The Collected Works of
James M. Buchanan

VOLUME 17

Moral Science and Moral Order

James M. Buchanan,
Fairfax, Virginia, August 1993

The Collected Works of

James M. Buchanan

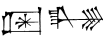
VOLUME 17

Moral Science and Moral Order

LIBERTY FUND

Indianapolis

This book is published by Liberty Fund, Inc., a foundation
established to encourage study of the ideal of a society of free
and responsible individuals.



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" (*amagi*), or "liberty." It is taken from a clay
document written about 2300 B.C. in the Sumerian city-state of Lagash.

Printed in the United States of America

C 10 9 8 7 6 5 4 3 2
P 10 9 8 7 6 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data
Buchanan, James M.
Moral science and moral order / James M. Buchanan.
p. cm. — (The collected works of James M. Buchanan ; v. 17)
Includes bibliographical references and index.
ISBN 0-86597-245-1 (hc. : alk. paper). — ISBN 0-86597-246-X (pbk. : alk. paper)
1. Political science—Economic aspects. 2. Political ethics.
3. Ethics. I. Title. II. Series : Buchanan, James M.
Works. 1999 ; v. 17.
JA77.B84 2000
172—dc21 99-42627

LIBERTY FUND, INC.
8335 Allison Pointe Trail, Suite 300
Indianapolis, IN 46250-1684

Contents

2. Belief and Consequence

3. Moral Community and Moral Order

4. Moral Science, Equality, and Justice

5. Contractarian Encounters

Foreword

The British and Scottish Moralists of the Enlightenment period would have felt very comfortable with James Buchanan.[1] Like them Buchanan may be seen as a "man of letters" who concerns himself with fundamental problems of moral science and moral order. But, also like them, Buchanan is not a secondhand dealer in old ideas. On the contrary, taking as inspiration classical philosopher-economists (in particular Adam Smith), Buchanan not only proposes new applications of the neoclassical economic paradigm, he also addresses, in innovative ways, fundamental issues of his discipline and beyond.[2]

Since, in developing his own arguments, Buchanan almost always goes back to fundamental principles first, much of his work has a certain philosophical ring to it and, quite often, a very strong one. Thinking only of such papers as "The Relatively Absolute Absolutes" or "Ethical Rules, Expected Values, and Large Numbers" and books like *The Limits of Liberty* or Buchanan's and Roger Congleton's joint work *Politics by Principle, Not Interest: Toward Nondiscriminatory Democracy,* it is obvious that the present volume

1. For more on British and Scottish Moralists, see the excellent anthologies by David D. Raphael (ed.), *British Moralists* (Oxford: Oxford University Press, 1969); and Louis Schneider (ed.), *The Scottish Moralists on Human Nature and Society* (Chicago and London: Chicago University Press, 1967).

2. James M. Buchanan, "Adam Smith as Inspiration," in *The Academic World of James M. Buchanan,* ed. Byeong-Ho Gong (Seoul: Korea Economic Research Institute, 1996), Korean translation only, is reprinted in *Ideas, Persons, and Events,* volume 19 in the series. A good example of what was a new application of the economic paradigm is Buchanan's seminal paper "An Economic Theory of Clubs," *Economica* 32 (February 1965): 1–14, reprinted in *Externalities and Public Expenditure Theory,* volume 15 in the series. *Cost and Choice: An Inquiry in Economic Theory,* reprinted as volume 6 of the Collected Works, addresses fundamental issues of economics, as do many of the papers in part 1 of volume 12, *Economic Inquiry and Its Logic.*

must leave out a considerable portion of Buchanan's philosophically relevant writing.[3] In addition, there are parts of books, like Buchanan's comment "Marginal Notes on Reading Political Philosophy," which appeared as an appendix to *The Calculus of Consent,* that may also seem conspicuously missing in a volume with a title such as this one.[4] Despite these gaps, the editors feel that the essays assigned to this seventeenth volume of the Collected Works are representative of Buchanan's philosophical views.

