Abstract: James Buchanan endorses a radical version of subjectivism at several points in his body of work. I distinguish two distinct criteria for subjectivism in Buchanan. First, Buchanan rejects the realism of preferences, arguing that they are only an analytical tool for understanding choice. Second, Buchanan adopts an Austrian perspective on the importance of creativity inspired by Kirzner and Shackle. In addition to reconstructing Buchanan’s views on these topics, I examine how they relate to more recent work in political philosophy, behavioral economics, and psychology in order to ascertain what value Buchanan’s radical approach might still hold.
James Buchanan criticizes standard Coasean analysis from what he calls the "subjectivist-contrarian" position (1987, p. 262). He argues that transaction Costs cannot lead to inefficiency because, well, costs are costs. Costs are constraints on what is possible, not barriers to achieving some imagined efficient possibility. Harold Demsetz (2003), in making a similar criticism of the Coasean approach, labels Buchanan's approach “subjectivist-contrarian.” I leave it to the reader's imagination to determine whether this is an intentional slight or a mere typo. In any case, it is an apt description of Buchanan's subjectivism, the position of his that probably has the least influence, even among his admirers.

On Trinity Sunday, a priest at my parish began his homily declaring: “The Trinity gets into everything.” As a foundational Christian dogma, it cascades through a number of other dogmas, doctrines and practices. For Buchanan, subjectivism is just as central. Taking his initial cues from the L.S.E. tradition on cost and picking up some other influences along the way, Buchanan's insistence on the radical subjectivity of cost permeates his views on public finance welfare economics, constitutional choice, the philosophy of economics, the nature of markets, the public role of economists, and of-human nature itself. It gets into everything.

This essay offers a status update on Buchanan's subjectivism. Since his views on this subject run so deep, it is impossible in the space of one essay to explore them fully, much less to offer an overall evaluation of their plausibility and usefulness. My focus is narrower: given recent developments in both social science and political philosophy, how should we update our views on Buchanan's subjectivism? If you believe his views were dead-on-arrival or the gospel truth, I am unlikely to affect your judgment. But if, like me, you find Buchanan's subjectivism challenging and important but not always convincing, it is worth asking how well his views hold up in light of more contemporary work.

In order to assess Buchanan is subjectivism, I first offer a “rational reconstruction” of his view. The goal of the reconstruction is not exegetical per se. Though I believe it is a plausible reading of Buchanan's views, it is geared toward bringing those views into conversation with 21st century social science. There are two main takeaways from the reconstruction that inform the rest of my argument. First, Buchanan has (at least) two criteria for what counts as subjectivism. These criteria are related but not reducible to one another. Though they fit together in a coherent theory, for ease of exposition I label them Subjectivism 1 and subjectivism 2. Second, Buchanan's subjectivism is not a rejection of standard economic analysis. He criticizes certain application of neoclassical price theory, but he admits that it has its uses. The subjectivist alternative he proposes exists alongside standard economics as a distinct but complementary mode of analysis.

This essay proceeds as follows. First, I present my reconstruction of Buchanan's subjectivism. Second, I evaluate his contractarian applications of subjectivism in light of developments in political economy and political philosophy. Third, I compare Subjectivism 1 to motivational findings from behavioral and experimental economics. Fourth, I evaluate Subjectivism 2 in light of advances in psychology and anthropology dealing with cognition.
1. Buchanan’s Subjectivism: A Reconstruction

What does it mean to say that Buchanan is a "radical subjectivist?" Virtually all modern economists are subjectivists to some extent. At a minimum, they treat consumer preferences as ultimately given. Buchanan goes beyond this commonly accepted view. As noted above, he adopts (at least) two distinct criteria for what he calls subjective economics, which I refer to as Subjectivism 1 and Subjectivism 2. These two criteria could be treated as two different definitions of subjectivism, but they are linked, as I discuss in Section 4.

Subjectivism 1: Choices are real. Preferences are mere models.
Subjectivism 2: Human choice involves creativity.

