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## James Buchanan and the Properly Trained Economist

Peter J. Boettke and Rosolino A. Candela

[E]conomists forget the moral basis of their science and thereby miss the *raison d'être* of economics. The true purpose of the distinctive “science of political economy” is to design alternative legal structures and to evaluate their potentialities in enhancing efficiency in the exploitation of the mutuality of advantage. This means that the “science of political economy” is *categorically* distinct from the “science of economics.” The former uses the knowledge of behavioural regularities, which the latter may discover, in order to allow the community of free individuals to make informed and institutional choices.

James M. Buchanan (1987 [2001], p. 40, emphasis original)

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P. J. Boettke (✉)

Department of Economics, George Mason University,  
Fairfax, VA, USA

e-mail: [pboettke@gmu.edu](mailto:pboettke@gmu.edu)

R. A. Candela

F. A. Hayek Program for Advanced Study in Philosophy,  
Politics, and Economics, Mercatus Center at George Mason University,  
Fairfax, VA, USA

e-mail: [rosolino\\_candela@brown.edu](mailto:rosolino_candela@brown.edu)

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## Introduction

What is the role of the properly trained economist? James Buchanan often referred to Gordon Tullock as a “natural born” economist (1987 [2001]). Deirdre McCloskey (1992) has also written of the “natural,” or those who “believe in economics”. As she put it in that essay, the economic way of thinking can be summarized as (a) think about maximization, (b) think about equilibrium, and (c) think about the interaction of maximization and equilibrium. And, McCloskey gives as shining examples, Armen Alchian, Gary Becker, and Gordon Tullock. Historically contemplated, when we think of “natural born” economic thinkers, our mind turns to David Hume and Adam Smith, and to John Stuart Mill, and to early neoclassical economists such as Philip Wicksteed, Frank Knight, and Ludwig Mises. For these classical and early neoclassical economists, (a) was the analytical anchor to explain (b) via institutional variations that provide the framework for (c). The thoroughgoing subjectivism of Mises, however, makes the economic way of thinking a more subtle instrument of thought, while the philosophical musings of Knight make it more nuanced.<sup>1</sup> Part of the charm of Becker and Tullock<sup>2</sup> is their lack of subtlety and nuance as “natural economists,” in which they oftentimes seem to conflate (a) and (b), which squeezes out (c), but as we argue, that is also part of their weakness in providing the appropriate foundations of, as Buchanan (1982 [2001]) put it, the distinct but related sciences of economics and political economy. Buchanan was trained in the classical and early neoclassical tradition of Knight and Mises, and so his work throughout his long career always

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<sup>1</sup>As F. A. Hayek has written, “it is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism” (1952, p. 31). “This is a development,” Hayek argues further, “which has been carried out most consistently by L.v. Mises and I believe that most peculiarities of his views which at first strike many readers as strange and unacceptable are due to the fact that in the consistent development of the subjectivist approach he has for a long time moved ahead of his contemporaries” (1952, pp. 209–210, fn. 24, emphasis added; see also Knight 1940).

<sup>2</sup>Contrary to this standard interpretation, however, we have written elsewhere that Tullock’s methodological and analytical understanding of economics fits more closely with Mises (see Boettke and Candela 2018).

reflected a subtlety and nuance in the application of the technical principles of economics to assess how alternative institutional arrangements impact the ability of individuals to pursue productive specialization, and realize peaceful social cooperation through exchange. As prolific a writer Buchanan was, there is an underlying consistency that resonates throughout his work (see Wagner 2017),<sup>3</sup> and what we wish to emphasize in this chapter is that this consistency applies no less with regard to what he regarded as a properly trained economist.

## The Science of Economics and Political Economy: Distinct, but Related

The role of the properly trained economist is not only to understand the “science” of economics under given institutional frameworks. He or she must also use economic science to explore opportunities for institutional change. As Buchanan argued, “the economist must hope that his simple truths, as extended, can lead to ‘improvement’ in the structure of these institutions, through the ability of institutions to modify the conditions of human choice” (1966 [1979], p. 140), but, “the final choices in a free society rest with individuals who participate in that society” (1966 [1979], p. 140).