Because Buchanan's concerns and perspectives connect to other literature more familiar to philosophers than to what we take to be Buchanan's standard readership, we have tried here to highlight several of the more conceptual issues in Buchanan's approach, to sketch the inherent philosophical logic of the approach, and to connect it to a broader philosophical literature. In so doing, we have interpreted our role as editors somewhat more expansively than in the introductions to the other volumes. We trust that no apology for this decision is required because the reader will find philosophical reflection on Buchanan's basic philosophical views as fascinating as we do.

In the papers reprinted in part 1 of this volume, "Methods and Models," Buchanan characterizes his own methodological position. Special attention may be drawn to the paper "The Related but Distinct 'Sciences' of Economics and Political Economy."[5] It is philosophically highly significant that he separates these two "sciences" in terms of their distinct views of the world. And the significance of Buchanan's distinction between the two worldviews

3. James M. Buchanan, "The Relatively Absolute Absolutes," in *Essays on the Political Economy* (Honolulu: University of Hawai'i Press, 1989), 32–46; and "Ethical Rules, Expected Values, and Large Numbers," *Ethics* 76 (October 1965): 1–13, are reprinted in volume 1 in the Collected Works, *The Logical Foundations of Constitutional Liberty,* as representative of central aspects of Buchanan's philosophical views. *The Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975) and James M. Buchanan and Roger D. Congleton, *Politics by Principle, Not Interest: Toward Nondiscriminatory Democracy* (Cambridge: Cambridge University Press, 1998) are reprinted in this series as volume 7 and volume 11, respectively.

4. James M. Buchanan and Gordon Tullock, "Marginal Notes on Reading Political Philosophy," in *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor: University of Michigan Press, 1962), 306–22, volume 3 in the Collected Works.

5. James M. Buchanan, "The Related but Distinct 'Sciences' of Economics and of Political Economy," *British Journal of Social Psychology,* Special Issue, *Social Psychology and Economics,* ed. Wolfgang Stroebe and Willi Meyer, 21 (part 2, June 1982): 175–83.

can presumably best be understood in philosophical terms. We refer here to the work of the philosopher Peter Strawson, who conceptually distinguishes an "objective" from a "participant's attitude" to social interaction.[6] If we adopt the objective attitude toward other human beings, we treat them as parts of the natural environment and their deeds as natural events. Influencing other human beings amounts to manipulation, pure and simple. As opposed to that, an individual who is adopting the participant's attitude treats other as fellows and as independent sources of value. He sees and respects them as members of his moral community.

In Buchanan's basic philosophical view of the world, a distinction corresponding to that between the participant's attitude and the objective attitude can be made. It applies to those who are just players in one of the games of life as well as to those who analyze such games. A player can approach other players as participants in the game but also as objects of manipulation. Likewise, an analyst may conceive of himself as being situated outside the social interaction that forms the object of his analyses, or he may serve as a participating analyst who, in the last resort, views himself as a member of the moral community he analyzes. Likewise, we can adopt a participant's attitude toward our fellows even in making operative or within-rule choices. But, more typically, we will perceive them as fellow participants at the constitutional level of choosing and justification of the rules of the game rather than at the operative level of choice. Again, we can, on both the constitutional and operative levels, adopt an objective attitude. Buchanan denies none of these, or any other, combinations. He insists only that we are not restricted to adopting the objective attitude. We *can* and, in general, *do* conceive of ourselves as members of moral communities.

Buchanan's notion of moral community may be less "moralistic" than Strawson's, but Buchanan's distinction between others as objects of manipulation and others as fellow participants in ongoing social interaction has the same general spirit as Strawson's. Not to use other individuals merely as means but always to respect them as persons is clearly part of Buchanan's basic normative convictions. It is appropriate, therefore, that Buchanan, in his essay "A Hobbesian Interpretation of the Rawlsian Difference Principle,"

6. See Peter F. Strawson, *Freedom and Resentment and Other Essays* (London: Methuen, 1974).

characterizes his own position as "quasi-Kantian."[7] He thinks that in forming our (normative) judgments, not only as theorists but also as citizens, we command the faculty to perceive social interaction as subject to constitutional choices that we can make in mutual agreement. The Buchanan-type contractarian political economist should therefore focus on suggesting such choices of rules. Once the rules are in place, individuals make their own autonomous decisions within this "legal cum moral" order and produce, from the interaction of these decisions, a social outcome.