For Buchanan, the fact of human choice is central to economics. I do not know, nor does it matter for the purposes of this argument, whether he believed in any strong version of free will. What does matter is that human beings chose between alternative courses of action, not whether those choices are determined by some underlying mechanism.

Preferences, by contrast, are not real. “I am here advancing the more radical notion that not even individuals have well-defined and well-articulated objectives that exist independently of choices themselves” (Buchanan 1979, p. 258; c.f. Buchanan 1991, p. 283). Preferences, typically expressed in the form of utility functions, are a tool of thought that economists use to make predictions about outcomes that are driven by choices. It is necessary to assume something about how people will choose in order to make any predictions whatsoever (Buchanan 1982, p. 15). Even if these assumptions are false, their job is simply to help make predictions.

Creative choice is distinct from rat choice. The preceding sentence does contain a pun, but not a typo. Buchanan distinguishes between mere incentive models and those that allow for creativity. He repeatedly cites studies of how rats respond into relative price charges (Buchanan 1979, p. 246; 1982, p. 17). While humans and rats can be modeled in the same way for predictive purposes, this only captures the reactive aspect of choice. The creative side of choice—perhaps unique to but at least distinctive about human beings—is not simply reactive, but imaginative. A reactive choice is a person jumping out of the way of a car. A creative choice is a person, walking barefoot, seeing a cow and imagining leather for shoes (Buchanan 1982, pp. 14-15).

Note: by claiming that preferences do not exist, Buchanan does not deny the reality of psychological dispositions. This is the ordinary, day-to-day meaning of preferences (see also Wilson 2010, p. 78). Such dispositions are critical to the anthropology he develops in “Natural and Artifactual Man,” the most forceful statement of his subjectivism (Buchanan 1979). Rather, the claim is that the technical economic definition of preferences—which are treated as a sort of algorithm that determines behavior—only works as a fictitious model of behavior. “If the utility function of the choosing agent is fully defined in advance, choice becomes purely mechanical. No ‘decision,’ as such, is required; there is no weighing of alternatives” (Buchanan 1964, p. 32). Buchanan does not object to these standard economic modeling practices. Rather, the goal of making this distinction is twofold:
1. To push back against certain bad uses of economic modeling.
2. To carve out a distinct “domain of subjective economics” whose insights should be appreciated even if they do not furnish predictions.

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*Figure 1: The Domains of Economics*

Figure 1 reconstructs Buchanan's views about the different forms that economics can take. Economics can study choice as such in its most subjectivist mode. This end of the spectrum is universally applicable but largely devoid of content since it does not make any assumptions about how people choose. I use the term “relatively absolute” here in reference to Buchanan’s own language about “relatively absolute absolutes.” It does not imply certainty, but rather a fixed point in the analysis. For Buchanan, the individualism characteristic of Western liberal societies is a provisional truth that needs to be taken as a fixed point for most analysis (Buchanan 1979, p. 255). And in this mode of analysis, the characteristic actions studied are human beings’ attempts to “become” some imagined version of themselves in the manner of artisans (ibid.). But despite having the least well-defined content, this mode of economic reasoning carries the entire normative weight of the discipline. Choice is real, so only actual choices can have any normative significance. “All willing parties to a trade expect to benefit” does not give us much in the way of predictive power, but for Buchanan it underwrites an entire social philosophy.

On the other end of the spectrum is the predictive science of economics. In order to generate testable predictions, economists must make generalizations and even fictitious assumptions (such as the existence of utility functions). Moreover, the more precise the prediction, the less generalizable it is. In order to forecast with any precision, for instance, a change in the price of milk due to a supply shock, the analyst must estimate the elasticity of demand. That elasticity will not be fixed, but will vary across time and across markets. Prediction also assumes that the individuals studied are not creative, and are thus only engaged in rat choice.