For Buchanan, economic science is not simply the pure logic of choice (Buchanan 1969 [1979]). Rather, the pure logic of choice is the analytic anchor from which institutions emerge and guide the coordination of maximizing individuals *towards* equilibrium. Economic science, therefore, explains how the “institutions of exchange, of markets, are derived, therefore, from the mutual interactions of individuals who are

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<sup>3</sup>As Wagner argues in his latest book, *James Buchanan and Liberal Political Economy: A Rational Reconstruction*, Buchanan’s unique contributions to public finance, and political economy more broadly, can be traced back to his 1949 paper, “The Pure Theory of Government Finance: A Suggested Approach,” in which he rejects what he refers to as an “organismic theory the state” as a single decision-making unit acting for society as a whole, seeking to maximize some conceptually quantifiable social welfare function. This rejection of preexisting social welfare function, existing “out there” and independent of human choice and valuation, is what resonates throughout Buchanan’s work.

continuously engaged in making ordinary choices for more rather than less” (Buchanan 1966 [1979], p. 120). “Choice exercised by an individual,” as Buchanan puts it, “involves self-creation along with the creation of constraints imposed on the choices of others. This *reciprocal interaction* takes place over a whole temporal sequence” (Buchanan, 1991, p. 226, emphasis added). Therefore, there exists, a bi-directionality between choice and institutions (Wagner 2010), and the distinct, yet related sciences of economics and political economy each help us understand the emergence and modification of institutions, respectively, as a result of human choice (see Runst and Wagner 2011).

Proper economic training requires an understanding that such reciprocal interaction is one of “adjustment, of coordinated conflict, of *mutual gains*,” (Buchanan 1966 [1979], p. 118, emphasis original) and for that we need the subtlety and the nuance provided by Mises and Knight to transform the “natural born” economist into the “properly trained” economist. In sports, the motivating phrase is “hard work beats talent, when talent fails to work hard.” In economics, we believe it should be, “proper training beats the natural born, when the natural born forgets the lessons of proper training.” And, proper training relates not to the cognitive capacities we imbue our agents in our models with, nor does it relate to their base motivational content, but instead relates to the economist’s ability to address how alternative institutional configurations impact human behavior, and vice versa, and thus the performance of social systems.

In his essay on “Economics and its Scientific Neighbors,” Buchanan (1966 [1979]) argues that the properly trained economist must have the principles of the discipline always by their side. The task of the political economist is to use the technical principles to assess how alternative institutional arrangements encourage or hinder the ability of individuals to realize the gains from production specialization and peaceful social cooperation. “As a ‘social’ scientist,” Buchanan argued, “the primary function of the economist is to explain the workings of these institutions and to predict the effects of changes in their structures. As the interaction process that he examines becomes more complex, it is but natural that the task of the economic scientists becomes more intricate. But his central principle remains the same, and he can, through its use,

unravel the most tangled sets of structural relationships among human beings” (1966 [1979], p. 120).

Economics properly understood makes sense out of the complex web of human relations that constitute reality. “The Economist,” Buchanan continues, “is able to do this because he possesses this central principle—an underlying theory of human behavior. And because he does so, he qualifies as a scientist and his discipline as a science. What a science does, or should do, is simply to allow the average man, through professional specialization, to command the heights of genius. The basic tools are the simple principles, and these are chained forever to the properly disciplined professional. Without them, he is as a jibbering idiot, who makes only noise under an illusion of speech” (1966 [1979], p. 120).

So, the first task of the properly trained economist is to avoid becoming a jibbering idiot! (Boettke 2017). Since nobody knowingly strives to be a jibbering idiot in science, we must ask: What might lead someone astray in the discipline of economics and lead us not to enlightenment, but to mistaking noise for sense? Buchanan’s consistent answer from the beginning of his career was a *methodological one*, and is best exemplified in “What Should Economists Do?” (1964) when he worries about the practice of nonsensical social science when the pure logic of choice and the allocation of resources is given the primary place in economics as opposed to exchange and the institutions within which exchange takes place.

