

NOBEL LAUREATE JAMES M. BUCHANAN'S (1919-2013) CONTRIBUTIONS TO POLITICAL ECONOMY

Coşkun Can Aktan
Prof. Dr.
Faculty of Economics and Administrative Sciences
Dokuz Eylül University
ccan.aktan@deu.edu.tr

—Abstract —

This short paper aims to summarize the contributions of Nobel Laureate James M. Buchanan to political economy from a personal perspective. In this short paper, I will try to write how Professor Buchanan has influenced my own writings and also his dominance and credit in the academia and politics.

Key Words: *James M. Buchanan, Public Choice, Constitutional Political Economy*

JEL Classification: B25, B3, H,K

Introduction

James M. Buchanan received the 1986 Nobel Prize in Economics for his contributions to public choice economics and constitutional political economy. In its announcement of the prize, the Royal Swedish Academy of Sciences noted: ¹

*“This year's Alfred Nobel Memorial Prize in Economic Sciences is awarded to **James M. Buchanan** for his contributions to the theory of political decision-making and public economics. Traditional economic theory explains in great detail how consumers and entrepreneurs make decisions regarding purchase of*

¹ Royal Swedish Academy of Sciences, Press Release,
http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1986/press.html

goods, choice of work, production, investments, etc. In a series of studies, Buchanan has developed a corresponding theory of decision-making in the public sector. This comprehensive theoretical formulation which goes under the name, "The New Political Economy" or "Public Choice", and lies on the boundary between economics and political science and has some of its origins in the work of the Swedish economist Knut Wicksell. Buchanan's contribution is that he has transferred the concept of gain derived from mutual exchange between individuals to the realm of political decision-making. The political process thus becomes a means of cooperation aimed at achieving reciprocal advantages. But the result of this process depends on "rules of the game", i.e., the constitution in a broad sense. This in turn emphasizes the vital importance of the formulation of constitutional rules and the possibility of constitutional reforms. According to Buchanan, it is often futile to advise politicians or influence the outcome of specific issues. In a given system of rules, the outcome is to a large extent determined by established political constellations... Buchanan's foremost achievement is that he has consistently and tenaciously emphasized the significance of fundamental rules and applied the concept of the political system as an exchange process for the achievement of mutual advantages."

Before summarizing his main contributions to economics and other related sciences, it would be better to provide a short biographical sketch.

James M. Buchanan: Short Bio

Buchanan was born in Murfreesboro, in 1919, the grandson of John P. Buchanan, Tennessee governor during the 1890s and former president of the Farmers' Alliance. Buchanan's early years were marked by frugality and hard work. Limited resources restricted his educational options, and he chose to attend Middle Tennessee State Teachers College. In *Better Than Plowing*, a series of autobiographical essays, Buchanan described his life as a day student returning home each evening to milk cows and perform chores on the family farm. After graduation with honors in mathematics, English, literature, and social science, Buchanan chose continued academic study over a banking position and earned a master's degree in economics at the University of Tennessee in 1941. Drafted into the military, he trained as a naval officer and spent much of World War II serving at Pacific Fleet Headquarters on the operations staff of Admiral Chester W. Nimitz. After the war, Buchanan returned to his academic studies, earning a Ph.D. in economics in 1948 from the University of Chicago. Professor Frank Knight

strongly influenced Buchanan's intellectual development, especially his emergence as an academic advocate of the market order. Buchanan also discovered the writings of Knut Wicksell, a Swedish economist, which provided important insights leading to his development of Public Choice Theory. Following a series of academic positions at Tennessee and Florida universities, Buchanan was appointed professor and chair of the Department of Economics at the University of Virginia. Despite innovative scholarship and the establishment of the Thomas Jefferson Center for Studies in Political Economy, he failed to garner the support of the University administration, which considered his research too conservative and outside mainstream economic thought then advocating growing government intervention in the economy. Buchanan moved to Virginia Polytechnic Institute and State University, where with others he founded the Center for Public Choice. In 1983 he accepted a professorship at George Mason University and relocated the center to its current site.²

James M. Buchanan died in Blacksburg, Virginia, on January 9, 2013 at age of 93.