Between these two poles lies the domain of subjective economics. Subjective economics cannot make predictions because it doesn't assume the existence of preferences and allows for creativity. But it can offer broad, general explanations of social phenomena (Buchanan 1982, pp. 16-17). The goal of subjectivist economics is to offer as wide an explanation of empirical phenomena as possible without making strong assumptions about how individuals will choose. It is empirical in the broadest sense, but lacks the specificity to make specific predictions.

Stated thus, subjectivism obviously comes in degrees. The law of diminishing marginal utility is more subjectivist than the first law of demand, because the latter makes assumptions about how individuals value money. So the debate about subjectivism is not all-or-nothing, but rather about
how thick our assumptions have to be in order to have knowledge about the world. Buchanan is simply arguing that there are some propositions that are applicable without being narrow enough to permit specific predictions. These broad truths are just as much a part of economics as hypothesis testing. Ideally, we should treat these different modes of economics as complements, but at a minimum we should resist allowing one to swallow the others. The clearest example of how Buchanan deploys these distinctions is in his criticism of normative welfare economics.

Buchanan casts economics as a moral science rooted in one basic idea: exchange benefits both parties. That core intuition is the rock up in which he builds his social philosophy. But he puts a different spin on this idea than most economists. Exchange is good not because it satisfies preferences, but because it is agreed to. Voluntary consent is the ultimate benchmark of normative evaluation for Buchanan. This contractarian approach to social philosophy runs through all of Buchanan's decades-long work. Because he uses the standard language of economics—choice, costs, benefits, exchange—it is easy to see why some might miss this undercurrent.

Buchanan consistently challenges the implicit utilitarian basis of welfare economics, embracing a deontological approach to normative evaluation (Buchanan 1986, p. 462). Markets are not great because they achieve any particular outcome, even if that outcome is preference satisfaction. Markets are great because they are the institutional manifestation of a process driven by agreements (Buchanan 1964, p. 38). When analyzing market exchange, this analysis sounds like a distinction without a difference. But it has radical implications for public economics. Consider a public goods. For most economists, since public goods will tend to be under-provided. The justification for stale provision or financing of such goods is that they are preferred to the marginal private goods that will be sacrificed. On the margin, more public goods will better satisfy preferences. This is where Buchanan puts his subjectivist foot down.

Preferences are not real. Choices are. Preferences are just a map of choices. So while choices grant normative sanction to exchange, economists' mapping of likely choices is morally barren. A map of preferences can no more sanction public financing than a map of farmland can produce food. It's not the real thing (Buchanan 1959, p. 194).

If widely known, this argument would not make Buchanan many friends. Again, the goal of this essay is not to make an overall judgment of Buchanan's argument. But it is worth pointing out that there is some role for the predictive science of economics in Buchanan's system. The economist might use predictive models to examine the likely effects of policy or rule changes. While this would not justify imposing such charges from above—benevolent despots are still despots—the economist as citizen is free to propose these changes to his or her fellow citizens (Buchanan 1959, p. 196). The predictive science of economics is a complement rather than a substitute for subjectivist, contractarian social philosophy.

Buchanan’s subjectivism is about distinguishing different modes of economic scholarship. It is not a wholesale rejection of large parts of neoclassical theory, but a subtle (albeit idiosyncratic) critique of how it is sometimes used. This basic point does a lot of work in what follows. Much of modern social science refines the tools of predictive science. Buchanan’s framework does not provide grounds for objecting to those tools, just as those tools do not provide grounds for
rejecting Buchanan’s subjectivism. So while what follows is no doubt based on my own biases, I have endeavored to focus on issues in which there is a potential for substantive engagement with Buchanan’s subjectivism, positive or negative.

Subjectivist Contractarianism

Buchanan is among the rare breed of economists that embraces radical subjectivism. He is among the even rarer breed that embraces contractarianism. But the fact that he weds the two makes him a true pioneer in political philosophy as well as economics. Buchanan manifestly denies that he or anyone else can evaluate individuals’ choices according to some utility scale, so he takes voluntary choices as the relatively absolute standard of moral authority (Buchanan 1991). Economic exchange is the exemplar of this voluntarist approach in action. But for exchange to be voluntary, the property rights that are exchanged must also be voluntary. So it is impossible to evaluate economic or political systems without evaluating whether individuals agree to the rights that define the system itself.

