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James M. Buchanan Jr. [Ideological Profiles of the Economics Laureates]

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Abstract

James M. Buchanan Jr. is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills the [September 2013 issue of *Econ Journal Watch*](#).

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James M. Buchanan Jr.

by Niclas Berggren⁶

James M. Buchanan (1919–2013) was born in rural Tennessee under rather simple circumstances: “It was a very poor life,” he says (Buchanan 2009, 91). Still, he ended up, in 1986, as a recipient of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. The Prize was awarded “for his development of the contractual and constitutional bases for the theory of economic and political decision-making.”

Buchanan earned his Ph.D. in economics from the University of Chicago in 1948 and was thereafter a professor at the University of Tennessee, Florida State University, the University of Virginia, UCLA, Virginia Polytechnic Institute, and George Mason University. In spite of his academic accomplishments, Buchanan felt himself to be apart from an established elite—academic, intellectual or political—and he even regarded that elite with suspicion. The attitude can be connected to Buchanan’s ideological convictions and how these changed over the course of his lifetime.

In brief, Buchanan was an ideological migrant: he started out having socialist proclivities but abandoned these in his late twenties in favor of a classical liberal outlook, an outlook he retained for the remainder of his life.

There must be an asymmetry in any ideological profile of Buchanan, since there is more documentation about his post-socialist views than about those of his early years. Even though we know little about them, it seems fair to say that the youthful convictions were less systematic in character and less developed analytically. Still, they were there, and, I believe, the underlying motivation for them remained in place also for the liberal Buchanan. That motivation can perhaps best be described as *a strong dislike of privilege*. Here is a passage about his experience in the navy:

Anyway, during the first month, I experienced discrimination, and it just got me all upset. If there is one thing I can’t stand—and that’s central—it’s when somebody is treated unfairly, whether it’s somebody else or whether it’s me. A disproportionate number of us were from the South and the West, as opposed to the upper East. I experienced overt discrimination for being a non-Easterner, a non-establishmentarian. In the whole group of 600 boys, there were only

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about twenty who were graduates of Yale, Harvard, Princeton—all Ivy League. By the end of this first boot camp period, they had to select midshipman officers. Out of the 20 boys from the establishment universities, 12 or 13 were picked, against a background of a total of 600. It was overtly discriminatory towards those of us who were not members of the establishment. That made me into a flaming communist. I would have signed up immediately to the Communist Party had a recruiter come along. I had already had strong left-wing socialist leanings, but now it was stronger than ever. I think I felt this stronger than anybody else. Even today, there is a residue still there. I don't ever get rid of that. Anyway, no recruiter came along, and I didn't sign my name on any communist manifest. But I would have! (Buchanan 2009, 92-93)

The dislike of unfair treatment is perfectly clear from this text (cf. Buchanan 2007, 49-50); it also indicates how the sentiment channeled Buchanan's political tendencies in a more radical direction. Why was he initially a socialist?

[Buchanan:] It was fundamentally due to a populist background. I grew up with all those pamphlets from the time in the 1890s when several American states went Populist—pamphlets about the Wall Street Barons and the [Robber] Barons and all this stuff. And of course, the Democrats ran the South at that time; it was a one-party system. Then I got interested in economics, and everybody in my peer group was a socialist. We didn't get the right picture about what was going on. Russia was an ideal for us all. I even started learning Russian.

[interviewer:] Wow! But did you trust the government generally?

[Buchanan:] At that time I still implicitly held to this image that somehow the state was benevolent. I didn't start raising those kinds of questions until much later. (Buchanan 2009, 93)

Buchanan was asked in an interview whether he, as a socialist youngster, thought government ought to have a big role in running things. He replied that his attitude had been:

Not so much pro-government as it was anti big business, anti Wall Street, anti the tycoons, anti the Rockefellers, anti the rich. (quoted in Henderson 1999, 5)

This reinforces that his socialism was, indeed, of a more populist kind. But there is, to my knowledge, no more precise information about the young Buchanan's ideological orientation, such as what socialist policies he might have advocated.

After Buchanan's service in the navy, he began thinking about pursuing graduate studies and ended up in Chicago on the advice of a professor he met as an undergraduate. He did so without knowing much about the Department of Economics: "Had I known that it was a market-oriented department, I would probably have gone somewhere else" (Buchanan 2009, 97).

But Buchanan did go to the University of Chicago, where he met economists like Frank Knight, Jacob Viner, Theodore Schultz and, at the very end, Milton Friedman. Of these, Knight made the biggest impression on him (see Buchanan 2001a; 2001b). And an ideological change was about to take place:

[Interviewer:] And that was the end of your socialist inclinations, I guess. They must have turned you around?

