

# Frank Knight and the Origins of Public Choice

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Abstract:

Did Frank Knight play a role in the formation of public choice theory? We argue that the dimensions of James Buchanan's thought that form the core insights of public choice become clearer when seen against the work of his teacher, Frank Knight. Buchanan is demonstrative about his indebtedness to Knight; he terms him "my professor" and refers his work frequently. Yet the upfront nature of this acknowledgement has perhaps served to short-circuit analysis as much as to stimulate it. Our analysis will center on Knight's *Intelligence and Democratic Action*, a collection of lectures given in 1958 (published 1960), when he was invited by Buchanan to the University of Virginia. The lectures rehearse a number of ideas from other works, yet represent an intriguingly clear connection to ideas Buchanan would present over the coming two decades. In that sense, primarily through his influence on Buchanan, Knight can be seen as one of the largely unacknowledged forefathers of public choice theory.

Frank Knight is universally recognized as an interesting and provocative thinker. However, his influence on modern practice has been difficult to pin down. The next generation of theorists at the University of Chicago (Friedman, Stigler, Becker, etc.) seemed to line up in opposition to Knight on many of the questions he considered central (see Emmett 2009b). We will argue that Knight influenced the emergence of public choice theory at the beginning of the 1960s, even though Buchanan did not include Knight as a significant precursor in his Nobel Prize lecture (Buchanan 1986). To show Knight's impact, we examine the effect of his lectures in 1958 at the Thomas Jefferson Center for the Study of Political Economy, which were published in 1960 as *Intelligence and Democratic Action*.

For all Buchanan's verbal assurances and respectful mention about Knight's impact, he was frequently critical of Knight.<sup>1</sup> Nevertheless, the usual assumption is that Knight's influence does run through Buchanan. Where does that leave us? This paper will explore the ways in which Knight's influence on Buchanan, and hence on public choice generally, was substantial. The central text for tracing Knight's influence will be his *Intelligence and Democratic Action*. Examining this work has great potential: it is the series of lectures Knight prepared to give at the University of Virginia, at the invitation of Buchanan and the Thomas Jefferson Center. Its dates — given 1958/published 1960 — put it at a possible tipping point in Buchanan's thought, as he is contemplating and composing elements that would become his joint work with Gordon Tullock, *The Calculus of Consent* (1962), as well as his essay "What Should Economists Do?", given as the presidential address for the Southern Economic Association in 1963 (published 1964).

Buchanan's central place in the formation of public choice needs little elaboration. Yet the pivotal place of *The Calculus of Consent* is perhaps less obvious. Its publication marked the beginning of the public choice research program (Johnson 2014), and even served as an advertisement for the University of Virginia and the Thomas Jefferson Center (Wagner 2004). Medema (2000) also locates it at public choice's inception point, "Buchanan and Tullock were very much responsible for the institutionalization of the field, and their efforts on this score were largely derivative of the reception accorded to *The Calculus*." Thus Knight's presence on the campus in 1958, and his lectures, serve not only as potential influence on a primary figure

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<sup>1</sup> The absence of Knight in Buchanan's Nobel address may come from the significant criticism Buchanan levels on Knight in an essay written one year earlier, for the conference the University of Chicago convened to honor the centenary of Knight's birth (Buchanan 1987). Wagner argues that Knight's influence was "typically more in terms of attitude toward material than in substantive text" (Wagner, p. 38). Also, in Marciano, Knight is seen frequently as a useful point of *disagreement* for Buchanan, while Wicksell is more wholeheartedly accepted.

(Buchanan), but take place at a seminal *moment* as well. The Committee for the Analysis of Nonmarket Decision-Making was formed in 1963. In October 1963, the first meeting of what would become The Public Choice Society (then the Conference on Nonmarket Decision-Making) was held at The University of Virginia. By 1966 and '67 the conference meetings became more national, being held in New York City and Chicago, respectively.

In his 1960 lectures<sup>2</sup>, Knight returned frequently to the idea of progress. He emphasized the notion that a future noticeably different from generation to generation was a recent development, historically speaking. For both him and Buchanan, the possibility of progress, and hence an *open, undetermined future*, turns out to be a crucial background assumption to their work on politics and economics. They each address social concerns by linking, in some manner, the *unknownness* of the future to their conceptions of how politics and economics intersect. The paper's first section, then, will address the implications of the future as "open" in their work. The second section will discuss Knight's and Buchanan's use of the metaphor of rules as opposed to the run of play in the game. And the paper concludes with a discussion of what these issues suggest about Knight's possible role as a forerunner of the public choice program.