Contractarian views, by their nature, require a “bridging strategy” that connects the ideal of agreement to the messy real world of political and social divisions. Since agreement is the source of justification, only unanimous consent to public proposals fully satisfies his standard. So contractarians have develop not only a standard of agreement, but a way to evaluate real-world governance arrangements in terms of how close they are to that standard. Buchanan refers to unanimity as a “benchmark” (Buchanan 1986, p. 462). The closer real-world conditions are the conditions of the hypothetical agreement, the stronger the normative presumption in favor of them. Buchanan’s large corpus offers a number of alternative bridging strategies, three of which I consider here, with the last being the most important and most contested.

The first and most prominent strategy that Buchanan adopts is the ‘veil of uncertainty” (op. cit.) If individuals are ignorant of their future economic interests, then they will tend to pick rules that work well in general, for all citizens. This in turn makes agreement on rules more likely. The veil of uncertainty, like Rawls’ veil of ignorance, does serve as a thought experiment for Buchanan. But it is not only a thought experiment. Different historical circumstances approximate the veil of uncertainty to different degrees. Buchanan believes that the American Founding—though far from perfect—approximates the veil of uncertainty more than most times and places. Reconstructing Buchanan, then, we might argue that there is a normative presumption in favor of the Founders’ constitutional design. That design can be challenged. Buchanan has proposals of his own that challenge it. But challenges bear the burden of proof. Madisonian constitutionalism has presumptive priority.

Two powerful and related alternatives to this view have arisen since Buchanan's main work on this topic. Both alternatives share a common feature: talk. One of the strangest aspects of Buchanan's thought is that, while Frank Knight's work influenced him so profoundly in other ways, he never developed Knight's concept of democracy as discussion (c.f. Knight 1960). For Buchanan, exchange is the fundamental building block of social philosophy. In exchange, even constitutional exchanges, agents only need to offer terms. Knight distinguishes this “vending machine” talk from real discussion (Knight 1960, p. 73). If talk matters for political justification,
then it needs to be included in the idealization of a hypothetical unanimous agreement. The two alternatives I now turn to both use talk to evaluate institutions, but in very different ways.

The first alternative to Buchanan is public reason. Rather than treating agreement as exchange—I'll respect your rights if you respect mine—public reason accounts describe agreement as basically propositional. Examples include Rawls (1993) and, closer to Buchanan in many ways, Gaus (2010). Different individuals ascribe to different belief systems. Social rules are justified when all individuals have reasons to endorse them. Again, this view requires idealization. In the real world, individuals may be mistaken about the political implications of their moral beliefs or even be strategically dishonest. In this regard, both Buchanan's subjectivist contractarianism and public reason idealize. But they idealize in heterogeneous ways.

Knight and Johnson’s (2011) pragmatist view of democracy is the other contender to Buchanan that relies on talk. They argue that democracy, understood as *discussion*, has moral priority over markets because discussion is reflexive: it can evaluate the proper role of democracy itself. Their approach is not contractarian, and it differs from public reason in that agents listen to and learn from one another. In public reason views, agents do not argue about their reasons, but rather state principles or rules that other agents accept or reject. But this view has something in common with contractarian views: it also relies on idealization. Knight and Johnson recognize that real-world political discourse often fails to live up to their lofty view of deliberation and mutual learning. They identify a set of conditions that would allow for fruitful deliberation (Knight and Johnson 2011, Chapters 7–8). Just like the veil of uncertainty, the real world approximates these conditions at varying times and places in very different degrees.

