

# Current Comments®

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## Public-Choice Theory Brings James M. Buchanan the 1986 Nobel Prize in Economics; Nigerian Poet and Playwright Wole Soyinka Awarded the Literature Prize

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The road to James M. Buchanan's Nobel Prize in economic sciences took a serendipitous turn in the summer of 1948 through the stacks of the University of Chicago's Harper Library. Buchanan had recently completed his PhD, was enjoying "the immediate post-dissertation leisure of an academic novice,"<sup>1</sup> when, as he tells it,

by sheer chance I pulled Knut Wicksell's 1896 [German-language] dissertation on taxation from the shelves, a book that was untranslated and unknown. The effect on me was dramatic. Wicksell laid out before me a set of ideas that seemed to correspond precisely with those that I had already in my head, ideas that I could not have expressed and would not have dared to express in the public-finance mind-set of the time.... Wicksell [said] if we seek reform in economic policy, we should change the rules under which political agents or representatives act.<sup>2</sup>

In discovering that the Swedish economist Wicksell had focused on the rules or first principles that shape public-finance decisions, Buchanan found encouragement. He set out toward the domain of political science and the realm of political decision-making, but he took along an economist's interest in incentives and in the concept of mutual advantage in exchanges. He saw political decision-makers no longer as detached seekers of the public good, but as interested players who could be counted on to trade for their own advantages, such as reelection or increased power. Like those in the private sector, actors in the public sector will be motivated by self-interest, Buchanan said. It's an idea as old as Thucydides,<sup>3</sup> and one reiterated by Machiavelli,<sup>4</sup> Hobbes,<sup>5</sup> and Adam Smith in that cornerstone of econom-

ics, *The Wealth of Nations*.<sup>6</sup> From Smith's time to Buchanan's, however, this basic understanding was largely forgotten.

Buchanan's formulation, known as public-choice theory, takes the "methods and approaches that economists have traditionally applied to the private sector and extends [those] to the political sector, to politics."<sup>7</sup> For example, in the US the rules for decision-making concerning public spending are set out in the Constitution: elected representatives vote on citizens' behalf on the amount and distribution of public funds. But these rules produce in the representatives a proclivity to spend beyond the amount of revenue collected. It is in the representatives' interest to spend more and to say to their constituents that they voted for this or that project that brings benefits to their community; by delivering such benefits, the representatives are more likely to be reelected. They have no incentive to tell their constituents they voted for higher taxes in support of the many projects they deliver.

Unless there is some moral or legal restraint against this proclivity to spend without incrementally raising revenues, budget deficits result. Before the Keynesian view<sup>8</sup> (from the mid-1930s on) that governments should intervene in an economy to achieve certain social or economic goals, such as full employment or low inflation, there was chiefly a moral impediment to deficit spending. Acceptance of Keynesian interventionist policy, in Buchanan's view, removed this impediment and destroyed the relationship between spending and taxing in the public decision-making process. In lieu of any moral constraint then, Buchanan has supported the introduction of a legal constraint against creating deficits.

The Gramm-Rudman-Hollings deficit reduction act<sup>9</sup> was in part inspired by Buchanan's ideas and is a recognition on the part of politicians that they need controls; but as a legislative fix—one that can be legislatively undone—Buchanan finds it less acceptable than a constitutional amendment to balance the budget, which amounts to changing the rules of the game. Under the requirement for a balanced budget, dollars would be so scarce in respect to demand that near unanimity would be required before funds for a project would be approved, reasons Buchanan. Furthermore, Buchanan would want taxes earmarked for specific projects and voting on those projects to be straight up or down.

Buchanan's work lies off the mainstream of traditional economics, whose practitioners have in the last half-century focused their energies on methods of "fine-tuning" the Great Economic Machine. But, to return to Wicksell's point, Buchanan believes that it is useless for economists to offer advice on "fine-tuning," since once the rules of the game are adopted, the outcome of a particular issue is largely set by the internal dynamics and political constellations of the system.

The selection of Buchanan for the Nobel Prize elicited some surprise on the part of many traditional economists who feel that Buchanan's work lies, in fact, outside economics. Actually, public-choice theory, by straddling economics and political science, reunites these two disciplines, formerly known collectively as political economy. In the opinion of Thomas Borcherding of the Claremont Graduate School, California, and a former student of Buchanan, the outstanding contribution of public-choice theory is that it has brought "more reality to political science models."<sup>10</sup> But on the economics side, Buchanan's ideas are directly related to the concept of rational maximizing behavior, a focus for the research of such Nobel Prize winners as Herbert Simon (1978) and Kenneth Arrow (1972).