For Buchanan, the properly trained economist occupies a dual, yet overlapping role. There is one as an 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. Based on their theoretical knowledge of economic science, properly trained economists also apply such knowledge in their role as a political economist, who *suggests* 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 (1959, p. 131). The fact that we live in a non-ideal world provides hope for change, but change through improved institutions, not an improved man.

The properly trained economist is provided a non-normative basis for their role as a scientist as well as a reformer, which can “be summed up in the familiar statement: *There exist mutual gains from trade*” (Buchanan 1959, p. 137, emphasis original). That is, utilizing the tools of economics, the political economist can submit proposals for institutional reform for the purpose of securing greater gains from trade in the economy. The properly trained economist never acts as a social engineer, but as a social entrepreneur: “His task is that of locating possible flaws in the existing social structure and in *presenting possible* ‘improvements’” (1959, p. 137, emphasis added). The idea in Buchanan’s framework that best reveals this distinct relationship between the science of economics and the science of political economy is his discussion of the compensation principle (1959).

According to Buchanan, compensation is defined as “that set of payments required to secure the agreement of all parties to the proposed change;” it is not to be confused with an objectively measurable quantity independent of choice. Compensation “must be defined in terms of the individual choice process, and it becomes measurable only through an observation of choices” (1959, p. 128, fn. 6) arrived at through deliberation. In suggesting alternative institutional changes for reform, the political economist takes the status quo as a given, not as a normative evaluation, but as a positive benchmark from which to assess “which one from among the many possible social policy changes does, in fact, satisfy the genuine Pareto rule. Compensation is the only device available to the political economist for this purpose” (1959, p. 129).

Because changes in the rules of the game will change the nature of the payoffs in the game, compensation is necessary for those who benefit from the existing status quo, not because the losers have any normative claim to their existing benefits, but because without compensation, the beneficiaries of the status quo will fight to defeat any proposed changes in the structure of rules (see also Tollison and Wagner 1991). “Compensation is desirable here because only through the compensation device can appropriate criteria for ‘improvement’ be discovered” (Buchanan 1959, p. 131). Moreover, because individual valuation can only be demonstrated through choice, and therefore cannot

be aggregated into a social welfare function that exists independent of choice, consensus must be discovered in order to “test” whether such institutional reform via compensation is mutually beneficial.

The political economist is able to submit such tests for evaluation and “predict” the responses to such proposed policy changes by utilizing economic science as a necessary input into the science of political economy. As Buchanan argues, the “predictive ‘science of economics’ is positively valuable to governmental agents, business firms, and private individuals. Persons can ‘play better games’ if they can predict their opponents’ strategy more accurately” (1982 [2001], p. 47). This requires the modelling of agents as *homo economicus*, “as if they do not voluntarily restrict their behavior to the limits defined by the mutuality of gains” (1982 [2001], p. 50). In doing so, Buchanan is not arguing that this behavioral assumption is representative of flesh and blood human beings (see Boettke and Candela 2017b). As he states, “to model persons as *Homo economicus* terms for this purpose of deriving constitutional structure is *not* the same thing at all as advancing predictions that persons will necessarily behave as *Homo economicus* (Buchanan 1982 [2001], p. 50, emphasis original) Rather, this behavioral assumption is used by the political economist for the purpose of making “informed and sophisticated choices among alternative institutional constraints, constraints that are mutually acknowledged and accepted by all parties, and which are to be *externally enforced* by the sovereign” (Buchanan 1982 [2001], p. 50).

The “science of economics,” which “predicts” how individuals will respond to proposed institutional changes *within given institutional constraints* is distinct, though related, to the “science of political economy,” which tests proposed *institutional changes* via compensation. Once the properly trained economist understands this distinction, he “should not be content with postulating models and then working within such models. His task includes the derivation of the institutional order itself from the set of elementary behavioral hypotheses with which he commences. In this manner, genuine institutional economics becomes a significant and an important part of fundamental economic theory” (1968 [1999], p. 5).

