Abstract: While Buchanan is best known for the economics of politics and constitutions, his seminal contributions to this field are simply one branch of his deeper approach and contributions to social science. Buchanan’s underlying project was to re-orient economics (and social science more generally) as a science of exchange (catallactics) rather than of allocation (optimization). The clearest statement of this contribution lies in Buchanan’s 1963 presidential address to the Southern Economic Association, “What Should Economists Do?” which was later expanded into a book of the same title. This paper seeks to draw attention to Buchanan’s underappreciated distinction between allocation and exchange. Two examples (trade restrictions and populism) of implications for the practice of economics and social science in the twenty-first century are provided.
Rediscovering Buchanan’s Rediscovery: Antiseptic Allocation vs. Non-Market Exchange

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1. Introduction

James Buchanan spent much of his career analyzing political institutions, and this work—the fields of public choice and constitutional political economy—are what he is best known for. Yet from his earliest publications he urges economists to follow a methodology of catallactic exchange rather than one of rational optimization. In his first papers on taxation and public finance (Buchanan, 1949), for example, he wrestles with optimization models having become the dominant approach in the economic analysis of taxation. He argues that the tax authority cannot necessarily be expected to choose a policy course that would maximize an abstract measure of social welfare, but instead might choose tax bases and rates that pursue the concrete interests of politically influential groups. The solutions from neoclassical welfare economics that demonstrate optimal tax policy can be useful, but they distract the economist’s attention from what is the more central question in the economics of taxation. What is being optimized versus what should be optimized, and how reliably can we expect actual policy decisions to follow the advice of economists?

This paper draws attention to some lesser known but arguably deeper implications and motivation of Buchanan’s work. In particular we focus on his work on catallactic economic methodology viewed alongside his work on generalized increasing returns and his associated attempts to revive the centrality of Adam Smith and the Scottish Enlightenment to economic theory. We sustain that Buchanan’s work calls for economics to return to the study of catallactics. This motivation spans many years, almost Buchanan’s entire career, from his earliest papers to some of his last. In some of these later papers, Buchanan explicitly traces the same
methodological argument he had been making throughout his career to the Scottish Enlightenment thinkers. Here Buchanan argues that economists began early in the twentieth century to neglect Adam Smith’s main question, and the discipline’s attention steadily drifted to focus on the development and refinement of optimization models. For almost a century, Buchanan argues, economists had become distracted from what is the core question of economics, thus setting back the progress of the discipline. When it came to policy advice, economists also implicitly assumed that the behavioral assumptions of the optimization model characterize the real world. It would be as second nature for the neoclassical welfare economist turned policy advisor to assume that policymakers are fully-informed maximizers of social welfare. Public Choice, on the other hand, calls for a comparative policy analysis that considers how government institutions perform relative to the market, while assuming the same behavioral model for policymakers as for firms and consumers. Different behavior and outcomes do not depend on assuming different types of economic agents, but on different institutional frameworks.

Similarly, mid-century neoclassical models routinely would assume constant returns to scale in industry. It was only in the 1980s that newcomers in growth theory, international trade, and other fields began relaxing that assumption, and soon a flurry of increasing returns models came out. With his colleague, Yong Yoon, Buchanan joined this resurgence of interest in increasing returns, directing it toward Adam Smith’s question of the wealth of nations and the postulate that the division of labor is limited by the extent of the market. As opposed to increasing returns in production of a single good or factor such as capital, Buchanan and Yoon argued that Smith’s question is associated with the question of generalized increasing returns to the extent of the overall market (Buchanan & Yoon, 1994).
There is a salient theme that we wish to draw out. Whether in Public Choice, in growth theory, in public finance, or any other field of economics, Buchanan criticized the discipline’s dominant methodology. Thus, from his earliest publications, Buchanan is urging the practitioners of economics to ask the right questions, and to recognize the tendency for novel methods to distract attention to the central question. He would continue to make these critiques for the rest of his career (Wagner, 2017). He would argue that models of individual optimization and general equilibrium are important analytical achievements, but that they distract from asking the truly important questions (thus holding back the discipline), and they distract from providing sound counsel (thus holding back the social contributions that economics can make). These distractions can be ameliorated by incorporating into economic analysis the principles of methodological symmetry, comparative institutional analysis, and catallactic exchange both in market and non-market settings. The first and most prominent of these non-market settings was politics, but in principle and practice, these methodological principles can be deployed to any non-market institutional setting including law, church, family, sports, corporate governance, and more. Thus, we seek to explore Buchanan’s project using three arguments: 1) he was best known for economics of politics; but 2) his deeper contribution was a catallactic methodology of non-market exchange in the lineage of the Scottish Enlightenment; and 3) he argued this for much of career from his earliest to some of his latest papers.