The instructive parallels between Kant's and Buchanan's views of the world go even further. In a characteristically Kantian move, Buchanan seems to assume that, by conceiving of ourselves as participants in a process of agreement seeking, we, to a certain extent, "create" the world in which we act. Looking at the world with a participant's attitude, we organize our perception in a specific way and, at least in a way, become members of a world that differs from the one perceived by those who adopt an objective attitude toward others. This world is not merely characterized by social interaction. It is rather a moral community in which, to some extent, norms of mutual respect reign because the members of the community perceive and acknowledge each other as moral subjects.

"Contractarian political economy," conceived as the moral science of that world, leaves no room for the derivation of social engineering prescriptions that seek to determine and to bring about an optimal result of social interaction independent of the choices made by its participants. But Buchanan himself insists that we can and must look at the world through an objectivist window as well.

Alongside (contractarian) political economy, there is the science of economics, in which the objective attitude prevails. In economics, typically, the focus is on operative, or within-rule, choices. It is assumed that, in the context of such choices, individuals seek to get their own preferred ways rather than restricting themselves to the realm of mutual advantage.[8]

7. James M. Buchanan, "A Hobbesian Interpretation of the Rawlsian Difference Principle," *Kyklos* 29, fasc. 1 (1976): 5–25. Also see part 5 of this volume, "Contractarian Encounters."

8. Henry Hazlitt's *The Foundations of Morality* (Princeton: University Press of America, 1964) refers to the closely related concept of "mutualism" as a fundamental principle

The distinction between adopting an objective attitude and adopting a participant's attitude extends to the level on which the analyst of social interaction is operating, too. That is not to say, though, that those who, in their analyses, assume that individuals approach each other with an objective attitude need themselves share this attitude. The Buchanan-type political economist must rather always approach the world with both attitudes. It may seem impossible to adopt simultaneously the participant's attitude of political economy and the objective attitude of economics. One can reduce the tension between these two views of the world by arguing that the participant's attitude should be adopted on the level of constitutional decision making, while the objective attitude is of primary importance for analyzing operative choices. But for those who have to switch between attitudes, the tension between the objective attitude and the participant's attitude remains.

Buchanan is not a "natural economist" who cannot do otherwise than to perceive of human behavior as driven by selfish motives and to approach humans with an objective, almost solipsistic attitude.[9] On the contrary, Buchanan insists on the feasibility of the contractarian moral science of political economy. He rejects an economic science based exclusively on a model of human behavior in which each individual tries to manipulate others to his personal advantage only. And he deems it methodologically inappropriate for the scientist not to perceive of himself as a participant of social interaction. This rejection should not, however, be confused with a rejection of methodological individualism. Quite to the contrary, Buchanan insists on a strictly individualistic approach. It may seem appropriate, therefore, to add some further comments on the issue of (methodological) individualism versus collectivism in moral science here.

On one level, the methodological individualism versus collectivism dispute boils down to a question about the structure of scientific laws. To put it simply and crudely, the question is whether or not sound explanations and predictions of social phenomena contain independent variables that repre-

---

of moral science and moral order. Hazlitt's is, in that regard, quite close to Buchanan's contractarian approach but certainly somewhat less Kantian.

9. James M. Buchanan, "The Qualities of a Natural Economist," in *Democracy and Public Choice: Essays in Honor of Gordon Tullock,* ed. Charles K. Rowley (Oxford: Basil Blackwell, 1987), 9–19, reprinted in volume 19 of the series, *Ideas, Persons, and Events.*

sent genuinely collective phenomena. The discussion of this question is a virtual minefield and too complex to be addressed here.[10] As for our present concerns, we may, fortunately, remain open as to whether or not there are well-corroborated laws based on genuinely collective independent variables in the best social science explanations. For even if such laws existed, Buchanan would insist that, for purposes of intervening in the course of the world, the values of collective variables cannot be chosen collectively. In Buchanan's view, choices, in the true and proper sense of the term, are of necessity always made by individuals. Even if the collective entity faces alternative options that concern it as a whole, and even if in a process of collective interaction one of these options emerges, it is not "chosen" collectively. To look at the process in which collective results are determined as if the collective entity would choose them is not innocuous; rather, it promotes a serious distortion of our view of the social world.

