

James Buchanan

Editor's Note: This is an abbreviated version of RF's conversation with James Buchanan. For the full interview, go to our Web site: www.rich.frb.org/pubs/regionfocus.

Economists have long treated people in the marketplace as rational actors pursuing their own self-interest. But until the mid-20th century it was common to view people in government in a very different light — as selfless public servants. Such a distinction, argued James Buchanan, was unnecessary and incorrect. People in the public sector are self-interested just like everybody else. Using this basic assumption, Buchanan and others were able to apply the tools of economics to politics. This line of inquiry soon become known as “public choice” and spread rapidly throughout the United States, Europe, and Asia.

Most of Buchanan's academic career has been spent in Virginia: first at the University of Virginia in Charlottesville, then at the Virginia Polytechnic Institute in Blacksburg, and later at George Mason University in Fairfax. As a result, he and his colleagues are often referred to as members of the “Virginia School.” In the early 1960s, Buchanan was one of the founders of the Public Choice Society (PCS). The PCS holds annual meetings where papers are presented and discussed. It is also loosely affiliated with the academic journal *Public Choice*, which was long edited by Gordon Tullock, one of Buchanan's most frequent collaborators.

Buchanan was awarded the Nobel Prize in Economics in 1986. Although he is now in his mid-80s, he still pursues an active research agenda and continues to lecture regularly. Aaron Steelman interviewed Buchanan at George Mason University on Feb. 2, 2004.

RF: Public choice is often described as “politics without romance.” Could you please describe what this phrase means?

Buchanan: I actually used that as the title of a lecture I gave at the Institute for Advanced Studies in Vienna in 1978. I think that if you had to boil public choice down to three words, that's a pretty good description, but on the other hand it's not complete either. The phrase captures the idea that public choice does not look at politics through rose-colored glasses — it is skeptical that the actions of people in politics are necessarily focused on promoting the public interest. Instead, it takes a more hard-nosed, realistic view of government. But what it leaves out is that we must have a legitimizing argument that politics is worthwhile — that politics is an exchange in the sense that we give up something but we also get back something.

RF: Public choice is now a recognized sub-discipline within economics. But when you first started doing work in public choice, how was that research greeted by the profession?

Buchanan: It was certainly outside the mainstream. I think many of my colleagues at the University of Virginia didn't particularly like using economics to analyze politics. But I have to say that when Gordon Tullock and I published *The Calculus of Consent* in 1962, the book received quite warm reviews by both economists and political scientists. And, between the two groups, I think the book's impact was greater among political scientists in the following respect: They had further to go. Economists were familiar with the tools we were using and the basic assumptions about rationality that we were making, but to many political scientists, these ideas were rather novel. Also, I think you can't leave personalities out of this either. Bill Riker was very active in introducing public choice and positive political economy to other political scientists and to his students at the University of Rochester. The fact that he came onboard very early was extremely important.

RF: People working in the public choice tradition are often referred to as members of the “Virginia School.” Could you please explain how and when that term came into being?

Buchanan: Mancur Olson came up with that term. He was the one who first characterized us as the Virginia School—I don't know exactly when but it was probably in the mid-1970s, after we had already moved from Charlottesville to Blacksburg. It was fine by us. So we went with it, as did other people. But we didn't coin the term ourselves.

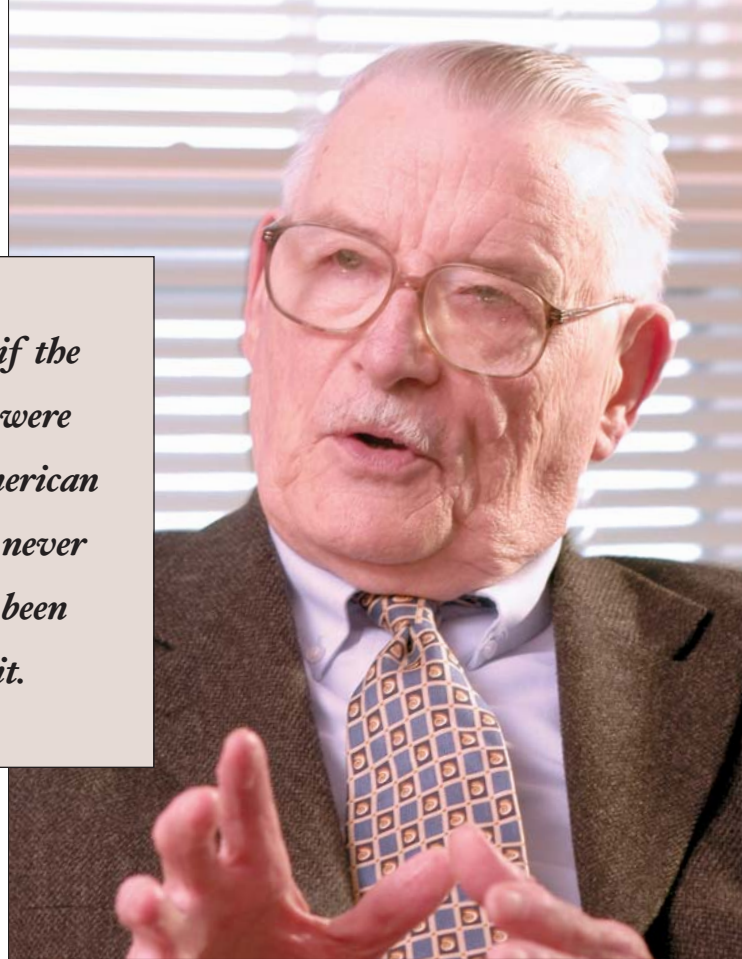
RF: Richard Wagner, who was one of your students at the University of Virginia and has been your colleague at both the Virginia Polytechnic Institute (VPI) and George Mason University, has written that VPI was the most fertile place for public choice scholarship. Do you agree?

