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**DEMOCRACY AND THE ECONOMY:  
An Analysis of Buchanan's Views on Political Psychology**

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# Democracy and the Economy: An Analysis of Buchanan's Views on Political Psychology

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Abstract: Buchanan's notion of "parental socialism" refers to the attitude of many persons who are "afraid to be free" and do not want to face "responsibility for their own actions." His diagnosis is that this behavioral fact triggers the demand for a welfare state, thus extending collective activities over individual liberties. I claim that this psychological assumption is in tension with Buchanan's public-choice perspective: If what people pursue is wealth maximization, they will try to partially minimize the risks and costs linked to that objective by shifting the burden of welfare provision onto the state. In this light, a calculus of maximization and not fear would prevail in feeding parental socialism.

## Introduction

Buchanan (2005)<sup>1</sup> identifies three types of socialisms (managerial or central-planning, paternalistic, and distributional) based on "top-down" justifications (from the government to the people). He adds another, "bottom-up"-driven type of socialism, which he names parentalism and describes as "the attitudes of persons who seek *to have values imposed upon them* by other persons, by the state or by transcendental forces" (2005:23, italics in the original). In his view, this desire is reflected in the rejection of the responsibilities associated with individual liberty and in the consequent demand for dependency on a parental state. The institutional manifestation of the dependency sentiment would be the extension of collectively controlled activities. Ultimately, the *raison d'être* of parentalism would be a prevalent sentiment of fear and the need to seek reassurance of order and predictability in a context of uncertainty.

Buchanan's "parental" postulates challenge many of his prior assumptions—which I shall call the "classical" assumptions—and pose several questions to the scholar interested in the general relation between democracy and the economy. For example, is the extension of the democratic state a result of the attempt on the part of individuals and groups "to secure

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<sup>1</sup> Unless otherwise stated all bibliographical references in the text are to Buchanan's *Collected Works*, Indianapolis: Liberty Fund, 1999-2001.

differential gains” for members of particular coalitions, as Buchanan wrote (1985:274)? Also, is there a disconnection between voters’ preferences over voting (Brennan and Buchanan, 1984:163)? If the answers to the above questions are in the affirmative, does the case for bottom-up, voter-initiated causes of welfare policies still hold? In addition, the theory of paternalism relies on features ascribed to a majority of fearful people and adopts a psychological outlook that may undermine the relevance of institutional theories in explaining the spirit and the shape of welfarism. Since Buchanan has criticized those who attribute political failure to “bad men” rather than to a deficient institutional structure (Buchanan and Tullock 1962:281), why does he attribute governmental over-expansion to “fearful” men and not to certain welfare institutions designed with built-in perverse incentives?

In this work I contest the idea that the concept of fear is adequate or necessary to explain the demand for welfare support. Fear is a survival mechanism that is usually triggered as a response to danger; paternalism need not obey an emotional response to danger but to an individual calculus of ensuring material provisions in the face of uncertainty. In this light, the demand for welfare expansion need not be a result of fear but of maximizing agents seeking economic safety at low individual costs.

In Buchanan’s classical arguments on cost and choice as applicable here (that is, not in its monetary but in its psychological aspects), cost is the utility loss perceived by the chooser (1969:41).<sup>2</sup> There may be a personal loss of utility when choosing between alternatives; if an individual chooses to work he has to undergo effort, time consumption, etc., thus “losing” leisure, energy, and so on. Building on this concept of disutility, we could posit that maximizing agents, who want to maximize income and feelings of safety and security and at the same time want to avoid the disutility of effort, will look for the lowest-cost method to do so in terms of effort and resource use. For this reason, the welfare state might be seen by many as a relief from the burden of the self-provision of goods. At the level of individual choice, the welfare state

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<sup>2</sup> Cost may be also represented as pain: “Pain occurs when, as a result of a past chain of events, the utility of the individual is reduced without offsetting pleasures ... pain cost has no connection with deliberately sacrificed alternatives. The expectation of such pain may inform the comparison of alternative opportunities for choice, but the realization of such pain is irrelevant either in explaining or in justifying value” (1969: 8).

would bring to the agent both the prospect of enjoying certain goods and avoiding the pain of obtaining them.<sup>3</sup>

Along the lines presented above, my work is structured as follows: Section I presents Buchanan's classical behavioral postulates on individual choice and the institutional basis that follow from those postulates; section II analyzes the notion of parental socialism and the ways in which it might come into conflict with the classical behavioral postulates; in the broader context of the relation between democracy and capitalism, section III addresses the argument that classical liberalism has failed to provide a psychological insight to foster popular support for markets by examining the contributions of Adam Smith. The last section concludes.

