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AN INTERVIEW WITH RANDALL G. HOLCOMBE ON THE CONSTITUTIONAL ECONOMICS LEGACY OF JAMES M. BUCHANAN

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> ***Randall G. Holcombe*** *(1950–) has served as the DeVoe Moore Professor of Economics at Florida State University since 1996, where he has been a faculty member since 1988. His academic activities have extended beyond the university setting; he has played active roles in numerous think tanks and research institutes. Holcombe served as the President of the Public Choice Society from 2006 to 2008. Since 2008, he has been the editor of the Studies in Public Choice book series published by Springer. His scholarly work focuses on public policy, constitutional economics, the Austrian School of Economics, and public choice theory. His academic output includes 22 authored books, 3 edited volumes, 212 peer-reviewed journal articles, 68 book chapters in edited collections, 5 government publications (such as congressional reports and official documents), 49 policy institute reports, and 61 book reviews.*

Q: What are, in your view, the key unanswered questions and unresolved issues regarding the relationship between liberty and agreement in Buchanan's framework?

Holcombe: Buchanan was a strong supporter of the classical liberal ideas of limited government and the preservation of individual freedom. He also consistently used agreement as a benchmark to evaluate the desirability of social rules and collective action. Desirable rules are those to which everyone agrees. Collective action works in the interest of the group when everyone agrees. There is a potential tension here because people might agree to rules and collective actions that compromise individual freedom. Buchanan did not resolve this tension in his work.

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Q: How is Buchanan's intellectual legacy shaping current research in constitutional political economy?

Holcombe: Buchanan's work laid the foundation for constittuional political economy. He made the distinction between constitutional and post-constitutional decision-making. Constitutional decision-making determines the rules under which people interact. Post-constitutional decision-making are the decsions people make under those rules. Most economic analysis examines post-constitutional decision-making—choice subject to constraints. Constitutional decisioon-making chooses the constraints. That distinction is well-known and a new generation of scholars is furthering Buchanan's ideas.

Q: How do you evaluate Buchanan's proposition that "the state should be neither too big nor too small" in the context of contemporary fiscal policies?

Holcombe: While most of Buchanan's work was theoretical, one public policy issue Buchanan pushed was to enact a balanced budget amendment in the US Constitution. He also was supportive of constitutional constraints on the state's power to tax. Clearly, Buchanan would continue to support the adoption of a balanced budget amendment, and would think that the size and scope of government is too large.

Q: The idea of transitioning from anarchy to government based on consent is often discussed alongside thinkers like Hayek and Schumpeter. In your opinion, how does Buchanan's approach differ from the contractarian perspectives of these thinkers?

Holcombe: The transition from anarchy in Buchanan's work was purely hypothetical. Buchanan imagined a society in Hobbesian anarchy, in which there were no agreed-upon rules. Hobbes said that in that situation, life would be a war of all against all. From that imagined state of anarchy, Buchanan said that desirable constitutional rules were the rules that everyone could agree to while in anarchy. The idea was to agree on the rules when nobody had any social status or special privileges.

In Buchanan's framework, people agree on rules through collective decision-making, requiring unanimous consent for rules to be approved. Hayek, in contrast, views the social order as an emergent order that results in effective rules that evolve without anyone planning them out. They are, to use a phrase he embraced, "the results of human action but not of human design." Schumpeter did not have a contractarian perspective, but rather looked at the policial actions of people as the result of their own interests. He said, for example, that the greatest beneficiaries of capitalism would not stand up to defend the system. Successful businesspeople, rather than defending free markets and limited government, advocated regulatory and tax protections to support their businesses and shield them from competitors. He believed that would be the undoing of capitalism.

Q: Professor Holcombe, in your view, what is Buchanan's most original and valuable contribution to the social sciences?

Holcombe: He contributed so much that this is a tough question. Perhaps it was his emphasis on methodological individualism. Groups do not act; only individuals act. That provides the foundation for public choice. Rather than saying "the government" is doing something, we must recognize that governments do not act; people do. So we need to look at the actions of voters, legislators, lobbyists, bureaucrats, and so forth, to understand why government does what it does. Doing so, we find that governments often act inefficiently. Rather than find fault with markets and argue that government should correct them, we need to analyze what government would do to see if government action could actually improve things. Sometimes those in government do not have sufficient information to make efficient decisions. Even if they do, often those in government do not have the incentive to make decisions that are in the best interest of the governed.

Q: To what extent have Buchanan's ideas such as a fiscal constitution or a tax constitution been implemented in practice?

Holcombe: Buchanan's ideas have had little impact on actual fiscal policy. There have been attempts to design institutions to limit taxes and spending, but the loopholes were always so big that they have been ineffective.

Q: Do you think Buchanan's views have influenced the transformation and development of the world since the 1980s?

Holcombe: Think about what the world was like in the 1980s. President Reagan called the Soviet Union the evil empire, and socialism was thought of as a viable alternative to capitalism. The collapse of the Berlin Wall in 1989 followed by the break-up of the Soviet Union in 1991 was hastened by classical liberal thinkers like Buchanan, who explained why people are better off with freedom and free markets. Surely, the most important spokesperson for those ideas was Milton Friedman. Buchanan was a part of that intellectual group, he was a member and past president of the Mont Pelerin Society, and he promoted classical liberal ideas. So yes, I think Buchanan's views influenced the transformation of the world since the 1980s, but it was not Buchanan alone. He was a part of a classical liberal group that provided intellectual support for the changes that occurred.

Q: Why do you think Buchanan's views have not been sufficiently understood or appreciated by political scientists?

Holcombe: Academic disciplines tend to be isolated from each other, so Buchanan's direct influence is less than his indirect influence. Public choice has made significant inroads into political science as political science has developed models of voting and collective decision-making, and has picked up quantitative techniques from economics. Elinor Ostrom, a political scientist, was pesident of the Public Choice Society, and won a Nobel prize in economics. But in academics, political science is the work done by poliitical scientists, which is why Buchanan's work will find it difficult to enter the mainstream of political science.

Q: Why have constitutional lawyers, in particular, been relatively hesitant to embrace Buchanan's idea of constitutional economics?

Holcombe: I don't know that they have been. The Law & Economics Center at George Mason University had a close relationship with Buchanan, and while law & economics is not the same thing as constitutional political economy, I don't think there has been any resistance to Buchanan's ideas. At the same time, we need to remember that law is different from economics. When Richard Posner's book, Economic Analysis of Law, was published, Buchanan wrote a review of the book titled "Good Economics; Bad Law." Posner's book looked at the efficiency aspects of law, and Buchanan was arguing that the law definces and eforces individual rights, which does not always mean maximizing economic efficiency. Back to your original question, I don't see that Buchanan's ideas have been ignored when they are relevant to constitutional law.

Q: How would you interpret today's democracies through the lens of Buchanan's theory of government failure?

Holcombe: Buchanan clearly saw the rent-seeking, regulatory capture, interest group politics, and budget-maximizing bureaucracy that characterizes today's democracies. Going back to Buchanan's constitutional principles, government should engage in activities that meet with the approval of a consensus of citizens, and that clearly does not describe contemporary governments. Buchanan's answer was to design constitutional constraints that limit the activities of government. He thought that if rules could be designed that were sufficiently general and sufficiently long-lasting, people would approve of rules that were in the long-run interest of most of the group. That's not what happens when an elite few have the power to write the rules in ways that benefit themselves.