Nevertheless, Buchanan does feel somewhat a stranger to mainstream economics, which is inundated in his view by mathematical models of low utility that attempt to explain market failures. "I don't hide behind technicalities to make it appear to be a pure

science. There's a lot of fraud foisted on ordinary people," he has said in his characteristically outspoken manner.<sup>11</sup> Buchanan, in this regard, sounds remarkably like Wassily Leontief, the 1973 Nobel laureate in economics.<sup>12</sup> Leontief, too, has complained loudly about the misuse of mathematics and statistics in economics.<sup>13</sup>

In recognizing the importance of public-choice theory, the Nobel committee chose to honor the man most responsible for its formulation and advancement. Buchanan, however, has always acknowledged pioneers, such as Wicksell, as well as a number of Italian scholars in public finance.

### Early Years, Teaching Career

James McGill Buchanan was born on October 2, 1919, into a poor farming family in Murfreesboro, Tennessee. His grandfather, John P. Buchanan, a member of the Farmer's Alliance party, was the Populist governor of the state of Tennessee from 1891 to 1893. As Buchanan recalls his childhood, "I [grew] up on a reading diet from my grandfather's attic piled high with the radical pamphlets of the 1890's. The robber barons were very real to me."<sup>2</sup> The family had intended that he attend Vanderbilt University and follow his grandfather as a lawyer-politician, but "Vanderbilt moved beyond the possible as the Great Depression moved in."<sup>2</sup>

Instead, Buchanan enrolled at Middle Tennessee State Teachers' College in Murfreesboro. He lived at home and milked cows morning and night for four years to pay for his tuition and books. After graduating in 1940 with a BS in mathematics, English literature, and social science, including economics, he went on to the University of Tennessee in Knoxville and received his MA in economics in 1941. "I learned no economics during that year, but did learn about women and whiskey, which, after all, are important parts of an education," he remembers.<sup>2</sup> That same year, just as he was about to take a fellowship in statistics at Columbia University, World War II intervened and he joined the US Navy. After officer training he was assigned to the operations staff of Admiral C.W. Nimitz, commander-in-chief of the Pacific Fleet. Buchanan proved

an excellent officer and was encouraged to make the military a career, but he elected in 1945 to return to civilian life.<sup>2</sup>

Under the GI bill, Buchanan pursued a PhD in economics at the University of Chicago, from which he graduated in 1948. His most important teacher was Frank Knight, who instilled in Buchanan an attitude of skepticism, which predisposed Buchanan to asking fundamental questions, such as those that led him to formulate public-choice theory. Portraits of Wicksell and Knight hang today in Buchanan's office.

Buchanan has taught at a number of universities: the University of Tennessee (1948-1951), Florida State University (1951-1956), the University of Virginia (1956-1969), the University of California at Los Angeles (1968-1969), Virginia Polytechnic Institute and State University (1969-1983), and George Mason University (1983-present), where he is Holbert L. Harris University Professor and general director of the Center for the Study of Public Choice, the focal point of research in public-choice theory. The center publishes *Public Choice*, the flagship journal of the public-choice school.

The Center for the Study of Public Choice was originally organized at Virginia Polytechnic Institute in 1969. It was itself an outgrowth of Buchanan's establishment of the Thomas Jefferson Center for Political Economy at the University of Virginia in 1958. In 1983 Buchanan, his long-time colleague Gordon Tullock, and several other like-minded professors moved themselves and the center to George Mason University in Fairfax, Virginia, some 15 miles southwest of Washington, DC.

#### Citation, Research-Front, and Bibliographic Data

Buchanan's publications most cited in the *Social Sciences Citation Index*<sup>®</sup> (SSCI<sup>®</sup>), 1966-1986, are listed in Table 1. By far his most-cited work, with over 900 citations, is *The Calculus of Consent*, written with Tullock. Buchanan himself, in what sounds a lot like a *Citation Classic*<sup>®</sup> commentary, describes this as

the first work in what we now call "constitutional economics," and it achieved the

status of a "classic" in public-choice theory. In retrospect, it is interesting, to me, that there was no sense of "discovery" at any point in that book's construction, no moment of excitement akin to those accompanying either the discovery of the Wicksell book or the insight into public-debt theory. Tullock and I considered ourselves to be applying relatively simple economic analysis to the choice among alternative political decision rules, with more or less predictable results. We realized that no one had attempted to do precisely what we were doing, but the exercise was essentially one of "writing out the obvious" rather than opening up wholly new areas for inquiry. We were wrong.<sup>2</sup>

