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GIUFFRÈ EDITORE

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## James Buchanan's Philosophical Approach to Public Choice in his Early Contributions

FRANCESCO FORTE

SUMMARY: 1. *The Five Phases of James Buchanan's Public Choice and the Scientific Enterprise Theory*; 2. *Individual Choices in the Political Voting Process and in the Market Process*; 3. *The Public Principles of Public Debt*; 4. *Concluding Remarks*.

### 1. *The Five Phases of James Buchanan's Public Choice and the Scientific Enterprise Theory*

1.1. A thorough discussion of James Buchanan's philosophical approach to public choice in his early contributions, those from 1940 to the Fifties, would require more than one paper. In this one, I focus the review on five papers written by Jim, after getting his PhD in the early Fifties and before moving to Italy in 1955-56, then published in *The Public Principles of Public Debt* of 1958<sup>1</sup> under the influence of Benvenuto Griziotti's work on public debt as a burden on future taxpayers.

I shall leave out the monograph, *La scienza della finanza. The Italian Tradition in Fiscal Theory* on the contributions of the Italian school of public finance of Ferrara, Mazzola, De Viti De Marco, Pantaleoni, Puviani, Einaudi, Borgatta, Fasiani because of the imposed editorial limits.

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(<sup>1</sup>) J. M. BUCHANAN, *Public Principles of Public Debt. A Defense and Restatement*, Homewood, Irwin (Illinois) 1958, reedited in *The Collected works of James M. Buchanan*, vol. 2, Liberty Fund, Indianapolis 1999.

James Buchanan's contribution on the link between economics and ethics covers more than sixty years from the early Fifties of the XX century to the first years of the second decade of the present one. I felt it necessary to begin with a rapid overview of the intellectual path of James Buchanan, whose works I am going to examine are the earliest "mile stones".

Thus, this first part will be devoted to making a sketch of his intellectual path. The second one considers the early contributions on individual choices in voting and in the market. In the third part I will discuss the early contributions to the issues about public choice in a sequence of generations, as they are exposed in the book on *The Public Principles of Public Debt*. Conclusions will follow.

James Buchanan's *Works*, published in 20 volumes by the Liberty Fund, do not include the works written in the XXI Century and are organized by topics.

It is also necessary to look at the intellectual path of this economist-philosopher-political scientist from his early contributions to his latest contributions of this Century.

I believe that it is possible to organize this intellectual path in five *phases*, which also coincide with the different intellectual-scientific communities in which he carried on his studies and produced his works. Each one of the five *phases* shall be divided in two other stages, so as to observe in a more detailed way the landmarks of this path.

1.2. The first phase, the *public choice elaboration phase*, as we are going to call it, consists of the early-Chicago-and-after-Chicago period and of the Italian period, i.e. the two following stages:

1) the stage of the discovery and restatement of public finance *individualistic approach*. Taxes here are considered as the price for public expenditure jointly chosen by the voters, to equate the marginal costs with the marginal prices, as for Wicksell and De Viti De Marco. Taxes paid in proportion to the use of highways by motor vehicles, such as the gasoline tax, may be conceived as the best way to finance the investment cost of highways for their users<sup>2</sup>. Arrow's

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(<sup>2</sup>) J. M. BUCHANAN, *The Pricing of Highway Services*, in «National Tax Journal», 5, 1949, pp. 97-106 and Id., *Private Ownership and Common Usage. The Road Case Re-Examined*, in «Southern Economic Journal», 22, 1956, pp. 974-977.

general “impossibility theorem”, as for the “majority” rule, misunderstands the role played by this system in a democratic society<sup>3</sup>;

2) the study stage of the Italian school of “scienza delle finanze” of Ferrara, Mazzola, De Viti De Marco, Pantaleoni, Puviani, Einaudi, Borgatta, Fasiani, but also Griziotti’s public debt theory as a political-economical theory<sup>4</sup>. (This is the time when, Jim and I, first met and became friends for life, together with our wives – Ann and Carmen).

In this second stage of his formation period, Jim published the seminal essay on public debt and the long monograph about the Italian tradition in fiscal theory, which he had started to work at while in Italy. Both works open the way to his public choice theory.

1.3. The second phase, the one of the *foundation of the public choice approach in economics, politics and law*, which goes from the end of the Fifties to the end of the Sixties is the crucial moment of Buchanan’s visit to the Department of Economics and to the “Thomas Jefferson Center of Political Economy” of the University of Virginia in Charlottesville.

During this phase, four figures who influenced Jim’s structure appear: Ronald Coase, Warren Nutter, Gordon Tullock, and myself. Also here we can detect two stages of Jim’s path, the third and the fourth, as it follows:

3) the stage of the great organization of Jim’s economic structure, during which he published the pivotal essay of 1962, coauthored

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(<sup>3</sup>) J. M. BUCHANAN, *The Pure Theory of Public Finance. A Suggested Approach*, in «Journal of Political Economy», December 1949, pp. 496-505, re-edited in *Id.*, *The Logical Foundations of Constitutional Liberty*, vol. I of the *Collected Works of James M. Buchanan*, Liberty Fund, Indianapolis 1999, pp. 119-132 with a *Foreword* by J. Brennan, H. Klimt and R. Tollison; *Id.*, *Social Choice, Democracy and Free Markets*, in «Journal of Political Economy», April 1954, pp. 114-123, re-edited in the *Collected Works of James M. Buchanan*, *quot.*, pp. 89-102 and *Id.*, *Individual Choice in Voting and the Market*, in «Journal of Political Economy», August 1954, pp. 334-343, re-edited in *Id.*, *Fiscal Theory and Political Economy*, University of North Carolina Press, Chapel Hill 1960 and re-edited in the *Collected Works of James M. Buchanan*, *quot.*, pp. 75-88.

(<sup>4</sup>) See J. M. BUCHANAN, *La scienza della finanza. The Italian Tradition in Fiscal Theory*, in *Id.*, *Fiscal Theory and Political Economy*, Chapel Hill, University of North Carolina Press 1960, re-edited in vol. 15 of *James Buchanan Collected Works, Externalities and Public Expenditure*, Part One, *Public Services and Collective Action*.

with Gordon Tullock, on *The Calculus of Consent*<sup>5</sup>; this stage sees the birth of both the Virginia public choice school and the studies of constitutional economics;

4) this stage is characterized by the systematization of the economic theory of public finance and fiscal policy for stabilization and growth *in a public choice perspective with seminal new structures*, such as the theory of club goods as public goods and of Government and Union of Governments as clubs<sup>6</sup> and the book on *Public Finance in a Democratic Process*, published in 1967<sup>7</sup>, which contains several seminal “institutional” contributions to the theory of democratic government. Let me mention two of them.

