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James M. Buchanan's Constrained Vision in *Cost and Choice*[*]

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Abstract
James M. Buchanan's 1969 book *Cost and Choice* speaks to the socialist calculation debate from the perspective of the "London Tradition" theory of cost. It also establishes Buchanan as an exemplar of Thomas Sowell's "constrained vision" in Sowell's (1987) 2007 book *A Conflict of Visions*. This essay explores Buchanan's radical subjectivism in *Cost and Choice*, and why it aligns him with Sowell's "constrained vision." Combining Buchanan's subjectivism with Sowell's *A Conflict of Visions* can help us understand Buchanan's critiques of welfare economics. We posit that *Cost and Choice* has continued relevance for public choice in addition to Austrian economics.

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I. Introduction

The statesman who should attempt to direct people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could be safely trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.
—Adam Smith ([1776] 1904, p. 421)

You face a choice. You must decide whether to read this paper, to read something else, to think silent thoughts, or perhaps to write a bit for yourself. The value that you place on the most attractive of these several alternatives is the cost that you must pay if you choose to read this paper now. This value is and must remain wholly speculative; it represents what you now think the other opportunity might offer. Once you have chosen to read this paper, any chance of realizing the alternative and, hence, measuring its value, has vanished forever. Only at the moment or instant of choice is cost able to modify behavior.
—James M. Buchanan ([1969] 1999, p. xiii)

The quote above is the opening paragraph of James M. Buchanan's *Cost and Choice,* with the word "preface" replaced with "paper." It illustrates Buchanan's simple but subtle thesis in *Cost and Choice*. Economists err when they begin with a fundamentally flawed theory of cost, because cost is subjective, not objective. As G. F. Thirlby (1946) points out, cost is "ephemeral" rather than objectively existing. Conventional ways of thinking about cost can be handy shorthands for prediction and explanation. Prescription and planning, however, run aground on Buchanan's treatment of cost. *Cost and Choice*, we argue, aligns Buchanan with what the economist Thomas Sowell (2007, p. 11) calls "the constrained vision," which is a preanalytic understanding of "how the world works" based on the conviction that irremediable cognitive and moral limitations, as well as material scarcity, constrain our potential.

We argue that Buchanan's theory of cost makes him an exemplar of Sowell's constrained vision, alongside Adam Smith, Friedrich Hayek, and Milton Friedman. Buchanan has a somewhat unconstrained vision of human potential and perfectibility, but he has a constrained vision of social processes. His conviction that value and cost are subjective inform his distrust of political elites' decisions. These unavoidable limitations eliminate socialism, fascism, and interventionism as viable modes of social organization and leave only constitutional liberalism. Moreover, Buchanan's theory of cost complements and deepens our understanding of some of his earlier public choice work in welfare economics and government finance. Thus, a reexamination of *Cost and Choice* with Sowell's work in mind can help us see the relevance of the former for public choice economists today.

In his 1969 book *Cost and Choice*, Buchanan hoped he might divert the path of economic theory with a better and more complete theory of cost. In his foreword to the Liberty Fund edition of *Cost and Choice*, Hartmut Kliemt points out that the book "holds quite a central place in Buchanan's work" (Buchanan ([1969] 1999, p. xi). In 2014, Karen Vaughn called it "a short but important book that is undeservedly overlooked even by Buchanan's admirers" (Vaughn 2014, p. 919). Alas, it remained underappreciated as of its fiftieth anniversary in 2019. Its 1,143 citations as of November 4, 2019, are substantial relative to the author's modest output, but are just 11 percent of the citations garnered by *The Calculus of Consent* (12,798), less than a quarter of the 4,809 citations to *The Power to Tax*, less than a third of the 3,977 citations to *The Limits of Liberty*, and about half of the citations to *The Reason of Rules* (2,368) and *Democracy in Deficit* (2,353).

Buchanan inaugurated the Virginia tradition in political economy. As he explains, an essential part of this tradition borrows from ideas first developed at the London School of Economics by scholars like G. F. Thirlby and Lionel Robbins.[1] His analysis in *Cost and Choice* speaks directly to the impossibility of centralized economic planning and the flaws of orthodox public and welfare economics. Buchanan was also an exemplar of and contributor to the development of "classical liberal" ideology.[2]

His contributions can be better understood in light of Sowell's analysis of the "ideological origins of political struggles," which is the subtitle of his classic *A Conflict of Visions*. To the best of our knowledge, no one has yet explored the relationship between Sowell's analysis of social visions and Buchanan's analysis of cost. While Sutter (1998) uses Sowell to study the role that ideology plays in political economy, he does not explicitly situate Buchanan within Sowell's taxonomy of visions. Bringing Sowell and Buchanan into conversation with one another clarifies the broader implications of Buchanan's ideas about cost for political economy, public policy, and "political" struggles.