The paper proceeds as follows. In Section 2 we canvass reactions to Buchanan’s Nobel Prize in 1986, and to his death in 2013, to assess how he is best known in the profession. Along with this discussion we examine the field of Public Choice, what it is best known for, and how that contrasts with the way Buchanan himself saw the field. Section 3 then generalizes to Buchanan’s methodology more broadly, connecting his approach with the Austrians and the
Chicago school. Public Choice is the best known, but is only one branch of implications of Buchanan’s methodology. Section 4 then explores two examples of how Buchanan’s approach would inform issues for the 21st Century, in particular trade restrictions and populism. Section 5 concludes.

2. Buchanan as Economist of Politics:

“Could you explain what Public Choice is? A lot of people say it just sounds like common sense. Why would you win the Nobel Prize for common sense?”

Jane Seaberry, Washington Post Staff Writer, interviewing James Buchanan soon after being awarded the 1986 Nobel (Seaberry, 1986)

What is Buchanan best known for? In this section, we provide insight into Buchanan’s reputation by examining two episodes that garnered widespread comment: the autumn of 1986 when he won the Nobel and the winter of 2013 when he passed away. Buchanan is recognized and remembered as a founder of Public Choice, which in turn is defined as the economics of politics. As the above epigraph suggests, some of the reaction to his Nobel was skeptical, even hostile in a few instances. We will argue that these criticisms confuse methodology for ideology. Most of the reactions characterized Buchanan’s work as the application of economics to politics and constitutions, i.e. Public Choice. We will in turn argue that Public Choice—what Buchanan is best known for—is only one implication of his deeper contribution.

The skeptics were not subtle. The headline chosen by the editors of Washington Post was “Discreetly lifted eyebrows over Buchanan’s Nobel” (Rowan, 1986). For its part, the New York Times ran a story titled, “A Controversial Nobel Prize? Tuning in to these Conservative Times” (Lekachman, 1986). Beneath the headlines, other prominent economists were quoted. Franco Modigliani, the 1985 economics Nobel laureate, complained “Dr. Buchanan says very
emphatically that the government should get out, and this fits very nicely with the Swedish view right now” (Lekachman, 1986). Concurring, a Washington Post guest editorial wrote, “What it all boils out to is that Buchanan’s economics represents a particular ideology: leave the economy alone and everything will be all right” (Rowan, 1986). Squaring the circle, a guest editorial in the Times objected candidly: “To put it bluntly, the Nobel committee’s choice is far more a testimonial to the fashionable popularity of conservative politics in the United States and elsewhere than a tribute to Mr. Buchanan’s rather modest achievements” (Lekachman, 1986). In short, the intellectual establishment considered Buchanan’s work unworthy on its own terms, and attributed both his work and the rationale for the Prize to ideology.

