

Frank Knight and the Origins of Public Choice

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Background/Proximity

After World War II, Buchanan gets his doctorate in Economics at The University of Chicago. He comes in as a mild socialist, but Knight's class converts him to the virtues of the market.

Buchanan links himself with Knight, referring to him often as "my professor".

Knight invited by Buchanan to give a series of lectures (under the auspices of The Thomas Jefferson Center) at the University of Virginia in 1958. (*Intelligence and Democratic Action*, published 1960)

Buchanan and Tullock collaborate, and publish *The Calculus of Consent* in 1962.

The Two Major Themes

1) The Future as *Open*

2) The Role of the Game, as Model

Knight's View of History

Knight envisions “modern” history as having a critically distinctive feature:

The future cannot be assumed to closely resemble the past.

Knight feels this modern situation begins with the Renaissance.

Before that, ecclesiastical influence dominated. Truth was “given”, and didn't have to be sought for.

But when civil governments began to dominate, the idea of what constitutes Truth begins to loosen.

Responsibility for the future

The Truth is now something to be discovered, and agreed upon.

Liberating? Not entirely.

This introduces new burdens for individuals as citizens.

There are of course large swaths of society and culture, or in Knight's phrase "the course of events", which are "not subject to voluntary and intelligent change; an example is the spoken language." (150)

Furthermore, because the point of an open future is that the ends are not completely pre-determined, the methods by which we agree on these ends can't be "scientific" in the technological sense.

Scientific knowledge helps with means, not ends.

Small terminological clarification

It is ends which obsess Knight; so a focus on means indicates a certain plodding, unadventurous academic exercise.

Just as it does for Buchanan. He calls these means-oriented efforts engineering. And he doesn't mean that as praise.

But aren't means here the same as process?

No. Knight is objecting to means towards a given end.

Process is towards an open future.

The Future (Knight)

“Intelligent control of the future course of history is *the* problem, and action is constantly being taken to that end” (150).

So where is Buchanan in all this?

In “What Should Economists Do?” (presented 1963, published 1964), Buchanan aligns himself with Knight on the idea of science, in a technological sense, as a subset of engineering. It executes. But the process of deciding what to execute, and what the institutional structure which would best facilitate this decision-process, is now center-stage.

Discounting certain economic processes as mere technology.

Directionality (Becoming or Process, not Maximizing)

Both Knight and Buchanan characterize the purpose of economics in the same way, that is

- 1) Moving from ends backwards, to consider the most efficient means to achieve such ends, is a secondary procedure. This is where a focus on allocation comes in, and with it Robbins's definition of economics as the "relationship between ends and scarce **means** which have alternative uses."

Knight and Buchanan both quarrel with this definition.

Directionality, 2

2) The idea of an open future (Knight), and of our “wants” and “utility functions” as being in a state of flux (Knight and Buchanan), generates a directional orientation of analysis *towards* an unspecified future.

There is the implication in all this of individual, and social, human betterment. In that sense, Knight and Buchanan are both Enlightenment thinkers. [Not “conformity in conduct and belief” 142]

As individuals, we want “better wants” (Knight’s phrase).

And for Buchanan, he discusses humans as “artifactual”, that is, they fashion themselves (and their society); they – unlike the example Buchanan uses of his dog – desire (at times) to be other than they are.

Buchanan

“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)

So, how does this impulse, and priority, on the individual level, relate to Public Choice (or political economy for that matter)?

Does it help connect economics and politics?

Connecting Economics and Politics

“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)

Or Knight: “Modern” society brings with it “the more inclusive and dynamic, forward-looking, value problems involved in envisaging and attempting to secure progress, to build a better society through a better system of laws.” (140)

Both envision a “better” society to result from *structural elements* being improved: “rules of social order” and “a system of laws”.

2) Rules of the Game

Are economists to be concerned with *outcomes* or with *process*?

By discounting outcomes (and focusing on process), both Knight and Buchanan put themselves somewhat outside the economic mainstream.