Our paper proceeds as follows. Section 2 describes Sowell's work, and precisely what he means by "constrained" and "unconstrained" visions. Section 3 positions *Cost and Choice* within Buchanan's greater work and shows how it connects to greater currents within public choice theory—an apparently underexploited connection. Section 4 connects *Cost and Choice* and *A Conflict of Visions*, delving into how Sowell's work can help us see the relevance of *Cost and Choice* for earlier public choice work in government finance and welfare economics. Section 5 concludes.

II. *A Conflict of Visions*

Sowell describes a *vision* as a preanalytic sense of how the world works. While he acknowledges that visions exist along a continuum, he emphasizes

[1] See also Boettke and Candela (2020a, 2020b); Boettke and Marciano (2015); DiLorenzo (1990); Eusepi (2020); Martin (2020); Marciano (2011); and Vaughn (2014).

[2] See, for example, Mises ([1920] 1990); Hayek (1937, 1945, 1948); Boettke (1998); Boettke and Candela (2017); and Levy (1990).

two fundamentally different visions: the constrained vision and the unconstrained vision. They differ most strongly in their assumptions about human nature.

Sowell starts *A Conflict of Visions* with a curious observation: the same people seem to line up on the same sides of political issues even when those issues have little to do one with one another. So, for example, if Annie knows Bill's views on gay marriage, she can likely predict Bill's views on gun control with surprising accuracy. Sowell (2007, p. 10) attributes this alignment to fundamental differences in beliefs about how the world works—people's preanalytic senses of social possibilities and social causation.

Sowell begins his discussion of human nature with a thought experiment Adam Smith employed in *The Theory of Moral Sentiments* after hearing of a terrible disaster destroying millions of lives on the other side of the world. The disaster, he argues, causes less consternation for someone far removed from it than would the loss of that person's finger even though the former is a grievous human tragedy of outstanding proportions while the latter is merely a personal setback—albeit a painful one.

For Smith and others of the constrained vision, this aspect of human nature is not necessarily something to be lamented or "fixed." It is how things are, and Smith notes that it is not clear what good a lot of weeping and gnashing of teeth in Bristol or Birmingham would do for earthquake victims in Beijing. In the constrained vision, people have a limited capacity to *know* and *feel*, and they tend to be egocentric. "Egocentricity" need not mean that people are self-absorbed. They can be generous, charitable, and benevolent, but in the constrained vision, "self-interest" simply means that people will feed, clothe, and shelter their children before feeding others'. In the constrained vision, trade-offs are inescapable.

Meanwhile, in the unconstrained vision, people are perfectible and human nature is malleable (Sowell 2007, p. 18). With appropriate education and conditioning, they can forsake egocentricity and be motivated by a desire for the unambiguous and articulated good of the larger society. Cognitive and moral limitations do not apply, at least among the most cultivated minds. Even if they do apply, they can be overcome either through the perfection of human beings or by entrusting social decisions to intellectual and moral surrogates. Unlike the constrained vision in which trade-offs are unavoidable and a prudent evaluation of trade-offs is the best an individual can hope for, the unconstrained vision searches for solutions: "a solution is achieved when it is no longer necessary to make a trade-off" (Sowell 2007, p. 19).

Different visions have different implications for the kinds of public policies that are appropriate or even possible. To give an example, Sowell describes how Adam Smith—one of the foremost proponents of the constrained vision—viewed humans and market activity. Smith realized that as self-interested animals, humans did not have and would not develop the disposition necessary to serve other people out of benevolence. Rather, Smith notes that the incentives provided by market exchange do the job instead (Sowell 2007, p. 14). In this telling, the constrained vision recognizes the futility of expecting humans to behave unnaturally, and instead substitutes incentives for innate goodwill.

Those who view life through the unconstrained vision see things differently. Sowell draws our attention to William Godwin, an English writer and contemporary of Smith who eschewed the latter's more realistic attitude toward human nature. Godwin contended that people did not need to rely on institutions to induce them to produce for their fellows. Rather, the self-interest that typified individuals could be overcome and replaced with virtue (Sowell 2007, p. 16). As a result, the market's incentives, such as profit and loss, were not things to be celebrated, but eliminated (Sowell 2007, p. 17). People were supposed to be able to transcend the need for carrots and sticks with articulated reason.

"Visions," Sowell (2007, p. 4) argues, "are the foundations on which theories are built." He describes a vision as "a pre-analytic cognitive act," or "what we sense or feel before we have constructed any systematic reasoning that could be called a theory, much less deduced any specific consequences as hypotheses to be tested against evidence. A vision is our sense of how the world works" (Sowell 2007, p. 4). There is a difference, he argues, between a conflict of visions and a conflict of interests. In a conflict of interests, identifiable people struggle over a prize. By comparison, a conflict of visions is the struggle over fundamentally different assumptions about how the world works. As Sowell puts it, "Conflicts of interests dominate the short run, but conflicts of visions dominate history" (Sowell 2007, p. 2).