### **I. Buchanan's classical behavioral and institutional postulates**

Buchanan has consistently postulated that in social interactions "individuals must be modeled as seeking to further their own self-interest, narrowly defined in terms of measured net wealth positions, as predicted or expected" (1983:21).<sup>4</sup> This assumption is intended to make "prediction and explanation possible" in at least "one aspect" of human behavior (Buchanan and Tullock 1962:17). Buchanan has written extensively on the *homo economicus* postulate as being an analytical or methodological device built on the general premise that individuals tend to choose more rather than less. The empirical content of such a premise is predictive rather than descriptive; that is, it aims to anticipate possible courses of actions and the potential consequences of individual choices (1989:69; 1969:37-38).<sup>5</sup> Briefly stated,

We simply require that demand curves slope downward, which, in turn, requires that it be possible to identify the 'goods' individuals value. That is to

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<sup>3</sup> "Cost is the chooser's evaluation of the anticipated enjoyments...also that which he can avoid by choosing another alternative" (1969:44).

<sup>4</sup> Some clarifications of terminology are in order. At a motivational level, "interest" refers to what guides individuals in regard to the value or utility ascribed to a given action or policy. "Self-interest" is predicated of individual motives, "special or private interest" relates to differential gains sought by any organized group at the expense of the rest, and "public interest" is associated with specific values, actions or benefits under a "symmetrical" condition for all members of a society (for the idea of symmetry as generality see Buchanan, 1995:108-110).

<sup>5</sup> The predictive nature of *homo economicus* is often conflated with a descriptive one, see for instance Uhdn, for whom public choice is "idealistic" both descriptively and normatively, (1996: 181).

say, our empirical presuppositions refer to the signed arguments in individuals' utility functions and do not involve trade-offs among these arguments. Furthermore, we require that individuals consider their own interests, whatever these may be, to be different from those of others (Brennan and Buchanan 1985:58).

It is important to point out that the this behavioral model does not imply the idea that people *only* act narrowly to further identifiable self-interest; the model considers a multiplicity of differing interests and values behind individual actions (1966:253-254),<sup>6</sup> among which the attitude of utility maximization stands as a significant or relevant motive (1988b:81).<sup>7</sup>

The main elements of the “classical” model are individual rationality,<sup>8</sup> the inclusion of time into the rational calculus (which enables the individual to distinguish between a short- and long-term self-interest (1978:73)) and the existence of moral restraints that limit self-interest and allow for mutuality of gains in social interaction (1982:49). The elements interact: Assuming utility maximization, it becomes rational to be moral in dealing with others in settings where reciprocal behavior can be anticipated (1988:461).<sup>9</sup>

The concept of *homo economicus* has been extensively used to approach the logic of individual choices in both the realms of economics and politics, and specifically to compare the implications of alternative institutions and sets of rules. According to Buchanan,

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<sup>6</sup> The recognition by economists that people do not simply act as *homo economicus* is sometimes ignored or understated. For example, Holmes criticizes modern liberal theories that take self-interest as a “universal motivation” for all human actions (1995:67); for Christiano, the group of economic theories of democracy claim that “individuals are motivated virtually entirely by self-interest” (1995:147). See also Nino (1996:79), for whom the “economic theories of democracy... skip moral judgments and principles of justice altogether”.

<sup>7</sup> The significance of the *homo economicus* premise should tell us nothing about our judgments and feelings related to it, unless otherwise stated. Brennan and Lomasky, for example, admit its significance though if an alternative hypothesis can be found “so much the better” (1993:12).

<sup>8</sup> Rationality is taken as an assessment of the appropriate means to achieve the desired ends. In instances where the means are seen as not conducive to the end, it becomes rational not to use them. This is the core idea in the theory of voters' rational ignorance: Voters choose to be uninformed due to the anticipated negative ratio between costs and outcomes. See Downs (1957:246-259) and Somin (1998).

<sup>9</sup> Morality as restraint from harming others is indeed a narrow view of morality looked only from the angle of its social effects. In this respect see Rasmussen and Den Uyl (2005:30), who criticize theories that value virtues only in terms of their contribution to society and not in terms of human flourishing. These authors advance a notion of moral self-perfection separately from the issues of social cooperation.