Personal Thoughts and Reflections

Honestly and frankly, I would say that I discovered Professor Buchanan myself. Unfortunately, I was not aware of Buchanan and his writings when I was an undergraduate student in Turkey. I took Public Finance course at the undergraduate level, where no detailed contribution of professor Buchanan was given. While I was taking courses for my master's degree, I tried to read his Public Finance (coauthored with Marilyn Flowers) and Public Finance and Democratic Process: Fiscal Institutions and Individual Choice with my poor English. His textbook was quite interesting for me, because of his challenging ideas to the orthodox theory of public finance. I thought that he was an "unorthodox economist. In 1986, he was awarded with the Nobel prize in Economics Science. Afterwards, I read more news and articles about him.

While I was taking courses for my Ph.D, I started to read professor Buchanan's other studies. Unfortunately, the university library was terrible, and fortunately, there was an American Library at that time in Izmir. The library was small and very well organized. I had found several more books of professor Buchanan at

² Barbara Haskew, "James McGill Buchanan", Tennessee Encyclopedia of History and Culture, <http://tennesseencyclopedia.net/entry.php?rec=154>

that library. I met with the interesting ideas about political decision making process by reading his books.

I started to study on my dissertation while I was taking courses. I had talked with my supervisor and convinced him that I wanted to write my dissertation on the supply-side economics, which was a hot topic at that time. I had gotten an unofficial approval form my supervisor and I started to collect reading materials on the supply side economics. Everyone was talking about the Laffer Curve at that time. But, after I read his several papers on the Laffer effect (Buchanan & Lee, July-1982; Buchanan & Lee, August-1982) , I thought that the Laffer effect was a naive approach to explain a good tax system. Then, I started to read Buchanan's writings on tax constitution.

During my doctoral study, I tried to find a fellowship to visit the Center for Study of Public Choice, where he was a General Director. I was successful to get a grant from the Turkish Higher Education Board. I wrote a letter to Professor Buchanan requesting an acceptance letter to study at the Center. In only three weeks, I got two letters from the Center, one from professor Buchanan and the other from Professor Viktor Vanberg, who was visiting scholar program coordinator.

In November 1987, I went to the America and stayed at the Center for Study of Public Choice for a year and half. I met with Professor Buchanan and his colleagues at the Center. I have great admiration and a deep respect for him. I was lucky to stay with Betty Tillman, who has been his secretary for more than 30 years.

I had another chance to stay at the Center, for an academic year between 1994-1995. I worked very hard to broaden my horizon and expand my knowledge. No doubt that I got a great vision from Professor Buchanan's writings. I had a very limited knowledge on Philosophy and Ethics. I started to read on philosophy and ethics. I started to think that not only interdisciplinary approach, but also multidisciplinary studies were necessary to have a good vision.

I do believe that professor Buchanan's ideas had –and still has- a great impact to change of the World. We live in a century, in which great transformations have occurred and the winds of change have been continuing. No doubt that no the

winds of change occur without ideas. As professor Buchanan noted below *“ideas do have consequences.”*

*“My aims are limited. My tools are words that enter arguments presented in books, essays, and lectures, arguments that develop quasi- abstract ideas which challenge the minds of those who are members of the academies... My own experience... tells me that ideas do have consequences.”*³

One of founding father of the new management philosophy, Dr.Edwards Deming wrote in his book entitled *New Economics for Industry, Government, Education: “Transformation requires profound knowledge.”* (Deming,1993.94.)

Buchanan’s “profound knowledge” and his commitment to the work ethic has an enourmous effect on the radical reforms in the United States, in Europe and in the developing nations. Turkey is also a good example for that.

Of course, change is diffucult and takes time. But we all come to accept that in the long run ideas are very powerful to achieve the change.

Buchanan: A Deep Thinking Scholar

It may take many years to read Professor Buchanan writings. His biographical data shows that he has been writer of some 30 books and countless numbers of articles and monographs. He did contribute to the many areas of the social sciences. He started to his academic career with the Public Finance. His first book was *Public Principles of Public Debt* published in 1958. Since then he has published many studies and became the founding father of a new research field called *Public Choice and Constitutional Economics*.