Sowell (2007, p. 108) describes the constrained vision this way:

> For a constrained vision, it is necessary not only that (1) man's resources, both internal and external, are insufficient to satisfy his desires, but also that (2) individuals will not accept limits on the satisfaction of their own desires commensurate with what is socially available, except when inherent social constraints are forcibly imposed on them as individuals through various social mechanisms such as prices (which force each individual to limit his consumption of material goods) or moral traditions and social pressures which limit the amount of psychic pain people inflict on each other. The second criterion—the need for systemic processes to convey inherent social limitations to the individual—applies to all mankind, including the wisest thinker, the noblest leader, or the most compassionate humanitarian. Only when all are included within the human limitations it conceives is the constrained vision complete.

The constrained and unconstrained visions differ in their understanding of rationality, and this is where Buchanan's constrained vision becomes most apparent. The unconstrained vision emphasizes *articulated* rationality, where intellectual and moral surrogates use well-specified means to achieve specific ends. "Both visions try to make the locus of discretion coincide with the locus of knowledge, but they conceive of knowledge in such radically different terms as to lead to opposite conclusions as to where discretion should be vested" (Sowell 2007, p. 259).

In contrast, the constrained vision emphasizes systemic rationality and agrees with Friedrich Hayek that a single mind cannot know everything needed for articulated solutions to social problems. Systemic rationality emphasizes people choosing with limited information and reference to unarticulated, evolved social processes. As Hayek emphasizes, much essential social knowledge embodied in rules and practices is not properly "scientific" (Hayek 1945). Sowell puts it similarly—"The power of specifically articulated rationality is central to the unconstrained vision. The power of unarticulated social processes to mobilize and coordinate knowledge is central to the constrained vision" (Sowell 2007, p. 47; see also p. 41.)

The visions differ fundamentally in their beliefs about social order and causation. In the constrained vision, order emerges as an unintended consequence of individual action in response to incentives. In the unconstrained vision, social order is an intended consequence of articulated rationality. We see this aspect of the vision on protest signs reading, "The system isn't broken, it was designed that way." Finally, in the unconstrained vision, questions of public policy are ultimately questions of political will and the proper application of human reason. Experts—and economists—have the ability and the know-how to direct individuals toward their desired ends. Adam Smith's "man of system" reigns supreme.

The visions differ in the locus and mode of discretion, or evaluation and choice. In the constrained vision, "the locus of substantive discretion" is "innumerable individuals" choosing in response to the information at their disposal and the incentives they face (Sowell 2007, p. 109). In the unconstrained vision, the locus of discretion rests with intellectual and moral surrogates choosing based on articulated rationality—in other words, intellectual and moral surrogates build from social blueprints they create. Many with the unconstrained vision "wished to reserve decision-making powers in organizations more directly under the control or influence of those with the requisite wisdom and virtue" (Sowell 2007, p. 168).

The constrained and unconstrained visions differ significantly in their understanding of knowledge. As Sowell writes,

> Where knowledge is defined, in the constrained vision, to include vast amounts of unarticulated but vitally important information and conclusions, summarized in habits, aversions, and attractions as well as in words and numbers,

> then it is far more broadly spread through a society than when its definition, as in the unconstrained vision, is restricted to the more sophisticatedly articulated facts and relationships. The constrained vision, which sees severe limits on man's conscious rationality, relies heavily on evolved systemic processes to convey and coordinate the broad array of knowledge necessary for human survival and progress. The unconstrained vision, which sees greater prospects for human mastery of knowledge, sees in those with special intellectual skills both the proof of its assumption and the vehicles of knowledge and reason for promoting social improvement. (Sowell 2007, p. 65)

In this light, we turn to Buchanan's insights in *Cost and Choice*.

III. *Cost and Choice* and Public Choice

Cost and Choice, subtitled *An Inquiry in Economic Theory*, reflects Buchanan's dissatisfaction with and distaste for how mainstream economists had dealt with the concept of cost. Buchanan's inquiry begins with an intellectual world tour taking us through Glasgow, London, Vienna, Chicago, Cape Town, and Charlottesville. He traces out a subtle and fragmentary tradition in the analysis of cost that ultimately emphasizes cost as an ephemeral phenomenon that emerges from the fact of choice, not as a given or as something with an objective existence outside the mind of the chooser.

In brief, a cost can only affect behavior at the point of choice. We can use realized market prices to estimate the prospective or retrospective value of resources in alternative endeavors, but before a choice, the cost is merely speculative. After choice, the cost has already been realized—and realized only by the chooser. Anticipated outlays matter, but the cost *per se* is subjective. It cannot be known, experienced, or realized by an outside observer, and therefore economic planning by intellectual surrogates trying to maximize the "common good" is doomed.[3]

While Buchanan's subjectivism has been well-received by Austrian readers, it may at times feel out of step with the directions of social science and public policy more broadly. Buchanan's subjectivist approach to cost, therefore, has failed to pick up significant traction in the political science and public policy literature, despite having significant implications for our understanding of these fields and their underlying social processes. (For a more thorough examination of the scholarly engagement—or the unfortunate lack thereof—with Buchanan's *Cost and Choice*, the interested reader should refer to the appendix of this essay.)