Even so, the vast majority of commentary during these two episodes focused on Buchanan’s methodology, not his ideology. Starting with the New York Times, its obituary provides a solid overview of Buchanan’s life and work. The Times’s ideologically hostile 1986 editorial is not mentioned. One of Buchanan’s most prolific students, and a past president of the Public Choice Society, Randy Holcombe (2013), offers a learned summary of Buchanan’s realistic analysis of how governments actually work in practice. Robert Higgs (2013), in typical eloquent fashion, weaves an insightful and enjoyable portrait of the person and his work. Mario Rizzo (2013) accentuates Buchanan’s Austrian streak and the very strong philosophical foundations that girded his work. David Boaz (2013) at the Cato Institute conveys the substance of Buchanan’s thoughts on spontaneous order. Steve Horwitz (2013) discusses Buchanan as a scholar and teacher at Bleeding Heart Libertarians. Brian Doherty (2013) at Reason discusses the place of Buchanan among the cadre of libertarian thinkers. Tim Groseclose (2013) covers the market failure vs. government failure aspect of Buchanan’s legacy. Dylan Matthews (2013) at the Washington Post's Wonk Blog offers discussion of the policy implications of Buchanan’s work.
for public policy and constitutional design; he also usefully points to a few of the main critics of public choice theory. [Note: the sources in this paragraph are all blog posts dated winter 2013, proper citations and references will be inserted.]

Summing up, this flurry of insightful and to some extent personal commentary carries a couple of common themes. First, these comments emphasize the body of work for which Buchanan is best known -- namely the economic analysis of political processes, better known as public choice and constitutional political economy -- and its implications for designing social rules and public policy. Second, they connect Jim's scholarly output and impact to his personal qualities -- namely his work ethic and his anti-establishment or "maverick" disposition. Two remarks stand out in this regard:

From Tyler Cowen’s piece cited above:

I think the key to understanding Buchanan is just to understand how he works. Every morning he gets up quite early, and he starts working quite early. And he's very regular and very devoted to the craft of being an economist and being an intellectual in a way that I think is quite unique. And that to me is the most memorable thing about him. It goes beyond any particular contribution. This notion of how to work, how to think, how to live. To take ideas very seriously and to treat them as such, and to communicate that to other people in an infectious way -- I think is ultimately his greatest contribution.

And from Robert Higgs’s piece also cited above:

[T]he hallmark of Buchanan’s work from beginning to end was a deep seriousness of purpose and procedure that not many economists have matched in the past century. Unlike the typical mainstream economist, Jim was never just fooling around, toying with a tweaked model or a trivial, throw-away idea. To a rare degree, he kept his eyes focused on the prize of true economic understanding.

As Buchanan himself wrote in 1982 about the spontaneous order of the market process, "The 'order' is, itself, defined as the outcome of the process that generates it." He could have
been speaking about the order that flowed from his own pen. Clearly this body of work is well-regarded in many circles within the economics and social sciences. The impact of this work will be judged over time. But there is some basis for Bob Tollison, Buchanan’s most prolific student and long time colleague, to say that Buchanan’s work will be pored over by future scholars for a couple hundred years. “This may not be an eternity,” wrote Tollison, “but it is a very long half-life” (Tollison 2013).

It is understandable for scholars to associate Buchanan with Public Choice and not pay much attention to the rest. Starting with the official press release announcing Buchanan’s Nobel, we see the Nobel Committee describing his work as “a synthesis of the theories of political and economic decision-making (Public Choice).”¹ Buchanan himself also describes Public Choice in this way, telling the *The Washington Post* interviewer, “Public Choice can best be summarized by saying it essentially takes the methods and approaches that economists have traditionally applied to the private sector and extends that method and approach to the political sector, to politics. And tries to help us understand what goes on within that very complex political structure” (Seaberry, 1986, p. C1).² This same way of framing Public Choice is found among other prominent Public Choice figures. For example Dennis Mueller, author of an authoritative textbook in Public Choice and a past president (1984-86) of the Public Choice Society, defined Public Choice as “the economic study of nonmarket decision making, or simply the application of economics to political science” (Mueller 1989, p.1). Even the flagship journal of the field, *Public Choice*, describes the field as the economics of politics. Implicit to and underlying this

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² Buchanan repeats a similar response in other places. For example, a few years earlier, in his 1979 essay “Politics without Romance,” he called Public Choice a “new… sub-discipline that falls halfway between economics and political science” (Buchanan, 1996) (Buchanan 1979, p##).
definition is the assumption that there are contours of inquiry around the disciplines, that these contours converge and overlap in certain areas, and that these overlaps constitute boundary lines between disciplines. And, being boundary lines, any settlement along those boundaries or—even more so—*crossing* of those boundaries needs to be recognized, inspected, and noted as exceptional by the denizens toward the interiors of either side. We call this the migratory or boundary definition of Public Choice. Just a little scrutiny will demonstrate its limited usefulness.