In order to remain relevant, Buchanan's normative use of subjectivism must meet this challenge: it must show why an economically focused, subjectivist view of human beings is a better way to model agreement than the alternatives. And if Buchanan is wrong about how we should idealize, his normative presumption in favor of Madisonian constitutionalism is on shaky ground. Even if Buchanan is right about the founding era of the United States approximating a veil of uncertainty, it does not follow that it approximates the discursive conditions that make talk—either pragmatic deliberation or public reason-giving—normatively relevant. The point of bringing up these two views is not that they are the only serious alternatives, but that they both highlight the way that how we idealize has a large effect on our normative presumptions about institutions.

Note also that the link between idealization and the resulting normative conclusions is far from pristine in Buchanan’s own work. In “What Should Economists Do?” he seems to give priority to markets since they embody agreement (Buchanan 1964, p. 38). But this argument only works if the property rights that underwrite market exchange are agreeable. Similarly, he raises a very odd criticism of market socialism (Buchanan 1969, pp. 87-89). He claims that there is a more fundamental problem with market socialism than the knowledge problem identified by Mises and Hayek. In market socialism, individuals would not be making choices as they would in the marketplace. This is true. But in markets, individuals will not be making choices as they would under market socialism. There is no *ex ante* reason to grant one set of choices more moral authority. Buchanan does not even consider the possibility that there could be *constitutional* market socialism, in which individuals widely or unanimously agree that a Lange-style system is
preferable to markets. So while Buchanan’s subjectivist contractarianism enlists powerful economic intuitions, it is subject to some serious competition. For scholars influenced by this vein of his thought, it is worth revisiting both his analytic assumptions and normative conclusions.

Two other bridging strategies that Buchanan mentions have fared better, especially at the intersection of normative philosophy and empirical political economy. The second bridging strategy that Buchanan advances is decentralization (Buchanan and Tullock 1962, p. 114). The smaller jurisdictions are, the more closely they can approximate unanimity. This argument has been bolstered substantially by the work of the Bloomington School. While Bloomington scholars rarely, if ever, make much of Buchanan's subjectivism, they wholehearted, embrace the individualist approach to institutional analysis it implies. The substantial corpus of the Bloomington School demonstrates the empirical relevance of Buchanan's approach to understanding and evaluating a wide range of governance practices (see Ostrom 2011).

This strategy has also flourished in the literature on club governance, which directly applies Buchanan's own extension of constitutional analysis to private rule-making bodies such as stock exchanges (Stringham 2015), wagon trains (Anderson and Hill 2004), and relief services (Skarbek 2016). Finally, this strategy has made its way back into contractarian political philosophy. Gaus (2010) argues that dividing the world into jurisdictions—down to the level of private owners have jurisdiction over many uses of their property—is an important strategy for diffusing moral disagreement. This strategy for making subjectivism relevant has directly inspired several lines of research that continue to bear fruit. At a minimum, they should be seen as blunting potential criticisms of Buchanan’s subjectivism.

Buchanan's third bridging strategy is generality (Buchanan and Congleton, 1998). If agents behind a veil would opt for general rules, why not examine the generality of rules directly? Though they do not credit Buchanan as a source, this approach to analyzing institutions has been revived with astounding success by Acemoglu and Johnson (2012). Instead of describing institutions as discriminatory or general, they use the terms extractive and inclusive. But the core idea is the same. Good societies are those where the rules work to create generalized prosperity by enabling the gains from trade. Failed states are those in which the powerful exploit the weak. Martin and Ruhland (2019) argue that this Buchananite argument is still a viable and powerful bridge between normative ideals and empirical analysis and offers a rival view to the growing literature in state capacity. Again, the subsequent literature, while not appealing to Buchanan’s subjectivism or even his broad corpus, provides broad support to this approach.