Critical to the public choice paradigm is the assumption of "behavioral symmetry" (Munger 2018). Quite simply, this assumption posits that

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[3] See Mises (1920) and Hayek (1937, 1945, 1948) for arguments that market-determined prices, profits, and losses are necessary for economic calculation.

individuals do not undergo a dramatic change when they operate in the public sphere as opposed to the marketplace. Self-interest is still as relevant in nonmarket settings as it is in market ones, and public choice has used this insight to great effect in studying all manner of phenomena.

However, the public choice critique of public finance and welfare economics goes much deeper than behavioral motivations. In his 1949 article, "The Pure Theory of Government Finance," Buchanan argues that any theories of government finance must have an implicit theory of the state. As he sees it, there are two main theories for us to consider. The first is the "organismic" theory of the state, which considers the state and the individuals that comprise it to be one entity. In this reckoning, there are no individual interests to be dealt with by the economist—instead, "the state, or general interest, subsumes all individual interests" (Buchanan 1949, p. 496).

The second, or the "individualistic" theory, is fundamentally different. In this theory, the state and those who comprise it are not collapsed into one organization. Instead, the state and individuals are kept separate, and can indeed be thought of as opposing forces. Buchanan makes his preferred theory known—in his conception of public finance, the "organismic" theory will not do. States cannot be said to "maximize" anything: it is more appropriate to think of them as organizations that facilitate collective action (Buchanan 1949, p. 505).

Buchanan continues this line of thought in his 1959 article "Positive Economics, Welfare Economics, and Political Economy." Here, he argues that economists do not have the ability to judge which social situation or social choice is more efficient than another. Economists do not have access to a stable or intelligible social welfare function—once again, there is no single scale of values. The best that economists can do, drawing upon the work of Knut Wicksell, is to rely on discussion and the test of democratic consensus (Buchanan 1959, p. 135). Any other approach is assuming power and insight that no social scientist has.

Such insights were not just idiosyncratically important to Buchanan himself: as he tells it, the preceding statements are a core part of the public choice paradigm. Economists too often assume that they are offering advice to "benevolent despots" (Buchanan 1975, p. 391). However, these arguments may seem a bit underemphasized relative to the more well-known incentive- and self-interest-based approaches. We argue that reading Buchanan through the lens of Sowell's *A Conflict of Visions* can help correct this oversight.

Bringing Sowell and Buchanan into conversation with each other can show how Buchanan's arguments in *Cost and Choice* have relevance not just for Austrian economics, but for public choice theory as well. Buchanan's view of public finance—and the role that economists are to play in it—is a clear example of Sowell's "constrained vision." Economists' limited capacity to know certain things—such as costs, which are necessarily ephemeral and subjective—hinders what governments can do and what we should expect from political action that does not adopt Sowell's constrained vision.

Buchanan's study is not just intellectual history or hair-splitting. The neoclassical theory of cost is often sufficient for prediction and explanation. It is like gross domestic product, the civilian unemployment rate, and the consumer price index: imperfect, but good enough for many of our purposes. However, as Vaughn points out, drawing on her earlier work (Vaughn 1980a, 1980b), "the divergence between subjective and objective cost becomes crucial" when "the purpose of economic analysis is not explanation but policy prescription" (Vaughn 2014, p. 921). Welfare economics and arguments for socialist calculation require that costs be objective phenomena observable by someone other than the chooser (Buchanan [1969] 1999, p. 25). However, because the cost does not exist independent of the minds of actors, managers, and entrepreneurs, real cost—choice-influencing cost—is unavailable to planners and regulators who might seek to design rules governing entrepreneurial decisions (Vaughn 2014, p. 921).

Without real cost, regulators and planners have to rely on their own limited expectations (Vaughn 2014, p. 921). Even economists such as Wicksteed and Knight fell back on objective understandings of cost. Their mistakes created an opportunity for Buchanan, who produced what he considered his "best work in economic theory, narrowly defined" (Buchanan 1992, p. 9)—and which, in light of Sowell's analysis of visions, suggests that we could improve our understanding of cost and social change. Unfortunately, Buchanan's analysis of cost seems to have had little impact on how economists and other social scientists approach cost in their studies.

IV. *Cost and Choice* and *A Conflict of Visions*

Buchanan thought many people, including economists, had erred in thinking social systems are machines that can be understood, directed, and ultimately controlled by experts. It was precisely Buchanan's frustration with social scientists viewing themselves as social engineers that drove him to ask, "What should economists do?" in his 1964 Southern Economic Association presidential address and to explore cost in greater detail. Buchanan's theory of cost and its implications for political economists align him with Sowell's constrained vision.