The first example can be found in the institution of “ear-marked taxes” that finance an organization supplying a specific service, whose benefits have a nexus with it, as gasoline taxes for highways drivers. The complementarity of this institutional structure with those of club goods and the Government as a club, like *quasi* market institutions, needs to be stressed. Another important institutional innovation suggested by James Buchanan during this stage is the purchase of public bonds i.e. the “quantitative easing” by an *ad hoc* monetary institution as a way to finance a deficit in times of deflation and depression, without creating a public debt issue in the market which could represent a burden for the future voters/taxpayers.

This is also the time when the «Journal of Public Choice» was first published with the title of «Papers of Non-Market Decision Making». From the content of the journal it is clear that the Virginia public choice school, inaugurated with *The Calculus of Consent* and with the theoretical seminal contributions to public economics men-

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(<sup>5</sup>) J. M. BUCHANAN, G. TULLOCK, *The Calculus of Consent, Logical Foundations of Constitutional Democracy*, University of Michigan Press, Ann Arbor 1962 reedited as vol. 3 of *The Collected Works of James Buchanan*, quot.

(<sup>6</sup>) J. M. BUCHANAN, *An Economic Theory of Clubs*, in «Economica, New Series», 125, 1965, pp. 1-14. This paper is fundamental for the theory of the economic and monetary unions, as a necessary complement to Mundell’ s theorem on the optimal currency area. The theme is developed in a paper by Caputo and Forte on club theory and convergences and divergences in the EU area. See also below §2.3.

(<sup>7</sup>) J. M. BUCHANAN, *Public Finance In Democratic Process*, University of North Carolina Press, Chapel Hill 1967, re-edited as vol. 4 of *The Collected Works of James Buchanan*, quot.

tioned above, was successfully going beyond, becoming a general perspective in political economy as well as in political science, in law and economics and *more generally in the field of social sciences*<sup>8</sup>.

However, James Buchanan and his school had to leave the University of Virginia, for being considered a group of politically committed conservatives.

1.4. The *third phase*, the one of the *maturity of the public choice approach*, which goes from the end of the Sixties until the beginning of the Eighties, has two landmarks: the University of California Los Angeles (UCLA) and the Virginia Polytechnic Institute (VPI). This one was an epoch of cultural crisis, in the US and in Europe, during which the basic pillars of liberties and market institutions of the Western society were under contestation.

For Buchanan's intellectual path this is the fruitful, even if tormented, time of *the maturity of the public choice approach*. Also here we may identify two stages, that are, respectively, the following ones: 5) at this stage, Jim is mostly concerned with the student protests<sup>9</sup> and with the revolt against the property rights and the related unpleasant dilemma between anarchy and the Leviathan. A situation observed in US and Europe that led him to write *The Limits to Liberty. Between Anarchy and the Leviathan* in 1975 as «an extension of the “theory of public bads” to explain apparent failures in polit-

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(<sup>8</sup>) The composition of the editorial board of the «Journal of Non-Market Decision Making» is a clear indication of the direction of the new public choice approach. It consisted of William Riker, Mancur Olson, Antony Downs, John Harsanyi, Duncan Black, James Coleman, James Buchanan, with Gordon Tullock as editor. William Riker was the founder of a new political science school focusing on game theory and social choices. James Coleman was a sociologist aiming at the development of a new theory of the individual choices rationality. John Harsanyi, was both an economist, a mathematician of game theory and a philosopher. Duncan Black was an economist, whose early seminal contributions to the theory of elections was almost unknown until the Sixties. James Buchanan began to know, while in Italy, that Duncan Black had contributed a paper on the theory of the decision of a committee, in «Il giornale degli economisti» (D. BLACK, *Un approccio alla teoria delle decisioni di comitato*, in «Il giornale degli economisti e annali di economia», 7, 1948, pp. 262-284). A review-article of Black's book on the theory of committees and elections had been published in the issue of December 1959 of the «Rivista di diritto finanziario e scienza delle finanze», of which I was then the editor.

(<sup>9</sup>) J. M. BUCHANAN, N. DEVLETGLOU, *Academia in Anarchy. An Economic Diagnosis*, Basic Books, New York-London 1978.

ical and institutional structure». This contractarian book is conceived as complementary to *The Calculus of Consent*, in which the political order, rather than disorder, had emerged at both the constitutional and post-constitutional stages<sup>10</sup>. Law and law-abiding habits are public goods providing social capital, which may be «eaten up»<sup>11</sup>. Hobbes opposed to Locke;

6) during this stage, both the *systematization of the Virginia public choice school contractarian-constitutional* approach, with its interaction between politics and economics, and the *systematization of the public choice anti-keynesian fiscal policy* are taking shape. The two books *Freedom in Constitutional Contract-Perspectives of a Political Economy*<sup>12</sup> of 1977 and *Democracy in Deficit. The Political Legacy of Lord Keynes* (with R. Wagner)<sup>13</sup> of 1978 are the main contributions of the two areas, respectively.

The book against Keynes aims to be, and actually is, much more than a contribution to the fiscal policy theory, as one may understand from the title. The entire political and ethical philosophy behind Keynes' approach to fiscal policy is criticized here. This criticism applies to the neo-Keynesian fiscal policy as a political philosophical conception of good Government too.

1.5. *The fourth phase is the apical moment of Virginia public choice school constitutional economics.* During this phase, which goes from the Eighties until the first two years of the Nineties of the XX century, James Buchanan finds his final academic abode at the George Mason University and in 1986 he gets the Nobel Prize.

The gigantic contribution he gave with his public choice-constitutional economics approach not only to political economy and

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(<sup>10</sup>) See J. M. BUCHANAN, *The Limits to Liberty. Between Anarchy and the Leviathan*, The University of Chicago Press, Chicago-London 1975, re-edited as vol. 7 of *James Buchanan Selected Works*. The quotations in the text are from Chapter One, *Commencement*, in the Section *The Calculus of Consent*, p. 7 of the original edition.

(<sup>11</sup>) See Chapter I, *Commencement*, under the final section *God Man and the Good Society*.

(<sup>12</sup>) J. M. BUCHANAN, *Freedom in Constitutional Contract-Perspectives of a Political Economy*, A&M University Press, College Station (Texas) 1978.