[The economist] deals with the same individuals as decision-making units in both public and private choice, and, initially at least, he should proceed on the assumption that their fundamental laws of behavior are the same under the two sets of institutions. If he predicts that the average or representative person will purchase a greater quantity of private good *A* when the relative price of *A* is reduced, he should also predict that the same person will “purchase” a greater quantity of public good *B* when the relative “price” of *B* is lowered (1968:5.1.10).

So long as some part of all individual behavior in collective choice-making is, in fact, motivated by utility maximization, and so long as the identification of the individual with the group does not extend to the point of making *all* individual utility functions identical, an *economic-individualist* model of political activity should be of some positive worth (Buchanan and Tullock, 1962:30).

Individual utility maximization does not lead, as some like to believe, to a zero-sum aggregated result produced by the dynamics of social confrontation (Mansbridge, 1980). On the contrary,

The economic approach, which assumes man to be a utility-maximizer in both his market and his political activity, does not require that one individual increase his own utility at the expense of other individuals. This approach incorporates political activity as a particular form of *exchange*; and, as in the market relation, mutual gains to all parties are ideally expected to result from the collective relation (Buchanan and Tullock 1962:23).

Notwithstanding these similarities, Buchanan expresses some caveats about the assumption of individual utility maximization in politics. Specifically, uncertainty about outcomes and a loss of the sense of decision-making responsibility in collective processes seem

to limit the ability of wealth maximization criterion to explain individual behavior as successfully in non-market models (Buchanan and Tullock, 1962:37–39; 1982:69). For example, he recognizes that where political participation is highly valued, the actors will tend to disregard the consideration of costs and will prefer costly, more inclusive decision-rules (Buchanan and Tullock 1962:12 n.4). In addition, in the political arena, voters are guided by ideology and expressive or symbolic considerations indifferent to costs (Brennan and Buchanan, 1984:160-166).<sup>10</sup> In spite of these caveats, he ultimately accepts that

The recognition that man is, indeed, a paradoxical animal should not suggest that an “economic” model of collective choice is without value. In any case, such a model should be helpful in explaining *one* aspect of political behaviour; and only after the theory has been constructed and its propositions compared with data of the real world can the basic validity of the motivational assumption be ascertained (Buchanan and Tullock 1962:20).

As indicated above, Buchanan is aware that individuals are also driven by non-economic considerations and motivations. The presence of *moral criteria and values*, endogenously or exogenously adopted, may motivate the individual to act in ways that run counter to his immediate material gratification. Individuals’ “moral constitution” (1994: 93-94) and moral ideals do influence actions in the social setting.<sup>11</sup> Moreover, moral restraint is a substitute and complement for institutional control (1994:93). In Buchanan’s view, self-limited behavior is the conceptual pivot around which the integration of economics and politics is made possible. Buchanan follows 18th century liberal political thought by positing that self-interest promotes the general welfare within behavioral limits (1982:46; 1978:53).

In addition to moral restraints, the rational individual also acts within a *psychological constitution*, which refers both to its cognitive element as well as to its emotional aspects. It is

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<sup>10</sup> In spite of such difficulties, the authors finally assert that it remains an empirical matter to study voter behaviour (1984:167), which leaves the door open to findings that may show the presence of *homo economicus* and a consistency between preferences and outcomes to be more prevailing than initially assumed.

<sup>11</sup> Buchanan speaks of a “moral order” when people treat each other with mutual respect and reciprocal trust and confidence, and of a “moral anarchy” when people treat each other as means to further their own objectives. In the first case, he expects the need for governance to be minimal, whereas in the latter, a repressive government may emerge to ensure stability (1981:189-192).

this psychological constitution that, according to Buchanan, poses challenges to the economist. When exploring the relation between economics and other “scientific neighbors” (to use his expression) he takes psychology as a discipline reminding the economist that human behavior is erratic and unpredictable (1966b:11). In regard to the cognitive aspects, psychology points out the limited capacities with which individuals have to make choices (1994:93). We need not go on at length about these cognitive issues, important as they are for their institutional and governance implications.<sup>12</sup> It is the emotional motivations guiding individual actions that matter for the purposes of this paper.