## I. The Open Future

Knight characterized the medieval period as one of largely fixed values, where one's decision-option was not how to improve inherited norms, but simply how and whether to conform to them (see Knight and Merriam 1945). The staid acceptance of the past, in Knight's narrative, changes, beginning with the Renaissance, when ecclesiastic power gave way to power resident in the new states. Knight viewed the newer power as "not as opposed to change, as dogmatic, as the

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<sup>2</sup> We will use the publication dates hereafter.

ecclesiastical order” (1960, p.59). This shift gained scope and impetus by the time of the Enlightenment. And it was paralleled by scientific advancement:

The new picture of the solar system might almost be called negligible in comparison with the radical change in the conception of Truth itself. The previous idea that all humanly relevant knowledge had been given once and for all, by revelation, gave place to the antithetical view of it as progressive, subject to constant revision, through *free* investigation, discussion, and publication. (Knight, 1960, p. 62, emphasis in original)

Knight provides an extended discussion of history, recurring in various forms throughout the lectures. Indeed, the frequency of recurrence is intended to bring us to a consideration of the uniqueness of the modern individual’s situation. In the Enlightenment, individuals realized that their future outcomes could be influenced by their present actions. That is, rather than the ancient creed that the world remained “as it was in the beginning, is now, and ever shall be, world without end,” moderns believed that our actions determine the world we will live in. The optimistic version of that belief saw freedom as the sole prerequisite for progress. Knight was not so confident, having lived through the aftermath of the Civil War, spending his college years studying rather than fighting the war to end all wars, and then watching the world torn apart again twenty years later. For him, the future might involve progress, but it is not predetermined. “Intelligent control of the future course of history is *the* problem, and action is constantly being taken to that end, if indeed it is not the nature of all social action undertaken” (Knight, 1960, p.150, emphasis in original). The future remains open-ended, and may yield improvement, or not. Placing this basic insight at the center of his thought moves Knight’s economics in some surprising directions.

For Knight, the possibility of progress puts a new burden on individuals, who now face greater responsibility in their role as citizen. Modern political activity revolves around the idea of *progress*.<sup>3</sup> And this responsibility is accompanied by a new focus on the requisite knowledge to ensure that change is progress, and how agreements to achieve it should or might be made. And it automatically shifts Knight's thought away from much standard economic thinking. The traditional means-ends question, and the maximizing exercises honed to answer such questions, are now of secondary importance. The key idea about the future in a social setting is not centered on goals, but on process: we proceed by open discussion.<sup>4</sup> And this has a corollary for economics: individuals do *not* have well-ordered preferences, and proceed to act to best answer those wants. They instead are concerned to *improve* their wants; they are searching for and refining what they actually do want. This process is at base both dynamic and open. Knight's idea of *fashioning* wants is broached as early as his "The Ethics of Competition" (1923). There he argues against what he terms "a balance-sheet view of life":

We cannot accept want-satisfaction as a final criterion of value because we do not in fact regard our wants as final; instead of resting in the view that there is no disputing about tastes, we dispute about them more than anything else; our most difficult problem in valuation is the evaluation of our wants themselves and our most troublesome want is the desire for wants of the "right" kind. (1935b/1923,

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<sup>3</sup> Buchanan also endorses the use of "progress" in his "Natural and Artifactual Man", "We find statements everywhere to the effect that modern man has lost the faith in progress that was pervasive in the post-Enlightenment period, the eighteenth and nineteenth centuries, and most of this century. ... The hopes for man, individually and collectively, held out by the post-Enlightenment social philosophers may have been naive, especially when viewed from the perspective of our age. But the lesson to be drawn is surely and emphatically not one of resignation to man's fate as a natural animal." (1999d/1978, p. 254)

<sup>4</sup> "The primary consideration for democracy, is *free* agreement; the conclusion actually reached is secondary — up to the point where there is a threat of outright destruction or an insurrection putting an end to freedom" (Knight 1960, p.152).

p. 42)<sup>5</sup>

These seemingly obvious points are in fact antithetical to much traditional economic thinking. The notion of equilibrium, as focused on knowns, becomes of minor importance. And for social questions, static analysis of almost any kind becomes vulnerable to being based on assumptions that Knight viewed as invalid. Knight is concerned with the search for what we desire to maximize in the first place — actually maximizing anything is very much a secondary concern. Thus, he turns Lionel Robbins's strictures on their head. Knight was critical of his friend's formulation; he does not feel that our preferences are well-ordered because in the context of the search for new and better wants that order is always in flux. Buchanan will accept this formulation and conclusion, and build on it in a distinctive way.