The historiograph in Figure 1 shows the 1983 through 1986 research fronts with core documents by Buchanan and other research fronts linked to these, that is, those that share core works to a significant degree. (Research fronts are identified through co-citation analysis; each front consists of a group of core documents and the current-year articles that cite the core. I have described elsewhere the procedure we use to identify research fronts.<sup>14</sup>)

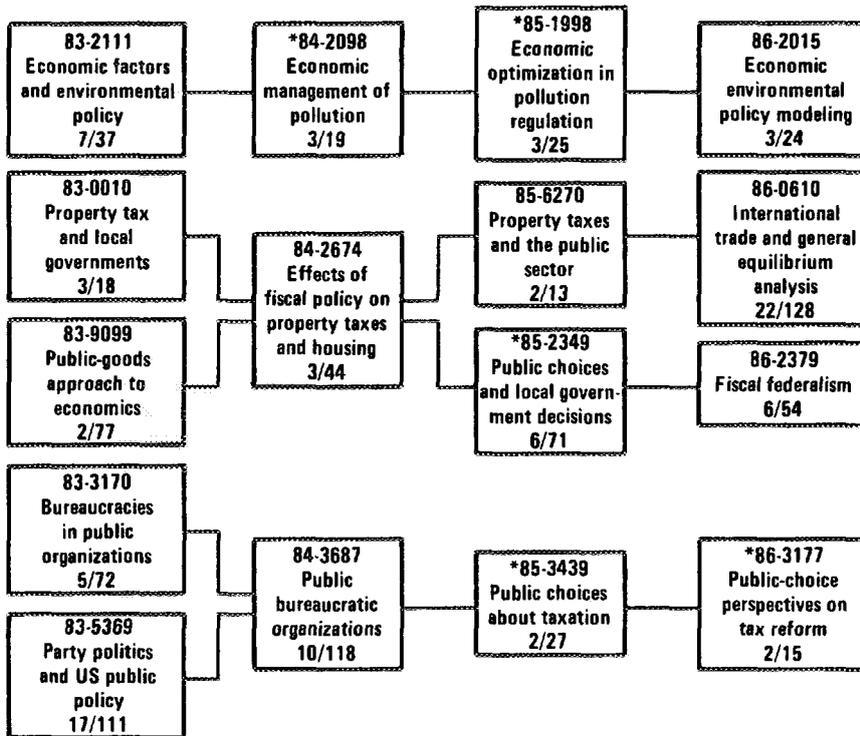
*The Calculus of Consent* and Buchanan's sixth most-cited work, *Public Finance in the Democratic Process*, make up the core of the 1985 research front "Public choices about taxation" (#85-3439), which is connected to the 1986 research front "Public choice perspectives on tax reform" (#86-3177). This 1986 front has in its core Buchanan's *Toward a Theory of the Rent-Seeking Society*, edited with Tullock and Robert D. Tollison; this book is Buchanan's ninth most-cited publication.

Other works by Buchanan are core to two more 1985 research fronts. "Economic optimization in pollution regulation" (#85-1998) contains his third most-cited publication, the article "Externality," in its core, while the research front "Public choices and local government decisions" (#85-2349) contains the article "An economic theory of clubs," his fourth most-cited publication. The historiograph demonstrates the central place that many of Buchanan's publications hold in active areas of economic research in the past few years.

**Table 1:** James M. Buchanan's most-cited works from the *SSCI*<sup>®</sup>, 1966-1986. A=number of citations. B=bibliographic data.

A	B
922	Buchanan J M & Tullock G. <i>The calculus of consent: logical foundations of constitutional democracy</i> . Ann Arbor, MI: University of Michigan Press, 1962. 361 p.
265	Buchanan J M. <i>The demand and supply of public goods</i> . Chicago, IL: Rand McNally, 1968. 214 p.
244	Buchanan J M & Stubblebine W C. Externality. <i>Economica</i> 29:371-84, 1962.
188	Buchanan J M. An economic theory of clubs. <i>Economica</i> 32:1-14, 1965.
166	Buchanan J M. <i>The limits of liberty: between anarchy and Leviathan</i> . Chicago, IL: University of Chicago Press, 1975. 210 p.
147	Buchanan J M. <i>Public finance in the democratic process</i> . Chapel Hill, NC: University of North Carolina Press, 1967. 307 p.
131	Buchanan J M & Wagner R E. <i>Democracy in deficit: the political legacy of Lord Keynes</i> . New York: Academic Press, 1977. 195 p.
83	Buchanan J M & Tullock G. Polluters' profits and political response: direct controls versus taxes. <i>Amer. Econ. Rev.</i> 65:139-47, 1975.
83	Buchanan J M, Tollison R D & Tullock G, eds. <i>Toward a theory of the rent-seeking society</i> . College Station, TX: Texas A & M University, 1980. 367 p.