[Buchanan:] And in a hurry. We were about 30 people in Knight's course in price theory. Fifteen switched over completely within six to eight weeks, and 15 stayed exactly the way they were. They were socialist to start with and they were socialist when they came out. There was no distinction in the grades, it was no question of who was intelligent and who wasn't, it was rather that, somehow or another, you were preconditioned. And for some reason, I was preconditioned to buy into the workings of the market—which was something I had not really understood at all until I took Knight's course. (Buchanan 2009, 97)

Buchanan says that after those first weeks in Knight's course, he "had been converted into a zealous advocate of the market order" (Buchanan 1999, 15; cf. Buchanan 2001c, 165-166).

Buchanan's ideological shift shows how a change in knowledge and understanding can bring about a change in political opinions. If we regard such opinions as a function of two separate factors, beliefs about the world and values, then ideological shifts can come about either if a person gains new knowledge or if the values change. In Buchanan's case, what I take to be the motivating value, fairness in a sense that is against privilege, remained in place, but at Chicago, he got new knowledge and a new understanding, which transformed him politically. As Buchanan (2001d, 5) described his pre-Chicago thinking: "I remained blissfully ignorant of the coordinating properties of a decentralized market process, an ignorance that made me vulnerable to quasi-Marxist arguments and explanations about economic history and economic reality." Clearly, the ideological change

occurred as a result of new knowledge and a new understanding of how a market order functions.

Now, we have established that Buchanan had early socialist, at times maybe even communist, convictions, but that he changed into a pro-market economist while pursuing his Ph.D. in Chicago. What, more exactly, did he turn into? The rubric he himself preferred was “classical liberal,” not to be confused with “liberal” in the everyday American meaning of the term or even with “conservative” (Buchanan 2005a).⁷ And Buchanan was perhaps not really a “libertarian” either—he did not embrace natural rights, or similar constructs, as the basis for his political reasoning, and he did not in any strict way advocate a minimal state (and much less anarchy, in spite of having an intuitive appreciation of it).⁸

In his scholarly work, Buchanan developed a contractarian constitutionalism (see Buchanan and Tullock 1962; Brennan and Buchanan 1985; Buchanan 1987) that, to a large extent, defined his liberalism. The contractarian approach assumes that people desire a political order in which collective decisions can be made, and it insists that legitimacy in establishing constitutions (the political institutions within which collective decision-making takes place) derives from unanimous consent, although that consent might be only symbolic. Here we see Buchanan’s strong passion for respecting the individual and for treating everybody equally: no arrangement, collective or otherwise, shall be deemed legitimate unless all those who partake in it have agreed to it.

Note, however, that this criterion of unanimous agreement applies to the constitutional level. Buchanan writes:

The central contribution of this book [*The Calculus of Consent*] was to identify a two-level structure of collective decision-making. We distinguished between “ordinary politics,” consisting of decisions made in legislative assemblies, and “constitutional politics,” consisting of decisions made about the rules for ordinary politics. ...

From the perspective of both justice and efficiency, majority rule may safely be allowed to operate in the realm of ordinary politics provided that there is generalised consensus on the constitution, or on the rules that define and limit what can be done through ordinary politics. It is in arriving at this constitutional framework where Wicksell’s idea of requiring unanimity—or at least super majorities—may be practically incorporated. (Buchanan 2003, 14-15)

7. Given Buchanan’s visceral dislike of privilege, he should especially not be regarded as a conservative. Notably, Buchanan adhered to the liberal idea of “natural equality,” contrasting it with the idea of “natural hierarchy” typical of many strains of conservatism (Buchanan 2005a, 4-6).

8. Buchanan served as President of the Mont Pelerin Society from 1984 to 1986.

The interesting thing, from the point of view of Buchanan's liberalism, is that the constitutional political order established in this fashion is one of procedure rather than content. In the terminology of Viktor Vanberg (2011), Buchanan advances *constitutional liberalism*, which respects a freedom of individuals to choose the constitutional environment in which they wish to live, rather than *liberal constitutionalism*, which focuses on the need to provide institutional safeguards of individual liberty as private autonomy. It is what people agree to that is desirable, and there is no external criterion available that can be used to discriminate between various institutional settings. For example, if people agree to institute a political system with a qualified majority rule, then such a system may, in due time, introduce certain types of redistribution which would violate many liberals' values. That outcome is, then, legitimate to a contractarian, procedural liberal. Naturally, there are different preferences among citizens, and those that dislike the arrangement may argue in favor of policy or institutional change, and proposals to abandon redistribution may become more popular and meet the approval of a qualified majority. If so, *that* outcome is legitimate.