My purpose here is to give some examples from other economists and political scientists, who reviewed some of the books and articles of professor Buchanan. It should be noted that many books and articles was written on Buchanan so far.

According to the Royal Swedish Academy of Sciences, which announced the Nobel award noted:

³ James M. Buchanan, “Nobelity”, (Unpublished paper, presented at a special luncheon session of the Eastern Economic Association, Baltimore, Maryland, 4 March 1989.)

“... James M. Buchanan has devoted himself to development of the contractual and constitutional bases for the theory of economic and political decision making. In so doing, he has become the leading researcher in the field which has come to be known as “public choice theory.” ⁴

Anthony B. Atkinson, a professor at the London School of Economics and Political Science reviewed his studies and wrote:

“Buchanan’s work has been marked by the highest standards of scholarship from the very beginning, his writing exhibited an impressively wide knowledge of the writing of his predecessors in the field.” (Atkinson, 1987:2.)

Charles K. Rowley, a dedicated scholar to the classical liberal philosophy also writes:

“Buchanan’s research program has consistently pursued the underpinnings of consent in politics over a career so far spanning some forth years... He has changed the vision of the state almost single-handedly...and he has done so when economics was apparently forever captured by constructive rationalism. This is a remarkable achievement.” (Rowley,1987/3:185.)

Professor Thomas Romer in his article entitled “On James Buchanan’s Contributions to Public Economics” remarks that:

“Buchanan’s work has displayed a remarkable consistency of theme and outlook over the career. The emphasis on the individualistic view of the state, the focus on government as an exchange nexus, the concern over constitutional rules and their practical outcomes, the influence of the work of Knut Wicksell –these are all present from his earliest writings.” (Romer, 1988:167.)

Viktor Vanberg, a German scholar, who published studies both on Buchanan and Friedrich A. Von Hayek concluded in one of his short paper:

“Buchanan and Hayek have helped to shape an analytically powerful general conception of social order that offers new prospects for a theoretically integrated social science, a modern political economy.” (Vanberg, 1987:3.)

⁴ (Press Release from the Royal Swedish Academy of Sciences, “The Nobel Memorial Prize in Economics 1986”, Scandanavian Journal of Economics, vol 89 , No1, 1987. P.2.)

Agnar Sandmo, a Norwegian scholar notes that:

“James Buchanan is without doubt one of the most influential economists of our time. As the main founder of the field of public choice or the new political economy he has created a new approach to the study of public economics and economic policy. The effects of his efforts and those of his many collaborators – among whom of course Gordon Tullock is the most outstanding- are striking. Public choice¹ has come to be recognized as a distinct approach to the study of economic policy and has been developed by a large number of researchers both in the United States and in the rest of the world.” (Sandmo, 1990:50.)

A British scholar Gareth Locksley wrote that:

“Buchanan has been the dominant figure in the developments (of public choice). Eschewing empty theorising he has sought to construct and indicate forms of political order that channel individual’s self-interested behaviour towards the common good.” (Locksley,1981.)

One of the famous public choice scholar Dennis Mueller also notes:

“...One of the most impressive features of his research has been the sheer number of seminal contributions he has made, the number of topics for research that can be traced back to a basic paper or book by James Buchanan.” (Mueller,1984:558.)

Professor Roger Congleton in his review article notes that:

“He has written in numerous fields outside of public economics, and, while his work has consistently emphasized an individualistic methodology.” (Congleton,1988:152.)

All of these remarks acknowledges that Professor Buchanan contributed to the Economics, Political Science and other related sciences.

Concluding Remarks

Professor James M. Buchanan’s analysis of topics are related with many research agenda of the social sciences. He is the founding father of the Public Choice

Economics and Constitutional Political Economy. He did contributed many topics of the the theory of public finance (taxation, public debt, externalities etc.)

He is one of the most creative social scientist of the 20th and early 21st centuries.

He is an idealist and constructive rationalist and contractarian, which he believes that we all can construct the good rules for a free and a just society.

He is a constitutionalist, where he proposes that we should adopt new constitutional constraints on the power of the government.