(<sup>13</sup>) J. M. BUCHANAN, *Democracy in Deficit. The Political Legacy of Lord Keynes* (with R. Wagner), Academic Press, New York 1979, re-edited as vol. 8 of *The Collected Works of James Buchanan*.



public economics but also to the general theory of government has now universal acknowledgement. However, the reason for this late acceptance remains ambiguously confined to the novelty of the focus on the constitutional aspect, while the revolutionary novelty of the interdisciplinary approach of the Virginia public choice school to politics and economics, together with its anti-technocratic realistic conception, remains in the shadow. Also here it is useful to separate this phase into two stages as it follows;

7) during this stage, there is a tripartite sequel to the *constitutional issues of individual freedom* in the economic area, which was undertaken in the previous stage.

The first part is the book Buchanan wrote with J. Brennan: *The Power to Tax: Analytical Foundations of a Fiscal Constitution*<sup>14</sup>, where it is said that the fiscal Leviathan, in the De Viti De Marco's model of the monopolistic State, must be enchained. The second one is the essay about *Monopoly in Money and Inflation* of 1981<sup>15</sup> where Jim tries to enchain the monetary Leviathan. In the third one, once again together with J. Brennan – *The Reason of Rules. Constitutional Political Economy*, of 1985 –, James Buchanan and his co-author explain why and how the free individuals need constitutional rules in their social economic relations<sup>16</sup>;

8) the stage which comes after the Nobel Prize. In this *normative economics under explicit value judgments* stage, J. M. Buchanan publishes the essay on *Liberty, Market and the State*, which is his main handbook on “political” economy. Its subtitle *Political Economy of the '80*<sup>17</sup> and the fact that the chapters are mostly reviews of some of his previous papers is deceiving because the book is a systematic treatise on the theory of normative economics

<sup>(14)</sup> J. M. BUCHANAN, *The Power to Tax: Analytical Foundations of a Fiscal Constitution* (with G. Brennan), Cambridge University Press, New York 1980, re-edited as vol. 9 of *The Collected Works of James Buchanan*.

<sup>(15)</sup> J. M. BUCHANAN, *Monopoly in Money and Inflation. The Case for a Constitution to Discipline the Government*, in «Hobart Paper», 88, Institute of Economic Affairs, London 1981.

<sup>(16)</sup> J. M. BUCHANAN, *The Reason of Rules. Constitutional Political Economy* (with J. Brennan), Cambridge University Press, Cambridge 1985, re-edited as vol.10 of *The Collected Works of James Buchanan*.

<sup>(17)</sup> J. M. BUCHANAN, *Liberty, Market and the State, Political Economy of the '80*, Oxford University Press and Harvester Press, Oxford 1986.

policy, in the broad interdisciplinary perspective that Jim has of this crucial part of the economic science.

The book is divided in 5 sections dealing with *Alternative Perspectives*, *The Emergence of Order*, *The Theory of Justice*, *Debt and Deficits* and *The Individual and the State*.

The relevance of ethics within the foundations of political economy, emerging from this book, led Jim to devote a more systematic attention to this topic from his constitutional perspective. The results of these considerations are in the book of 1991 *Economics of Ethics and the Constitutional Order*<sup>18</sup>.

*Better than Plowing and other Personal Essays*<sup>19</sup> closes this stage. Within this last book, Jim, looks back to his long personal and intellectual path, from the years of the military service to the time spent in Chicago, Italy, then at the “Thomas Jefferson’s Center of Political Economy”, at the University of Virginia, at the VPI in Blacksburg, or at Mason University.

1.6. The fifth phase, going from 1993 until 2013 is the time during which Buchanan *re-thinks his public choice and the scientific enterprise theory*.

Also these two final decades are full of new, stimulating intellectual work for James Buchanan. Thus, it can be helpful to distinguish between other two stages, as we have done before:

9) James Buchanan meditates on the economic effects of *ethical principles in social institutions as a social capital*, and publishes two interconnected works in which he lays down the basis of his ideas about the political economy of economic growth.

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(<sup>18</sup>) J. M. BUCHANAN, *Economics of Ethics and the Constitutional Order*, University of Michigan Press, Ann Harbor 1991.

(<sup>19</sup>) J. M. BUCHANAN, *Better than Plowing and other Personal Essays*, Chicago University Press, Chicago 1992. The first essay, which gives the name to the book, has been re-edited, as First Chapter of vol.1 of *The Collected Works*. Three other essays have been re-edited in Vol. 19, the last vol. of 20 Volumes of *The Collected Works* (before the Indexes that occupy Vol. 20). See G. BRENNAN, H. KLIMT, R. D. TOLLISON, *Foreword* to Vol. I, p. XIII, note 3.

They are: *Return to Increasing Returns* of 1994 co-authored by Y. Yoon<sup>20</sup> and *Ethics and Economic Progress*<sup>21</sup> of the same year, dealing with the ethics of working, saving and investing.

An ethics which is beneficial to economic progress, at first glance, may appear too much utilitarian. However, Jim's point of view is very broad. Hard work, accumulation of savings, investments, while increasing the national income and individual welfare, do also increase the society's one trough the externalities that they generate in terms of increasing returns. In fact, the increase of GDP deriving from these "Victorian virtues" increases the dimension of the market and eases the division of labor.

In this way, these virtues promote the law of increasing returns, which generates new social welfare through the increased *per capita* productivity;

10) during this stage, academic attention is mostly devoted to *philosophy of economics*, as it appears appropriate to a scholar like James Buchanan who devoted most of his intense intellectual path to the philosophical foundations of the economic and political sciences.

Here, among the many contributions, I need to mention, at least, the dense, stimulating book of 2006, entitled *Why I too Am not a Conservative*<sup>22</sup>, the paper *In Search of Homunculus Politicus*, in the issue of «Public Choice» of Spring 2008<sup>23</sup> and the paper *The Limits to Market Efficiency*<sup>24</sup> of 2011, with a critical examination of the market.

Jim's mind was open and critical also about his own intellectual works, unlike those of so many of his critics, who have labeled his contributions as "conservative", only to save their dogmatic views.

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(<sup>20</sup>) J. M. BUCHANAN, *The Return to Increasing Returns* (with Y.J. Yong), University of Michigan Press, Ann Harbour 1994.

(<sup>21</sup>) J. M. BUCHANAN, *Ethics and Economic Progress*, University of Michigan Press, Ann Harbour 1994.

(<sup>22</sup>) J. M. BUCHANAN, *Why I too Am not a Conservative*, Edward Elgar, Cheltenham 2005.

(<sup>23</sup>) J. M. BUCHANAN, *In Search of Homunculus Politicus*, in «Public Choice», 3, 2008, pp. 469-474.

(<sup>24</sup>) J. M. BUCHANAN, *The Limit to Market Efficiency, Management Morality, Markets and Moral*, in «Journal of the Frankfurt School of Management», 2, 2011, pp. 1-7.