In explaining "Cost in a Theory of Choice," Buchanan ([1969] 1999, p. 41) outlines six principles. We state, restate, and comment on these in light of Sowell's analysis in *A Conflict of Visions*:

> 1. Most importantly, cost must be borne exclusively by the decision-maker; it is not possible for cost to be shifted to or imposed on others.

2. Cost is subjective; it exists in the mind of the decision-maker and nowhere else.
3. Cost is based on anticipations; it is necessarily a forward-looking or *ex ante* concept.
4. Cost can never be realized because of the fact of choice itself: that which is given up cannot be enjoyed.
5. Cost cannot be measured by someone other than the decision-maker because there is no way that subjective experience can be directly observed.
6. Finally, cost can be dated at the moment of decision or choice.

Buchanan emphasizes how "cost must be reckoned in a *utility dimension*" if we are concerned with cost in a theory of choice while "cost is reckoned in a *commodity dimension*" in the "orthodox predictive theory" (Buchanan [1969] 1999, p. 41). Here, we confront the critical problem of central planning entailed by a Vienna-London-Virginia understanding of cost, and each of Buchanan's points speaks to this. In the pure logic of action, cost is not a material phenomenon. The realized result of action might change observed relative prices. However, cost as forward-looking anticipation of sacrifice is solely a phenomenon experienced by the fundamental unit of decision: the individual.

Buchanan is explicit about this in point 2: "Cost is subjective; it exists in the mind of the decision-maker and nowhere else." It implies point 5, that "cost cannot be measured by someone other than the decision-maker because there is no way that subjective experience can be directly observed." Social scientists make a grave mistake, then, by assuming that independent observers can know costs. By measuring "cost" for purposes of planning and prescription, we are trying to measure something that cannot be quantified and circumvent or ignore the only area where it conceivably could be approximated: the marketplace. As Buchanan puts it, "cost is tied directly to the chooser and cannot exist independently of him" (Buchanan [1969] 1999, p. 41).

Vaughn (2014, p. 919) explains this point clearly:

> Once a choice has been made, there is no way for the chooser to know if the imagined cost was correct since the alternative that was rejected can never be realized. The outcome that might have occurred never happened. Hence, cost is a forward-looking concept, an expression of anticipated value. As such, subjective cost can be known only to the chooser. The chooser will probably take current money prices into account in his projection of the future, but current prices do not directly measure opportunity costs. The implication is that given their subjective nature, the costs that influence choice cannot be known to outside observers.

Elaborating on the subjective and ephemeral nature of costs, G. F. Thirlby (1946, p. 34) writes,

> The act of discovering cost, which really means discovering which of the considered alternatives is to be rejected, inevitably involves valuation. The decision-maker, in arranging the opportunities in order of preference or significance, is performing what is essentially an act of valuation, valuing the preferred opportunity higher than the alternative to be rejected.

As we can see, in this conception, the cost emerges from a process of valuation and appraisal that "involves estimates of happenings in the future about which the decision-maker can never be certain." It requires "*ex ante* reckonings, or advance calculations, which involve looking into the future, and consequently must, even for this reason, be matters of opinion."

Suppose this predictive ability is true for the businessperson or consumer in the marketplace. How much truer must it be for the external observer or central planner who, in addition to being an "economic eunuch," must now be omniscient and know how each affected individual would value the alternatives set before them?

But perhaps most importantly, the implications of Buchanan's concept of cost severely restrict the political economist's ability to measure or estimate the costs and benefits of proposed public projects. The nature of cost means that simply summing up the individual tax shares that individuals will pay may far underestimate the actual choice-influencing cost that is only known to individuals (Buchanan [1969] 1999, p. 78). Buchanan goes so far as to argue that if we take these points seriously, cost-benefit analysis—a major weapon in the arsenal of any would-be social engineer—must be discarded.

This line of argument by itself shows the relevance of Sowell's constrained vision when it comes to the cost of public goods and fiscal decision-making. Political economists operating in their capacity to determine the costs and benefits of public outlays must accept that they have no objective measure of cost to rely on, and given the subjectivity of cost, these constraints cannot easily, or ever, be lifted. While social scientists who adopt the unconstrained vision may contend that they can still order different states of the world and determine which public outlays are "efficient," Buchanan's constrained vision clearly marks such behavior as out of bounds and inadmissible.

This reading of *Cost and Choice* along with *A Conflict of Visions* mirrors a topic that we have already broached in this essay: Buchanan's meditations on public finance and the role of economists and other social scientists in advising governments. From the get-go, Buchanan is extremely critical of what, to use Sowell's parlance, is a particularly egregious example of the unconstrained vision. When it comes to determining whether a certain action or decision is welfare enhancing, much of the work in welfare economics implicitly assumes that the economist has been granted omniscience. Independent of individual behavior, the political economist is able to determine whether proposed arrangements increase or decrease social welfare.