He is a believer to the free society. Throughout his academic career he tried to answer to this question: *“How can individuals live in social order while preserving their own liberties?.”*

He has consistently advocated an individualistic society.

He has devoted himself to the development of the individualistic, contractual and constitutional bases for the theory of political decision making process.

He has been a highly productive writer, being the author or co-author of several dozens of books and countless dozens of articles. Many of his books and articles was translated into other languages.

He was incredible hard worker. He was very productive and he continued writing till he died at the age of 93. He was a true believer to the work ethic. Here are his words that express his own ideas on work ethic:

“Why is work good, and why is loafing bad? Let us think about this a little... I want to ask why work is good in and of itself and apart from any future effects on the person who chooses to work or to loaf. That is to say the word “good” in the way I want to use it here implies that my choice benefits others in the community, that work is externally evaluated in a positive way, whereas loafing is somehow evaluated negatively... There is ethical content in the work-leisure choice of the individual, that the traditional folk wisdom is indeed correct, that we may legitimately and on the basis of a rational choice calculus deem work to be praiseworthy and loafing to be blameworthy.” (Buchanan, 1989c:49.)

He was awarded with some 10 honorary doctorates by many universities and other institutions from all over the world.

No doubt that he is one of the great thinker, who has changed the vision of the state. Many countries now have been discussing his ideas widely both in the academic and political circles. One can see that his proposals for constitutional reform are being putting into effect both in developed and developing countries.

A great man, a great philosopher...

We owe him much and I do believe that next generations will always owe him much more than our time because we hope that they will live in freedom, peace and welfare.

His ideas has changed the world. He is one of the intellectual leader of the ongoing change and sweeping reforms throughout the world.

Without doubt that he is one of the most influential economists of the 20th and 21st centuries.

REFERENCES

Aktan, Coşkun Can. (1994) "James M. Buchanan'ın Politik İktisada Katkıları", Maliye Yazıları Dergisi, Ocak-Mart, s.32-65.

Atkinson, Anthony B. (1987) "James M. Buchanan's Contributions to Economics", Scandanavian Journal of Economics, vol 89 , No1, P.2.

Boettke, Peter J. (1998). James M. Buchanan And The Rebirth Of Political Economy. in: Ric Holt and Steven Pressman, eds., Economics and Its Discontent: Dissent in 20th Century Economics, Edward Elgar Publishing.

Buchanan, James M. (1954a). Individual Choice in Voting and the Market. Journal of Political Economy, 62: 334-43.

Buchanan, James M. (1954b). Social Choice, Democracy, and Free Markets. *Journal of Political Economy*, 62: 114-23.

Buchanan, James M. (1950). Federalism and Fiscal Equity. *American Economic Review*, 40: 583-99.

Buchanan, James M. (1958). *Public Principles of Public Debt*. Homewood: Richard D. Irwin.

Buchanan, James M. (1966). *Public Finance in Democratic Process: Fiscal Institutions and Individual Choice*. Chapel Hill: University of North Carolina Press.

Buchanan, James M. (1967). Public Goods in Theory and Practice. *Journal of Law and Economics*, 10:193-97.

Buchanan, James M. (1969). *Cost and Choice: An Inquiry in Economic Theory*. Chicago: Markham Publishing Co.

Buchanan, James M. (1975). *The Limits of Liberty: Between Anarchy and Leviathan*. Chicago: University of Chicago Press.

Buchanan, James M. (1977). *Freedom in Constitutional Contract: Perspectives of a Political Economist*. College Station: Texas A & M University Press.

Buchanan, James M. (1979). *What Should Economists Do?* Indianapolis, Indiana: Liberty Press.

Buchanan, James M., and Dwight Lee, (1982) "Tax Rates and Tax Rates in Political Equilibrium:Some Simple Analytics", *Economics Inquiry*, vol 20, No3, July-1982.

James M. Buchanan and Dwight Lee,(1982) "Politics, Time and the Laffer Curve", *Journal of Political Economy*, vol 90, August-1982.

Buchanan, James M. (1985). The Moral Dimension of Debt Financing. *Economic Inquiry* 23: 1-6.