Psychology offers a conceptual device to analyze behavioral dispositions that serve as bases for institutional functioning. Buchanan reflects the influence of Madison, for whom people tend to be guided by passions (Madison, 1788).<sup>13</sup> He also acknowledges that his constitutional thought derives originally from Hobbes: People adopt self-imposed constraints to secure benefits under coercion (Brennan and Buchanan, 1985:68).<sup>14</sup> Passion in this context is taken as a synonym for *unrestrained* self-interest, as opposed to the *rational* self-interest that dictates self-restraint.

The psychology of passion, so to speak, lends itself to an institutional construction based on the assertion that both the rulers and the ruled may act to pursue wealth maximization at the expense of others. Therefore, individuals who are aware that cooperative behavior, restrained by morality and law, is the best scenario (both to succeed in the long-run pursuit of their own interests and to limit the predatory actions of those who want to achieve their self-serving goals at the expense of others) will tend to design institutions with *homo economicus* in mind (Brennan and Buchanan, 1985:10.4.51). These institutions will seek to limit exploitative self-interest and channel it to the general good (1983:23), understood as mutual gains from trade (Buchanan and Tullock, 1962:248).

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<sup>12</sup> See Schumpeter (1946), Rawls (1997), Hardin (2000), among others, for an analysis of cognitive issues in relation to governance. See also Salinas (2006) for a brief discussion of their arguments.

<sup>13</sup> In “Federalist 51” Madison writes, “In framing a government which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself.” He then develops ideas about the separation of powers to address the issue of governmental self-control, though what captures my attention here is governmental control of the governed.

<sup>14</sup> However, as Buchanan points out, his own normative stance is rather to control the government itself, by means of a constitution that protects the people from the government (1988:463).



The logic implicit in Buchanan's classical argument is that behavior conditions institutions and outcomes and vice versa. This reciprocal feedback is illustrated as follows:

[The economist's task] includes the derivation of the institutional order itself from the set of elementary behavioral hypotheses with which he commences (1968:5.1.7).

If, in fact, the individual could be "trusted" not to follow economic interest, and if all pressure groups could be assumed away, there might be, on some grounds, considerably less strength in the argument for many of the checks and balances that characterize modern democratic process (Buchanan and Tullock 1962: 285).

Conversely, institutions introduce incentives for behavior:

We do not assume that individual citizens, either behind some veil of ignorance or as located in society, are inherently risk-averse in the normal meaning of this term. For our argument here, we may take individuals to be strictly risk-neutral. *It is the peculiar setting of choice that causes the individual to behave as if he were risk-averse* (Brennan and Buchanan, 1985:63, my italics).

The very purpose of adopting laws or rules is to restrict behavior in future periods ... the isolated person secures greater efficiency; he accomplishes more good for less bad, if he lays down rules for his own behavior in advance. This element or feature does not change when the analysis is shifted to the many-person social setting (1975:157).

Several normative conclusions arise in regard to the nature and structure of institutional design if wealth maximization is to be used as a guiding criterion for institutional reform, as Buchanan suggests (1982:68). First, the sphere of collective or political decision should be

organized in as small political units as possible (1962a:115) so as to achieve an acceptable level of interdependent costs (the cost of making collective decisions combined with the individual cost of “paying” for the negative results of those decisions). In small settings, voting is less expensive and so is the process of monitoring collective decision effects on individuals; hence the prospects for individual maximization (as a result of lower voting costs and lower externalities) are more promising.

Secondly, under the assumption of voters’ limited rationality in collective settings, non-collective processes rather than majoritarian elections are to be preferred (Brennan and Buchanan, 1984:168-169).<sup>15</sup> Compared to political settings, markets provide fewer incentives for wealth-maximization pursuits that sustain wasteful, rent-seeking practices.

Third, and within the collective realm, a constitutional democracy may allow for the introduction of limits to the predatory practices of special interests in association with unrestrained politicians. Buchanan’s defense of a constitutional democracy stands on the claim that current electoral processes are insufficient to control government (1988:465-7) and that constitutional agreement on the protection of individual rights against collective coercion should be achieved (1985b:274). He also suggests that “explicit size limits or constraints on revenues and/or outlays may be incorporated in the fiscal constitution with the expectation that such limits will be legally enforced” (1975:194).

