or that aspect of Buchanan’s thought, or to locate Buchanan in relation to particular intellectual traditions, or to specify how Buchanan’s position on major issues relates to that of other notable scholars. All of these interpretative tasks are worthy ones, but they seem to us to be better pursued in other contexts. Our aim in this series is, basically, to provide in an accessible form the raw material for such further analysis. To the extent that we offer any remarks of an interpretative kind, the object is merely to point up links with other themes in Buchanan’s work or to indicate connections to specific pieces in other volumes. In only one or two cases, where it has seemed especially desirable, have we gone further to discuss the significance of the relevant monograph or group of papers in Buchanan’s thought or to place Buchanan’s work in the context of other literature. This we have attempted to do briefly and with no suggestion of exhaustiveness.

This first volume, however, is a special case. The object in this volume has been to provide a selection from Buchanan’s academic papers and published essays that would introduce the whole series and offer a representative picture of Buchanan’s work. For this reason, rather more in the way of explanation and justification of the selection made may be required.

The volume begins with the only piece in the Collected Works that is not by Buchanan himself. This is the press statement released by the Royal Swedish Academy of Sciences in October 1986 that James M. Buchanan was to be awarded the Alfred Nobel Memorial Prize in Economic Sciences.4 Because this statement is an attempt to describe Buchanan’s contribution in terms that sought to justify what is undoubtedly the highest professional award an economist can receive, and because in our judgment the authors did a par-

4. Press release (Stockholm: Royal Swedish Academy of Sciences, 1986). With the exception of one minor deletion, it is reprinted here in its entirety.
particularly fine job in providing such justification, the press release struck us as an apt way to introduce the Collected Works.

The press release is followed immediately by an introductory section beginning with an autobiographical paper, “Better than Plowing,” originally published shortly before the Nobel announcement. We have thought it better to allow Buchanan himself to speak on his life than to offer biographical material ourselves (often the lot of collected works editors), not least because in this article Buchanan provides a personal history that connects very much to his intellectual development over the course of his life and that gives a systematic account of the Buchanan contribution from the contributor’s own viewpoint. At the close of the current volume, appendix A sets out in summary form Buchanan’s honors, awards, education, and professional affiliations.

The second introductory essay is the piece “What Should Economists Do?” which also forms an element in, and the title of, an earlier book—a collection of essays published by Liberty Fund on the occasion of Buchanan’s sixtieth birthday. That earlier collection is rendered somewhat obsolete by the current series because all of the essays in What Should Economists Do? are caught up in one or another of the volumes in this series, though they appear in a different array according to the dictates of the thematic structure.  

The remaining twenty-nine essays in this volume are divided into five parts. The first of these includes essays dealing directly with public choice theory. After all, it is the public choice ingredient—the insistence, that is, on the inclusion of a plausible and appropriately theorized political element in all policy analysis—that is the most characteristic aspect of the Buchanan contribution. The title of this section and of the initial paper, “Politics without Romance,” captures the essence of the public choice approach. In this sense, public choice theory is defined as much by what it is against as by what it is for. More specifically, public choice stands in vivid contrast both to the


naiively optimistic “benevolent despot” model of politics that implicitly inhabsits most conventional economic analysis of public policy and to the tradition in political theory that views politics as the search for the “true,” the “good,” the “beautiful” in total isolation from the feasible. Public choice is an attempt, quite literally, to conduct political analysis in a way that is shorn of romantic illusion.

Absence of romantic illusion does not mean an absence of normative commitment—and certainly does not in Buchanan’s case. What it does mean is that normative analysis must be mediated by a proper sense of the feasible—with “feasibility” understood both in terms of plausible assumptions about human motivations and behavior and in terms of the ways in which different institutional forms structure human interactions to produce social outcomes. Public choice theory borrows more broadly from economics both a sense of the constrained nature of human activity and an essentially individualistic approach to understanding social phenomena.