## 2. *Individual Choices in the Political Voting Process and in the Market Process*

2.1. James Buchanan had become acquainted with Wicksell's theory of fiscal choice under the unanimity rule in summer 1948, after his German-language exam, in a leisure time when he was a scholar without assignment in the Harper Library. There, Jim pulled from the shelves, by sheer chance, Wicksell's 1896 dissertation on taxation, written in German and not yet translated<sup>25</sup> in English.

The efficiency principle in the fiscal democratic choices, according to the Swedish economist, required the unanimity rule, in order to have the equalization between the marginal subjective utility of public expenditure and the marginal cost of the means adopted for its financing.

Only Wicksell's unanimity principle – Jim thought – would respect the two postulates of the methodological individualism for a free society: i.e. only individual preferences do count and freedom of choice is granted in order to realize them through the individual decision making.

Jim, subsequently, read De Viti De Marco's *First principles of Public Finance*, in which the Italian economist assumed that the benefits of public expenditure are proportional to the income produced by any individual. Under this assumption, electors/taxpayers choose the amount of public expenses that, at the margin, gives a benefit which is equivalent to its fiscal price in terms of proportional income taxes.

Thus, in 1949, James Buchanan wrote his first important paper, featured in the «Journal of Political Economy», about the *Pure Theory of Government Finance*<sup>26</sup> from an individualistic approach where the State is not conceptualized as an “organic” entity, but as the sum of the individuals acting in a collective capacity.

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(<sup>25</sup>) J. M. BUCHANAN, *The Logical Foundations of Constitutional Liberty*, I. Introduction, in the Chapter *Better than Plowing*, in *The Collected Works of James Buchanan*, vol. 1, p. 15.

(<sup>26</sup>) See J. M. BUCHANAN, *The Pure Theory of Government Finance. A Suggested Approach* (1949), in *The Collected Works of James Buchanan*, vol. 1, p. 124.

Here, to determine the optimum value of the tax variables, one has to consider the subjective value of the public services obtained by the taxpayers in exchange of the subjective loss of value of the taxes.

The way to assess the optimum level of taxes and of public expenditures and their compositions, from the individual elector/taxpayer's point of view, is «a technical problem» of application of the benefit principle in taxation.

2.2. A particular application of this principle is that of the gasoline tax as the price for the individual users of the highways. The highways would be congested, if their users did not pay for their services, thus generating a loss of welfare for all of them. Therefore, it would be rational to adopt systems by which the individual user could pay for the "social cost" of the usage as inclusive of the spillover negative effects on the other users.

As long as these marginal costs are covered by the marginal benefits, it shall be rational for the highways users, as taxpayers, to increase the gasoline tax connected with the usage<sup>27</sup>.

During the Fifties, while in Italy, James Buchanan derived, from the considerations about this topic, the organizational theory of earmarked taxes<sup>28</sup>. Thanks to institutions financing the expenditure on given public goods, by specific taxes connected with their use, the level of the supply of the public goods and their related taxes, specifically earmarked to finance them, would be determined according to the individual choices.

James Buchanan illustrated this idea by the example of a joint sale of milk and orange juice on the market. Consumers would certainly prefer to make the purchase decisions of milk and orange juice separately, so as to pursue the maximization of their preferences. More generally, in support of the theory of specific organizations handling taxes which were earmarked to be paid for public goods complementary to

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(<sup>27</sup>) See J. M. BUCHANAN, *The Pricing of Highway Services*, in «National Tax Journal», 2, 1952, pp. 97-106. On this paper and related contributions to the theme see A. MARCIANO, *Why Markets Do Not Fail. Buchanan on Voluntary Cooperation and Externalities*, Center for History of Political Economy, HOPE Center Working Paper 2010-15, Duke University, 2001, § 2.1.2.

(<sup>28</sup>) See J. M. BUCHANAN, *Private Ownership and Common Usage. The Road Case Re-Examined*, in «Southern Economic Journal», 22, 1956, pp. 974-977.

taxed items, he observed that in several Counties of the United States, school districts and water districts are independent from the local government and legally enjoy autonomous status.

District residents form various organizations to levy and collect taxes and then use the revenues to fund services such as elementary education, water supply, the fire department, and so forth.

This solution to rationalize and limit the financing of investments by public debt was also suggested by James Buchanan in his book on the *Public Principles of Public Debt*, conceived in 1956, during what I have called the «Italian period»<sup>29</sup>.

In this early paper there are the roots of Jim's seminal theory of Governments and Union of Governments as clubs that give benefits only to those who accept to join them. This theory has been adopted as the theoretical basis for local finance and fiscal federalism, in a competitive setting in which it is possible to "opt out" from a given club to join another or (as for Unions of Governments) to remain autonomous.

From the thoughts upon the benefit principle in highway financing and similar situations, James Buchanan, while studying the Italian writers of public finance and public debt, derived the idea that public debt may be a way to shift the burden of taxation on future taxpayers.

In fact, Central Government and decentralized Governments could shift the costs of the investments on the highways they drive in, on their future users by issuing a public debt whose service should be paid by the gasoline tax connected with that usage. Similarly, it is also possible to shift the burden of a present public debt on future tax payers, who might derive a proportional benefit or not from that expenditure finance with that debt.

2.3. James Buchanan, in the sharp paper of 1954 against Arrow's<sup>30</sup> impossibility theorem applied to the majority rule, denied the ideas upon collective rationality and majority inconsistency as described by Arrow, also denying that the community as a whole is an actual entity. It reasonably follows the wrongness of Arrow's criticism of the majority rule, in regard to its cyclical instability, which occurs

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<sup>(29)</sup> See J. M. BUCHANAN, *Public Principles of Public Debt*, quoted in note 1, in Chapter XII, *When Governments Should Borrow*, Homewood, Irwin (Illinois) 1958, pp. 127-129.

<sup>(30)</sup> See J. M. BUCHANAN, *Social Choice, Democracy and Free Markets*, quot.

whenever individuals' preferences are not «single peaked»<sup>31</sup>. If it is impossible to find a general will of the community by the majority rule, as in Arrow's theorem, this merely implies that individuals have different preferences, in different order.

To get a steady solution concerning their collective actions, it must be adopted a more broad rule of consensus, i.e. the unanimity or *quasi* unanimity rule, which may require reciprocal concession to reach an agreement which could be satisfying for all of them.

As this bargaining may take much time, it should be adopted only to choose general rules, the ones which shall be permanently valid, opting instead for the majority rule only to take daily decisions, under the constraint of those rules. This is how James Buchanan formulated his basic distinction between the voting rule required in the normal democratic decisions and the voting rule required to write or amend a constitution.