## Common Knowledge Consistently Applied by the Properly Trained Economist: A Perusal Through Buchanan's Archives

As we have been processing the Buchanan archives at GMU, it has been fascinating to get a window into Buchanan's world. This collection—which now runs 192 linear feet—reveals a surprising consistency in Buchanan's writings, his academic entrepreneurship and his private correspondence.<sup>4</sup> To anyone paying attention, this consistency in Buchanan's scientific enterprise and his published work should not be a surprise since it was already evident in his 20 volume *Collected Works*. Please don't misunderstand us, Buchanan was an amazingly wide-ranging scholar whose work not only constantly drew from literatures in economics, politics, philosophy and law, but whose contributions within economics and political economy also addressed fields as diverse as public economics, price theory, collective choice, welfare economics, comparative systems, law-and-economics, industrial organization, economic growth and development, and the history of economic thought. So, there is something new to learn about the man and his works with each visit to the archive, and something new to learn with each reading of the works contained inside the pages of those 20 volumes. But there is also a remarkable consistency, as Richard Wagner (2017) has argued, from Buchanan's first paper (1949) and throughout his career.

Critical to understanding Buchanan's system is that he is a liberal political economist in the tradition of Hume-Smith and Knight-Mises-Hayek, he is a methodological individualist in the tradition of Knight-Mises, he is price theorist in the tradition of Marshall-Knight, and he is public finance theorist in the tradition of Wicksell. All these elements are wrapped up in his economics (see Boettke and Candela 2014, 2017a). Furthermore, he has a deep commitment to government through discourse, and perhaps an even deeper commitment to the “relatively absolute absolute” in matters of politics (and in all human

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<sup>4</sup>See [http://scrc.gmu.edu/finding\\_aids/buchanan.html](http://scrc.gmu.edu/finding_aids/buchanan.html).

endeavors). No one individual, or group of individuals, is privileged either by nature or through social position in deliberation over others. No one, and no group, has unique access to TRUTH. In fact, any claim in politics to TRUTH leads to tyranny plain and simple. All we can have in politics is consensus and compromise, and since there is no unified scale of values for society as a whole, all we can ever reasonably expect to get a consensus over is not ends, but the acceptable range of means by which we each pursue our separate and often desperate ends and how we relate to one another in our efforts to pursue those ends.

Wagner relays the story of his first classroom encounter with Buchanan back at University of Virginia in the fall of 1963. The class was public finance, and Wagner had read all summer in excited anticipation of taking this class. On the first day, Buchanan, Wagner reports, glanced at his roll sheet and then said, “Mr. Wagner, what’s wrong with the American tax system?” As Wagner tells the story, with a great deal of excitement he began to relay all he had read that summer about simplifying the tax system, and when he finished Buchanan simply responded: “Mr. Wagner, you have no business answering a question like that. We are democrats here and not autocrats” (Wagner 2017, p. 178).

Public finance in Buchanan’s hands was never a form of social engineering where the theorist determines the balancing between public and private through some idealized theoretical construction. Fiscal decisions should reflect the preferences of the citizens in the relevant collective decision-making group, and not merely the imposition of the preferences of either the ruler or the ruling class. Buchanan made this point in 1949, and he makes it within the first few paragraphs of his Nobel Lecture in 1986: “Economists should cease proffering policy advice as if they were employed by a benevolent despot, and they should look to the structure within which political decisions are made” (1987, p. 243). Economics in the hands of the properly trained economist is a tool of social understanding, and never a tool for social control. However, such understanding must also encompass institutional change emerging from purposive behavior, for if social understanding means understanding the passive response of individuals to given constraints, economics is nothing more than an exercise in the pure logic of choice.

Buchanan's approach is the antithesis of the dominant Samuelson-Musgrave approach to public economics and public finance, and harks back philosophically to the great puzzles associated with choosing in groups from Hobbes, Rousseau, Montesquieu, and Hume, and the technical economics of Smith, Mill, Wicksell and the Italian public finance theorists of the late nineteenth and early twentieth century. The theory of taxation and fiscal expenditures, in Buchanan's work, provides the answer to the institutional puzzles that the philosophical question of the good and just bring to the forefront. Institutional problems demand institutional solutions. But our ability to offer those solutions must be constrained by the "relatively absolute absolute" check that we mentioned above.

