Chapter 7

Politics, Science, and Subjectivism

[T]he subjective elements of our discipline are defined precisely within the boundaries between the positive, predictive science of the orthodox model on the one hand and the speculative thinking of moral philosophy on the other.…

—James M. Buchanan, "The Domain of Subjective Economics: Between Predictive Science and Moral Philosophy" (1982)

The positive predictive model that Buchanan refers to in the quotation above qualifies economics as a science, because economics is based on an underlying theory of human behaviour. At its simplest, this theory of human behaviour is summarized in the economist's downward-sloping demand curve. Specifically, if something becomes costlier, people will do—or "demand"—less of it; if something becomes less costly, people will do or "demand" more of it. This basic tool of economic science enables analysts to make predictions about human behavior, and opens the door to a greater understanding of a wide range of human behaviour and social institutions.

Consider a straightforward example of legislating a price ceiling to hold a price below that which would otherwise exist in a market—a cap on the price of home heating fuel, for example. Economic science conveys considerable understanding about how market prices adjust so that, in each market, the quantity supplied of a good tends to equal the quantity demanded of that good. This understanding, in itself, offers a great deal of insight. Markets coordinate the activities of buyers and sellers so that mutually advantageous exchanges occur and goods go to those persons who value them most highly. If government imposes a price ceiling on some good, however, that lower-than-market price will make demanders want to buy more of it, but will also make sellers less willing to sell it. The predictable result is a shortage. Mutually advantageous

exchanges that would otherwise have occurred are blocked. Understanding this process is economic science at work.

The tools of economic science provide a great deal of insight into the nature of social interaction, and a substantial amount of predictive ability, making them "scientific" in the same way as the natural sciences are. One important difference between the social sciences and the natural sciences, however, is that social scientists are also a part of the subject matter of their studies. All of the sciences have many unanswered questions, so scientists must choose which questions to ask and address. The fact that social scientists are a part of their subject matter can, and surely does, influence the particular questions they pose.

Buchanan himself is a good example. In his autobiography, he wrote, "Those of us who entered graduate school in the immediate postwar years were all socialists, of one sort or another.... To us, the idealized attractions of populist democracy seemed preferable to those of the establishment controlled economy. It was this sort of young socialist, in particular, who was especially ready for immediate conversion upon exposure to teaching that transmitted the principle of market coordination" (Buchanan, 1992: 5). As noted earlier, Buchanan attributes his conversion to his teacher, Frank Knight (1885-1972).

This quotation directly refers to the science of economics and its ability to persuasively explain the coordination of economic activities that we observe in markets. This understanding of the way markets work is evidence of the predictive and explanatory power of economics as a science, which was essential to Buchanan's rapid conversion from a self-described socialist to a classical liberal. But this conversion leaves the classical liberal with the question of the proper role of government in a liberal social order. One answer is libertarian anarchy: In a free society, government has no place. But Buchanan rejected this option as unworkable. He said,

> To the individualist, the ideal or utopian world is necessarily anarchistic in some basic philosophical sense.... The anarchist utopia must be acknowledged to hold a lingering if ultimately spurious attractiveness. Little more than causal reflection is required, however, to suggest that the whole idea is a conceptual mirage. (Buchanan, 1975a: 3)

Why? Because without the protective state to ensure that individuals' rights are protected, society would dissolve into, to quote Thomas Hobbes (1651), a "war of all against all." That left Buchanan with the question of reconciling the institutions of government, the operation of which is based on force, with his classical-liberal inclinations.

He found the answer in the work of Knut Wicksell. Recall from Chapter 3 Buchanan telling of his excitement when, in 1948, he stumbled upon Knut Wicksell's *Finanztheoretische Untersuchhungen*. In this book Wicksell outlined a process by which individuals who pay for and consume government output could agree on what the government would produce and how much each person would be taxed to finance it.