Relatively complete consensus is present in the social group on many major issues, and the securing of such consensus need not to involve the concept of a Rousseau-like general will. [...] There may exist relatively general support of the framework within which change shall be allowed to take place, that is, the constitution. This in itself insures [...] that the changes which are made are introduced in an orderly and non-revolutionary manner.

However, the majority rule has to be adopted in normal “day to day” democratic decisions in collective actions. This is it «primarily as a device for breaking a stalemate and for allowing some collective action to be taken. A decision reached through the approval of a majority with minority dissent has never been, and should never be,

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(<sup>31</sup>) A typical example is that of three persons I, II, III which must choose between three choices for their summer vacations – A) to go to the sea; B) to go to the mountain; C) to visit Paris. I prefers A to B and B to C; II prefers A to B and C to A; III) prefers C to B and B to A and therefore C to A. Therefore if the voting begins confronting A with B B wins against B, then in the voting between B and C, B wins against C. But if the voting game is reopened confronting C with A, C wins against A. In the subsequent comparison of A against B, the victory is of A and in the subsequent round B wins against C. And reopening the game, C wins against A.

correctly interpreted as anything other than a provisional or experimental choice of the whole social group».

Arrow's claim about the impossibility of deriving a steady social welfare function based on individual preferences, under the majority rule, does not imply at all that it is a bad method of democratic choice. On the contrary, it may be an additional reason to adopt it, as an expedient for the ordinary democratic choices, because it reduces the dangers of oppression of the minority by the majority. Preferences do change through experience and democratic choices may improve by the alternation of majorities and minorities, due both to change of tastes and habits and to instability of their expression.

As for the market, its efficiency from the point of view of individuals does not require that it can express an equilibrium corresponding to an imaginary social welfare function, but that it can allow individuals to improve their welfare by expressing their preferences in a «spontaneous order»<sup>32</sup>, whose main requisite is the continuous experimentation.

In this sharp criticism of Arrow's impossibility theorem, it emerges a theory of knowledge which goes bottom-up as opposite to the top-down one of the intellectualistic thinkers. But it also emerges, in a clear way, the paradigm of the dual public choice system, which shall be developed, subsequently, in the book entitled *The Calculus of Consent*, with a constitutional and a post-constitutional level of democratic choices, respectively under the unanimity and the mere majority rule. High transaction costs of the decision making process are bearable in regard to the constitutional choices that have to do with rules which must last for long time, while they cannot be bearable for the decision making of daily administration and for the annual budgetary process.

The apparently paradoxical conclusion, according to which the instability of the collective choices must be considered as a rational, rather than an irrational, result, is caused by the drift from the single choice to be taken in a given situation where one has

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<sup>(32)</sup> Here James Buchanan makes reference to Michael POLANY, *The Logic of Liberty*, Chicago University Press, Chicago 1951; not to Friedrich Hayek, to whom he makes extensive reference in the next paper.



to decide among three (or more) alternatives, to the choices to be taken through a longer time.

While choosing, stability is a necessary requisite to reach a conclusion and may be a (highly) desirable requisite in relation to the aim itself of the resulting decisions. For instance, according to Adam Smith's famous maxim, what matters is that taxes must be fixed and certain.

In a competitive democracy, instead, the requisite according to which the minority may become majority is essential for market order as a creative process.

2.4. Immediately after the clarification of the limits of Arrow's impossibility theorem, from the point of view of the "free individual choice" as a *process* of discovery of knowledge and goodness and not merely for decision-making, James Buchanan published a paper (written in German) about the differences between the individual choices in the political voting process and in the market process<sup>33</sup>. The *processual* point of view about free individual choice, seen above, is valid also here.

The aim of the paper was to show in which aspects the two kinds of individual choices differ one from the other, how the public choice process could be improved – either imitating that of the market or in other different ways – and to demonstrate that, in general, the market works better than the processual point of view described above. It follows that public choices should be adopted only when private choices in the market process cannot work because the goals that should be accomplished are intrinsically collective. The research lines we have seen, actually characterize most of the public choice structure that Jim was beginning to undertake.

The comparison between public and market choices has been done through an ambitious program which is made up of six aspects: *a*) the degree of certainty; *b*) the degree of social participation; *c*) the degree of responsibility; *d*) the nature of the alternatives presented; *e*) the degree of coercion; and – eventually – *f*) the power relations among individuals.

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(<sup>33</sup>) J. M. BUCHANAN, *Individual Choice in Voting and the Market*, in «Journal of Political Economy», August 1954, pp. 334-343.

Uncertainty influences public choices much more than private ones about purchasing goods and services, present on the market with their prices, because the individual has only one vote to cast, while the collectivity for which the decision is made is composed of many individuals casting their votes.

The degree of social participation is different for market and public choices. In the market, the individual has the option to participate to the game. If he does not participate, the result will have no direct effect on him. His abstention means that the individual did not join that game. In the field of public choices, the game is compulsory. Those who belong to that electorate and abstain from voting are any how affected by the decision of the others.

The responsibility of the chooser in the market is much clearer and more defined than when taking public choices. Those who desire a given good or service have to pay for it; if their choices happen to be “wrong” from their own point of view, because the benefit results smaller than its cost, the loss falls on them (obviously assuming the absence of external economies and diseconomies).

While making public choices, instead, one may get the benefits without paying a (fair) share of the costs and may also end up without paying any individual cost or without getting any clear benefit.

The nature of the alternatives presented within the field of public choices makes it difficult to split them in marginal doses of separate items, as it is normally possible for market supplies. Even when the degree of divisibility of the products desired by given individual voters is, in principle, available, it could happen that they would not be allowed to obtain them, because that is not the desire of the majority.

Finally, while public choice ends with compulsory decisions that imply coercion, market choice implies coercion only if voluntarily chosen.

The limits of the present work prevent from a discussion on the “conclusions” of the young author in his effort to determine when the public choices *should be adopted* instead of the market ones. In any case, actually, this was considered by James Buchananan endless life program.

The need for a further exploration of these issues led Jim to go to Italy to study the Italian authors who had discussed the theory

of public finance within the individualistic conception of the State, from economic, political-sociological and legal points of view.