First, notice that the migratory or boundary definition of Public Choice actually refers to two sets of boundary lines. One set of boundaries separates the *subject matter* of economics from politics, while the other set of boundaries delineates the *methodological approach* of economists from political scientists. It is easy to conflate these two, but distinguishing them is important because, as we have seen, critics of Public Choice often mistake it as a form of libertarian ideology. But notice the careful word choice in Buchanan’s own description. He emphasizes the methodological boundaries by making repeated mention of the tools and methods of economic analysis. Yet he emphasizes the subject matter boundary by mentioning the questions that are traditionally those of political scientists. And when doing so, he reminds us that he is thinking of rediscovering Enlightenment thinking. “I think making this extension of an essentially economic approach to politics was novel in the past few decades because we [the economics profession] sort of neglected that. There was a general recognition of this point early on in the 18th century but we forgot about it for 150 years.” (Seaberry, 1986).

Why is Buchanan reminding us of these forgotten ways? And how does his mindset of methodological rediscovery provide clues to his deeper contribution to social science?
3. Buchanan as Economist of Exchange: Public Choice as a Bridge to a Deeper Question

3.1 Exchange (catallactics) versus Allocation (optimization)

It follows from the above discussion that despite the well-deserved recognition that Buchanan carries as one of the central developers of Public Choice, his motivation was deeper than the economic analysis to politics. In this section, we suggest that Public Choice can be understood as a means, or as a bridge, to reconsider the defining question of economics as a science.

His Presidential address at the Southern Economic Association is probably his most clear exposition on this subject (Buchanan, 1964). The title of his presentation, *What Should Economists Do?*, is answered by no less than advocating for a revision of what economic science is about. Showing no hesitation in his assessment, for him economists “should […] face up to their basic responsibility; they should at least try to know their subject matter” (Buchanan, 1964, p. 213). Buchanan joins the group of economists for whom economics should be the science of exchange, catallactics or, in his words, symbiotics, instead of being an enterprise of optimization and equilibria analysis. For Buchanan, equilibria conditions should be viewed as interesting but less important than understanding exchange. *Understanding exchange* means to have as an object of study what Adam Smith referred as the *invisible hand*, or what Hayek would call *spontaneous orders*. Paraphrasing Hayek, the question economics must answer is how order (rather than equilibrium) is possible as a spontaneous phenomenon when the information required for such equilibria is not available to any single individual. What rules govern the behavior of economic agents that make such spontaneous order possible? More precisely, Buchanan’s concern is that of the *collective action* that takes place *within* rules of behavior
(Public Choice), in addition to the collective action to changes the rules themselves (Constitutional Political Economy).³

Consider the following passage from Buchanan’s presidential address, where he proposes “to take on Lord Robbins as an adversary and to state, categorically, that his all-too-persuasive delineation of our subject field has served to retard, rather than to advance, scientific progress” (1964, p. 214). Clearly for Buchanan asking the right question as a science is not a minor problem. It seems that for Buchanan economists let the tools at their disposal redefine what economics is about rather than choosing than letting the economic question guide what the proper tools of analysis are.