Buchanan: I think you have to look at this on different dimensions. The public choice program originated at the University of Virginia from 1956 to 1968. Warren Nutter and I set up the Thomas Jefferson Center for Studies in Political Economy. The research program at the Center was broader in scope—it wasn't confined to public choice per se. That was a very productive and exciting time. We had a great group of people there: Ronald Coase, Leland Yeager, Tullock, and Nutter were all on the faculty. And, without question, we had the best graduate students I have ever worked with—really top-notch kids.

We were never that productive in terms of producing good graduate students at VPI. But the public choice program became more developed there. We enjoyed tremendous support from the university administration, which in some ways had been lacking at Virginia. And Tullock, who had left Virginia a few years before I did, came to VPI. He and I started collaborating on a lot of projects, and we set up the Center for the Study of Public Choice along with Charlie Goetz.

One of the things that I think was really important about VPI was the unique atmosphere and geography: We were all located close to each other and had constant interaction. Plus, at VPI there was a young man named Winston Bush whose enthusiasm and intellect really inspired a lot of interesting projects, such as our work on the political economy of anarchy. Winston was a great mathematical economist, who unfortunately died

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quite young in a car accident, but for a few years was a real live wire who really kept things going. We also had a great visiting fellow program. It wasn't unusual for us to have eight or nine visitors at one time. So, in the sense of sheer output, I think Wagner is right: VPI was the most productive place.

RF: At last year's meetings of the Public Choice Society in Nashville, I was struck by the large percentage of participants from continental Europe. Did public choice take off internationally during the period you were at VPI?

Buchanan: Yes. Many of the visiting fellows who came to Blacksburg were from Europe or Asia. It was also around this time that they set up their own organizations: the European Public Choice Society and the Japanese Public Choice Society. In some ways, the Europeans were more eager to work on constitutional political economy issues than were the Americans. In fact, I think that if the Nobel Prize were decided by American economists, I never would have been awarded it. My work has been much more warmly received in Europe than in the United States.

RF: Could you describe how Frank Knight and Knut Wicksell have affected your thinking and career?

Buchanan: They were certainly the two most important influences on my work. Knight's influence was more as a role model than as someone whose work I tried to build on, although he certainly made very important contributions of his own. Knight and I had very similar backgrounds: He was a farm boy from central Illinois who spent some time in school in Tennessee and who ultimately rejected the religious milieu in which he had been raised. I really liked his attitude toward the world and his willingness to question anything and anybody. He had a real passion for ideas.

Wicksell, on the other hand, was more of an accidental discovery. I was going through the stacks of the old University of Chicago library after I had finished my dissertation and I ran across his dissertation, which had never been translated from the very difficult German. In that

book, he was saying things that I felt inside me but I never dared to say. He really reinforced a lot of things that were sort of inchoate in my thinking. The central idea I got from Wicksell is that we can't improve politics by simply expecting politicians to do good. There are no interests other than those of individuals,

and politicians will pursue their own interests just like anyone else, by trying to get re-elected, advance their careers, and so on. This means that economists ought to stop acting as if they were advising benevolent despots. If you want to improve government, you must try to improve the rules of the game rather than the individual players.

RF: Looking back over the past 40 years, what do you think are some of the most important contributions that public choice theorists have made?

Buchanan: I think that the most important contribution, by far, is to simply change the way that people look at politics. I often have been asked if public choice had a causal influence in the decline of confidence in politics and politicians compared to, say, 40 years ago. My answer is: yes and no. Once governments began, in the 1960s and 1970s,

to overstep their bounds and take on projects that ultimately proved to be great failures—and this is true not only in the socialist states but also in the democratic states of the West—public choice came along and gave people a systematic way to analyze and explain these failures. So public choice wasn't the cause of distrust in government but it did help us understand the deficiencies of the political process. It changed the way that we look at collective action.

RF: Many commentators frequently decry voter turnout rates of, say, 50 percent as “too low.” But, actually, it's surprising that this many people go to the polls because the chance of being instrumental is virtually zero. Does public choice have a good explanation for why people vote?

Buchanan: That is one of the central puzzles we have faced since Anthony Downs and Gordon Tullock raised the question in the 1950s. From a purely rational standpoint, people don't have much of an incentive to vote but, as you said, about half of them do. Why? I think this gets us into social psychology. People may vote simply as a means of expression rather than as a way of influencing the outcome of an election. They also may feel some sort of duty is involved. But, given the framework that economists would traditionally look at this sort of question, it's hard to come up with a satisfactory answer.