### 3. *The Public Principles of Public Debt*

3.1. The essay about public debt, entitled *The Public Principles of Public Debt*, where “public” actually stands for individual public choices, is the main outcome of James Buchanan’s presentation to the Italian writers of public finance, who – through individualistic perspective of one kind or another – had analyzed public finance as the result of political choices, within democratic competitive or monopolistic settings and within undemocratic settings. Under that influence, he stated the three following propositions, against the then dominating new public debt orthodoxy:

1. the creation of public debt does involve a transfer of the primary real burden on the future generations;
2. therefore, the analogy between individual or private debt and public debt is – basically – correct;
3. there is no sharp and fundamental distinction between internal and external public debt.

The individualistic fiscal political choices approach was (and still is) of paramount importance to understand the reason why public debt may be so frequently chosen by democratic governments and parliaments, disregarding its dangerous long run effects on the economy. The assumption of a Wiksellian unanimity rule seems to be prevalent in this book, in regard to present voters, even if individual choices may differ if taken under the unanimity rule or under the majority rule.

The main point is that, for new expenditures financed by deficit, those who decide in the present may get a sizable part of the benefits, while bearing only a minor part of the full costs. The assumption of the unanimity rule for present decisions, actually for choices with inter-temporal effects, may imply a decision taken by a minority.

This assumption, simplifying the issue, may overshadow what can happen under the majority rule. Nevertheless Jim does not overlook this complication and devotes particular attention to Griziot-

ti's contribution within the debate of this one against De Viti De Marco. In fact the voters under a majority rule may have interest in financing a present expenditure by a public debt whose service shall be paid by a future general tax on consumption or by a future proportional income tax, instead of by a present property tax or by a present progressive income tax.

Anyway, it remains true what Jim realized, meditating on Grizioti's theorem about the divergent interests of present and future voters about taxes, i.e. that the Wicksellian unanimity rule acts as a majority rule with regards to the flow of voters through the time.

3.2. Thinking over this simple but devastating conclusion, James Buchanan was led to device the relevance of a constitutional stage in which the electors and their representatives consider not only their present interests, but also those of the future individuals and, under a *quasi* unanimity rule, choose constitutional principle that hinder both the exploitation of a part of the present electors by the other part and by the future voters and the exploitation of the future electors/taxpayers by the present ones. The normal objection to the *quasi* unanimity rule is that to reach the consensus the voters need to spend much time in bargaining to find an agreement that satisfies most of them, while Government decisions to be efficient must be timely and certain.

This objection may not be relevant for the amount of time spent to reach the agreement on the Constitutional rules, because in this case the time employed to agree must be compared with the time for which they are supposed to last and with the huge exploitation costs that may derive from choices that do not respect the wills and interest of the largest number in the long run. On the other hand, constraining the room for decision of the Governments, the Constitutional rules add certainty to their behavior.

The contractarian approach adopted by Buchanan and Tullock for their *Calculus of Consent* imagines a constitutional stage, where the horizon of a choices is expanded toward the future so that individuals do not know their position and that of their heirs and became less dissimilar. The entire public policy may be considered at two stages with two different process of choice: the constitutional with the *quasi* unanimity rule and the post constitutional under the majority rule.

A particular application of this approach concerns the constitutional rule of budget balance, with only limited exceptions, in which deficits are allowed not necessarily financed by the issuance of public debt. The 1958 book on the *Public Principles of Public Debt* was actually the starting point for *The Calculus of Consent* of 1962.

According to the 1958 book, if there is situation of under-employment, with unused productive capacity a deficit of the Government budget might increase the level of employment without causing inflation. James Buchanan argues that in this case there is not a necessary reason to issue a public debt *on the market*. It would be more logical to finance the government budget deficit by issuing public debt purchased by the monetary authority. Via this theoretical argument, James Buchanan anticipated the quantitative easing as an exceptional *ad hoc* instrument of monetary policy in deflationary periods.

From the public choice institutional point of view, Jim's solution differs from the Keynesian deficit financing theory because what he envisages is a budget balance rule corrected for the effects of the unused capacity situation, via a decision making process in which the rules of monetary constitution enchain both the fiscal and the monetary power.

3.3. The full employment assumption implied, as for Jim, the shift to the opportunity cost subjective view, in order to contrast the then (and also now) prevailing real costs assumption. Under full employment, in the perspective of real costs, the issuance of public debt in order to finance a public spending, in a closed economy, is necessarily a subtraction of resources from the market economy, which would have been employed in some other way.

However, the crowding out of these market economy alternative employments – in Francesco Ferrara's perspective<sup>34</sup> of subjective opportunity cost also adopted by James Buchanan – this subtraction of resources from the market economy does not necessarily imply that

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(<sup>34</sup>) To which J. Buchanan devoted a particular attention in his long paper on the Italian contribution to the theory of public finance. The theory of the opportunity cost, which in Ferrara's conception is the cost of reproduction of the lost opportunity, has been developed by James BUCHANAN, *Cost and Choice*, Markham, Chicago 1969.

public debt is a burden for present voters, as many of them own public debt bonds in their personal assets.

One must confront the cost of the subjective choice, consisting of the alternative that has been sacrificed, with the benefit consisting of the alternative made possible with that sacrifice. The credit to the government is a subjective benefit. Thus, the benefit of public expenditure, for a present taxpayer, is always greater than its real cost, if financed by the debt.

Only from the point of view of future taxpayers, who will be obliged to pay for the debt thus incurred, there will be a *net burden*, if these taxpayers bear a subjective cost without getting a corresponding benefit from the public expenditure financed by that debt. Any way, they will have to pay the debt, either gross or net, of this contingent benefit<sup>35</sup>.

As acknowledged by Jim later on<sup>36</sup>, this introduction of the basic concept of the opportunity cost in subjective terms was open to misunderstandings for those who argue starting from the point of view of real resources.

One might argue that Jim's reasoning would have led him to accept the "golden rule" of government budget, which allows public deficit for public investments which, presumably, will give a benefit to the future taxpayers.

However, he fiercely denied the theoretic validity of this rule, from his (pertinently) realistic public choice perspective. Present voters and politicians under the golden rule, in order to pursue their own interests, would prefer public investments with short term benefits to longer term investments. In fact, the voters, even if having a long term horizon (this is not a realistic assumption), could not capitalize within the present the benefits of public investments that would give them future benefits, as they would not have property rights on these

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(<sup>35</sup>) See J. M. BUCHANAN, *Public Principles of Public debt*, Chapter IV, *Concerning Future Generations*, especially pp. 30-34, in *The Collected Works of James Buchanan*, quot., vol. 2, with the same title, with a *Foreword* by J. Brennan.

(<sup>36</sup>) See J. M. BUCHANAN, *The Logical Foundations of Constitutional Liberty*, in *The Collected Works of James M. Buchanan*, vol. 1, *Introduction*, in the first Chapter, *Better than Plowing*, p. 18.

public goods and therefore cannot dispose of them in the present, as any other owner of a private asset bought with his own money<sup>37</sup>.