In his critique of social choice theory, Buchanan does not deny that we can describe the relationship between profiles of individual choices and social outcomes by a so-called collective choice function. But for him it is not meaningful to refer to this mapping as representing collective choices. As he puts it in "Rational Choice Models in the Social Sciences":

> Even if the collective entity, as such, confronts the alternatives, the only genuine choices made are those of the individuals who participate in the decision process. Given a decision rule, individuals "choose," and such choices may be evaluated in accordance with rationality precepts. From this participation by separate persons, the decision rule or institution generates an outcome which may be a different one from those that the collective confronts. No one "chooses" this outcome, however, and it is an error of major proportion to attribute to the choosing process, as such, any rationality precepts.[11]

10. One of the best overviews of this dispute was written by Buchanan's longtime collaborator and coauthor Viktor Vanberg and is titled *Die zwei Soziologien. Individualismus und Kollektivismus in der Sozialtheorie* (Tübingen: J. C. B. Mohr [Paul Siebeck], 1975).

11. James M. Buchanan, "Rational Choice Models in the Social Sciences," in *Explorations into Constitutional Economics,* comp. Robert D. Tollison and Viktor J. Vanberg (College Station: Texas A&M University Press, 1989), 37–50, reprinted in this volume.

This quotation expresses one of Buchanan's most fundamental philosophical convictions very well. Like an iceberg of which you can see only the tip, it may seem harmless at first sight. Yet, thinking through its implications and relating it to traditional welfare economics and Kenneth Arrow's social choice theory, it has extremely far-reaching implications.[12]

Why this is so is most easily seen if we apply to it the distinction between the objective attitude and the participant's attitude introduced earlier. We can then say that once we adopt a participant's attitude, we accept, by implication, that other individuals are independent centers of decision making whose decisions are beyond our direct control. So, in other words, it is always the case that "each of the others chooses" and that "I choose," but never that "we choose." And neither can "I" or the "collective as a whole" virtually make "their choices for them."

The paper "An Ambiguity in Sen's Alleged Proof of the Impossibility of a Pareto Libertarian" insists on this simple point.[13] It has not been well received by the social choice theorists who think that it is based on a simple misunderstanding. But the misunderstanding may be entirely on their side. Within Buchanan's perspective, the adherent of the concept of genuinely collective choice is, in the last resort, forced to look at social interaction as a kind of screenplay in which all the roles for all the individuals are fixed in every detail in advance while the collective result is determined by executing the instructions of the play's script.[14] Ascending to the higher level of fixing a "choreography" for later actions that would then not require anymore separate choices would be the only way to "choose" a collective result by the coordinated action of several individuals.

But in Buchanan's view, justifying the notion of "collective choice" in that way does not help the social choice perspective. For even if we neglect the

12. Kenneth J. Arrow, *Social Choice and Individual Values* (New Haven: Yale University Press, 1963). Some of the implications are also acknowledged by leading social choice theorists such as Amartya K. Sen, for example, in "Rationality and Social Choice," *American Economic Review* 85, no. 1 (1995): 1–24.

13. James M. Buchanan, "An Ambiguity in Sen's Alleged Proof of the Impossibility of a Pareto Libertarian," *Analyse & Kritik* 18 (September 1996): 118–25, reprinted in this volume.

14. See *Analyse & Kritik* 18 (September 1996). The entire issue is devoted to the discussion of collective choice.

fact that the whole construction is somewhat absurd (since, first, we never agree on a screenplay, and then we behave as if we were puppets on a string who do not have any further choices), the very act of accepting and rejecting the screenplay would have to be accomplished by separate persons. These individuals would have to signal their agreement or dissent to the screenplay by their separate (individual) acts—which are all they can control—and thus they choose in the strict sense of that term. At some ultimate level, "participation by separate persons" under some rule rather than the "collective choice" of a collective result would be taking place. What is chosen, at this level, are the acts of signaling assent or dissent, not the collective outcome. In the last resort, then, individuals make the relevant choices, and it is not the collective result that they choose.