In making our selections of Buchanan’s public choice writings—and indeed throughout this first volume—earlier more “classic” statements have been deliberately favored over later restatements. Consequently, there are here two papers from the 1950s—Buchanan’s appraisal of Arrow’s impossibility theorem in “Social Choice, Democracy, and Free Markets” and “Individual Choice in Voting and the Market,” which is his early treatment of the contrast between individual choice in voting and choice in the market.7 We also have chosen the classic piece “Politics, Policy, and the Pigovian Margins,” written in what was for Buchanan a “classic” year. This was the year, for example, of the publication of The Calculus of Consent and the famous paper “Externality,” as well as “The Relevance of Pareto Optimality,” included in part 4 of this introductory volume. We close part 2 with “Rent Seeking and Profit Seeking.” Buchanan’s contribution to the “rent-seeking”

literature has been extremely significant and has not always had the attention it deserves.  

The second substantive section (part 3) deals with Buchanan’s contributions to public finance. As Buchanan puts it in the preface to _The Power to Tax_, he sees himself primarily as “a public-finance economist . . . despite . . . various excursions into ethics, law, politics, and philosophy.” Certainly, public finance economics represents a substantial part of Buchanan’s work, as the two volumes of papers in the Collected Works assigned to this area indicate.  

With such an array to choose from, the selection here is only the barest tip of the iceberg. However, the distinctiveness of Buchanan’s approach is reflected clearly enough. For one thing, in the Buchanan scheme, public finance is to be viewed through the lens of “democratic process” and not merely as some isolated policy phenomenon, hence the title to part 3. The reference to Buchanan’s book _Public Finance in Democratic Process_ is intentional, though the degree of overlap between the essays included here and the essays in that volume is minimal. We begin with “The Pure Theory of Government Finance,” an amazingly prescient paper from 1949. This is one of Buchanan’s earliest papers; yet it lays out in broad form much of the work in public economics that Buchanan was to pursue over the course of the ensuing half century. It is worth noting that the “suggested approach” that Buchanan outlines predates by six or seven years the rise of public goods theory in public finance orthodoxy and, by almost a decade Musgrave’s in-


fluential attempt at synthesizing public finance in his *The Theory of Public Finance*. The second paper, “Taxation in Fiscal Exchange,” shows Buchanan’s attempt to meld tax theory with his general contractarianism. The third and fourth papers, “Public Debt, Cost Theory, and the Fiscal Illusion” and “Keynesian Follies,” respectively, reflect his lifelong interest in debt financing and its political consequences.10 The fifth paper, “Socialism Is Dead but Leviathan Lives On,” represents a blend of concerns about unconstrained governmental expenditure powers combined with the postsocialist euphoria of 1989–90.11

Buchanan is a relatively self-conscious theorist, and much of his writing has a methodological flavor. Here in part 4, we present, in turn, two important papers on the interpretation of welfare economics, “Positive Economics, Welfare Economics, and Political Economy” and “The Relevance of Pareto Optimality”; two papers that deal with the nature of political and social order, “Politics and Science: Reflections on Knight’s Critique of Polanyi” and “Order Defined in the Process of Its Emergence”; one paper, “Natural and Artifactual Man,” on the operation of basic human nature; and one paper, “Rights, Efficiency, and Exchange: The Irrelevance of Transactions Cost,” which deals with transaction costs in economic analysis.12 This set of papers


12. James M. Buchanan, “Positive Economics, Welfare Economics, and Political Econ-
reflects the breadth of Buchanan’s interests: there is no single message or
topic here, but, rather, a picture of the approach that Buchanan takes to the
analysis of economic order.