3.4. The rational expectations assumption, by which the present citizens do discount the future tax burden related to the service of the public debt, appears a frail hypothesis in Buchanan's view. He contested the "Ricardian equivalence theorem", later re-interpreted by the "rational expectations" principle, by criticizing its unreal rationalistic abstractions.

Individuals do not fully discount future taxes. While full discounting may take place for those individuals who own income-earning assets, this reasoning cannot be extended to individuals who own no assets. [...] The individual human being as either a capital asset or a liability disappears at death, and his heirs inherit directly neither his asset characteristics nor his liabilities. For this reason, the individual who owns no capital assets will not fully capitalize the future tax burden involved in the interest charges. He will capitalize them, if at all, only within the limits imposed by his effective planning horizon, that is, only to the degree which he, individually, conceives that he will be a future taxpayer. And, since human life is short, much of the debt burden must remain uncapitalized.

In addition, Jim observed that the irrationality connected with discounting future tax payments has been introduced by Ricardo himself.

In the following book about *Public Finance in the Democratic Process*, Jim introduced the supply side aspect of the public choice process, as for the opportunistic behavior of politicians concerned about their power, which adopt practices of fiscal illusion to finance public expenditure by deficit financing<sup>38</sup>.

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(<sup>37</sup>) J. M. BUCHANAN, *Public Principles of Public Debt. A Defense and Restatement*, quot., Chapter 4, *Concerning Future Generations*, p. 36 of vol. 2 of *The Collected Works of James Buchanan*, with the same title, with a *Foreword* by J. Brennan.

(<sup>38</sup>) See J. M. BUCHANAN, *Public Finance in the Democratic Process*, University of North Carolina Press, Chapel Hill 1967, Chapter X, *The Fiscal Illusion*, especially in the Section *Puviani's Institutional Array*, devoted to the theory of fiscal Illusions of Amilcare Puviani at p. 132 and in Chapter XVII, *The Institution of Public Debt*, in the Section on *The Public Debt Illusion and its Converse*, pp. 264-266.

3.5. The first and second thesis of the book – that public debt is generally a burden on future generations and that there is no fundamental difference between private and public debt burden –, under similar institutional settings, are, thus, demonstrated. But what about the third one, which states that there is no essential difference between domestic and foreign public debt?

James Buchanan acknowledged that the issue of transferring domestic financial resources abroad does exist.

The point to be made here is not that of minimizing the importance of the transfer problem. Rather it is that of stating that differences in the transfer difficulties provide the only valid reason for making a sharp conceptual distinction between the two debt forms. At the more fundamental level of comparison with which we are concerned here, this transfer difference is an adjustment factor only. It should not be allowed to obscure the essential truth, namely, that in basic respects the internal loan and the external loan are identical<sup>39</sup>.

Clearly, this point deserves further discussion in the XXI Century globalized context. A James Buchanan's paper of 2011 on *The Limits to Market Efficiency* may be useful to dig deeper in the difference between public debt owned by domestic rather than foreign creditors. Nevertheless, this enterprise would lead us too far.

#### 4. *Concluding Remarks*

4.1. The three papers about the theory of the individual choice within the collective choices of public finance and democratic decisions in general, together with the essay on public debt of the early Chicago-Italian period constitute the building blocks of James Buchanan's Virginia public choice school. Clearly, we can also trace the roots of the book written with Gordon Tullock about the *Calculus of Consent*.

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<sup>(39)</sup> See J. M. BUCHANAN, *Public Principles of Public Debt. A Defense and Restatement*, quot., Chapter 6, *Internal and external public debt*, § 2.6.26, of vol. 2 of *The Collected Works of James Buchanan*, quoted above.



The individualistic subjective bottom-up approach adopted by James Buchanan, which represents a sort of intellectual revolution against the two then prevailing approaches through an axiomatic social welfare function of the community as an entity and/or through the macro-economic fiscal policy aggregates, is not a mere economic project, nor a mere theoretical exercise.

It is not a mere economic project because it involves the entire political and legal-philosophical view about the State and its power on the individuals.

«In the individualistic approach the government represents only the collective will of the individuals and cannot be considered the originator of action in an abstract sense»<sup>40</sup>.

This concluding remark of James Buchanan's paper of 1949 about the pure theory of government finance is not merely relevant as for the economics of public finance, but it has a more general meaning.

In this paper – and consistently in the others of this period relating to taxation, as well as in the book about public debt, as a burden on the future taxpayers/voters – there is an ethical premise that conditions the entire public choice approach of James Buchanan, i.e. a contractarian nexus conditions and delimits the individual freedoms versus the State.

In his disquisition about the benefit principle in taxation, within the De Viti De Marco's approach, James Buchanan writes «If we accept the *quid pro quo* ideal, the benefit principle is correct in the abstract and the problem of the individual imputation of the benefit is a technical one. [...] Once this commutative fiscal relationship of the individual with the government is thrown out as the norm, is there any value to be gained from attempts at surmounting the technical problem of individual imputation?»<sup>41</sup>.

In the two papers of 1949 and 1954 about the earmarked taxes related to the highway services and about the district organizations that levy taxes to fund services of elementary education, water sup-

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<sup>(40)</sup> J.M. BUCHANAN, *The Pure Theory of Government Finance. A Suggested Approach*, quot., p.132 in the end. The quotation of this paper and of the others in the following pages are always from James BUCHANAN, *The Logical Foundations of Constitutional Liberty*, (1999), in Id., *The Collected Works of James M. Buchanan*, quot., vol. 1.

<sup>(41)</sup> J.M. BUCHANAN, *The Pure Theory of Government Finance. A Suggested Approach*, quot., pp. 124-125.

ply and so forth, James Buchanan illustrated some of the institutional implication of the public choice approach. Its relevance in the area of law and economics and political science was thus evident.

4.2. Notice that, since these Buchanan's early contributions to what will become the public choice approach, the starting point is not normative, but positive, as it actually is in Wicksell and in the Italian *scienza delle finanze*, on which he had meditated during this time.

«We may adopt the philosophical bases of individualism in which the individual is the only entity possessing ends or values [...]. Alternatively, we may adopt some variant of the organic philosophical assumption in which the collectivity is an independent entity possessing its own value-ordering»<sup>42</sup>.

If the social welfare function is not real as James Buchanan maintains it – only the subjective utility functions of the individuals do matter and a proper system of institutions and rules should be adopted to reach their consensus.