Yet, many of those who would admit that the collective result, properly speaking, is not "chosen" would at the same time insist that people, as a matter of fact, do have "we-intentions."[15] They do form value judgments for the collectivity at large. They do think in terms of such collective choices. Even if collective results or their selection can emerge only as a side effect of choices that are always individual, we do form our opinions of right and wrong in terms of value judgments for the collectivity, and we can describe the process by a collective choice function. This, in turn, can induce us to make specific individual choices when participating in those processes in which collective outcomes are determined. Though the influence of "we-intentions" on individual market choice may be of minor or no importance, in politics how individuals choose to act (for example, vote) may strongly depend on their intentions for the collectivity at large.[16]

However, even if we think of social welfare functions as representing "individual intentions for the collective" rather than as representing actual

15. On related issues, see also Raimo Tuomela, *A Theory of Social Action* (Dordrecht: Reidel, 1984).

16. On related issues, see Geoffrey Brennan and James M. Buchanan, "Voter Choice: Evaluating Political Alternatives," *American Behavioral Scientist* 28 (November–December 1984): 185–201, reprinted in volume 13 of this series, *Politics as Public Choice;* and James M. Buchanan, "Individual Choice in Voting and the Market," *Journal of Political Economy* 62 (August 1954): 334–43, reprinted in volume 1 of this series, *The Logical Foundations of Constitutional Liberty.*

choices, Buchanan would argue that the formation of these several individual value judgments—there would be as many social welfare functions as there are individuals—would not make sense for individuals who are seeking interindividual agreement. Individuals who, adopting a participant's attitude, subscribe to the quasi-Kantian principle of interindividual respect and at the same time believe that the choices of their fellows are beyond their direct control cannot represent their intentions by a social choice function. By their own construction of social interaction there can be only individual choices. So why formulate an individual welfare function for the collective at all?

In Buchanan's individualist political economy, this question is rhetorical. There is no legitimate use for the concept of "choice for the collective as a whole." Not even in forming individual judgments of right and wrong may we give up the participant's attitude of seeking the genuinely individual agreement of others. And since this applies to our commonsensical judgments, it should apply with added force when we form judgments in moral science.

The preceding remarks highlight some central features of Buchanan's distinctive approach to moral science in general. In particular, they should be kept in mind when "encountering" part 5 of this volume, "Contractarian Encounters." Forming our opinion on what "good" and "just" social institutions might be and consulting our "constitutional interests," it may so happen that we all concur, or at least conceivably could concur, on the same views. Conceiving of ourselves as participating in a process of seeking agreement on mutually advantageous solutions to social problems rather than as merely trying to get our way is the basic contractarian perspective. As was argued before, however, the fact that individuals can adopt an objective attitude must not be forgotten. For instance, adopting the corresponding economic perspective, Buchanan arrives at the conclusion that individuals, on the constitutional level, might have good reason to accept the Rawlsian difference principle as a guideline for creating social institutions precisely because they foresee that their operative, or within-rule, choices may be made in a Hobbesian manner. Based on his own intuitive insight into what is discussed in the more technical game-theoretic literature as the problem of subgame perfectness, Buchanan shows that individuals who cannot bindingly

commit to specific courses of action on the constitutional level might have good reasons to support the Rawlsian difference principle as a way of securing the self-enforcing character of their agreement.[17]

Taking into account what Buchanan himself has to say in part 3 of this volume, "Moral Community and Moral Order," one may have second thoughts on the limits of communities for which the participant's attitude is supposed to be operative at the constitutional level. In the end, a more particularistic vision of moral order may emerge than is fully compatible with the implied universalism of quasi-Kantian contractarianism. Here, clearly, Buchanan's philosophical contractarianism confronts some of the problems that are nowadays raised by the so-called communitarian philosophers. We cannot address these problems here. Let it suffice to note that certain basic tensions are characteristic of the works of all eminent moral scientists. It comes as no surprise, therefore, that they emerge in the work of Buchanan as well.