Buchanan's clearest statement of this is in his 1959 paper "Positive Economics, Welfare Economics and Political Economy", and this should be mandatory reading for all economists and political economists for several reasons. Again, the properly trained economist must focus on exchange and the institutions within which exchange takes place in their positive analysis. "Political economy," Buchanan states, "is concerned exclusively with the modifications of the rules of the game" (1959, p. 133, fn. 11), and such modifications emanate from the self-seeking behavior of individuals taking into account their respective constraints. Individuals do have purposes, and do strive to do the best that they can given their situation. But the individual pure logic of choice is restricted in a strict scientific sense to Crusoe type analysis. Once Friday enters the picture, and we have two beings trying to live together through mutual adjustment and ways of relating to one another. Their interaction is categorically different than their isolated pure logic of choice. But the interaction arises from the pursuit of their own purposes and plans for betterment. Learning how to study both the logic of choice mechanics against given constraints, *and* the interaction process of exchange within alternative institutional arrangements is what it means to become a properly trained economist.

The key to Buchanan's 1959 paper is what the implications of the training are for both the critique of textbook welfare economics, and the alternative conceptual apparatus of political economy. Like in his 1949 paper, Buchanan argues that the deployment of the assumptions

of omniscience and benevolence in the welfare economics results in magical thinking, and such magical thinking is decidedly unhelpful in addressing the tough questions of collective action within a democratic process of decision-making. As he said to Wagner, “we are democrats here”, and so in putting the properly trained economist *inside* the model, the economist becomes restricted to offering only recommendations of changes to the structural rules of the game per se, and only as hypotheses to be tested through the democratic process. No autocratic impulse can be appealed to by the economic “expert” within a democratic polity. This is why Buchanan’s version of welfare economics requires a real compensation principle and not just a potential compensation scheme as in Hicks-Kaldor, and it does “privilege” the status-quo, but not for any normative reasons, but simply for the analytical purpose of “starting from the here and now”. It is in this way, and only in this way, that Buchanan believes the properly trained economist can both maintain the scientific status of economics, and appeal to the social reformist zeal in political economy.

In the late 1970s, all these issues are brought out in an exchange of letters with one of his former students—Richard McKenzie. McKenzie had just recently published with Tullock, *The New World of Economics* (1975), which is a relentless application of the economic way of thinking to all walks of life. He is also working on a paper dealing with the constitutional moment in the US, which challenges the public-spirited interpretation and pursues instead a pure private interest explanation of the American Founding. This particular exchange of letters runs from May 29, 1979 to June 25, 1979 and consists of 2 letters from each party. McKenzie begins the conversation by asking for Buchanan’s reaction on his work on constitutions. He references Charles Beard’s economic interpretation of the constitution, and asks Buchanan the following: “I recognize that Beard may not be right in his analysis; but if he is, does my analysis follow?” (McKenzie 1979).

Buchanan’s response is harsh, but also framed with a self-effacing “quasi-serious” quip and informing McKenzie that he probably needs to be constrained as a scholar to keep his very good talents “from running to excess.” He informs McKenzie that he does not like his paper, and in fact considers his paper to be profoundly immoral as it violates

the norms of the civic religion with the over-extension of the logic of economics. He then says that he “felt a bit the same way about some of your applications in ‘New World.’ “There are limits” to economics analysis, Buchanan insists, “beyond which it is inappropriate to do go, for to do so will undermine myths, sacrosanct objects, concepts, ideas, that have intrinsic value in their own rights.” Buchanan ends that paragraph by informing McKenzie that the mythology that the founders were disinterested public servants “has served us very well for two centuries, and, quite literally, I think it is a sin to destroy this mythology” (Buchanan 1979). The reason is that the social order of the liberal society, its stability and its viability, is intimately connected to the maintenance of this civic religion. Destroy the civic religion, and you will destroy the social order.