Buchanan exemplifies the deviation that economics has been taking into with a question in a hypothetical economics classroom. The hypothetical professors ask the class what the difference between an economic and technological problem is. A hypothetical student replies with the typical textbook answer to this question. Yet, Buchanan (1964, p. 216) imagines a second student who protests saying that “there is really no difference”. In a sense, the second student is right. The technological problem can be thought as mathematical problem with a vector of physical quantities. The economic problem can be thought as a mathematical problem with a vector of physical quantities and also with a vector of prices. In the economic problem the vector of prices can be used as a deciding rule to choose between different technological options. Yet, technically (mathematically) speaking, both problems are similar. Despite the economic rhetoric of a typical “economic problem”, the focus is on allocation (equilibrium) with no discussion of the exchange problem. The difference between the two types of problems is the

³ Kirzner (1965) replies arguing that Buchanan’s concern has been raised for years by a “group of writers” (p. 257) and that, while agreeing with Buchanan, computations problems are still part of the economic problem (even if not the main subject of study).
number of variables included but not the mathematical nature of the problem or, what is
Buchanan’s message, how economists typically approach both scenarios.

Buchanan’s position is not unfamiliar. As mentioned above, it is no less than Adam
Smith’s invisible hand research program. Furthermore, according to Gallo (1987) the Scottish
Enlightenment, can be seen as Hayek’s spontaneous order research program. In Buchanan’s
terms, this is the problem of collective action. It is then natural that Buchanan would be seen as
an Austrian fellow traveler sympathetic to their research program. With different emphasis and
terminology, both (Buchanan and the Austrians) try to answer the same question. Hence a
potential research agenda combining Austrian economics, Public Choice, and Institutional
economics among other fields.

There is an important characteristic in Mises (1933, p. 13. 31) and Hayek’s (1967,
Chapter 2) envision of economics as a complex phenomenon that relates to Buchanan’s collective
action problem. The distinctive characteristic of a complex phenomenon is that even if it is too
complex to be designed by the human mind, it is not too complex to be understood (with limits)
by the human mind once the phenomena exists. This means that while the human mind cannot
create a market, it can understand its working once it is developed. Consider language as an
example. Any language, such as English, Spanish, or German, is a spontaneous development of
human interactions. Language is not centrally designed, but once it exists, we can study their
writing and grammar rules. In this simple analogy, grammar rules would be like the laws of
demand and supply in economics. We did not create them, but once we discover them, we can
understand the process that governs how language and markets work. Yet, the capacity to
understand how a complex phenomenon works should not be confused with the capacity to
centrally built or organize a market.
It is because of this distinctive characteristic of complex phenomena that rules are important. This is why the relevant research question is how coordination, rather than equilibrium, takes place. Institutions (usually understood as the formal and informal rules of the game) play a crucial role in shaping the incentives that economic agents face and therefore on the outcome of the collective action problem. Institutions define the long-run level of income/wealth of an economy. The economic question of how collective actions gives rise to a spontaneous order must resort to institutional considerations. This is why mainline economists have paid so much attention to the role of institutions. This is also why the Austrian School of economics could be seen as a continuation of the Scottish enlightenment research program. And this is also why the mathematical formalization of economics can be seen as having the unintended consequence of changing the nature of economic science, moving it away from the science of exchange whose contribution is greater understanding of social progress through spontaneously ordered growth, towards a socially antiseptic exercise in calculating optimal decision matrices.\(^4\) Economics as catallactics or optimization have overlapping yet different research programs.

Consider now that a major player in the institutional framework of a country is its government. Buchanan’s Public Choice can be understood as a topic of study in the larger research program of catallactics. Buchanan does not only focus on the institutions of government, but he also advocates for a very reasonable assumption: that policy makers are not angels, they are normal human beings. In his words, the economic analysis of government (or of any organization) should avoid falling prey of a romantic approach. Note that this is well aligned with the Scottish Enlightenment principle of a Republic. The role of the government and its

institutions is not to be a tool to the political leader in office, but to protect society from the worst possible political leader that may take office.