**Figure 1:** Historiograph of research fronts on public expenditure and taxes, political decision-making, and public economics. Numbers of core/citing papers are indicated at the bottom of each box. Asterisks (\*) indicate fronts that include Buchanan as a core author.



Readers interested in learning more about public-choice theory might do well to consult the recently published overview entitled *Regulating Government: A Preface to Constitutional Economics* by Dwight R. Lee and Richard B. McKenzie.<sup>15</sup> Finally, I would mention Buchanan's two most recently published books: *Liberty, Market, and the State: Political Economy in the 1980s*<sup>16</sup> and *The Reason of Rules*, written with Geoffrey Brennan.<sup>17</sup> A full bibliography of Buchanan's publications, 1949-1986, was recently published in the *Scandinavian Journal of Economics*.<sup>18</sup>

### Literature

Nigerian poet and playwright Wole Soyinka, the first black African to win a Nobel Prize in literature, faced reporters in Paris shortly after the announcement and said, "I don't for a minute consider that the Prize is just for me. It's for what I represent. I'm part of the whole literary tradition of Africa."<sup>19</sup>

In the opinion of many, the richness and importance of that tradition had too long gone unrecognized by the Swedish Academy. In choosing Soyinka the academy both addressed that neglect and focused world attention on a highly individualistic body of work, including plays, poetry, novels, and essays. Many of these focus on cultural upheaval in modern African society, especially the conflict of native traditions with European influences. Soyinka's dominant themes include loyalty, self-sacrifice, death, and self-deception.

His political involvements, particularly the experience of imprisonment for two years during the Nigerian Civil War, also find expression in his writings. Throughout his life, Soyinka has fiercely criticized corrupt politicians in his own country and in other newly independent African nations. In a recent work, *A Play of Giants*, he satirizes a collection of African dictators who have taken refuge together in an embassy in New York.<sup>20</sup> A note accompanying the text mentions that the resemblance between his characters and such historical figures as Nguema of Equatorial Guinea, Bokassa of the Central African Republic, and Amin of Uganda "is only too pronounced."<sup>20</sup> (p. i)

Soyinka has also been an outspoken critic of the apartheid policies of South Africa. In his Nobel lecture—"This Past Must Address Its Present," dedicated to Nelson Mandela—the new laureate called upon the world community "either to bring [South Africa] into the modern world, into a rational state of being within that spirit of human partnership...or to bring it abjectly to its knees by ejecting it, in every aspect, from humane recognition, so that it will cave in internally, through the strategies of its embattled majority."<sup>21</sup> That the playwright addressed himself to politics will surprise no one familiar with Soyinka's saying, "The man dies in all who keeps silent in the face of tyranny."<sup>22</sup>

### Formative Experiences

He was born Akinwande Oluwale Soyinka on July 13, 1934, in Abeokuta, Nigeria. As the son of Christian parents, he was early on exposed to European influences and perceptions. That exposure increased when Soyinka traveled to the UK in 1954 to study English at the University of Leeds. After graduating with an honors BA in 1957, Soyinka joined the Royal Court Theatre in London as a play reader of mostly experimental drama. In 1960 Soyinka returned home and formed the 1960 Masks, the first English-language drama company in Nigeria.

Under a Rockefeller Foundation grant, Soyinka was a research fellow in drama at the University of Ibadan from 1961 to 1962. He traveled throughout Nigeria at this time and studied the folk drama of various cultures. This experience shaped his subsequent plays, which combine European staging with elements of African rituals. In 1962 he became a lecturer in English at the University of Ife and in 1964, a senior lecturer in English at the University of Lagos. During these years Soyinka not only taught but also produced his own plays and those of other African playwrights at theaters in both Lagos and Ibadan.

In August 1967 Soyinka attempted to negotiate a cease-fire and end to the Nigerian Civil War with the Ibo rebel leader Odumegwu Ojukwu. He went to the rebels' seces-

sionist state, Biafra, to do so, but the Nigerian military leaders viewed this as an act of treason. Soyinka was arrested and imprisoned, first in Lagos and later in Kaduna in the north. There he spent nearly two years, most of it in solitary confinement. In his poem "Live Burial" Soyinka describes his cell: "Sixteen paces / By twenty-three. They hold / Siege against humanity / And Truth / Employing time to drill through to his sanity."<sup>23</sup> Finally, in October 1969, he was released, after government officials received strong protests from abroad about his mistreatment.