Knight's assertions that we face an open future, and that wants are not to be assumed, are critical to Buchanan's developing thought. Knight cautioned that if our wants are specified in advance, the actual business of fulfilling them becomes mechanical. He uses as illustration the startling image of slot machines trading with each other (Knight, 1939/1947, p. 80). Buchanan in "What Should Economists Do?" makes a similar argument, but in terms of utility functions.<sup>6</sup>

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<sup>5</sup> The divergence between "old" and "new" Chicago is underlined here; the Stigler-Becker "*De Gustibus Non Est Disputandum*" essay argues an assertion 180 degrees opposite to Knight's assertion. See Emmett 2009a, 2009b. Buchanan again displays an "old school" Chicago slant: "The purpose of political discussion is precisely that of changing 'tastes' among social alternatives." (Buchanan, 1999b/1959, p.207) And by 1978, he is engaging with it directly. "As a second example, let us consider the Stigler-Becker proposition to the effect that economists should proceed on the assumption that utility functions are stable through time and invariant as among persons. Introspectively and observationally, we may want to reject this notion out of hand." He then proceeds to object to it on specific grounds, relevant to his discussion: "It seems impossible, in the Stigler-Becker world, to invest in becoming more appreciative of music or of anything else." (1979b/1978, pp. 97-8)

<sup>6</sup> Knight argues explicitly in terms of the utility function as well, "Ultimately, the real ends of action are not mainly of the concrete quantitative sort represented by utility functions, but consist rather in such

Like Knight, he believes that specifying wants (here, the utility function) takes us away from economics' center, and renders human decisions *mechanistic*.

In one sense, the theory of choice presents a paradox. If the utility function of the choosing agent is fully defined in advance choice becomes *purely mechanical*. No “decision”, as such, is required; there is no weighing of alternatives. On the other hand, if the utility function is not wholly defined, choice becomes real, and decisions become unpredictable mental events. (Buchanan 1964, p.216-217, emphasis added)

The specificity of goals is rejected by Buchanan on the societal as well as the individual level.

Discussing welfare economics in *The Calculus of Consent*, Buchanan outlines that approach:

One approach recognizes that definitive meaning can be attached to “social welfare” or the “public interest” only if a social-welfare function is fully described. ... However, in order to describe this function, some individual must make quite explicit his own value judgments. There is no escape from the responsibility of individual ethical decision. In this construction the “public interest” is what the individual says it is.

We have rejected this approach. (Buchanan and Tullock, pp.284-5)<sup>7</sup>

Both prongs of Buchanan's analysis — the individual and the social — insist that the roadmap into the future is not to be assumed. Assumptions for Buchanan are frequently a negative force in economics. Assumptions not only lead astray; they cloud the center of the discipline itself.

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abstract motives as interesting activity, satisfying achievement, self-approval, fellowship, and social position and power. There is no end completely ‘given’ in terms of sense data. Every end is more or less redefined in the process of achieving it, and this redefinition is one reason for desiring the activity.” (1935d/1934, p. 281)

<sup>7</sup> For an examination of Buchanan's view of public goods and the social welfare function, see Desmarais-Tremblay.