RF: Many people who have done important academic work in the public choice tradition have subsequently gone on to hold high-level appointed offices in the federal government. Is there something ironic about this, in your view? Or is this training useful?

Buchanan: I'm not sure that it helps much. If you're on the inside, maybe you don't want to be trained in public choice. For instance, if you are going into the bureaucracy, perhaps you wouldn't want to have read the public choice literature on bureaucracy. I certainly wouldn't get excited about more public choice people filling government positions. Absorbing and doing are quite different things in this context. I think that there is little doubt that public choice has been enriched by people who have used government experience to inform their academic work. But I don't know that public choice has done much to influence the way that government officials actually behave.

RF: It is widely believed that public choice theorists are more suspicious of government

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action and more friendly toward market solutions than economists generally. Do you think this is accurate?

Buchanan: Yes, to some degree. But a continuing critique of public choice is that the whole research program is ideologically driven. I think that is completely wrong. It all goes back to the first question you asked about public choice being described as “politics without romance.” If you look at politics in a realistic way, no matter your underlying ideological preferences, you are going to come out more negative than you started. There are many public choice people whose normative views are not at all market-oriented. But, as scientists, they reach conclusions that may not particularly support those normative preferences.

RF: What do you think of the various “heterodox” schools of economics that are challenging the basic assumptions of neoclassical economics?

Buchanan: For more than 20 years, I have predicted that you would see more collaboration between psychologists and economists. That prediction is finally becoming realized with the widespread emergence of “behavioral economics,” as characterized by the work of Dick Thaler, Bob Frank, and others. They pick out particular anomalies and use them to try to chip away at the neoclassical edifice. Many of those anomalies are interesting, but they are just that— anomalies and thus not very generalizable. I don’t think that behavioral economics is a spent force yet, but I don’t know how much further they can go with it, because what they have to offer are critiques rather than an alternative program of inquiry. Still, I’m sympathetic to the idea that economists have pushed this homo-economicus model too much.

RF: In a series of articles on what he calls “rational irrationality,” Bryan Caplan has tried to reorient public choice to focus more on voter-driven political failure and less on the perverse influence of special interests. What do you think of this line of inquiry?

Buchanan: I don’t know Caplan’s work very well. But I think there is something to what he is trying to argue. For instance, I think there is the following bifurcation in the choice process: We may want to do things collectively that we are not willing to sustain privately. It may be true that the welfare state represents what people actually want. They may want the government to take care of everybody, and so they vote for can-

didates who run on such a platform, including the higher tax rates needed to pay for it. At the same time, given those high levels of taxation, they may decide to quit working, like the Swedes, and spend time at their summer home. So even though they voted for the whole program— on both the spending and taxation sides— they are not willing to support it through their private actions.

RF: What, in your view, is the proper role of government?

Buchanan: Well, I think the state should fund the classic public goods and you could probably do that with government spending at a level of roughly 15 percent of gross domestic product (GDP). But I’m not willing to say that that is all government should do. As long as government grows within a proper set or rules, then I would rather not put limits on its size. I am reluctant to say, for instance, that having public spending at 40 percent of GDP—which is about what we have now—is necessarily wrong.

RF: Why do so many voters hold views that are at odds with mainstream economic theory?

Buchanan: Part of the blame falls on economists. As scientists, we are incredibly attracted to grapple with interesting puzzles that may have little immediate practical application. And, indeed, we are rewarded for doing that through academic promotions and greater prestige within the profession. So that type of work has a lot of private value to economists. Contrast that with making basic economic truths— such as the benefits of free trade— accessible to a wider audience. Economists gain very little from doing that—for instance, it probably won’t get you tenure. But there is an enormous public value associated with having an economically literate society. We need more Bastiats who are willing to talk to the public. As it stands, economists are losing the battle.

James Buchanan

► Present Position

Distinguished Professor Emeritus of Economics, George Mason University, and Distinguished Professor Emeritus of Economics and Philosophy, Virginia Polytechnic Institute and State University

► Previous Faculty Appointments

Virginia Polytechnic Institute and State University (1969-1983); University of California at Los Angeles (1968-1969); University of Virginia (1956-1968); Florida State University (1951-1956); University of Tennessee (1948-1951)

► Education

B.S., Middle Tennessee State College (1940); M.A., University of Tennessee (1941); Ph.D., University of Chicago (1948)

► Selected Publications

Author or co-author of more than 20 books, including *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962); *Cost and Choice: An Inquiry in Economic Theory* (1969); *The Limits of Liberty: Between Anarchy and Leviathan* (1975); and *Better than Plowing: And Other Personal Essays* (1992)

► Awards and Offices

Winner, 1986 Nobel Memorial Prize in Economic Sciences; Fellow, American Academy of Arts and Sciences; Former President of the Southern Economic Association, Western Economic Association, Mont Pelerin Society, and Public Choice Society



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