Lastly, since constitutional compliance depends on the dynamics of institutional checks and balances, Buchanan presents us with a favorable consideration of the advantages of direct democracy to enhance constraints to politicians (2000).<sup>16</sup> Voters’ direct participation in the proposal and voting of public issues may thus serve as an additional device to control an overextended and discretionary government, as indicated by cross-country empirical findings (Salinas, 2006). Buchanan notes that the absence of continual referenda allows for a great discretionary power held by bureaucrats and politicians, who follow their own preferences and try to maximize their own utility when deciding on spending or tax issues (1975:198). In addition, “direct democracy acts to reduce the special interest (pork barrel) legislation, for it is easier to organize logrolling coalitions among legislative or parliamentary agents in a limited-

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<sup>15</sup> For other public choice stances with a more robust view of political institutions see Brennan and Hamlin, 2000: 124-125.

<sup>16</sup> As illustrated by the U.S. fiscal revolts of the ’80s that introduced fiscal constitutional limits by popular initiative. See Waters, 2003 and especially Matusaka, 2000.

size assembly than it is to organize comparably effective coalitions in a large-number electoral setting” (2000:4-5).

In summing up, Buchanan’s classical behavioral views take individuals as (mainly, but not exclusively) rational, maximizing agents in social settings, albeit less so in collective ones. Moral restraint and institutions develop in order to introduce rules and incentives so as to reinforce the benefits and reduce the costs of living in society.

Contrary to his classical view, Buchanan’s argument from parental socialism replaces the model of the maximizing agent by a fearful individual who longs for an overextended state to protect him at whatever cost. Thus, individual motivation for the selection of institutions is made dependant on fear and implicitly separated from considerations of rationality and morality. In the next section I address some of the arguments from parentalism by contrasting the “parental” postulates with Buchanan’s “classical” assumptions in an attempt to point out some basic tension between the two. I then look at the predictions associated with the psychological diagnosis of fear.

## **II. Parental socialism: Afraid to be free or afraid to bear the costs?**

Adopting the lens of the psychologist, the later Buchanan believes that many people are “afraid to be free” and show an aversion to taking individual responsibility for the consequences of their choices and actions. In the realm of modern public policy, this fear translates in voters’ demand for welfare provided by a “parental” state (2005: 24) which would protect them from the uncertain results of individual actions. For Buchanan, the deeper rationale for parental protection is the modern loss of religious faith, which has given way to a replacement of God by the state in the people’s search for order and predictability (2005: 26). To offer an alternative to the parental mentality, he suggests that classical liberalism reinforce the discourse of individual independence, demonstrating that “people can stand alone, that they need neither God not the state to serve as surrogate parents” (2005: 27).

Buchanan’s “parental” postulates seem to challenge many of his basic classical assumptions. On the behavioral front, the main tension emerges from postulating that individuals act out of fear of uncertainty and not as a result of a rational calculus aimed at the self-provision of goods. Fear is instinctual, hence expressions such as “fight or flight” to

describe the habitual reactions in the face of dangerous situations that trigger fear. In asserting that fear shapes individual demands in the collective realm (at least in regard to welfare provision), Buchanan implicitly displaces his prior assumptions about individual rationality and the individual calculus of wealth maximization. If we accept the premise that people believe that they cannot “stand alone” because of their fears, the basis for rationalism is undermined and so is the case for the argumentative persuasion that Buchanan calls for when he invites classical liberals to reinvigorate the discourse about individual independence. In order to show people that they can “stand alone,” it is first necessary to assume that fear is not a prevailing emotion, for people need to be both rationally and emotionally open to the arguments for freedom.

My second observation on the behavioral front is inspired by Buchanan’s classical argument that behavioral incentives introduced by institutions displace the moral preaching aimed at securing a “good” government. Given his prior criticism of the moral argument against “bad men,” it is not clear why the psychological observation of widespread fear would stand on more solid grounds when explaining the results of collective decisions or preferences. The presuppositions of fear and “badness” hold political reform captive to changes in individual feelings and dispositions. In giving priority to concepts such as public morality or fear, respectively, both arguments seem to undermine the institutional perspective that Buchanan has been so keen to champion during his career. This is not to say that a change in attitudes may not influence the direction of reform, only that the argument from fear seems to give excess weight to this possibility, as opposed to an institutional reform that aims at reducing incentives for risk taking.

Having said that, I will also argue that even if fear is taken as a major factor inspiring behavior, the institutional corollary of the parental state-as-provider does not necessarily follow from the argument on fear, as Buchanan implies. My hypothesis runs as follow: Even if we concede the argument from fear and assume that many people are indeed afraid of the consequences of choice and just want to *feel* safe, this does not logically imply that they want to be told what to do by a parental state. The existence of such a state may be the result of contingent institutions linked to a specific, historically formulated governmental structure, observable in modern, extended representative democracies. A plausible alternative theoretical model more along the lines of classic liberalism would picture people desiring to feel safe while

at the same time having the opportunity to choose the means of securing economic safety without the state dictating to them how to best achieve their goals.