Buchanan (1959, p. 126) is adamant that this assumption of omniscience cannot stand. The main reasons for his position echo the foundations of his analysis in *Cost and Choice:* "Utility is measured, ordinally or cardinally, only to the decision-maker. It is a *subjectively* quantifiable magnitude" (Buchanan 1959, p. 126; emphasis Buchanan's). This analysis has important ramifications for observing economists. They are ignorant of how to weigh alternatives, and the only way to address this ignorance is to allow individuals themselves to choose.

It is no stretch to say that both "Positive Economics, Welfare Economics, and Political Economy" (Buchanan 1959) and *Cost and Choice* align with Sowell's categorization of the constrained vision. With this reading in mind, we can easily connect Buchanan's cost arguments to his earlier public choice approaches to public finance. Buchanan's study of cost—its subjective nature, its unrealizability, and, most importantly, its inability to be measured by anyone but the individual decision-maker—has important implications for the public choice perspective as it relates to government finance.

The arguments in *Cost and Choice* mirror and reinforce those arguments made in Buchanan (1959), and when taken together, they improve our understanding of the public choice critique of welfare economics. Thus, we strongly submit that a reading of *Cost and Choice* within the paradigm Sowell proposes in *A Conflict of Visions* enables us to appreciate the former in a new light. Rather than being a work that only has relevance to subjectivist economics in the Austrian tradition, *Cost and Choice* can deepen our understanding of Buchanan's thought and public choice more broadly.

Nonmarket settings are perhaps where we must be most cautious about our ability (or lack thereof) to draw objective conclusions about the trade-offs people face. Our ability as external observers to gain insight into the subjective evaluations of individual choosers and their opportunity costs only works in markets to the extent that we can derive "objective, empirical content" from prices (Buchanan [1969] 1999, p. 78). However, even here, there is a limit to the insight we can gain in understanding buyers' and sellers' constraints because of the inescapable fact that observers cannot partake of the decision-makers' experience (Buchanan [1969] 1999, p. 41). The tendency of price to equate the marginal opportunity costs in equilibrium is only an explanation of the phenomenon.

Even in the market-exchange setting, we are constrained. In nonmarket decision-making, where prices in the typical sense do not exist, this tendency toward an equilibrium in which marginal costs and benefits converge is absent. Further, our only objective insight into the decision-making process of those involved in the nonmarket exchange is not available to us. As Buchanan summarizes, problems emerge "when any attempt is made to utilize the properties of the market process as guidelines or norms for the making of nonmarket decisions" (Buchanan [1969] 1999, p. 81).

This understanding of cost complements Sowell's constrained vision of the human ability to imagine, design, and implement policies to solve various problems. In the unconstrained view of the world, our inability to determine prices for welfare purposes is simply a problem of not yet having a sophisticated enough model to accomplish the task. In the constrained view, however, humans have a limited ability to understand and replicate the organic forces of spontaneous orders. Doing so is impossible.

At their cores, both Sowell and Buchanan seem to be frustrated with individuals not recognizing what they are capable (and perhaps more importantly, incapable) of doing. To quote Buchanan, "In their zeal to apply economic theory not to an analysis of institutional interactions but to real choice, they indirectly propose that decision-takers, singly or in the aggregate, *should* minimize objectively measurable outlays. This error is fundamental, and it extends from the estimation of national income to the economics of defense" (Buchanan [1969] 1999, p. 40).

More specifically, the constrained and unconstrained visions differ in their understandings of who is to choose and how—the *locus* and *mode* of discretion. The locus of discretion is either in the various individuals of society who make decisions independently or in their "surrogates," a unique set of people deliberately making decisions for others. The mode of discretion can be the systemic evolution of social decisions from the actions of society's individuals "exercised for individual benefit [and] serving the common good only as an individually unintended consequence," or the "explicitly rationalistic" decision-making of the surrogates: "It can be analyzed as a general process of interaction with its own characteristic patterns and results—otherwise there would be no Austrian economics—but cannot be specified in such concrete detail as to make it feasible for any individual or group to plan or control the actual process. The rationality in it is systemic, not individual—and such individual rationality as may exist is largely incidental, so that the much-vexed question as to just how rational man is has little relevance in this vision" (Sowell 2007, p. 49).

In the constrained vision, the "locus of discretion" is with the individual operating within a system that allows broad license to exercise this discretion. The role of authorities in this vision is "to preserve a social framework within which others exercise discretion" (Sowell 2007, p. 123). Thus, the constrained vision relies on "the experience of the many" (Sowell 2007, p. 197). By contrast, the unconstrained vision places faith in "the brilliance of the few"—the articulated wisdom of "intellectual and moral pioneers" who transcend self-interest and cognitive limitations and choose for others a pattern that is just and efficient (Sowell 2007, pp. 197 and 109).

In the constrained vision, social decisions "evolve systemically from the interactions of individual discretion, exercised for individual benefit"

(Sowell 2007, p. 106). In contrast, in the unconstrained vision, social decisions "are deliberately made by surrogate decision-makers on explicitly rationalistic grounds, for the common good" (Sowell 2007, pp. 105–6). Buchanan's dissection of cost speaks directly to the relevance and applicability of each vision. In a constrained vision, *cost* emerges systemically because individuals seek their own goals as evaluated by their own lights.