A market is not competitive by assumption or by construction. A market *becomes* competitive, and competitive rules *come to be* established as institutions emerge to place limits on individual behavior patterns. It is this *becoming* process, brought about by the continuous pressure of human behavior in exchange, that is the central part of our disincline, if we have one.... (1964, p.218)

Buchanan (and Knight's) attention to assumptions generates a number of insights critical to public choice theorists. Public choice generally criticizes the *assumption* of governmental correction or oversight of the market as being superior to the market itself. Buchanan admits the potential usefulness of economics as prediction, but argues that when those predictions are falsified, the implied need for "correction" is misplaced. The model of *homo economicus* is largely justified, yet to use it as part of an argument to illustrate market failure, is to rely on it too much. In *Cost and Choice*, he follows Knight's suggestion that if Smith's deer and beaver ratio were to be falsified — that is, if the actual exchange value failed to match the "time cost" of procurement — then the obvious conclusion is that some non-economic consideration came into play: the enjoyableness of hunting deer, for instance. Buchanan's lesson from this is that when examining outcomes, the "logical" view must supersede the predictive one. We have to trust, not the absolute assumption of economic man, but instead trust the market process itself. The goal, here and in his political analysis generally, can only come out of free choices; we can't work backwards from goals to criticize subjective preferences. We must keep the proper *direction* of analysis in place: from process to an *open* future, not backwards from a given future to process. Much in public choice, from translation of voter preference to coalition-formation to rent-seeking, relies on this sense of an undetermined future, and what the dynamics of traveling towards it look like.

The openness of the future continues to be critical in Buchanan's thought. In "Natural and Artifactual Man", Buchanan suggests that we consider ourselves as being composed of two dimensions. In one sense we are animals concerned with our continued existence — what he terms the "squirrel dimension". Buchanan doesn't discount its importance, affirming that "I am not proposing to deny that there is a lot of squirrel in each of us, to our credit perhaps" (1999d/1978, p. 248). And in the context of mere survival, of given ends, the maximizing paradigm finds a natural home. But there is a second dimension, the sense in which we attempt to change or become different. His dog, he suggests, does not desire to become different than he is. Yet we do, on occasion, desire exactly that. Buchanan labels this aspect "becoming". He insists that economics as currently practiced (1978) fails to come to grips with this dynamic.

I am trying to develop this argument for a purpose, which is one of demonstrating that modern economic theory forces upon us patterns of thought that make elementary recognition of the whole "becoming" part of our behavior very difficult to analyze and easy to neglect. (1999d/1978, p.247)

Buchanan explicitly credits Knight's argument about wants. "Wants ... not only are unstable, ... it is their essential nature to change and grow; .... The chief thing which the common-sense individual actually wants is not satisfaction of the wants which he has, but more, and better wants" (Knight 1935a/1922, p.22). Buchanan does acknowledge the limitations on this impulse to change, which are "historical, geographic, cultural, physical, genetic, sexual" (p.250). Yet within those limits possibilities exist. This emphasis has implications for economics: "Nonetheless, the prospects of becoming are sufficient to channel action, to divert resources away from the automatic routine that utility maximization, as normally presented, seems to embody" (p.251).

This is the second major attack on utility maximization, and on the idea of individuals having well-ordered preference structures. Putting aside Robbins's separation of social welfare valuations from economic practice (with which Buchanan generally agrees), this is another attack on Robbins's methodological scheme. And his argument aligns with assessments in Knight, as he indicates.<sup>8</sup> It links, as well, to considerations of social change:

If man can envisage himself as a product of his own making, as embodying prospects for changing himself into one of the imagined possibilities that he might be, it becomes relatively easy for him to envisage changing the basic rules of social order in the direction of imagined good societies. (Buchanan 1999d/1978, p.258)

Buchanan and Knight both see the larger scope of economics as the interplay of economic and political activities, and how the study of the first illuminates the second. And each therefore fears that this transition into the political or social will be doomed from the start if that starting place is misconfigured.<sup>9</sup> This inevitably leads them into methodological questions. Buchanan's "What Should Economists Do?" is clearly one such foray, and "Natural and Artifactual Man" would be another. In the first of those essays, Buchanan quotes George Stigler as saying "it is folly to become concerned with methodology before the age of sixty-five". Clearly Buchanan is, in writing his essay at age 44, dissenting from this view. In this Buchanan is, again, with Knight: "The general repugnance to methodology, to clarifying the basic concepts is one of the main obstacles that economics, and especially political economy, has to face" (Knight 1960, p.67).