If the individuals believe that there must be a *quid pro quo* between the limitations of their freedom by the government and politicians in general and the services they offer, then the respect of this implicit “commutative” social contract is required, to have an orderly society based on consensus, the only one, in which welfare and progress can come out.

On the other hand, since these early contributions, and perhaps, even more clearly, starting from the essay on public debt, James Buchanan adopts two postulates about the individual behavior, which can be normatively unpleasant, but realistic: the one which states the relevance of personal utility and, therefore, of personal responsibility and the one about limited rationality. From the first postulate he argues the proposition stating that – as for the economic goods – the market is the only entity that detects the individual preference between two social alternatives, because it is the only institution in which the comparison is done individually, on divisible units, and

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(<sup>42</sup>) J. M. BUCHANAN, *Social Choices, Democracy and Free Market* (1954), in *The Collected Works of James M. Buchanan*, quot., vol. 1, p. 93.

when choices are really made, the responsibility falls directly on the chooser himself<sup>43</sup>.

In the voting process, individuals may be uncertain about how their choices will affect them and may also be influenced by a sense of participation, as they do not choose among actually existing alternatives, but about future and *potential* ones, while the divisibility of the items is limited by the fact that the vote is only one for many objects.

From the fact that only market choices are effective choices, whose effects fall on those who make them, it follows that market is a spontaneous order embodied in the free enterprise economy, originated from independent actions of the individuals, without overruling the individual values.

It follows that public economy and, more in general, the policy to adhere to individual choices should imitate the market and its ethical values of individual responsibility and commutative justice as far as possible and should, anyway, let the market work, as far as possible.

For sure, there are market failures, but public economy failures limit the capability of governments to correct them.

4.3. Actually, as noted above, among the postulates of positive social sciences adopted in early Buchanan's works and then by the public choice school, that also condition its normative economics, there is the postulate of limited human knowledge.

This assumption of positive social sciences, which conditions the normative ones in Buchanan's public choice approach, emerges in his early papers in several occasions, for instance when he – who supports the unanimity rule – still praises the merits of the majority rule as it follows. «But, certainly, majority rule is acceptable in a free society precisely because it allows a sort of jockeying back and forth among alternatives upon none of which unanimity can be obtained [...]. It serves to insure that competing alternatives may be experimentally adopted, tested and replaced, by new compromise alternatives approved by a majority group of ever-changing composition»<sup>44</sup>.

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(<sup>43</sup>) See especially the two papers of 1954 on *Arrow's Social Choice Theorem* and on *Individual Choice in Voting and in the Market*, respectively p. 101 and pp. 77- 83.

(<sup>44</sup>) J. M. BUCHANAN, *Social Choice, Democracy and Free Market*, quot., p. 97.

At the individual choice level, the limited knowledge postulate in public economics, as for the future distant events, is more demanding than in market economy because of the lack of individual concrete property right.

In the essay on the public principles of public debt, James – as we have seen – pointed out that while full discounting of future taxes or benefits may take place for those individuals who own income-earning assets, this fact cannot be extended to individuals who own no assets, because they disappear at death and their heirs do not inherit any asset.

On the other hand, in the dense monograph on the Italian *scienza delle finanze*, James Buchanan goes through Amilcare Puviani and Mauro Fasiani's theory of fiscal illusion to show how politicians, in order to get consensus may manipulate the information about their public choices. In a following paper on public debt, *Cost Theory and Fiscal Illusion* of 1964, James Buchanan will apply Puviani's theory of fiscal illusion to the development of his own public debt theory<sup>45</sup>.

In a lecture held in 1979 on *Politics without Romance*<sup>46</sup> James Buchanan stresses that at the basis of his public choice theory there are the methodological individualism and the assumption of the utility maximizing behavior of individuals who participate in the various public-choosing capacities as voters, legislators, or bureaucrats. Public choice analyzes the effects of various institutional constraints on generating alternative political outcomes.

However, in a Chapter of *Essays on the Political Economy* of 1989, entitled *The Ethics of Constitutional Order*, Jim observes<sup>47</sup> that the political game is compulsory. The individuals who join it cannot influence the choice of the rules of the game, i.e. the constitutional regime, being only one voter among millions. The willingness to actively participate to the preservation or to the change of the rules, reflects the presence of some ethical precepts that transcend the individual interest of a single person. Behaving "as if" in the Kantian sense has the nature of an ethical obligation.

<sup>(45)</sup> J. M. BUCHANAN, *Public Debt, Cost Theory and the Fiscal Illusion* (1964), in Id., *The Collected Works of James M. Buchanan*, quot., vol. 1, pp. 150-163.

<sup>(46)</sup> In *The Collected Works of James M. Buchanan*, quot., vol. 1, pp. 45-59. See especially p.45 and 48.

<sup>(47)</sup> In *The Collected Works of James M. Buchanan*, quot., vol. 1, pp. 369-373. See especially. p. 371.

*Abstracts*

Lo studio si concentra su quattro lavori dell'economista James Buchanan che hanno al centro della loro dissertazione la teoria economica della scelta pubblica. Buchanan fu capace di spostare spesso la propria attenzione da questioni di carattere meramente economico ad altre di tipo etico, capacità che si fa palese nei saggi qui considerati: appena conseguito il dottorato è chiara l'influenza delle sue letture italiane nella prospettiva quasi sociologica con cui guarda al debito pubblico, visto come un fardello sulle spalle delle future generazioni di contribuenti. Buchanan propone pertanto di legare direttamente la spesa pubblica che lo Stato affronta per il sostentamento di determinati servizi, alle tasse pagate proporzionalmente dalla generazione che beneficia di quegli specifici servizi, come nell'economia di mercato. Altro aspetto rilevante nella visione di Buchanan è dato dal comportamento elettorale (un sistema di scelta pubblica) dei cittadini in quanto contribuenti.

The paper focuses on five early works by the economist James Buchanan which center the topic of their analysis on the theory of public choice in economics. Buchanan has been very able in shifting his attention from merely economical to ethical issues and this ability is patent within the considered essays: as a young PhD his Italian readings inspired him a sociologic vision of the public debt issue, seen as a burden that will be carried by the future generations of taxpayers. Thus Buchanan discusses about the possibility to link the public expenditure for specific services directly and proportionally to the taxes that a generation will pay to finance those specific services it benefits from, as in market economy. Another important aspect of Buchanan's prospect is the attention he pays to electoral behaviours (a way of the public choice) of citizens as taxpayers, .

*Keywords*

James Buchanan; scelta pubblica; impresa/imprenditoria pubblica; tasse.

James Buchanan; Public Choice; Public Enterprise; Market Economy; Taxes.