Buchanan has included elements of a model that we may label “individualist safety” (as opposed to “parentalist safety”) in several of his proposals. In this situation, psychological safety (derived from economic safety) and independence of choice can go hand in hand. In the past, Buchanan has argued in favor of a constitutional initial redistribution (1985b:24), of a progressive income tax adopted in a fiscal constitution, and of the need for public financing of education (1968:5.9.41).<sup>17</sup> These proposals seem to be based on the idea that there is legitimate claim for equality in democratic settings that justifies certain public expenditures. In an individualist-safety model, people would not depend on a “nanny state” but only on the public financing of access to basic goods that would later be purchased from individually chosen providers.

On the institutional front, the assertion that welfare programs find their origin in majoritarian emotions such as fear poses further problems to the public-choice view of government action being co-opted and exploited by organized minorities such as bureaucratic agents, political parties, firms, and lobbyists. For Buchanan, politics is about politicians (1968:11) and “rulers rule in their own interest” (1979:175). If these claims are true,<sup>18</sup> it seems difficult to simultaneously believe that the welfare state is a result of voters’ fear-driven preferences. The case could be made that politicians create fear interesting order to maximize votes, but this would contradict Buchanan’s assertion that welfare policies are dictated by bottom-up demands.

A further problem with the nature of welfare demands based on fear is related to the discretionary tone of such demands and their consequent institutional impact. Is the state supposed to provide for only those who are afraid? If fear is mitigated for some reason, will the person’s claim stop? How much fear is enough for a person to qualify as a welfare recipient?

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<sup>17</sup> Buchanan is not alone among modern classic liberals in advancing these sort of ideas: See for example Nozick on redistribution through rectification of past injustices (1974:231), and Hayek on the defence of a minimum income and the need for public financing of elementary education (1979:55-56;142;61), and on social insurance and education and subsidies to experimental developments (1960:258).

<sup>18</sup> The fact that policies are frequently unresponsive to citizens and that the control of politicians faces problems of information, monitoring and enforcement might prove that Buchanan’s statement “politics is about politicians” holds true. For problems of accountability and its empirical findings see articles in Przeworski, Stokes and Manin (eds., 1999), specially Maravall.

Where should the line be drawn between securing welfare provisions to feel safe and obtaining welfare to avoid work? If the view is that welfare goods are in fact claimed out of a notion of rights and not as mere palliatives for fear, the case seems to be more amenable to the moral and legal reasoning that belong to a democratic setting. In addition, the notion of welfare-rights claims is more compatible with the notion of democratic equality and its appeal to non-discriminatory policies (although it might affect market rights).<sup>19</sup> Taken to its extreme, in its fight for security, fear may not respect either equality or justice, and may look for other means to achieve the desired goals, such as appeals to violence or to compassion, or both. Conceptually, while compassion may inspire people in private or public positions to help others, individual dignity and autonomy make the welfare-from-compassion argument less admissible.<sup>20</sup>

Once again, even if we take fear as prevalent and discern a connection between people's fear and their demands for welfare protection, this is not equivalent to saying that present-day welfare policies are designed as a response to people's demands and needs. Actually, for Buchanan there is evidence that the poor are not using democracy to "exploit the rich" (2005:23), nor are they seen as succeeding in their claims to diminish social inequalities (Schapiro 2003:104). Buchanan's observations about corruption and inefficiencies in welfare provision point to the fact that, in general, current welfare institutions in America tend not to meet people's needs, which turn our attention to his predictions associated with parentalism.

Briefly stated, Buchanan posits several scenarios in the face of parentalism and governmental overextension: (1) the increasing corruption associated with the extension of collective-political control will be tolerated and ignored by the citizenry, (2) democracy will reflect the preferences of the citizenry and policies will be dictated by bottom-up demands, and (3) budget constraints and a growing demand will induce changes in the supply of welfare that will affect public support for these programs.

The first two would require empirical corroboration, measured mainly in terms of polls reflecting public opinions, consumer/judicial actions and voting choices. To the extent that citizens are increasingly allowed to cast a direct vote for policy measures, and to the extent that

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<sup>19</sup> See Nino and Pincione.