**Subjectivism 1 Explanations**

Behavioral economics emerged toward the end of Buchanan's career. Behavioral economics imports tools from psychology to catalogue the ways in which human beings differ from *homo economicus*, often dubbing these deviations biases. A great deal of behavioral economics produces novel forms of market failure arguments, and proposes policy solutions such as nudging or outright paternalism (Boettke et. al. 2013). There is little question what Buchanan would think of these arguments: it would be the same as his response to Pigou (but perhaps with
harsher language) that hypothetical preferences have no moral weight. “The proper role of the economist is not providing the means of making ‘better’ choices” (Buchanan 1964, p. 41). His contractarianism may be compatible with a constitutional use of behavioral findings (Hargreaves Heap 2017).¹ But the source of normative weight is choice itself, biased or not.

One informal catalogue of such biases in the field of finance clocks in at 153 entries.² Since this is not a German habilitation, I do not plan to go through a detailed list. Given the sheer number of purported biases, as well as the very real possibility of a future replication crisis in behavioral economics that could parallel that in psychology, it is helpful to distinguish between two types of findings from behavioral economics. Motivational findings question the standard preferences ascribed to homo economicus, focusing on issues such as transitivity, risk, and other-regarding preferences. These may bolster or undermine Subjectivism 1, and are discussed in this section. Cognitive findings concern the ways in which individuals process information, and are more likely to interact with Subjectivism 2. I discuss them in the next section.

When it comes to motivations, behavioral economics and subjectivism are two ships passing in the night. Behavioral findings question the predictive science of economics. If behavioral modifications make predictions more accurate, good. Use them. The subjectivist has no loyalty to rationality in any strong form nor to homo economicus. They are tools to be used to study what matters: choice. If better tools are available, those should be used instead. Subjectivists may be hesitant to draw welfare implications from behavioral findings but need not reject them as a predictive tool. The real question is whether behavioral economics affects the domain of subjective economics. The answer is "maybe."

The potential confounder for subjectivism is sociality. Experimental subjects often deviate from strict selfishness, sometimes being more generous and other times more spiteful than homo economicus. Insofar as these deviations are preference-driven, there is no conflict with subjectivism. They are simply a different way to model individual choices. But should sociality be modeled as preferences? Vernon Smith and Bart Wilson have raised doubts about this pint (Smith and Wilson 2019, Chapter 4; Wilson 2010). Many of their objections concern the methods of predictive economic science and do not concern us here, but their preferred solution does. In their account, individuals do not just have preferences over outcomes but also concerns about rule-following conduct. Does rule-following fit within a subjectivist theory of choice?

Two pieces of indirect evidence indicate that rule-following is compatible with subjectivist accounts. First, Buchanan (1965) writes about dilemmas regarding choices between rules in a classic article. These dilemmas are modeled relatively formally (for Buchanan) but are abstract enough that they fit easily within his domain of subjective economics. Second, Viktor Vanberg—one of Buchanan's coauthors—likewise advocates for modeling individuals as rule-followers rather than treating sociality in terms of preferences (Vanberg 1994). Vanberg does not mention subjectivism in this discussion, and his account of rule-following may or may not be compatible

¹ I should note that, though it is not a majority position, that Hargreaves Heap argues that the weight of evidence from behavioral economics is that individuals simply do not have preferences. If he is right, it bolsters Buchanan’s overall view quite a bit.
with Smith and Wilson's. Overall, the best answer to this question is probably “to be
determined,” but consider the following passage from *Reason of Rules*:

In some economists’ discussions of the law, one obtains the impression that choosing
whether to abide by the rules is like selecting a drink at a soft-drink machine; that is, one
either abides by the rules and pays no penalty or fails to abide by the rules and simply
pays the price of so doing, as reflected in the rules. But legislated punishment is not to
be construed simply as the “price” of an alternative course of action; it also symbolizes
the fact that a “wrong” has been committed. Making a choice among alternative drinks is
a morally neutral act; choosing between legitimate and illegitimate modes of behavior is
not morally neutral. (Buchanan and Brennan 1985, p. 113)

One consequence of recognizing sociability is to qualify the explanatory power of subjectivist
economics. Subjectivists think you can get pretty far—but not all the way to prediction—with
minimal empirical assumptions and without appealing to utility functions. But many
explanations implicitly assume away sociability. Or, in classic language, they assume non-tusim.
Consider a sophisticated subjectivist price theory text, Kirzner's *Market Theory and the Price
System* (1963). While he goes to great length to stake out a subjectivist stance, there is no
acknowledgment that the supply and demand analysis in the book assumes non-tusim. This
omission is especially odd given Kirzner's affinity for Wicksteed. So one way that behavioral
economics can encroach on subjectivism is by revealing implicit empirical assumptions that particular arguments rely on. Whether sociability is driven by
preferences or by other mechanisms, this shrinks the domain of subjectivist explanations.