“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....” (Knight 1935d/1934, p. 302, emphasis added)

But what does Knight do with his metaphor?

Knight's view of politics famously revolves around the idea of discussion: democracy is politics by discussion.

So in a sense, Knight's program bifurcates.

1) Truth-seeking: requires disinterested investigation, a large quantity of knowledge, and discussion which does not degenerate into persuasion.

One stumbling block on this path is self-interest, a seeking after power.

2) Society and the market as a game: which requires privileging the continuation of the game itself, its integrity, over who wins and loses.

The stumbling block here is also self-interest, and a seeking after power.

Simply despair?

So Knight concludes:

Truth-seeking is very problematic: it requires a great deal of its participants, and is therefore perhaps best left to the disinterested few who can meet its stringent standards: that is, to experts. But *are* there any?

The social/economic “game” will degenerate; the excessive concern over who wins will undermine the game itself. Again, a seeking after power is an omnipresent problem.

How things seem to be going (not well)

Knight wants to “make the game interesting”, but power imbalances tend to distort the playing of the game. Certain people start to always win, and for Knight, this imbalance only snowballs.

Most become discouraged. (“Ethics”, 61-2)

“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)

Knight and no escaping power issues

So Knight has his “influence” structure; what dominates what:

Power concerns/self-interest will influence both the play of the game, and the way in which the rules are framed.

So if rules are like laws in Knight’s system, both are captured. Knight argues that problems of power which plague market activity are even worse in political activity. Rules are not the answer.

Buchanan's answer

For Buchanan, there is a critical distinction between play of the game, and rules of the game.

If the real-world analogue for rules is laws, then Buchanan agrees with Knight. Specific interests can strongly influence lawmaking.

But this is not how Buchanan sees rules.

For Buchanan they embody a greater level of abstraction.

And this abstraction pays a decisive dividend:

Actors can no longer as clearly envision how their interests will play out.

Meta-Rules

But if the real-world analogue for rules is not laws, what is it?

Buchanan suggests it is *constitutional* rules. These “meta-rules” do better what Buchanan needs them to do: obscure how personal or business interests will “play out”.

This gives Buchanan’s thought a boost of optimism. This optimism is crucially absent in Knight:

“I have been raising questions to which I, at least, do not see the answers – questions which, with the common attitudes toward them, frankly, seem to justify doubts about the future of free society.” [Knight 1960, 141]

One additional element

So, Buchanan and Knight both envision individuals as being

- 1) Forward-looking, and
- 2) Most accurately seen as being in a state of becoming

Lastly, for Knight, actors are seen as seeking power both in their market and in their political roles. There is no special distinction made when actors are in political mode.

Buchanan and Public Choice generally feature this assumption: individuals are assumed to be as self-interested (to the degree they are) in their political, as much as in their private, roles.

Building the model

Lastly, Buchanan exploits his understanding of the abstraction of rules to find a way to short-circuit self-interest, at least on one political plane.

So Buchanan draws his parallels between market and political activity:

- 1) Similar assumptions about actors
- 2) Gains from trade could scale up to gains from social agreement and association
- 3) Forward-looking assumption for individuals implies a focus on progress in politics, rather than allocative obsession
- 4) A means to circumvent certain problems by the greater abstraction available by conceiving of rules as meta-, or constitutional

So how did this look at the time?

Reviewers weren't entirely convinced.

Donald Mathews, in reviewing Riker's *The Theory of Political Coalitions*, cautioned "Do we know enough about politics to construct useful models now? Or do we need more and better empirical studies first?"

In reviewing *Calculus*, Kenneth Vines argued that it "derives general propositions about politics according to economic theory but largely outside the political context"

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." (Ulmer 1963).

Conclusion

We might say now that this is probably not the considered view of the discipline today.

Despite this initial skepticism, the Public Choice program which emerged, essentially, from *The Calculus* (Medema), would prove influential.

Knight from the 1950's until relatively recently was viewed as too philosophical, and not in sync with the new directions in economics. This seems to be changing. Knight left many ideas on the table. Buchanan was among the first to put them to use.