Buchanan is far from being the only accomplished economist to think that the object study of economics is, or should be, catallactics. Buchanan falls into what Boettke, Fink, and Smith (2012) refer as mainline economics (as different from mainstream economics) (also see Kohn, 2004). Mainline economists regard economics as the science of exchange as envisioned by Adam Smith’s invisible hand, while mainstream economics see economics as the science of optimal resource allocation as implied by Robbin’s definition of economics. For instance, some of the economics Nobel Laurates considered by Boettke, Fink, and Smith (2012) to be in the mainline group are Becker, Buchanan, Coase, Friedman, Hayek, Lucas, North, Ostrom, Stigler, and Williamson. Meanwhile some of the economics Laureates in the mainstream group are Arrow, Debreu, Heckman, Hicks, Koopmans, Krugman, Nash, Samuelson, Selten, Solow, and Stiglitz. Boettke, Fink, and Smith (2012) also find that the research of the mainline economists is more lasting and enduring than that of the mainstream economists. This speaks to Robert Tollison’s comment, cited above, about half-life. Formal techniques tend to exhibit fashion cycles of acceptability and popularity in academic disciplines (Pesendorfer 1995; Coehlo and McClure 1993). The fact that mainline questions are usually answered in less technical terms (that is, with formal mathematical models) than mainstream questions does not imply that the latter are deeper questions. How deep or far reaching a question is and how (mathematically) technical the answer is are two different dimensions that may or may not correlate.

Note that even if Boettke, Fink, and Smith, locate Hicks in the mainstream groups, Hicks himself seems to have changed his position later in life: “In my sub-title, and in the text of Chapter I, I have proclaimed the ‘Austrian’ affiliation of my ideas; the tribute to Böhm-Bawerk, and to his followers, is a tribute that I am proud to make. I am writing in their tradition; yet I have realized, as my work continued, that it is a wider and bigger tradition than at first appeared. The ‘Austrians’ were not a peculiar sect, out of the main stream; there were in the main stream; it was the others who were out of it” (Hicks, 1973, p. 12, n. 1).
3.2 The Limits of Public Choice are Broader than Politics

Consider now the problem of collective action in broader terms. Coordination problems arise not only in government and bureaucracies, but also in all corners of social interaction such as philanthropic and humanitarian aid, neighborhood and homeowner associations, school boards, juries, organized religions, professional associations, institutions of higher educations, corporate stock ownership, organized crime, mafia, terrorist groups, etc. In each one of these organizations we can find individuals interacting other individuals in the context of given rules. Therefore, each of these areas is a natural subject matter for Public Choice.

This is why Public Choice scholars began to study subjects beyond politics. Not merely the voter, the politician, and the bureaucrat, but also the judge, the prosecutor, and the jury. Not just the head of state, but the heads of church, of school, and of voluntary associations. Not just the chair of the legislative committee, but the chairs of executive boards and central banks. In short, not just collective action in government, but again collective action through all the many layers of collective groups that interleave and overlap throughout the reaches of society.

It should be clear that Buchanan’s approach to Public Choice and political science is the opposite to ideological, it is methodological and, as such, belongs to a long a tradition of influential thinkers. Buchanan’s approach is driven by a theoretical concern of (1) which institutions secure a virtuous economy and also (2) what design would make those institutions robust, securing the survival of the institutions beyond politicians’ tenure in office.\textsuperscript{6} This is the underlying motivation in works such as The Calculus of Consent (1962), The Limits of Liberty (1975), The Power to Tax (1980), and The Reason of Rules (1985). The reason to limit power is

\textsuperscript{6} See Pennington’s (2011) discussion of robust political economy.
to secure individual liberty, not to coerce it. This is another issue that overlaps with Hayek’s distinction between limited (republic) and unlimited (non-republic) democracies.

Public Choice is usually defined as the application of economic analysis tools to the realm of politics or policymaking. Even though we agree that this definition is uncontroversial, we still see Public Choice as an approach to the problem of collective action in an organization of any type, form, and size. The above discussion shows that Public Choice is not about government *per se*, but about a method of inquiry into human coordination, and the rules that govern the collective action problem in any organization, from small associations to large entities such as national governments.