But there is a more perennial problem confronting Subjectivism 1: for many questions it is
simply not relevant. Vaughn (1980) asks: “does it matter that costs are subjective?” She correctly
answers: not in equilibrium. In equilibrium, subjectivist explanations and predictive models
converge to the same result. Consider an example from O’Driscoll (1982, pp. 200-204). he notes
that, from a subjectivist point of view, the revenue that a monopoly foregoes when it expands
output is a cost. So the model of monopoly, to be consistent, should include this foregone
revenue in the cost curve and eliminate the marginal revenue curve entirely. But he also notes
that, since the cost curve would then be steeper, the equilibrium price and quantity have not
changed from the standard model. While the subjectivist approach may lead to different welfare
conclusions, the descriptive modeling produces the same outcome.

Consider another example. Negative externalities are often described as external costs. A
subjectivist might respond that, in many cases, they cannot be costs since the individual affected
made no choice. Buchanan (1962, pp. 42-43) himself is inconsistent on this point. After putting
his foot down that cost is always tied to choice, he allows that there can be “choice-influenced
costs” since they are tracked in “utility space.” But a hailstorm also affects my utility without
being caused by choice, so this argument makes no sense. In both cases, the subjectivist is right
to point out that losses have been suffered rather than costs. But while this is more consistent—
losses can be due to acts of nature as well as man, and do not require choice—it does not change
the substance of the analysis and largely comes down to a semantic point.
So when radical subjectivists say, “but costs are subjective!” their neoclassical interlocutors are often right to say, “so what?” To its credit, subjectivism is highly compatible with enriched views of human nature that go beyond homo economics. But it is not necessary for such enrichment, as evolutionary and psychological accounts that have flourished in recent years can be quite rich as well. To see whether subjectivism is descriptively relevant, we would do better to turn to Subjectivism 2.

**Subjectivism 2 Explanations**

Creativity is the essence of Subjectivism 2. Buchanan engages with Kirzner’s work on entrepreneurial discovery in several essays, favorably taking on his view of the market as a creative process (Buchanan 1982; Buchanan and Vanberg 1991). But even Kirzner does not go far enough for Buchanan, who expresses even more sympathy for what might be dubbed the ultra-radical subjectivism of G.L.S. Shackle (Buchanan 1979; 1982, p. 16). While there are differences between Shackle and Kirzner, I set those aside here since they mostly concern finer theoretical points that arise from accepting Subjectivism 2. Moreover, while Buchanan sides explicitly with Shackle, he does not do much with Shackle's signature theories. Besides “Natural and Artifactual Man,” Buchanan makes far more explicit use of Kirzner, usually as a building block but sometimes as a foil.

What does it mean to say that choice is creative? The simplest and most robust approach, I claim, is to treat opportunity sets as open (Martin 2011). The options that individuals choose from is neither fixed nor given. This conception of creativity has the advantage of a close connection with choice. Individuals choose among options, but in the real world we rarely wake up with a menu in hand. We first have to imagine opportunities before we can choose between them. Imagination precedes choice, not necessarily as a temporally distinct act, but logically. This is not to say that novelty is omnipresent. Often we use the memory of routine options in the same way we make routine choices. And while imagination is a part of human action itself, in the market process entrepreneurship acts as a locus of imagination and thus of creativity. Entrepreneurs introduce new goods and new production processes. This approach to modeling creativity thus has the further advantage of explaining Buchanan's affinity for Kirzner as well as connecting to the work of his teacher Frank Knight. Just as choice is the response to scarcity, imagination is the response to uncertainty.