There is no guarantee, in other words, that the system of rules chosen behind a veil of uncertainty, at the stage of constitutional formation, will be *substantively* liberal, in the sense advanced by F. A. Hayek (1973), or that they will give rise to outcomes that are liberal in that sense.⁹ It is clear that a concept of freedom, which is normatively basic in all types of liberalism (Gaus and Courtland 2011), plays a central role here: but it is freedom *in and through constitutional contract*. As Vanberg puts it: “[T]his ideal of individual liberty is about *individual sovereignty in defining the rules* under which a group of persons chooses to live, rules that among free and equal individuals can only be chosen by voluntary agreement” (Vanberg 2011, 9, emphasis in original).

The foregoing description of Buchanan's liberalism has concerned the grand principles and how to understand them. To make his liberalism more concrete, I mention four applications. First, Buchanan (1993) developed an argument for private property rights that does not take efficiency as the starting point. Rather, Buchanan located the main value of such rights in the ability of individuals to lead their lives as they please—including, if they are willing to forgo the gains from specialization, the ability to withdraw from the market nexus and the dependence

9. Buchanan (1972) criticizes John Rawls for identifying “the difference principle” as the outcome of decision-making in the original position. Instead, he argues that a contractarian should accept the open-ended character of the constitutional process, which is compatible with many different distributional principles. Nevertheless, Buchanan (1991) predicts that institutions protecting a distinct sphere of voluntary exchange, along the lines of Adam Smith's idea of natural liberty, would find support behind a veil of uncertainty, at least if problems with externalities are perceived small.

on others it entails. By such choice, individual autonomy is preserved, a value highly cherished by Buchanan (not only in constitutional choice and in market exchange).

Second, Buchanan and Roger Congleton (1998) argued for a constitutional generality principle to constrain ordinary political decision-making. Buchanan's animus against privilege underlies the argument: without this principle, which requires that all citizens are treated equally *qua* citizens in all political decisions, some will use the political process to obtain favors at the expense of others.

Third, Buchanan favored a high inheritance tax. As Geoffrey Brennan writes:

[Buchanan] believed rather passionately in confiscatory estate and gift duties: He reckoned that inherited wealth (though not self-made or first-generation wealth) violates basic equality of opportunity, and his enmity towards dynasties was notable. (Brennan 2013)

Again, Buchanan's dislike of privilege comes through and strongly influences his positions. On one occasion, I personally heard Buchanan say that he thought people in general shared a dislike of inherited wealth and that a high inheritance tax was needed to retain widespread support for the market system. This position again underlines that he was no strict libertarian.

Lastly, Buchanan (2005b) dolefully outlined a new attitude, "parentalism," which is the popular demand for government interventionism, care, and protection. He took a strongly negative view of this demand, as well as the corresponding supply of policies that restrict individual freedom of choice. Here, Buchanan illustrates his strong respect for an order in which individuals are free to make their own life choices without the interference of others. He is, however, slightly pessimistic about the chances to stop further infringements: people are, he laments, "afraid to be free."

One can be a liberal in the classical sense of the term for many different reasons. Buchanan first became a socialist because he thought that his moral intuitions on issues of fairness were best served by the type of policies dictated by such an ideology. He then learned about markets and the way they work and realized that his intuitions were better served by a deep respect for each individual, as exemplified in the market by voluntary exchange and in politics by a constitutional order based on voluntary and unanimous agreement. The particular basis for his politics, a rejection of privilege and domination, led him to embrace his particular kind of liberalism.

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Ronald H. Coase

by Daniel B. Klein

Ronald Coase (1910–2013) was born in a suburb of London. He attended the London School of Economics and earned a bachelor of commerce degree in 1932. He was a member of the staff at the LSE from 1935 to 1951, though working for the government during the war years. In 1951, after receiving a doctorate from the University of London, he relocated to the United States, first to the University of Buffalo, then in 1958 to the University of Virginia, with a year (1958–1959) at Stanford’s Center for the Advanced Study in Behavioral Sciences (where he was influenced by another visiting fellow, Thomas Kuhn; see Coase 1994, 26-29), then in 1964 to the University of Chicago Law School, where he took over as editor of the *Journal of Law and Economics*, a role he filled until 1982.

Coase was awarded the Nobel Prize in 1991 for his formulation of and subsequent research on transaction costs and property rights. The chief papers