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David M. Levy, Sandra J. Peart
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TOWARDS AN ECONOMICS OF NATURAL EQUALS

The Virginia School's economics of natural equals makes consent critical for policy. Democracy is understood as government by discussion, not majority rule. The claim of efficiency unsupported by consent, as common in orthodox economics, appeals to social hierarchy. Politics becomes an act of exchange among equals where the economist is only entitled to offer advice to citizens, not to dictators. The foundation of natural equality and consent explains the common themes of James Buchanan and John Rawls as well as Ronald Coase and the Fabian socialists. What orthodox economics treats as efficient racial discrimination violates the fair chance entitlement to which people consent in a market economy. The importance of replication stressed by Gordon Tullock, developing themes from Karl Popper, is another expression of natural equality since the foresight of replication induces care into research. The publication of previously unpublished correspondence and documentation allows the reader to judge recent controversy.

David M. Levy is Professor of Economics at the Center for the Study of Public Choice at George Mason University, Virginia. He has published four scholarly books and over ninety journal articles. His most recent book with Sandra J. Peart, *Escape from Democracy: The Role of Experts and the Public in Economic Policy* (Cambridge, 2017), applies analytical egalitarianism to expert economists.

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Frontispiece: Ronald Coase, Duncan Black, James Buchanan, James Ferguson, Warren Nutter, Gordon Tullock, Leland Yeager. Fall 1962. From the James M. Buchanan papers, C0247, Photographs boxes, University of Virginia folder, Special Collections Research Center, George Mason University Libraries.



Cover image: James Buchanan, Warren Nutter, Alexandre Kafka, Gordon Tullock (December 1964). From the Special Collections, University of Virginia Library, Charlottesville, Va.

Towards an Economics of Natural Equals

A Documentary History of the Early Virginia School

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There seem to me to be two essential ways of approaching the study of problems of political, social, and economic organization. The first way is that of setting up independently certain criteria or goals for achievement and to examine existing and potential institutions in the light of their performance or expected performance in meeting these criteria. This approach, for purposes of exposition here, may be called the “social welfare function” or “social engineering” approach. It seems to characterize much of the current scholarship in the social sciences, and in economics especially. The second approach is that which deliberately avoids the independent establishment of criteria for social organization (such as “efficiency,” “rapid growth,” etc.), and instead examines the behavior of private individuals as they engage in the continuing search for institutional arrangements upon which they can reach substantial consensus or agreement. It follows from this difference in approach itself that “individual liberty,” in the sense of individual participation in the choices of appropriate constraints on human action, will tend to assume a necessary, and hence more prominent, role in the second than in the first. It is also true that the second approach will normally tend to place more emphasis on market organization than the first, not because there is some pre-conceived dogma or creed in favor of this form of social order, but simply because it does represent one system upon which substantial consensus has been, and is, expressed.

James Buchanan to Kermit Gordon (17 October 1960)

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Preface

In this preface, we take the opportunity to explain our editorial decisions. We see three issues about the documents. 1. Why did we include one document and not another? 2. Why did we include some documents as images and others as text? 3. How did we process the text files? There is also the issue of what is included in the bibliography.

1 Inclusion? The mundane constraints of our knowledge and the size of the book are obvious. The constraints imposed by the rights of others are less obvious but almost as critical. Within those constraints, we selected what we thought important – as we noted, those with other points of view would make different selections – and, generally speaking, we selected what is unavailable elsewhere. Thus, we did not include the correspondence between Rutledge Vining and Milton Friedman about who the University of Virginia’s economics department should hire, James Buchanan or G. Warren Nutter, because we published that correspondence earlier (Levy and Peart 2018). On the other hand, we published both of the first two letters from John Rawls to Buchanan and Gordon Tullock, even though we had published the second of these earlier along with the Vining-Friedman correspondence. It seemed to us helpful to publish those together in one place.