<sup>20</sup> My claims have far-reaching implications that exceed the extent of this work. Are welfare rights inimical to the notion of the rule of law (Pincione 2003)? Is compassion an ethical quality required for democracy or does it cause more harm than good (Marks, 2007)?

those choices are accepted and implemented by governments, the prediction that democracy will move in a bottom-up direction will be proven valid. It is more difficult to assess if corruption will be accepted, unless people are allowed to directly sanction corrupt officials by means other than elections (given the electoral fallacy). The fact that people may elect candidates or incumbents suspected of corruption says little about the tolerance for corruption: If the suspicion is that all politicians are prone to corruption, who else is there to elect in order to assure the expected level of welfare? In any case, a thorough discussion of the issues of corruption and preference-consistent voting exceeds the purposes of this paper.

Will maximizing agents accept an income-minimizing welfare system? Buchanan thinks they will not and that the negative balance in social welfare created by budget restraints and growing demand will cause inter-group conflicts and expose the system to serious constraints. He does not, however, describe the consequences for reform of a decline in popular support for welfare support. In this regard, it is plausible to think that in the search for economic safety, growing constraints in the supply of welfare could turn the preferences of individual agents away from state welfare provision (with its built-in inefficiencies) to other schemes, such as state welfare-financing, leaving the provision open to non-collective economic forces. The shift from public provision to public financing envisioned here would be more compatible with the values and institutions of individual choice, as traditionally defended by Buchanan.

In this section, I put forward the idea that the psychological assumption of fear may not be compatible with the premises of *homo economicus*, since fearful people are ill-equipped to assess the costs and benefits of actions and decisions. If people pursue net-wealth maximization, they will try to minimize the risks and costs linked to the self-provision of goods by shifting the burden of provision onto the state. In this light, the disutility of effort, not fear, would feed parental socialism. In other words, I posit that the “flight to dependency” might be the result of unrestrained self-interest projected onto the state in response to a preference for maximization, rather than to ideas or dispositions about individual emotions and attitudes towards responsibility in the face of uncertainty.

That said, I agree with Buchanan in assessing the impact of psychological phenomena on emotions in promoting the case for freedom, although in the next section I argue that there is no classic liberal lacuna observable in such a task.

### III. Is there a psychological lacuna in classical liberalism?

Buchanan asserts that there is a classic liberal lacuna in regard to the psychological elements of public support for the market order (2005:27). He often follows Adam Smith when writing on the advantages of the spontaneous order of the market (Buchanan and Tullock 1962:22,248), but does not take into equal consideration Smith's contributions on psychology when diagnosing the gap. I will hereby briefly revisit Smith's insights that show a consideration for both "sense and sensitivity" in his study of a free society

Smith acknowledges the desire for mutual sympathy and the drive to better our condition as the two basic motivations that give rise to the systems of morals and economics respectively. Individual self-interest and other-regarding sentiments coexist and interact so as to give rise to a cooperative and beneficial social order.<sup>21</sup> Self-interest manifests itself in the individual desire for survival and the fear of death. Individuals enter into production and exchange to better their quality of life, and they adopt rules of justice to minimize with the chance of death. Thus, "the dread of death" looks at restraining injustice and "guards and protects society" (I.i.13). In addition, Smith finds that because we are afraid of death and we strive to live, we sympathize more with joy than with pain, and we emulate the rich and pity the poor (I.iii.2.i).

In order to emulate the rich, Smith's reasoning continued, men have to work hard and need to practice the virtues of patience, resolution, firmness, industry, and frugality, among others (I.iii.2.5/3.5). In Smith's view, the results of work not only provide us with basic supplies but also, and more importantly, they serve to improve our social image. In modern terms, people admire achievers, and this admiration is sufficient to foster an "industrial" attitude in mankind. Significantly, as long as industry resides in a free environment, the avenues for advancement are open to all men of good will and basic capacities, which are attained by education and practice.

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<sup>21</sup> The following passages illustrate well the co-existence of these principles: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is pity and compassion, the emotion which we feel for the misery of others" (I.i.i.1). On the other hand, the idea of wealth and greatness justifies our efforts to improve our condition and "keeps in motion the industry of mankind" [by meaning their own convenience, by gratifying their own desires] the rich "without intending, without knowing it, advance the interest of the society and afford means to the multiplication the species" (IV.i.11). The coexistence of self-interest and sympathy is of course problematic and often mutually antagonistic, but then again so is human nature.