Buchanan’s argument is not a denial of an economic reason for the existence of such a civic religion. Constitutional rules are crucial in providing expectations about future political exchange, including the modification of rules. Indeed, Buchanan has argued elsewhere that the economic origins for the emergence of such ethical-moral constraints arise from pure logic of choice, but such constraints are not simply the aggregate outcome of, as Becker would put it, individuals consistently maximizing well-defined and independent utility functions (Becker 1971). “The methodological individualist,” Buchanan writes, “must, it seems to me, acknowledge the *relationships between individual utility functions* and the socioeconomic-legal-political-cultural setting within which evaluations are made. But such acknowledgement carries with it, almost as a matter of course, the possible productivity of investment in the promulgation of moral norms” (Buchanan 1991, p. 186, emphasis added).

Buchanan ends his letter chiding McKenzie to be more reflective of his position, one that steers a path away from a strict interpretation of “New World” and more toward one that recognizes the ethical-moral cement of the social order. In other words, to keep in mind as he would later put it (Buchanan 1982 [2001]), the distinctions between the related disciplines of economics and political economy. McKenzie responds immediately, and says that while the comments from Buchanan were not totally unexpected, he pushes back or seeks

to clarify his position, especially as it relates to *The New World*. He “defends” the extreme examples as a method to capture the imagination of the students, to shock them out of their complacency so they may see the power of the principle being illustrated. He ensures Buchanan that he is not completely serious in the choice of examples. And then he adds that he believes that students get this, but that perhaps some instructors don’t.

Buchanan’s response brings us back to our theme here. As he says to McKenzie in a letter dated June 25, 1979, “I think that you can appreciate my own position, which places very heavy weight on ethical-moral constraints, and on noneconomic explanations generally. But yet you can also see the power of the simplistic economic explanation, and you, like me, recognize that these explanations are, after all, our own stock in trade.” Yet, Buchanan argues that our discipline must resist the scientific urge. “Our *raison d’être* is not to act like, or to ape the scientists at all. And we would not like the world of the economic scientists at all.” Here Buchanan lays out his position, which has been developed throughout his writings, that our role as economists is “basically didactic.” This is not a preacher, but the teacher that cultivates in their students an appreciation and understanding of the spontaneous ordering of the market economy (Boettke 2011).

But once he makes this standard claim of his, Buchanan stresses that there are multiple windows into the world through which one can look, and that “we should all come to accept the fact that politics involves talking pure and simple”. Buchanan had with his own public choice analysis attempted to pierce the romantic veneer of modern democratic politics, but once the romance is no more, Buchanan fears that if we “become generally convinced that politics is pure transfer” then all that is left is fighting over each other’s shares.

After Buchanan won the Nobel Prize, there was a debate about whether or not public choice theory was immoral by sowing a cynical view of public engagement in the democratic process. Buchanan and Brennan (1988) tell us in the acknowledgements of their paper that they had originally drafted the essay in 1982, but revised and published this version in response to Steven Kelman’s paper in *The Public Interest* in 1987. Kelman basically argues that Buchanan and public choice are

attributing a descriptive set of assumptions to those engaged in public service that questions their motivations and intentions. Rather than seeing individuals as publicly spirited and motivated for the common-good, everyone is *presumed* to be self-seeking and thus only using the common-good language as a cover for their true private interests.

We don't want to belabor the problems with what we see as Kelman's interpretation, or for that matter the recent resurrection of Kelman's claims in Nancy MacLean's *Democracy in Chains* (2017). We just will point out simply two things: (a) Buchanan and public choice were never making a descriptive claim about any particular political actor, and (b) the purpose of *homo economicus* in political economy was to basically provide a robustness check in institutional design. Just as Hume centuries earlier argued that as thinkers it will be helpful for us to assume that all men are knaves when designing our political institutions, Buchanan et al. were doing the same. It is not a description that all men are knaves, it is an analytical device to build in a check against self-interest with guile, or opportunistic behavior, when engaged in the political economy of institutional design. The rules of the game engender strategies. If the best response strategy given the rules undermine the game, then the rules that were designed perhaps are poorly designed rules! The great early twentieth century economic thinker, Dennis Robertson, once asked famously, what do economists economize? Robertson's answer was love, the most precious of all resources known to humanity. His reasoning, if our institutional designs require for their working that we all love one another, then we will exhaust that resource in very short time. Instead, better for us to seek institutional arrangements that do not require our love for one another for their operation, so that we can utilize our capacity for love in more appropriate situations.