In an unconstrained vision, surrogates can ascertain the cost, compare it to articulated alternatives and choose the "correct" course of action. The unconstrained vision seems to mistake what Buchanan describes as a purely predictive theory of cost for a prescriptive theory. In the logic of action, however, the cost must be subjective. It cannot, therefore, be ascertained or judged "by surrogates on explicitly rationalistic grounds." Instead, people incur and evaluate costs at the point of choice. When we ignore cost as the subjective anticipation of sacrifice—and thus ignore political actors' constrained circumstances—we misunderstand political motivations.[4] This misunderstanding leaves political analysts grasping at ad-hoc, "cat-wrangling," theoretical explanations of political behavior (Boettke, Caceres, and Martin 2013, p. 91).

The unconstrained vision is ultimately a rejection of public choice theory. The socialist calculation debate had taken place decades prior. However, Buchanan and Sowell's emphasis on the problems arising when people ignore how cost is subjective suggests that lessons from the debate have gone unheeded by mainstream economists and society more broadly. For example, Vladimir Lenin famously claimed that economic calculation is simply a matter of issuing receipts and using the four rules of arithmetic. He succumbed, in short, to the mechanical mistake Buchanan would criticize in *Cost and Choice*. For Lenin, and for so many others enamored of central planning, cost was an objective element of material reality. Given this, economic calculation was not only possible but a mere mathematical exercise.

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[4] This false attribution of political motivations is analogous to the "false conundrum" outlined in Boettke, Caceres, and Martin (2013). They argue that neoclassical economics eliminated the humanistic elements of market coordination, including human error. As such, when markets fail, such economists had to look elsewhere for an explanation. Behavioral economists stepped in to "solve" this perceived problem. However, the problem only exists because its very solution was assumed away in the foundations of neoclassical modeling. Boettke, Caceres, and Martin explain that a richer understanding of Hayek's conception of coordination and the limits of the individual's mind—and thus their ability to plan—help remedy a superfluous (à la Kirzner) tension in the economics discipline. Similarly, we propose that a deeper understanding of Buchanan's conception of cost, and the resulting constraints such a conception places on our understanding of human limitations via Sowell, will shed light on an underdeveloped field in political science, as well as political economy more broadly.

V. Conclusion

Some aspects of Buchanan's work and worldview make it difficult to locate him within Thomas Sowell's taxonomy of visions. *Cost and Choice* is undoubtedly an exercise in the constrained vision, however. In it, Buchanan argues that cost emerges from an undesigned process. Cost is wholly and completely contained in the mind of the person taking *action*, and an external observer cannot know it. These limitations, Buchanan argues, are part and parcel of an institutional environment that values decentralized individualism as an appropriate mechanism for the development and emergence of a functional social order.

The ramifications of Buchanan's thesis for government and public policy are severe. First, if Buchanan is correct, it is unclear how we should think about estimating or observing the "cost" of economic activity when it comes to selecting different public projects. Cost is not just tricky to measure. It is, in principle, impossible for an external observer to know. Hence, in thinking about the right way to compare costs and benefits, we do well to consider costs not as equilibrium phenomena with specific information properties but as disequilibrium phenomena with coordinating properties based on the incentives they send and the subjective experiences they create in the minds of the people making the choices. By seeing Buchanan's subjectivist approach to cost in the broader context of Sowell's constrained vision, we are able to better elucidate the consequences of not taking Buchanan's characterization seriously. Consequently, we have a better grasp on how public choice theory and political science not founded on the subjective theory of cost fall short.

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Appendix: *Cost and Choice* and Political Theory

Because Buchanan's insights into the nature of cost undermine the policy implications of mainstream welfare economics specifically, and the unconstrained vision of government policy potential more generally, they are obviously of great significance to political science—especially public policy. Particular to our purposes, they bear on the question of government capacity for designing and managing social order as addressed by Sowell in *A Conflict of Visions*.

Yet his and Buchanan's insights seem mostly unknown to political scientists and public policy scholars not engaged with public choice theory. Searching for "Cost and Choice" in JSTOR and limiting the results to political science and public policy journals returns only fifty-one citations (excluding irrelevant and erroneous hits). One of those is simply a line entry in a public choice bibliography. One is a memorial to Buchanan. Two are in articles commemorating the fiftieth anniversary of his more well-known work, *The Calculus of Consent*, all in the journal *Public Choice*. If we exclude those four, there remain forty-seven citations. Twenty are in *Public Choice* (42 percent), seven in *The Independent Review*, and seven in the *Journal of Institutional and Theoretical Economics*—all little read by non-public-choice political scientists. Another is in the Italian journal *Il Politico*, and there is one bare footnote reference in the health policy journal *The Nation's Health*.