Wicksell offered a connection between economic science and classical-liberal values founded on agreement and voluntary action. For Buchanan, a classical-liberal economist who saw the need for a protective state to preserve liberty, Wicksell's framework offered a foundation for the work of his entire career.

Buchanan was more than a disinterested scientist in his choice of a research program. He wanted to provide an understanding of collective-choice processes that could lead to an improvement in political institutions. His choice of topics was guided by the fact that, as a social scientist, he was a part of the subject matter that he studied.

Subjectivism and economic science

A major difference between the social sciences and the physical sciences is that the objects of study in the physical sciences behave exactly as prescribed by the laws of nature. The challenge in the natural sciences lies in discovering those laws. The social sciences face this same challenge—there are indeed laws of social behaviour, such as the law of demand. But in the social sciences there's an additional challenge: Its subjects—human beings—make *choices* about how they will behave. Predictions in the social sciences, therefore, can never be as precise, or as replicable, as predictions in the physical sciences.

As Chapter 3 described, when faced with a choice, individuals will select the alternative that they believe will best improve their well-being. The choices they make in what seem to be identical situations can vary. An individual might

choose to consume chocolate ice cream today, but in seemingly identical circumstances tomorrow might choose strawberry. People might choose differently because they have a preference for variety, or as a result of something they have learned. In this simple example, someone who chose chocolate might not have enjoyed it as much as anticipated, and so might decide next time to choose a different flavour. More to the point of Buchanan's work, people might perceive the effects of some government policy and respond to what they learn by changing their behaviour.

The Samaritan's dilemma, discussed in the previous chapter, gives an example. Policies that aid the needy give people an incentive to be needy—an unintended consequence of charitable acts. Sometimes consequences are intended. A tax deduction for dependent children gives people an incentive to have children. Estimating the precise magnitude of these effects is impossible. Some people will choose to have more children because of the tax incentive, while others will not. Some people will choose to remain needy to collect government subsidies; others will not. And the same people could make different decisions at different points in time. People can, and often do, change their minds and alter their behaviour.

Are policies such as tax deductions for dependent children in the public interest? Value is subjective, so there's no way to reliably measure the policy's costs and benefits. Whether or not a policy is in the public interest is determined by the *subjective* values placed on that policy's consequences by all individuals who are affected by it. This group includes both those who are targeted as the policy's beneficiaries and those who must pay the taxes to finance it. Because value is subjective, policies that benefit some but impose costs on others cannot be determined to be good or bad by weighing (undiscoverable) costs and benefits. The only way to draw a definite conclusion that a policy is in the public interest is if everyone affected by it agrees that it is.

This unanimity of agreement is an advantage of market exchange, as viewed from the perspective of economic science. Everyone who is party to a market exchange voluntarily agrees to it, providing strong evidence that that exchange is in the public interest, because it is in the interest of all of its participants.

Individual choice in voting and the market

The title of this chapter, "Politics, Science, and Subjectivism," is the title of an article Buchanan published early in his career, in 1954. He grappled with the issues he raised in this article throughout his career. He noted the advantages of market exchange, as just described. Everyone benefits, the evidence being that they actually agree to participate in the exchange. For several reasons, this situation stands in contrast to the political allocation of resources.

One difference between choosing by voting versus choosing in the market is that, in the market, each individual actually gets what he or she chooses. If some people choose Coke and others Pepsi, everyone gets what they choose. In voting, by contrast, those on the winning side generally get what they voted for, while those on the losing side have to take what those who win at the voting booth prefer.

Another important difference is that people who make market choices get what they chose *immediately*, whereas in voting even those who voted for the winning side only get a promise that they will eventually get what they voted for. Voters choose what they hope to get in the future rather than what they will get in the present. Therefore, in politics, even those on the winning side might not ever actually get what they voted for. One only need think of recent candidates for political office who have run on platforms promising balanced government budgets. Voters can vote for a balanced budget, but even if the candidate supporting that option wins, there is no guarantee that voters will actually see the budget being balanced.