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<sup>8</sup> "... neither man nor his world can be understood in terms of categories derived from the exigencies of adapting means to given ends." (Knight 1935c/1924, p.109)

<sup>9</sup> Buchanan rhetorically wonders, "Does the manner in which men model their own behavior affect, and perhaps profoundly, the way that they model the social institutions under which they live?" The implied answer is of course, yes. (1999d/1978, p.256)

And for Knight, methodology is not just requisite inquiry for economists, rather it is a key to economic thinking required of the average voter, containing “a good deal of what the citizen needs to know to be intelligent and educated and competent for his role” (1960, p.67).

## II. The Game and its Rules

“... the competitive economic life has value implications on the production side, the most notable of which is its appeal as a competitive game.”  
(Knight, “The Ethics of Competition”, p. 75)

The degree to which Knight utilizes the game metaphor is probably already clear to the reader of this paper. Nonetheless, before moving to Buchanan’s usage, a brief recapitulation might be in order. Knight reiterates in a number of different essays that the point of economic activity is not so much the material gains on offer. Once past the survival stage, the process becomes attractive much in the way that playing a game is. This links to the overall theme of the open future; part of the allure of the game is the uncertainty, the *working out* of the game.

And the social interest, which is the concern of the social scientist, is precisely the interest in keeping up the game, preventing it from deteriorating, and beyond that in making it *a still better game*. From the social point of view, the question of who is to win does not and cannot arise.... (1935d/1934, p. 302, emphasis added)

Knight believed that we were beginning to care too much who won, and not enough about preserving “play of game”. He also thought that power tended to accumulate over time in the hands of the few, and that this alone could fatally unbalance the game, and predetermine outcomes. However, Knight doesn’t surrender his hold on the idea of progress, which is “the real

social problem” (1935d/1934, p. 303). This idea displays significant continuity in Knight’s thought; the above quote is strikingly parallel to wording and concerns in his 1960 lectures.

Buchanan took this idea and innovated with it. And it became a central piece — perhaps *the* central piece — in his theoretical program. Knight attacks the problem of agreement with a certain slogging despair. Like Buchanan (and Wicksell), he puts forth unanimity as a standard, only to immediately dismiss it as a realistic possibility. He suggests that, moving beyond “self-evident propositions”, one soon runs into “issues that are insoluble” (1960, p.145). The problems are substantial. He begins one argument by saying, “The first commandment, with respect to any intelligent action is self-evident: ‘compare the alternatives’, beginning with understanding what they are. But that is what people dislike doing” (1960, p.145). Knight uses the doctor metaphor to illustrate the selection of political representatives. One may have control as the principal, but your agent — here, the doctor — then makes decisions “for you” which can have life or death consequences. Knight feels this accurately describes the degree to which political agents are under citizen control. And the knowledge problem requires delegation, into the hands of experts.<sup>10</sup> This is where Knight’s analysis winds up, and there is a level of exhortation aimed at those involved, to seek Truth in a largely impersonal sense. He is not sanguine about the entire enterprise. Yet the insight that apparently keys Buchanan’s thought is present in Knight’s explication — it is simply not emphasized. Knight repeatedly talks about not just the game, but

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<sup>10</sup> “Beyond this fact of majority dominance, further limitation [sic] on freedom are set by the inherent imperfection of the agency relation, which is ubiquitous in modern society and is of the essence of government. It is primarily a consequence of specialized knowledge and skill, and of the dynamic character of knowledge in particular. Decisions are constantly made by experts, on behalf of principals for whom they act by agreement.” (1960, p.30)

the *rules* of the game. He asserts that players want rules such that there is a *better game*.<sup>11</sup> But it is not just the impulse towards a better game that Buchanan seems to find of interest, it is the division *between* the game and the rules. What is critical is that players view the making of the rules and the playing of the game differently.

Buchanan accepts the model of the game, and its value. But he tweaks some of the ancillary conclusions. First, he argues that the reliance on exhortation of any sort is a losing proposition. Individuals conform to their incentive structure; if you wish to change behavior, you must alter that structure. This approach focuses on how institutions influence choices. He begins with the obvious, yet strangely revolutionary, assumption that actors are similar in their predispositions, in either the economic or political sphere. This is certainly not original to Buchanan, or to Downs who used this assumption before him. Yet public choice has made considerable use of it as a foundation stone. Mueller in his public choice overview, writes on the first page of the introduction, “The basic behavioral postulate of public choice, as for economics, is that man is an egoistic, rational, utility maximizer” (1979, p.1). Ignoring the fraught reference to utility maximization, the quote indicates a parallelism between economic and political agents. Buchanan emphasized this with his phrase “politics without romance”.<sup>12</sup> We should not expect