That leaves only ten citations in generalist English language political science and policy journals, and there we see little understanding of Buchanan's key insights. The only citation in the high-ranking journal *American Political Science Review* is a passing reference setting up a critique of negative freedom and free market theory. Of Buchanan's ideas, the author says only that Buchanan sees "market pricing" as making possible "calculability in a world of scarce resources by relating preferences to costs" (Preston 1984, p. 959), an insight more frequently attributed to Mises or Hayek. Several authors cite *Cost and Choice* only for the idea that cost is properly understood as opportunity cost, failing to note either the subjective or the ephemeral nature of cost (Altfeld 1984; Godwin and Mitchell 1982; Haskel 1974). Vincent Ostrom (1987) cites *Cost and Choice* (but, unfortunately, without discussion) in an essay that focuses on Buchanan's general emphasis on constitutional-level analysis in political theory.

Two authors who do grasp Buchanan's argument are Norman Barry, a classical liberal political theorist, and think-tank analyst Clyde Crews. In a section reviewing the Virginia School of political economy Barry writes, "Since it is individuals that choose, such choices must be necessarily subjective and cannot be made on the basis of prediction by an external observer" (Barry 1983, p. 98). In a very Buchanan-inspired article on regulatory budgets, Crews writes, "cost-benefit analysis suffers from the fact that costs are subjective, and therefore are not directly measurable by 'benevolent' third party public servants. Costs are more than mere dollars: they involve time lost and roads not taken, and other variables discernable only to the individual experiencing them" (Crews 1998, p. 357).

The most curious citation is one that clearly states the individually subjective nature of cost in the process of critiquing rationality-based approaches as pathological. Roby Rajan (1992, p. 359) writes:

> It is the opportunity cost that is considered the "real" sacrifice in achieving any desired end because decision making always involves asking what is actually forgone by choosing a particular alternative. This valuing of alternative courses of action and the weighing of opportunity costs is, in economic discourse, necessarily subjective, because the alternative outcomes being assessed are usually uncertain and because the end with respect to which such a calculus is undertaken is privately and subjectively determined by the individual faced with making the decision.

But he then goes on to compare this decision maker to psychologists' definition of narcissistic personality disorder, apparently mistaking subjectivity for socially harmful egotism.

Further searching in the political science literature provides no more reason to think the ideas expounded in *Cost and Choice*, with or without Buchanan's name attached, have made their way into the discipline. Searching for "subjective costs," for example, tends to turn up references to "objective and subjective costs," as in a 1979 *American Journal of Political Science* article that is extra noteworthy because despite the journal's discipline, the author is an economist (Hibbs 1979). Others, such as Kam (2012), treat subjective costs in merely psychological terms.

We can also look at the literature on cost-benefit analysis, particularly criticisms of it, to see how much awareness of Buchanan's understanding of cost we can find. The answer is as above: not much. The disputes tend to be either practical critiques about the manipulability of cost-benefit analysis by the selection of which costs are counted, but generally with the assumption that such costs *can* properly be counted, or romantic critiques that cost-benefit analyses miss inherent and immeasurable values (a critique most specific to environmental policy analysis).

But we would be remiss to not note a rare case of understanding. Bruce Russett (1974, p. 366), in a thoughtful article about the role of peace researchers in proposing concrete actions, begins his analysis with recognition of the problem of cost subjectivity.

> How do we decide when we know enough to recommend that people should take action on the basis of our knowledge? How do we determine that the prospective benefits (and to whom?) of a recommended change are likely to exceed those of the existing situation . . . Of course it is impossible to make any accurate empirical calculus of full costs and benefits really, simply because it is impossible to compare rigorously the subjective costs and benefits felt by other individuals. Also, we must beware of any 'greatest good of the greatest number' criterion because it can so easily degenerate into using some people as a means to others' ends . . . Nevertheless we cannot avoid taking a balance of costs and benefits into consideration, however unsatisfactory the measurement must be.

Russett does not propose a solution to the policymaking problem caused by the subjectivity of costs, but he is aware of the problem.

In summary, the dearth of awareness in political science and public policy highlights the regrettably limited diffusion of Buchanan's insights on cost into a closely related discipline to which they have much to say. It is impossible to say to what extent scholars in these fields simply have not heard of the subjectivity and ephemerality of cost, or to what extent they have not accepted the ideas because of their potentially demoralizing implications for positive public policy. Of course, the nature of cost would not defeat all normative arguments for public policy, but they would weaken all benefit-cost arguments that provide supplemental support for such normative arguments, so to that extent, Buchanan's insights could radically problematize much of the field's work. At the same time, they could be the basis for important empirical critiques of much government activity, giving political scientists an important new analytical approach.

The relevance to political science of Buchanan's analysis of cost as something that is both subjective and ephemeral integrates naturally into Sowell's constrained vision of the potential for designing social orders. The impossibility of measuring cost prospectively, which is the impossibility of knowing the true cost that a policy imposes on those who are forced to comply, who are denied the opportunity of choice, is an important but overlooked constraint on the unconstrained vision of government potential.

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