One important feature of Buchanan’s approach—perhaps the most founda-
tional feature—is the normative framework he adopts, and this framework and ethical considerations more generally are the core of part 5. Buchanan’s framework is individualist and contractarian. Because it is con-
tractarian, Buchanan takes seriously the values that individuals actually have
and how their behavior is influenced by those values in various settings. For
example, in “Ethical Rules, Expected Values, and Large Numbers,” he ex-
amines how the behavior of consequentialist moral agents engaged in collec-
tive action is likely to respond to larger numbers. The analysis here develops
independently and more concisely the same argument presented almost si-
multaneously by Mancur Olson in his justly famous The Logic of Collective
Action. Also included in part 5 is Buchanan’s paper “The Samaritan’s Di-
lemma.” In terms of its actual reception, this must surely rank as one of Bu-
chanan’s most controversial papers. Certainly the paper seems to have had
the capacity to reduce Buchanan’s opponents to apoplexy. In this paper, Bu-
chanan examines the difficulty for an altruist in dealing with the conse-
quences of his altruism for the recipient’s work incentives. One interesting
aspect of his treatment here is that, before the issue became fashionable, Bu-
chanan was aware of the problem of commitment power in what was sub-
sequently to be known as “subgame perfectness.” Another notable feature is
the connection with Buchanan’s commitment to the value of the work ethic—
a commitment that stands beside and overlays his more abstract contractar-
ian values. Much of Buchanan’s attention during the 1990s has been taken
up with an attempt to ground this concern with the work ethic within a
broader normative frame. This latter strand of Buchanan’s thinking is rep-
resented in this section in “The Supply of Labour and the Extent of the Mar-

omy,” Journal of Law and Economics 2 (October 1959): 124–38; “Politics and Science: Re-
fl ections on Knight’s Critique of Polanyi,” Ethics 77 (July 1967): 303–10; “Order Defined
in the Process of Its Emergence,” Literature of Liberty 5 (Winter 1982): 5; “Natural and
Artifactual Man,” in What Should Economists Do? 93–112; “Rights, Efficiency and Ex-
change: The Irrelevance of Transactions Cost,” in Ansprüche, Eigentum und Verfügungs-
rechte (Berlin: Duncker and Humblot, 1984), 9–24.
ket.” In “Markets, States, and the Extent of Morals,” Buchanan examines the connection between moral conduct and institutional form; and, in the final essay in part 5, “The Ethics of Constitutional Order,” he looks at the ethics that undergird and support the abstract rules of society.13

One aspect of part 5 is worth special mention. Public choice economists are often accused of projecting a picture of human motivation in which only narrow economic self-interest counts. Perhaps in certain contexts, models that make this motivational assumption can be useful. But, it should be clear that Buchanan has a richer picture of human motivation in mind: in that picture, there may be few saints (or “angels,” to use Madison’s famous term), but ethical presentiments still play some role in individual conduct—a role that can be influenced by the institutional setting in which that conduct is shaped.

No purportedly representative selection of Buchanan’s work would be complete without a good dose of “constitutionalism.” Whether the concern with rules is an independent feature of Buchanan’s work or springs out of a need to make his contractarianism operational (as is suggested for example in “The Relevance of Pareto Optimality” in part 4) can here remain an open issue. What is utterly clear is that “the reason of constitutional rules” has been a lifetime preoccupation for Buchanan and has become an increasingly predominant theme as his work has progressed. In a broad sense, much of Buchanan’s work has been, and remains, “constitutional political economy.” So it has seemed natural to include in this introductory volume a section focused on the reason of rules and to begin the section with a defining paper, “The Domain of Constitutional Economics,” published in the inaugural issue of the journal Constitutional Political Economy. Of course, explicit con-

stitutional concern was evident in Buchanan’s work long before 1990, as the “predictability” paper (yet another 1962 publication) makes clear. Indeed, the Calculus of Consent represents the locus classicus of the constitutional approach. Yet Buchanan, almost forty years after the Calculus, has not exhausted the topic. More to the point, perhaps it has not exhausted him, as “Generality as a Constitutional Constraint” and the related book with Roger Congleton testify. 14

A prior “logic of rules” must be derived even before specific analyses of constitutional alternatives are attempted. In “Before Public Choice,” a paper that foreshadows much of the extended treatment in The Limits of Liberty, Buchanan moves the starting gate back, so to speak, and, in doing so, relates constitutional analysis directly to anarchy. 15

As longtime associates of Buchanan and as participants in many earnest exchanges with him of the sort that are meat and drink to academics, we felt obliged to include here “The Relatively Absolute Absolutes.” 16 It is a feature of these exchanges that, just when you think you have Buchanan in a totally impossible position, he is inclined to make appeal to “the relatively absolute absolutes” as a kind of trump card. Perhaps every academic needs some such concept to be the final repository of all that is ultimately mysterious or unexplored—rather like Adam Smith’s “benign deity.” Or perhaps there is more in the concept of the “relatively absolute absolutes” than at least some of the editorial team are capable of seeing at this point. After all, this would not be the first time that we have failed to perceive the full depth and subtlety of Buchanan’s reasoning: it is indeed in the confidence that there is yet much to


be learned from Buchanan’s writings that this Collected Works project is presented.