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<sup>11</sup> “Enforcement of rules and prevention of cheating is, however, but the minimum function of the political system. In any state of affairs yet seen in the world, men of good will must aspire to have it do much more; the game of social living has never approached satisfactory ideals in the fairness of its rules, to say nothing of the inherent quality and dignity of its objectives and the type of play employed in reaching them.” (Knight 1935d/1934, p. 303)

<sup>12</sup> Knight’s influence on Buchanan applies even to terminology. The word “romantic” is used by Knight extensively across his work. Two examples from *Intelligence and Democratic Action*: “Man is an opinionated animal, and contentious, as well as romantic (uncritical) in forming opinions”, and “The first step is to make people in general more *critical*, less *romantic*, in their judgments of debating arguments used in political campaigns, and of advertising and sales-talk.” (pp. 9 and 13)

political actors to be public-spirited, Buchanan is saying, while we expect private actors to be self-interested. If we model economic actors as *primarily* self-interested, we should model political actors the same way.<sup>13</sup>

There are two issues that Buchanan sees in Knight, around which he tries to navigate. One is the fact of political decision-making as “distorted” by self-interest. Knight’s particular spin on this is to see it as a striving for power, and this striving, once the scales begin to tip, delivers a more and more lopsided distribution of that power. Buchanan views it as simple self-interest at work, and Tullock and others will expand and refine that into the concept of rent-seeking (Tullock 1967).

The second problem is that of agreement itself. Knight provides lengthy lists of what problems impede agreement. Agreement achieved by any standard that Knight approves of appears virtually impossible. Buchanan, however, takes the idea of rules, and sees them potentially not as laws — subject to all the problems Knight enumerates — but as meta-laws: constitutional rules. Realizing that he cannot “solve” Knight’s problems, Buchanan finds a way to circumvent them. And yet this innovation was in Knight all along, simply conceived slightly differently. There is a dramatic divide between rules and the playing of the game in Knight that is more of a divide than that between legislation and economic practice. Buchanan recognized how wide that divide was, and what implications could follow. Legislation can in fact be highly particularized and targeted quite specifically. Laws are more like making up the rules of the game *while we play*. Constitutional considerations are the pre-agreed rulebook; they operate on a more abstract plane than does day-to-day lawmaking. This abstraction has several advantages,

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<sup>13</sup> We are over-simplifying here a bit; Buchanan recognized that voters may have “social” effects in mind which would change their inclinations from what they might be in a pure market environment. But he insists this should not be taken to extremes — as in the introduction of benevolent government actors. (Buchanan, 1999/1962, pp. 68-9)

but primarily it clouds the self-interest impulse, making it more difficult to see where that interest actually leads. And obscuring self-interest allows greater influence available to public interest, however one wishes to define that. Buchanan makes a fairly startling claim,

At the constitutional level, *identifiable* self-interest is not present in terms of external characteristics. The self-interest of the individual participant at this level leads him to take a position as a “representative” or “randomly distributed” participant in the succession of collective choice anticipated. Therefore, he may tend to act, from self-interest, *as if* he were choosing the best set of rules for the social group. Here the purely selfish individual and the purely altruistic individual may be indistinguishable in their behavior. (Buchanan-Tullock, p.96)

This emphatic assessment is in high contrast to Knight, yet it is a contrast more for its complete reversal of tone (optimism) than it is conceptually distinct. Buchanan feels headway can be made through *situational* differences, which in themselves shift perspective and relative valuations. Buchanan argues that considering (constitutional) rules that are much *more* general and abstract does produce a meaningful perspectival shift. Knight’s distinction between making rules and playing the game is the key to gaining this situational/perspectival change.

Part of the reason Knight did not see his own rules/game distinction as fruitfully as Buchanan did perhaps involves Knight’s notion of truth-seeking. One reason Knight introduces truth as a concept is to discuss how the modern notion of truth is not fixed, but evolving. This is part of his emphasis on the open-endedness of social change, an open future. But he takes this pursuit seriously enough that he worries about knowledge requirements, the nature of discussion, and of agreement, all to a substantial degree. He also faces the democratic real-world requirement for delegation, of some agent making decisions for a large number of principals.