Yet another difference is that when individuals vote, they are expressing preferences for social outcomes to be applied to everyone. In contrast, when individuals engage in market transactions, they are making choices only for themselves. And an individual's social preferences might differ from his or her personal preferences. Buchanan offers a somewhat dated example by noting that a person might vote for alcohol prohibition but at the same time buy alcoholic beverages for personal consumption. Such behaviour is not necessarily inconsistent, Buchanan points out, because people's preferences for rules that apply to everyone might legitimately differ from their personal consumption preferences.

Other differences between politics and markets arise because, except when the number of voters is tiny, the likelihood that any individual voter will cast a decisive vote is vanishingly small. This fact means that individual voters do not choose outcomes, as they do in the market. Instead, individual voters are expressing a preference for one outcome over another. In the market, if one chooses Coke, one gets a Coke. If one instead chooses a Pepsi, one gets a Pepsi. But when voting, the outcome is very likely to be the same regardless of how any single individual votes, or whether the individual even casts a vote at all.

This reality has several important implications. First, individuals have less of an incentive to vote than they do to make market choices. If they make no choice about what to have for lunch, they go without lunch. If they do not vote, they get the same political outcome as they would had they voted. And because one vote will not be decisive, people have little incentive to learn enough to cast informed votes should they decide to vote. If a diner makes a poor choice about what to have for lunch in a restaurant, that person gets a bad lunch. If that person makes a better choice, he or she is served a better lunch. In contrast, regardless of the quality of the choice the voter makes, he or she is served whatever public policies follow from the outcome of the election.

Buchanan described yet another difference between individual choice in voting and individual choice in the market as "perhaps one of the most important." This difference is found "in the nature of the alternatives offered the individual in each case." In the market, people are free to choose a variety of goods, and can make adjustments by taking a little more of some goods in exchange for a little less of others. But in voting, people choose between alternatives that are more or less mutually exclusive. Voting for one candidate's platform means voting for everything in it, rather than voting for everything in a competing candidate's platform.

Imagine a shopper in a supermarket choosing specific items to put in his or her cart. Each shopper gets exactly the mix of goods that he or she prefers. And it is highly unlikely that the contents of any two shoppers' carts will be the same. But if the choice of what groceries someone is taking home is instead made by voting, candidates would fill up shopping carts, and then voters would vote only for whether they would rather have the bundle of goods in one candidate's cart or the bundle in another candidate's cart.

As already noted, some voters would end up with the basket of goods that they did not vote for. But even voters who do choose the "winning" basket will surely get with this basket some particular goods—that is, policies—that they do not want. Further, there will be policies they wish they had more of, but which aren't in the winning basket. One unfortunate result of what we might call "the bundling effect" is that no candidate really knows just why he or she won the election—or why other candidates lost the election. The difference is between having a bundle of goods that individuals choose themselves, as in the market, or a bundle of goods chosen by someone else.

Even with this fact in sight, voting looks better than it really is. Voters can see the goods at the top of the basket, but there might be goods lower down in the cart that voters do not see and do not want. Voters can only see part of the basket when they are voting. Once winners are elected, what they actually deliver to voters can differ in important ways from what voters thought they were choosing when they voted.

Buchanan offers many reasons why people are better off with institutions that allow them to make their own individual choices rather than having to accept outcomes that are collectively chosen. Yet he also sees that in some cases it is necessary to have collective choices to further individual welfare through the protective and productive state. Thus, when political decision-making is necessary, he calls for institutions to be designed so that they resemble as closely as possible the desirable characteristics of market institutions.

The science of politics

When Buchanan began his career in the mid-twentieth century, the nineteenth-century discipline of political economy had been clearly divided into economics and political science. Economic analysis of public policy consisted of discovering possible inefficiencies in the way that markets allocated resources and deriving theoretically "optimal" policies to reallocate resources more efficiently. Buchanan emphasized that real-world market allocations of resources appear inefficient only because these are being compared to theoretical ideals, with no assurance that what might be ideal in theory can ever be accomplished in practice.