In fact, Buchanan himself is very good at spotting tensions and problems in the work of his fellow contractarians. A case in point is his criticism of Nozick's theory of the minimal state, as developed in "The Libertarian Legitimacy of the State" and "Utopia, the Minimal State, and Entitlement."[18] In particular, Buchanan's question as to whether the famous basketball player Wilt Chamberlain should be perceived as being entitled to his full income in a society to which he immigrated or only to the income that he could command in his preimmigration environment should be borne in mind by all defenders of entitlement theories of justice. The question also draws attention to the more general and fundamental philosophical issue of whether or

17. On these insights, see also James M. Buchanan, "The Samaritan's Dilemma," in *Altruism, Morality and Economic Theory,* ed. Edmund S. Phelps (New York: Russell Sage Foundation, 1975), 71–95, reprinted in volume 1 in the series, *The Logical Foundations of Constitutional Democracy;* and, in a similar vein, Thomas C. Schelling, *The Strategy of Conflict* (Oxford: Oxford University Press, 1977, 1960). The two seminal papers of the technical game theoretic literature are Reinhard Selten, "Spieltheoretische Behandlung eines Oligopolmodells mit Nachfrageträgheit," *Zeitschrift für die gesamte Staatswissenschaft* 121 (1965): 301–24 and 667–89; and "Reexamination of the Perfectness Concept for Equilibrium in Extensive Games," *International Journal of Game Theory* 4 (1975): 25–55.

18. James M. Buchanan, "The Libertarian Legitimacy of the State," in *Freedom in Constitutional Contract: Perspectives of a Political Economist* (College Station: Texas A&M University Press, 1977), 50–63; and "Utopia, the Minimal State, and Entitlement," *Public Choice* 23 (Fall 1975): 121–26, in part 5 of this volume.

not any claims to justice exist independent of predefined communities or prior to conventional rules and institutions. Except for the quasi-Kantian respect for the autonomy of the individual as a decision maker and a source of value, Buchanan certainly would take sides here with the "conventionalists," who think in terms of "morals by agreement" and do not believe in the existence of any objective standards of justice that are ultimately "found" rather than "invented."[19]

Throughout his academic career, Buchanan has commented on the fundamental issues addressed in this volume. As always, he can best speak for himself. But it may be helpful to bear in mind some of the connections and links to other philosophical topics when addressing the papers in this collection. This holds particularly true for part 4, "Moral Science, Equality, and Justice," in which Buchanan applies his characteristically individualistic perspective to some central normative issues of social and moral philosophy, and also for part 2, "Belief and Consequence," in which he discusses certain epistemological questions that are related in one way or another to the constitution of his basic view of the world.

Hartmut Kliemt
University of Duisburg
1998

19. This, of course, alludes to David Gauthier, *Morals by Agreement* (Oxford: Oxford University Press, 1986), and to the subtitle of John L. Mackie, *Ethics: Inventing Right and Wrong* (Harmondsworth: Penguin, 1977), in which a skeptical ethical view close to or at least compatible with Buchanan's is worked out in some philosophical detail.

PART ONE

Methods and Models

Economics and Its Scientific Neighbors

There exists something that is called "economics."[1] Courses in this something are offered in most universities; departmental faculties exist as separate administrative units. Specialized professional positions, in both private and public industry, are held by "economists." Professional journals and many books are written, printed, and presumably read, which libraries and bookshops catalogue under "economics." All of this creates the presumption that there is some widely shared common language, some special communication network among those who qualify as professionals, which makes for efficiency in discourse. Such a language is a necessary condition for science, but it is not a sufficient one. The efficiency in discourse must be measured also against the standards of science, which are those of understanding, not utility, of predictive ability, not platitudes, of objectively detached interpretation, not reasoned justification.

From *The Structure of Economic Science: Essays on Methodology,* ed. Sherman Roy Krupp (Englewood Cliffs: Prentice-Hall, 1966), 166–83. Reprinted by permission of Prentice-Hall, Inc.

1. In a recent paper, labeled explicitly as an "essay in persuasion," I called for some shift of emphasis in the attention of economists, and by implication for a somewhat modified conception of "economics" as a scientific discipline. My criticism was directed primarily at the post-Robbins concentration on the allocation problem independent of the institutional-organizational setting. In essence, my plea was for a re-emphasis on the central role of human behavior in the exchange relationship, or the theory of markets, broadly conceived. I shall not repeat here the arguments therein presented, and I shall limit to the maximum extent that is possible normative judgments about the appropriate boundary lines for the discipline that we variously define as "economics." See my "What Should Economists Do?" *Southern Economic Journal,* 30 (January, 1964), 213–22.