The last paper in this initial volume is Buchanan’s 1986 Alfred Nobel Memorial Prize Lecture, “The Constitution of Economic Policy,” a synthesis of the Buchanan contribution by Buchanan himself.\(^7\) We conceive this lecture and the commencing press statement as “bookends” to bracket the elements that compose, as we see it, the essential Buchanan.

Questions might, of course, be raised about the principles of selection we have adopted in forming this initial volume—and more perhaps about what is omitted than about what is included. As already indicated, we have shown a preference in selection for earlier “classic” statements over later reconsiderations. There has also been a preference for single-authored pieces over collaborative ones. Buchanan has been a gregarious intellect and a generous one: many of the important papers and about half the books have been jointly authored, and, though all these works bear the unmistakable Buchanan mind-print, they also reflect in some measure the styles and minds of the collaborators. In this first volume, we have wanted to depict the unblended Buchanan voice. All of the papers in volume 1 are therefore solo efforts. Some commentators may be surprised not to see in a collection that purports to offer a picture of the essential Buchanan several of the most famous papers—say, “Externality,” a paper written with Craig Stubblebine, or “An Economic Theory of Clubs.”\(^8\) The reason for these omissions lies in a desire to avoid, in this initial volume, the more technical papers and, more particularly, to locate these classics within the context of other papers that show the same style and thematic concern. We are confident that those readers who would want to consult those papers for scholarly purposes would also want access to associated, similarly technical papers on closely related themes. For such readers, the later volumes (and possibly the entire series) will be essential.

Finally, a word about titles. As anyone who has worked with Buchanan will bear witness, he is one who believes titles to be important. Some care has


therefore been taken with the title for this particular volume. We have wanted to be descriptive. And we have sought a certain euphony. On the one hand, in the spirit of Buchanan’s distinction between the “logic” and the “science” of choice, the work is represented as primarily “logical” in that sense. On the other hand, there should be no misapprehension that Buchanan’s work is mere logic-chopping for its own sake: this logic is foundational. Further, the title should recognize the distinctive constitutionalist orientation that characterizes the Buchanan approach. We have, in addition, wanted to include some reference to liberty—both because liberty is a central element in Buchanan’s normative structure and because liberty is the core concern of the organization under whose aegis the Buchanan Collected Works are being produced. Whether the chosen title is a reasonable compromise among these various considerations is an issue we shall have to leave to the judgment of (we hope, sympathetic) readers. We are ourselves tolerably satisfied. Indeed, we should take this opportunity to record our pleasure and satisfaction with this entire project. We have been both honored and delighted to have acted as editors. Apart from anything else, the editorial role has provided us the opportunity to acquaint ourselves in greater depth with the remarkable work of a truly remarkable scholar. We feel privileged to have participated in an exercise that will extend that opportunity more broadly.

We should in particular place on record here our debt to Liberty Fund for initiating this project and for pursuing it with their customary dedication and skill. In particular, Alan Russell, chairman of the board; George B. Martin, president; Emilio J. Pacheco, vice president; David A. Bovenizer, director of publications; and Madelaine R. Cooke, managing editor, deserve our thanks for their enthusiasm and support. In the final analysis, it is entirely appropriate that the Buchanan Collected Works are appearing under Liberty Fund aegis. Not only is there a long-standing Buchanan association with Liberty Fund (for many years Buchanan held the record for the most Liberty Fund conferences ever attended), but there is also the centrality of liberty as an organizing normative principle in Buchanan’s writings. Liberty Fund was established to “explore the idea of a society of free and responsible individuals.” Buchanan’s work has been devoted to precisely that exploration.

No Buchanan project would be complete without the mention of Mrs.

19. See volume 17, part 1, in the series, Moral Science and Moral Order.