Buchanan, James M. (1986a). *Better Than Plowing*. Banca Nazionale del Lavoro Quarterly Review, 159: 359-75.

Buchanan, James M. (1986b). *Liberty, Market, and State: Political Economy in the 1980s*. Brighton, England: Wheatsheaf Books.

Buchanan, James M. (1989a) "Nobility", (Unpublished paper, presented at a special luncheon session of the Eastern Economic Association, Baltimore, Maryland, 4 March 1989.)

Buchanan, James M. (1989b). *Essays on the Political Economy*. Honolulu: University of Hawaii Press.

Buchanan, James M., (1989c) "On the Work Ethic", *Essays on the Political Economy*, Honolulu: University of Hawaii Press, 1989.

Buchanan, James M. (1990). *Born Again Economist*. *Lives of the Laureates: Ten Nobel Economists*, ed. William Breit. Cambridge, MA: MIT Press.

Buchanan, James M. (1992) "Virginia Political Economy: Some Personal Reflections", (Unpublished Paper, 1992)

Buchanan, James M. (1999). *The Logical Foundation of Constitutional Liberty*. Liberty Fund, Inc.

Buchanan, J. M. & Brennan, G. (1980). *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. New York: Cambridge University Press.

Buchanan, James M. (1985). *The Reason of Rules - Constitutional Political Economy*. Cambridge: Cambridge University Press.

Buchanan, J. M. & Congleton, R. D. (1998). *Politics by Principal, Not Interest*. New York: Cambridge University Press.

Buchanan, J. M. & Tullock, G. (1962). *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press.

Buchanan, J. M. & Wagner, R. E. (1977). *Democracy in Deficit: The Political Legacy of Lord Keynes*. New York: Academic Press.

Buchanan, J. M. & Yoon, J. Y. (1994). *The Return to Increasing Returns*. eds., Ann Arbor: University of Michigan Press.

Congleton, R. D. (1999). "Buchanan and The Virginia School", <http://www.gmu.edu/jbc/fest/files/congleton.htm>, 30.12.1999.

Congleton, Roger D. (1988). "An Overview of the Contractarian Public Finance of James Buchanan", *Public Finance Quarterly*, vol 16, No 2, April.

Deming, W. Edward. (1993). *The New Economics for Industry, Government, Education*, 1993. Cambridge: University of Cambridge Press.

Da Empoli, Domenico (1999). "Buchanan's Contributions: An Italian Viewpoint", <http://www.gmu.edu/jbc/fest/files/daempoli.htm>, 30.12.1999.

Durden G. C. & Millsaps, S. W. (1996). *James Buchanan's Contribution to Social and Economic Thought: Citation Courts, Self-Assessment, and Peer Review*. *Constitutional Political Economy*, 7: 133-151.

Hansjürgens, B. (2000). "The Influence of Knut Wicksell on Richard Musgrave and James Buchanan", *Public Choice*, 113: 95-116.

Locksley, Gareth. (1981). "Individuals, Contracts and Constitutions: The Political Economy of James M. Buchanan", in: *Twelve Contemporary Economists*, Eds., J.R.Schakleton and G. Locksley, London: The Macmillan Press Ltd.

Mueller, Dennis. (1984) "Mueller on Buchanan", in: *Contemporary Economists in Perspective*", Eds. By. William Breit and Kenneth G. Elzinga, Greenwich: Connecticut, JAI Press Inc.

Reisman, D. (1990). *The Political Economy of James Buchanan*. College Station, Texas A&M Press.

Rowley, Charles K. (1987). "The Economic Philosophy of James McGill Buchanan", *Journal of Public Finance and Public Choice*", 1987/3.

Romer, Thomas. (1988). "On James Buchanan's Contributions to Public Economics", *Journal of Economic Perspectives*, vol 2, No 4, Fall 1988.

Sandmo, A. (1990). "Buchanan on Political Economy: A Review Article." *Journal of Economic Literature*, 28 (1): 50-56.

Vanberg, Viktor. (1987) "J.M.Buchanan and F.A.Hayek, "The Thought of Two Nobel Laureates", *Market Process*, vol 5, No 1, Spring 1987. P.3.