This ties back to his example of the doctor (used as representative of the principal/agent problem), and underlies his discussion of where this all tends to lead — the agent as expert, and how that expert is to be viewed, and controlled. *The evolving nature of truth, and his focus on the open-ended future lead him away from rules that are hard-and-fast, and towards the discretion of suitable experts.* An example still of macroeconomic interest is whether the money supply should be governed through rules or discretion. Knight unsurprisingly leans towards discretion (1960, p.105).<sup>14</sup> Thus constitutional innovation is rejected on the same grounds,

Moreover, constitutional details are of secondary importance. The legal framework of any existing formally democratic, responsible, government, is fairly adequate, if intelligently used — without any revolution or major change not provided for in the constitution itself. 1960, (p.152)

This is all before Buchanan planted his constitutional flag, as it were. We can only imagine the discussion that might or might not have taken place between them as Buchanan's program developed.

Knight's formulations differ from Buchanan's in an additional fundamental emphasis. Buchanan more fully abstracts the exchange moment itself; he makes that isolated moment a type of model. It represents a highly applicable example of non-coercion. Knight shares the sentiment linking markets and freedom. Yet when discussing actual economic, and especially political, practice, Knight frequently chooses to discuss power imbalances, and the human urge

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<sup>14</sup> Not surprisingly, Buchanan has more faith in Knight's idea of rules than does Knight himself. On this specific topic, Buchanan makes the argument for rules. He asserts that the predictability of a rule creates a different decision-environment, and so even if on an instance-by-instance basis rules could be outperformed by discretionary action, still the rule structure might be more beneficial across *all instances taken together*. Their differing "frameworks governing private decisions" make an instance-by-instance comparison inconclusive. (1999c/1962)

for that power as motivational. Thus, he immediately jumps to more real-world problems, such as agreement and delegation. Buchanan, however, focuses on the moment of exchange as a kernel of non-coercion, and extrapolates from it. Surely groups, under certain circumstances, work out what could be called an exchange? Why, then, can't this be an abstracted version of government, a model? It is interesting to remember that this element of abstraction, of model building, is exactly what many reviewers of *Calculus* (and of other economics-based studies of politics) objected to at the time. Mathews, in reviewing Riker's *The Theory of Political Coalitions*, cautioned "The realism and utility of models are a function, in part, of their inventors' prior understanding of how the real world operates. Do we know enough about politics to construct useful models now? Or do we need more and better empirical studies first?" In reviewing *Calculus*, Vines argued that its authors evinced little "political awareness", and that it "derives general propositions about politics according to economic theory but largely outside the political context" (quotations from Medema 2000). Even positive reviews (here Sydney Ulmer's) thought that *Calculus*'s authors "assumed too hastily that the explicit and implicit assumptions of economic behavior can be carried over to political behavior. The extent to which this can be done with each and every such assumption is a matter to be determined by testable, empirical consequences" (Ulmer 1963). These criticisms hint at the nature of Buchanan's and Tullock's innovation, at once both a simplification, and advance, *away* from Knight.

A final application of the notion of rules vs. play-of-the-game lies in considerations of fairness for future generations. In short, this means for Buchanan that we should strive for an equal start to the race. This issue in its many dimensions deeply concerned both Knight and Buchanan. Buchanan is unusual in his adamant objection to inheritance. Knight feels this issue

strongly as well: “Particularly offensive to individualistic ideals is the unequal start in life that results from inheritance” (1960, p.160). There is for Knight an “ideal of no inherited inequality”,

Recalling that individualism really means familism, this tendency does not cease to operate with the lives of any generation of acting individuals. Inequalities achieved — or resulting from good or bad “luck,” which is a major factor and very hard to deal with or discuss — are passed on to the next generation. Inheritance of property is a major factor and hardly separable from the private family as an institution, but is by no means the only such factor, and at bottom doubtfully the most important. (1960, p.119)

Knight goes on to discuss a concern for the future generally, and how this should constrain government. He considers generations unborn: “we legislate and act for our children, and their children, for the unborn, not merely to adjust conflicts of interest existent at the given time” (1960, p.40). Students of Buchanan should immediately see how closely this connects with, not only Buchanan’s objection to inheritance, but his objection to debt passed on to future generations as well. Buchanan’s work with Wagner (2000/1978) contains an extended treatment on this theme. Again, a focus on the future is key when considering specific economic and moral guidelines.