Individual and social advancement are made possible only by making choices and by employing “the whole vigour of his [the] soul” and “strain[ing] every nerve” (II.iii.3.3). In this scenario individual results are not guaranteed, but overall results are beneficial enough so as to attract the effort and the imagination of those who want to improve their condition. Were individuals to fail, a minimum of politically-mandated mutual good offices are accepted (II.ii.i.8).

Smith’s “system of natural liberty” contributed to Buchanan’s views on the social order, in which economic and political liberty are both essential requisites for the advancement of individual and social welfare. Where does Smith’s account leave us in regard to the parentalistic argument? A crucial difference between the latter is that Smith understood “fear” as fear of death and not as fear of choice; moreover, choices are required and willingly made by individuals who want to procure goods and positive reputations. The Smithian worker chooses to work hard and to undergo toils and anxiety because he wants to stand out, not simply because he wants to feel safe in his possessions. Security is a motivationally weak goal; most men are supposed to desire and to achieve more, and are seen as capable of doing so in the proper context. The Smithian average man is not fearful but, once he is guaranteed a basic education and minimal good offices, looks for the occasion to put his skills and judgment to use in his own service and the service of others by means of market exchanges,. By this account, the individual feels ashamed to be in a position in which he has to depend on others’ discretion for survival.<sup>22</sup>

Smith’s construction provides a psychological profile applicable to most people and can act as a useful tool in persuading them that a nanny state is unnecessary. On the other hand, Smith notes that some people may be tempted to better their condition at the expense of others. This reality demands that provisions be made to impair such efforts by means of institutions and rules of justice, essential to the existence of a free society (II.ii.3.3). Smithian psychology is approving of the working individual and harsh on those who choose to exploit others, and for these reasons provides a compelling case against the overextended welfare state and against the psychology of unrestrained maximization that sustains it.

## **Conclusion**

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<sup>22</sup> See Rasmussen (2006) for an analysis of how for Smith dependency makes life and fortune precarious and how a commercial society paves the way for liberty, security, and eventually for happiness (by way of the tranquility of mind achieved through the wealth obtained by commerce).

In making the case for freedom against an overextended welfare state, it could be posited that uncertainty increases with governmental discretion rather than with markets, and that state welfare provision carries negative consequences in terms of individual autonomy and satisfaction. We also need to acknowledge the role of rules and institutions in fostering or impairing individuals' capacity to exercise their freedom of choice and to take responsibility for those choices. Since fear works against this capacity by paralyzing rationality and the inner freedom of choice, the argument of parentalism based on fear works against the argument for freedom. Rather, Buchanan's classical arguments may better show people that they are capable of being free and responsible within proper social settings.

Those willing to argue in favor of individual liberty should put aside any psychological arguments based mainly on individual weaknesses and give them a limited place in the edifice of political psychology. Unsurprisingly, the argument from fear has served the purposes of those who want to justify maximal governmental intervention in the economy and who emphasize the apparently detrimental effects of capitalism on the individual psyche.<sup>23</sup>

How then to show people to "stand alone"? Perhaps "stand alone" is not an inviting expression in the face of alleged present-day feelings about loneliness, so "stand together" might be better. Although adults by definition do not need to rely upon parents, experience shows that they do need the cooperation of their peers in order to advance their goals, be they material, spiritual, or any other. As Smith and Buchanan have argued and experience has shown, mutual cooperation can best be furthered through markets and through minimally invasive political institutions. Only in a free and ordered social setting can voluntary cooperative endeavours multiply and succeed and individuals picture themselves flourishing without fear.<sup>24</sup>

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<sup>23</sup> See for example Eric Fromm (1941) who states, inter alia, that modern man feels insecure and lonely due to capitalist settings, where individuals are alienated by economic forces and live under the illusion of liberty. For this author, fearful individuals look at authoritarian leaders (at that time, fascists and communists) as a relief from the "heavy burden of liberty." He proposed instead an increase of positive liberty by means of socialism. To a great extent, Fromm's views fed the current widespread criticisms of markets, e.g. in the works of the Critical School.

<sup>24</sup> It seems relevant to highlight here the anticipatory nature of fear for Smith: Fear is triggered by the imagination "which represents, with an uncertainty and fluctuation that increases our anxiety, not what we really feel, but what we may hereafter possibly suffer" (I.II.11). Anticipatory fear will tend to grow in societies where life and property are at risk; inversely, to the extent that markets and limited government allow for a well-ordered society, fear ought to diminish.

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