Buchanan argued that it is inappropriate to compare real-world markets to a theoretical but likely unobtainable optimum. Rather, the same tools that economists use to analyze the market allocation of resources should be used to analyze political decision-making. Real-world market outcomes should be compared with real-world political outcomes to evaluate whether government intervention in the allocation of resources could result in an improvement. This method was at the foundation of the public choice revolution.

Public choice looks at the information available to government decision-makers—often they do not have the information necessary to find that theoretical optimum—and the incentives that government decision-makers face. Even with perfect information, political decision-makers might find it in their interests to make decisions that benefit themselves and their cronies rather than to work to further the interests of their constituents.

The same tools developed by economic science can, and should, be applied to analyze political decision-making. Mid-twentieth century political science had gone part-way toward this type of analysis in that it did recognize that powerful individuals could, and did, use the political system to their personal advantage. But at that time political science was largely descriptive and lacked the theoretical foundation that economic science, when done well, can provide. While Buchanan was a leader in pushing this public choice approach to analyzing political decision-making, many political scientists also saw its advantages. One result is that the public choice revolution has had at least as large an impact on political science as it has on economics.

Politics and science

Yet while science can and should be used to *study* society, Buchanan warned against believing that there are scientifically discoverable objective truths about the particular ways that society should be ordered and about how it should operate. Strongly influenced by his revered teacher at the University of Chicago, Frank Knight, Buchanan rejected the notion—one that was and remains popular especially among progressives—that problems that emerge in society can be solved purely by the application of science.

A purely scientific "solution" to the problem of appropriately allocating resources among different individuals presumes not only that there exists for

society *an* ideal allocation of resources, but also that such an allocation can, in principle, be identified objectively by a third party, such as an observing economist or government official. But economics makes clear that, as the economist Thomas Sowell (1987) puts it, "there are no solutions, only trade-offs." Increased access to health care is possible only by enduring reduced access to transportation vehicles and other valuable goods and services. The benefits enjoyed as a result of preserving forests from being razed and replaced by housing developments come at the cost of a lower supply of housing.

How much health care should be supplied? How much forest land should be preserved? The answers depend upon individuals' subjective preferences, not upon facts objectively discoverable by professors, politicians, or bureaucrats.

Individuals also have subjective preferences for matters commonly regarded as non-economic, or "political." How much freedom of speech should be sacrificed in order to decrease the risk of violent urban rioting by 10 percent? And how much, if any, additional sacrifice of freedom of speech is justified in order to decrease the risk of such rioting by another five percent? Jennifer's answers to these questions will likely differ from Jason's, and each of their answers will likely differ from Jocelyn's. Because both freedom of speech and urban peace are goods valued by nearly everyone, questions such as these have no objectively correct answers.

It follows that not even the most ideal economic or political outcomes are akin to objective, scientific truths. Economic and political outcomes are *compromises* among people with legitimate differences in their preferences. These outcomes can never be correct or incorrect in the same way that an answer to the question "What is the speed of light?" is correct or incorrect. The correct answer to the question about the speed of light is not a compromise among different answers offered by different physicists—the speed of light is what it is, objectively, regardless of physicists' estimates of it. But the "correct" allocation of resources and "correct" level of protection of free speech are indeed nothing more than the compromises that emerge from the economic and political bargaining of many individuals, each with different preferences.

In short, said Buchanan, politics is about finding peaceful agreements among people with different preferences on collective outcomes. Politics, unlike science, is not about making "truth judgments." The challenge is to discover

and use the set of rules that best promotes the making of compromises among people with different preferences. Legitimate scientific inquiry and judgment can play a role in assessing how well or poorly some existing or proposed set of rules will serve this goal. Even here, though, Buchanan warned that people's differences in fundamental values means that there is no universal one "best" set of rules, scientifically discoverable, for all peoples and for all times. In the end, the best set of rules is that which wins the unanimous approval of the people who will live under it.