Many of Knight and Buchanan’s more closely held beliefs resonate around this idea. The notions of unanimity (at least as an ideal), and agreement generally, are violated when the current generation makes decisions adversely affecting future generations. For Knight this sort of action is wrong on its face. But Buchanan sees an opportunity with this issue to drive home the constitutional perspective. Day-to-day legislative activity is not apt to be sufficiently forward-looking. Knight portrays political activity as hobbled by power-seeking, just as economic activity

is, but to an even greater extent. Buchanan bypasses this dead-end pessimism through the constitutional option. Buchanan avoids the discussion of power directly, but introduces the negative force of incrementalism. “Political realism suggests the implausibility of achieving reforms at the level of incremental decision-making” (Buchanan, 1975, p.153). Constitutional reform circumvents this incremental impasse. As un-Knightian as constitutional emphasis appears to us now, it is firmly anchored in the dual emphases on achieving agreement (ideally unanimity) and on consideration of rules vs. play, two ideas on which Knight and Buchanan deeply concurred.

### III. Why did Knight have so little influence on Public Choice outside of Buchanan?

One seldom hears Knight mentioned among the precursors of public choice. Only one edition of Dennis Mueller’s definitive overview of the field provides a listing in the index for Knight. As we have already noted, the substantive connections between Knight and Buchanan have not necessarily generated a larger presence for Knight in the public choice literature. Knut Wicksell, another major influence on Buchanan, garners sixteen references in Mueller’s first index, some of them of several pages.<sup>15</sup> One might think that if Buchanan is such a central figure in public choice, and he references Knight, that other theorists would be intrigued enough to explore, and exploit, Knight on their own. But if content doesn’t completely answer the question, it might be interesting to consider *strategic dimensions*, or considerations of *usefulness* as a research agenda.

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<sup>15</sup> One difference might be Wicksell’s direct influence on other major public choice figures. Still, the difference is striking.

There are several aspects of Knight's work that handicap him in this regard. One is that he obsessively explores both sides of an issue. For instance, Knight posits certain attributes of pure competition — freedom through impersonality, etc. — then goes on to emphasize how such a state never occurs in reality, that it only has heuristic value. Like Buchanan he sees the economic order as representing certain freedoms. "In so far as society is committed to freedom as a basic ideal, there must be a presumption in favor of the economic order because it is free in a sense and to a degree that a political order is not and cannot be" (1960, p.111-112). He goes on to suggest there is an analog in politics — free discussion (an *exchange* of ideas) — but then represents the *problems* with such discussion so persuasively and in such detail that the reader despairs of useful outcomes.<sup>16</sup> Buchanan takes these elements, but instead considers political activity itself as analogous to market exchange. But more than that, it is also the gap between Knight's original insights, and their formulation and application in Buchanan's thinking, that partially obscures the underlying connection between the two. Buchanan can be seen as extrapolating and innovating, but he also organizes and schematizes.

And the question of optimism is not irrelevant. There is very little "program" buried in Knight's work for followers to exploit. This criticism would seem to be at least somewhat vitiated through Buchanan's own successful use of Knight. We might be left with as little as Knight's refusal not to see both sides of every question. Economists make a splash through overstating the importance of their argument, but Knight manages to overstate on *both* sides of an issue, lessening his impact. But there are pointed and powerful elements to Knight's thought — Buchanan recognized them. And by refashioning them, and innovating with them, he

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<sup>16</sup> "Frank Knight's writings have never neatly aligned with his imputed role as a dedicated advocate of free enterprise. Throughout his career, he refused either to extol the virtues of markets without drawing attention to their manifest limitations and sins, or to observe those limitations and sins without enumerating the formidable difficulties inherent in any attempt to overcome them." (Burgin, 2009, p. 515)

removed much of their double-sidedness, and gave them direction and added force. Buchanan is arguably the pivotal figure in public choice, and his themes have not only provided explorative possibilities within economics, but have also served to connect economics substantively with other social science disciplines. Public choice would be immeasurably poorer without Buchanan's contributions. But it was Knight's idiosyncratic viewpoint, his new ideas, which launched Buchanan into the open future.

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