### 3.3 Buchanan’s Methodological Individualism

Even though Public Choice studies the problem of *collective* actions, the method to study this problem is still based on *individual* choices. Consider Buchanan’s (1996, p. 13) words

> As my definition suggests, Public Choice theory is methodologically individualistic, in the same sense that economic theory is. The basic units are choosing, acting, behaving persons rather than organic units such as parties, provinces, or nations. Indeed, yet another label for the subject matter here is “An Individualistic Theory of Politics.”

For instance, the explanation of fiscal policy decisions and macroeconomic outcomes is done at the individual level, such as Buchanan and Wagner do in *Democracy in Deficit* (1977). The explanation of high deficits and its macroeconomic consequences (inflation, government debt, stagflation, etc.) is built on a rational analysis of the politization monetary authority, and the increase in government size is explained with a rational analysis of the individual voter-taxpayer. Under Keynesian policy institutions, the choice setting is opaque when it comes to the individual perceived tax price for a proposed additional dollar spending. This opacity is there partly because policymakers have the
incentive to raise complexity in the tax code and budget process. A further complication arises in the form of an interest group bias toward intergenerational transfers because future generations are not represented in today’s political game. Meanwhile, on the other side of the ledger, the benefits of the proposed expenditure could be abundantly clear to the individual voter-taxpayer. In this choice setting, where the benefits are clear and present while the costs are vague and distant, it is rational for the individual voter-taxpayer to choose greater spending.

Policy making is analyzed without assuming that policy makers are neither angels nor demons. Consistent with other economic fields, policy making is analyzed assuming a typical economic agent that reacts *rationally* to the *institutional framework* that defines the incentives he faces.

It is natural that Public Choice will also be interested in the analysis of comparative institutions. Not just with Keynesian vs. other fiscal institutions, but with respect to all the variety of economic, political, legal, and other social institutions. That is, with respect to all the variety of collective groups. And with any collective feature rules within which the individual members of the collective interact. There is some mechanism that it used to aggregate individual preferences into a collective choice. Some mechanisms are democratic, others dictatorial, still others aristocratic or oligarchic, some even anarchical. Some collectives have proportionate sharing rules, others progressive. Some are voluntary, others compulsory. And the list of variations goes on. The key is that they are all methods of aggregating individual choices into collective ones, and so each of these areas is an institutional setting that properly is the subject matter of Public Choice.
To emphasize, the uncontroversial definition of Public Choice as using economic tools to study political science is of limited usefulness. The problems and applications are significantly broader than that of political analysis. The boundary of Public Choice is the entire set of human interaction through collective action, including all its many modes, political and otherwise, in groups large and small, across distances long and short, and through organizations both voluntary and coercive. And secondly, Public Choice is the paring of methodological individualism with comparative institutional analysis to explain and understand collective action.

4. Buchanan for the 21st Century

4.1 Trade Restrictions

Once the assumption of ideal policymaker is lifted in exchange of typical economic agents that react rationally to the institutional framework they operate in, the question of policy irresponsibility arises. Why would rational policymakers embark into fiscal irresponsibility, inefficient regulations, and so on? Why would rational policymaker behave in opposition to what any economic textbook used in any university anywhere in the world would recommend?

There are several ways to answer this issue. Certainly, rational behavior does not necessary lead to the first best outcome if the incentives defined by the institutional framework point somewhere else. There are also issues such as interest groups (concentrate benefits and disperse costs), rational ignorance, and rational irrationality just to mention a few. The topic of trade restrictions is a salient example of policy makers, and voters, advocating for regulations that create dead weight losses. It also provides an example of the importance of the institutional framework that governs the outcome of collective action.
Since Adam Smith to these days, economists understand the costs of trade restrictions, yet the real world of policymakers behaves in opposition to the opinion of experts. It needs to be pointed out that the problem is not just about loss in economic efficiency, but also about unethical income distribution and transfers. Those interest groups receiving sizable profits do so by indirectly coercing consumers into acquiring their products by restricting international competition.