The last document we recovered was the “Geldard Report” of a study conducted by the University of Virginia in 1963. Until now, only the section relating to the economics department had been known and even it had not been published. Nor was the name of the report common knowledge. We decided to publish only the study of the economics department, even though we discuss how the report considers other departments. Now that the name of the report is known, the University of Virginia Special Collections can provide it upon request.

We cannot publish documents without the permission of both the owners of the paper on which the words are written and the owners of

the intellectual property. Both sets of rights-owners were invariably generous when we requested permission to publish. We need to stress there were cases in which it was not known who owned the intellectual property; these documents could not be published. We note in passing our concern that this issue is only going to get worse since the question sometimes can only be decided by the directives of a will. Those directives are easily lost.

2 Images? Generally speaking, we published images of documents when the page was overwritten or when color ink was used. The two dramatic examples are (first) the directions about the circulating manuscript of the *Calculus of Consent* and (second) Rawls's index to his copy of Frank Knight's *Ethics of Competition*. On the other hand, Nutter's handwritten letter to Ronald Coase about joining with other Knightians in Virginia was simply converted to text.

3 Reprinting conventions? An attractive feature of publishing an image of a document is that no further editorial decisions need to be made. Once a document is converted to text we face many issues. Do we correct obvious errors? We resolved not to but shortly discovered that we sometimes needed to tell the reader that we saw the mistake too. In these instances, we added [sic] to the error. Do we keep old-style print format? Many of our documents were typed in an era in which the character set was by modern standards very sparse. We invariably converted underscore to italics and replaced two successive hyphens with an en-dash. In one important case the document we reprint exists in two distinct versions. We compared and noted all the changes we saw.

Bibliography. We now turn to the question of what goes in the bibliography. In our bibliography we only included entries that we use; simply mentioning a book does not merit an inclusion. One document, a Buchanan lecture, includes a bibliography. We did not merge his bibliography with ours. This issue also comes up when authors we quote cite a work. This we regard as a mention, not our use, so the mentioned work is not in the bibliography.

Acknowledgments

Our oldest obligations are to two important figures in the Virginia School, James Buchanan and Gordon Tullock. We are also under obligation to their students and coauthors who are also our friends and colleagues, Richard Wagner, Peter Boettke, Geoffrey Brennan, and the late Robert Tollison. We have obligations of another sort to Richard Ware, the late head of the Earhart Foundation, who was very close to another founding figure of the Virginia School, G. Warren Nutter.

We state this at the outset to notify the reader to be aware of our sympathetic bias. Partly for this reason, our book is a documentary history. We offer an interpretation of the documents by offering a thread that connects them. Of course, the documents can support other interpretations. Alternative interpretations are welcome, especially as they might lead to other documents. We can think of an interpretation as a point of view. As Buchanan pointed out in a discussion with his old friend and debating partner, Warren Samuels, it is important to recognize that other people have different points of view and we have an obligation to try to see things their way. Buchanan was very taken with Adam Smith's *Theory of Moral Sentiments* and the principle Buchanan defended was akin to Smith's spectator who imagines being in another's position.

Our research received encouragement from many sources. We start near at hand. The director of the Center for the Study of Public Choice, Alex Tabarrok, supported a number of research trips in our search for documents. The economics department financed a most competent research assistant, Markus Bjoerkheim, who did the data work for the Earhart Fellowship program. The president of the Public Choice Society, Roberta Herzberg asked us to present Chapter 3 as a Plenary Lecture in 2015. We received much encouragement at the meeting, as we did when we presented it at Peter Boettke's seminar. At an informal seminar at the Public

Choice Center when the book was in the early stages, we received encouragement and carefully thought-out suggestions from John Nye. Ingrid Gregg helped us with obtaining the rights to the Earhart material. Andrew Farrant put a large number of comments on the penultimate version of the manuscript at our disposal. David Coker gave that manuscript a very thorough reading. We thank them for helping us remove many errors.

We would like to acknowledge the help we have received from archivists around the world. London School of Economics, the Library of Congress, the Hoover Institution, University of Oregon Special Collections, University of Virginia, and George Mason University all graciously have allowed us to reproduce material in their holdings.

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