Soyinka's reputation, already well established in the UK, began to spread worldwide in the 1970s. Early in the decade, he served as director of the School of Drama, University of Ibadan. In 1972 he became research director in drama at the University of Ife. The next year he was a fellow of Churchill College, Cambridge University. During the period 1974-1976, Soyinka lived in self-imposed exile in Ghana. In 1976 he returned to Nigeria and became professor of comparative literature and chair of theater arts at the University of Ife, but he resigned these appointments in 1984 in protest to the military government's decree that all academics were to become civil servants and were prohibited from discussing politics.

Beginning in 1988 Soyinka will be Goldwin Smith Professor of Africana Studies and Theater Arts at Cornell University in Ithaca, New York.

#### Most-Cited Works

The *Arts & Humanities Citation Index™* (A&HCI™), 1975-1986, contains about 700 citations to writings by Soyinka, indicating considerable attention to his work on the part of the academic community. Table 2 lists his 10 works most cited during this period.

His most-cited work, and one singled out by the Nobel committee's citation as clarifying and enriching reading, is *Myth, Literature, and the African World*, a collection of essays in which Soyinka discusses, among other subjects, the mythological background to African, and more specifically Yoruba, literature.

Two novels and two memoirs also rank among his most-cited writings. *The Inter-*

*preters* describes the dilemma facing young intellectuals living in Lagos who feel the imperatives of both the modern world and ancient customs. *Season of Anomy*, about the madness of war, is based on the strife of the Biafran conflict. In *The Man Died* Soyinka recounts his prison days. His other autobiographical work is *Aké: The Years of Childhood*, which the author describes as an attempt to "recollect certain passages from childhood, a certain atmosphere of which you were a part...[as when] you suddenly go to a place and you know the smells."<sup>24</sup>

Poetic works in the list include *Idanre and Other Poems* and *A Shuttle in the Crypt*. The former is an epic poem paying homage to the Ibo rebels who were massacred in the civil war. *A Shuttle in the Crypt*, which includes the poem "Live Burial," was written on pieces of toilet paper during Soyinka's period of captivity.

But Soyinka considers himself before all else a playwright. "My development as a writer is in the theater," he has said. "I came to the theater through love of the medium and only later realized its potential in political terms, as an instrument of social change, as an interpretation of experience—of collective communal experience, historical experience and political experience."<sup>24</sup>

One of his early plays, *A Dance of the Forests*, reveals Soyinka's interest in the theme of native self-deception about Africa's past. In this work, the spirits of ancestors are called upon in an attempt to rewrite and glorify African history. *The Road* examines death, particularly the moment of death, which for Soyinka is both a fear and fascination acquired from his own close calls on the treacherous Nigerian highways ("...a madness where a motor-car throws itself against a tree—Gbram! And showers of crystal flying on broken souls"<sup>25</sup>). In *Death and the King's Horseman* Soyinka again speaks of the conflict of ancient against modern: a horseman to the recently deceased king wishes to commit ritual suicide to join his master in the world beyond, but a local British colonial official tries to lock up the protagonist for his own good. This play was recently produced at the Vivian Beaumont Theater of the Lincoln Center in New York, with Soyinka directing.

**Table 2:** Wole Soyinka's most-cited works from the *A&HCI*<sup>™</sup>, 1975-1986. A=number of citations. B=bibliographic data.

A	B
75	<i>Myth, literature, and the African world</i> . New York: Cambridge University Press, 1976. 180 p. (essays)
35	<i>The interpreters</i> . London: Andre Deutsch, 1965. 253 p. (novel)
34	<i>Season of anomy</i> . New York: Third Press, 1973. 320 p. (novel)
31	<i>Idanre and other poems</i> . London: Methuen, 1967. 88 p. (verse)
26	<i>The man died</i> . New York: Harper & Row, 1972. 317 p. (memoirs)
25	<i>A dance of the forests</i> . London: Oxford University Press, 1963. 89 p. (play)
19	<i>The road</i> . London: Oxford University Press, 1965. 101 p. (play)
18	<i>A shuttle in the crypt</i> . New York: Hill and Wang, 1972. 89 p. (verse)
17	<i>Death and the king's horseman</i> . London: Methuen, 1975. 77 p. (play)
15	<i>Ake: the years of childhood</i> . New York: Random House, 1981. 230 p. (memoirs)

James Gibbs, Ketu H. Katrak, and Henry L. Gates published last year a comprehensive bibliography of Soyinka's writings and of articles and books about his work.<sup>26</sup> In addition to the bibliography, interested readers may wish to consult monographs on Soyinka by Eldred D. Jones,<sup>27</sup> Katrak,<sup>28</sup>

and Gibbs,<sup>29</sup> as well as the forthcoming collection of essays edited by Gates.<sup>30</sup>

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