It is unlikely that issues such as rational ignorance and rational irrationality would disappear, or that voters’ behavior could be changed in these areas. Rather, it is a sound and robust institutional framework what can avoid inefficient regulations by protecting taxpayers from rent seeking behavior. To think that policymakers would by self-motivation advocate for a change that goes against their own maximization problem is to “romanticize” the world of politics. A more realistic approach consists in not assigning any particular virtue to policy makers. This leads to a more accurate diagnosis of the problem and, therefore, also to a more realistic and likely solution to unnecessary dead weight losses.

4.2 Populism

The turn of the 21st century shows a renewed rise of populist regimes, especially in Latin American countries such as Argentina, Bolivia, Ecuador, Nicaragua, and Venezuela (N. Cachanosky & Padilla, 2019). And, more recently, in Europe and arguably also in the United States. Economics has traditionally been interested in the economic policy characteristics and outcomes of populism and their unsustainable nature (Dornbusch & Edwards, 1990; Edwards, 2010; Grier & Maynard, 2016; Rode & Revuelta, 2015; Rodrik, 2018).

The field of political science is more interested in the institutional characteristics of populism. The economic analysis of political institutions is a natural approach the problem of
populism that allows to connect these two areas of research (Chesterley & Roberti, 2016; Guiso, Herrera, Morelli, & Sonno, 2017; Mazzuca, 2013; Ocampo, 2015). First, study what institutional characteristic define a populist regime, second, proceed to explain how this framework leads policymakers into execute unsustainable policies. While there are different approaches towards the problem of defining populism, probably the more aligned with a Public Choice approach would be the lack of a republic institutional framework. For this approach, the legitimacy of a populist regime does not arise through an institutional filter (i.e. the rule of law) but directly from the people (Abts & Rummens, 2007; Weyland, 2001). This is why populist regimes usually resort to a “us (the good ones) versus them (the bad ones)” rhetorical construct. The leader receives a direct mandate from the people and therefore faces no institutional constraints. This approach is also consistent with Riker’s (1988) thesis that even if populist regimes deteriorate the institutions of their countries, a weak institutional framework is already a pre-requisite for populist leaders to be able to get to power.

The lack of a republican institutional framework that would protect the minority against the majority allows populist leaders to embark into a major rent extraction \textit{a la} Acemoglu and Robinson (2012) (and \textit{cf.} Buchanan (1996) on individual sovereignty and federalism.) The level of corruption and rent extraction associated with these regimes defy Olson’s (2000) model of roving and stationary bandits. The former are bandits that move from town to town expropriating as much wealth as possible as they move along. The stationary bandit stays put in a town and protects their citizens against foreign (and domestic) threats while continuously extracting a share of their income. A populist leader of the 21\textsuperscript{st} century gets to power through democratic

\footnote{This is, for instance, the approach by García Hamilton (1998) with respect to Latin America inclination to authoritarian governments and low levels of productivity.}
elections but faces no institutional constraints. Formally, the populist leader is a stationary bandit in Olson’s story, yet it gets to behave as a roving bandit (Leeson 2007).

The contribution of Buchanan is to offer a rational framework to study this type of behavior without having to resort to romanticizing or demonizing policy makers. In Buchanan’s terms, populism is a collective action problem that must be understood as an institutional problem. This means that those countries that want to protect themselves from populism needs to seriously think about an institutional reform. That is, these countries need to think in Buchanan’s terms.

5. Conclusion

Buchanan’s work has been groundbreaking and highly influential. Yet, without any demerit to such achievements, we call attention to the deeper motivation of his research agenda. That of brining the economic question back to its roots. Buchanan’s collective action problem belongs to the problem of how exchange produces order rather than to the problem of how to optimize. The former is an emergent order question, the latter assumes a planner. Buchanan is not alone on his quest, mainline economists is the group of intellectual that, despite methodological differences, one way or another continue the research program initiated by Adam Smith.

Buchanan’s insights to collective action problems shed light also to 21st century problems, such as the ongoing trade restrictions and the return of populist regimes. A non-romanticized analysis of these phenomena must take a “Buchanan approach”. This means paying attention to what incentives the institutional framework defines for policy makers.
References:


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