Modern “dual-processing” accounts of human cognition bolster Subjectivism 2. Probably the most famous of these accounts is Kahneman's (2011) distinction between System 1 and System 2. System 1 is comprised of relatively automatic processes that underwrite intuitions and snap judgments. System 2 is consciously directed thought and attention, requiring focus and consuming cognitive (and caloric) resources. What dual-processing accounts have empirically re-discovered, I posit, is the distinction between discovery and search. System 1 is the locus of creativity, since it involves association and recombination of ideas. System 2 operates according to the standard Stiglerian approach to searching for known-unknowns. Individuals can consciously deploy System 2 to search for a piece of information they know that they lack, but not one that they are unaware of. System 1 ultimately presents the options that System 2 can investigate. Dual-processing accounts bolster Subjectivism 2 by empirically establishing the
heterogeneity of cognition. Imagination cannot be reduced to search (and thus to choice) because they are different in kind.

Framing is one of the best-supported concepts from behavioral economics (Tversky and Kahneman, 1981). A framing effect is when differing presentations of identical choice options leads to systematic differences in actual choices. Kahneman naturally associates framing with System 1, counting framing effects as a source of bias. Whether or not individuals should be subject to framing effects, the fact that they are is wholly consistent with Subjectivism 2.

Differences in the presentation of information lead individuals to different conceptions of their choice sets. If individuals perceive the nature of the options before them differently, it is no great mystery that they might chose differently. The flip side of creativity is error, which involves the misperception of opportunities. This connection between imagination and choice also explains clarifies the relationship between Subjectivism 1 and Subjectivism 2. Subjectivism 2 implies Subjectivism 1, but not vice versa. It is possible to have a radically subjectivist approach to cost and choice without ever invoking imagination, but individual imagination of opportunity sets trivially implies that costs are radically subjective.

Creativity is also linked with another key human trait, symbolic thought (Deacon 1997, Wilson 2018). Increasingly, scholars interested in human evolution have identified the capacity for abstract representation and the manipulation of symbols as one of—if not the—key difference between humans and other primates. Symbolic thought is associated with creativity because attaching symbols to concepts allows for the combination and recombination of ideas. Innovations are almost always composites of other ideas. I am not claiming that creativity and symbolic are the same cognitive function, but rather that they are strongly related to one another, especially given how much language processing occurs naturally in System 1.

This symbolic generation of novelty also plays a key role in accounts of cultural evolution. Human beings evolved in situations of intense inter-group competition. This environment generated a remarkable tendency towards tribalism. However, that tendency combines with our capacity for imagination to allow for the formation of symbolic tribes: organizations, religions, nations, ethnic groups, etc. Our group affiliations are so plastic that they can be induced by trivial assignments of team colors in laboratory settings (Lane 2016). This dynamic is subjectivism 2 at work: we not only choose loyalty to existing groups, but imagine new and alternative groupings.

As the example of cultural evolution illustrates, Subjectivism 2 pushes us toward a process perspective of social phenomena. Imagination allows for opportunity sets to change as individuals learn and forget information, so accounting for imagination requires accounting for the flow of time. Without denigrating the value or importance of equilibrium theorizing, processes merit social scientific consideration in their own right. Subjectivism 2 thus easily avoids the "so what?" problem of Subjectivism 1. Imagination is not reducible to choice, so a model of choice is unlikely to encapsulate everything of interest from imagination-driven processes.

One topic for which creative, process-oriented stories matters most is innovation. If most economic growth theorists and development economists are to be believed, then innovation is the single largest source of economic growth. Insofar as innovation is a function of creativity rather
than search, then its economic significance dwarfs that of most other variables. Given its potential to contribute to answering one of if not the biggest questions in economics, inquiry in the domain of Subjectivism 2 has tremendous future potential.

**Conclusion**

To be written

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