The fact that thinkers from Kelman to MacLean misunderstand this analytical purpose of the *homo economicus* assumption does not excuse the misuse of the assumption by those more closely aligned with the public choice research program. In a 1986 letter responding to a query of whether public choice isn't a deterministic social science akin to a form of "right-wing" Marxism, Buchanan responds that the critique offered by the letter writer (one Mr. Paul D'Andrea of Illinois)

perceptively “summarize a concern that has been of increasing importance to me as the subdiscipline develops.” He continues: “In many of its empirical applications, public choice seems to take on characteristics of a strictly deterministic ‘science,’ in which actors do not initiate action but only respond in the directions that economic incentives dictate. There is little or no room for the genuine entrepreneur, to use this term broadly to include those who might initiate ideas as well as organize production.” And he concludes that those of us who work the level of philosophical discussion “recognize the severe limits of any deterministic public choice” and “we do despair at the efforts of some of our colleagues in the subdiscipline, who do not seem to have any sense of the underlying foundations.”

These sentiments can also be seen in Buchanan’s exchange of letters with Vincent Ostrom (1977) on the constitutional political economy project and the future of public choice scholarship. In a letter dated March, 18 1977, Buchanan argues that the shared project between him and Ostrom is grounded on two fundamental propositions: (1) institutions matter, and (2) institutions can be constructed. “We face opposition on both these counts,” he adds. Stigler and the modern Chicago School explicitly deny the first, and Hayek and the evolutionists deny the second. This discussion could go in a variety of directions, but for our purposes, we simply want to stress that Buchanan’s ‘solution’ to these problems are to be found once again in his distinction between the related but separate scientific enterprises of economics and political economy. Economics begins with the logic of choice, and expands to the study of exchange and the institutions within which exchanges take place. Political economy studies the property of the rules themselves and the process by which they can be changed. One takes the constraints as given, the other seeks to study how the constraints can be changed.

The properly trained economist must understand the difference, and also appreciate the different scientific standards of assessment the two intellectual exercises are to be judged by. “The science of political economy requires more than the making and testing of predictions about behavior under an existing set of constraints, some given system of laws, although the latter ‘science’ [economics] will, of course, continue to be a necessary input in the exercise. The second ‘science’ [political economy],

however, also requires some comparison of the results observed within an existing system of constraints and those that might be predicted to emerge under alternative systems. For the simple reason that it does not now exist, the results of an alternative set of constraints can never be observed. Alternative structures exist only as potentialities, as constraints that persons might *create* by their own choices, from the void as it were, and not some reality ‘out there’ waiting to be explored and discovered. At this level, the discovery metaphor which has proven useful in describing the search activity of ordinary science becomes positively misleading in application to the comparative analysis of alternative constraints structures” (Buchanan 1982 [2001], p. 47).

This argument led Buchanan to conclude that the failure to distinguish between the two distinct sciences of economics and political economy has led the modern economic profession to lose its *raison d’être*. And it potentially turns the discipline away from a tool of social understanding and human betterment through democratic discourse into a tool for social control and “inadvertently lend support to the efforts of the subset of persons who seek always to treat other persons as potential responders to control stimuli, support to those putative authoritarians who act on behalf of and as agents for the modern state apparatus” (1982 [2001], p. 48).

## Conclusion

When Buchanan took up the task to describe what he and his colleagues were hoping to accomplish with the establishment of the Thomas Jefferson Center for Studies in Political Economy (Buchanan 1958). He argued that the idea was to continue in the grand and honorable tradition of political economy, and that the task of the political economist was first and foremost to utilize the technical principles of economics that are necessary to access how alternative institutional arrangements enable or hinder the pursuit of individuals to pursue productive specialization and peaceful social cooperation. However, the second aspect of the task of political economy is to bring into the open the

moral and philosophical investigations of the questions dealing with the scale and scope government in all deliberations concerning public policy. This remains the task of the properly trained economist. Others that fall short in this task, are not evil or dim, but they perhaps just “lack training.”

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