
Buchanan's Accounts of the Serendipitous Discovery of Wicksell

*A Case of "Just What Was He
Thinking?" or . . .*

◆

MICHAEL BROOKS

Over his long academic career, James Buchanan was fond of recounting to his graduate classes how he discovered Knut Wicksell's habilitation thesis *Finanztheoretische Untersuchungen* (hereafter *FU*) in a moment of serendipity.¹ But because the serendipity story also takes front stage in the introduction to his Nobel Prize speech, even those who have not had Buchanan as a teacher may be aware of its broad facts.

Although there is always a danger of claiming to know what other individuals think, I conjecture that most public-choice economists who know the story interpret the account along similar lines: Buchanan may have heard of Wicksell, but it was not until the summer of 1948, in a postdissertation reverie, that he first read *FU*. The overtone of the story is that without that serendipitous moment, the course of

Michael Brooks, now retired from the Tasmanian School of Business and Economics at the University of Tasmania, lives in Blackmans Bay, Tasmania, Australia.

1. Someone who in the mid-1960s attended Buchanan's classes at the University of Virginia informed me, however, that although Buchanan spoke of the importance of heroes—including Frank Knight, Vilfredo Pareto, and Knut Wicksell—he did not recount the serendipity story.

The Independent Review, v. 22, n. 4, Spring 2018, ISSN 1086-1653, Copyright © 2018, pp. 551-568.

Buchanan's work might have been less bold and far-reaching—less exotic. Indeed, some economists see *all* of Buchanan's output even from the late 1940s and onward as a working out of the Wicksellian approach he discovered that summer.² Buchanan himself has often stated, however, that during the moment of serendipity he found Wicksell's lessons to be already implicit in his own thinking. Accordingly, the public-choice revolution, at least of the Buchanan ilk, would have taken place without the serendipitous moment. If so, then what purpose did telling and retelling the serendipity story serve?

In a recent paper on the early history of Buchanan's graduate education and public finance, Marianne Johnson (2014) has surprised us all by provocatively challenging central elements of Buchanan's own account. On Johnson's account, Buchanan did not literally experience a serendipitous moment by discovering Wicksell that summer of 1948. On the facts, there would seem to be no dispute to be made with Johnson's finding—anyone who now cares to follow her lead and read Buchanan's dissertation will find several quotations in German from Wicksell's habilitation. Johnson claims Buchanan's story is tainted by forgetfulness, poetic license to embellish the events, and revisionist history of the early course of public choice. In light of Johnson's seemingly unambiguous finding, one might be inclined to ask: Just what was Buchanan thinking when he recounted the story as an instance of serendipity when that claim seems to be so patently false? How should we judge the seemingly clear lapse in Buchanan's scholarship? Or is the truth less clear-cut? In this essay, I attempt to sort out what one might make of the whole affair.

Buchanan's Account(s)

In order to appreciate fully the conventional account of the serendipity story, there is perhaps no better course than to refer to what Buchanan actually said about his serendipitous discovery of Wicksell. Around 2000, Geoffrey Brennan interviewed Buchanan. The interview was filmed and released a year later as part of Liberty Fund's *Intellectual Portrait Series*. The section dealing with the serendipity story is worth quoting in full because Buchanan offers additional details not given in previous or subsequent versions. In the absence of any official transcript of the filmed interview, here is my own transcription of Buchanan's response after Brennan asks him to retell the story of how he "met" Wicksell:

Well that is a familiar story if anybody has listened to me much because the dominant influences on my . . . career and my thinking have been two, Frank Knight and Knut Wicksell. Frank Knight was my teacher and my role model and everything else. And Wicksell, I got through reading Wicksell. Knut Wicksell was, of course, a well-known Swedish economist, who was born, I believe, about 1851, died 1926, covering roughly that turn-of-the-century

2. See Marciano 2013 for such a view.

period. And as students at Chicago, as graduate students, we knew about Wicksell, but we did not know anything about him having written in public finance at all . . . public economics. As it turns out, however, Wicksell had written his dissertation after . . . some of the other books, in 1896, called *Finanztheoretische Untersuchungen*, which would be called *Investigations in Public Finance*. And one part of that book, one-third of that book, was on the pure theory of taxation. And I just happened by chance on that book. I had finished my German reading exam, which at that time was required of all Ph.D. students. You had to learn to read German. And I had finished my thesis—my dissertation—so I had a couple of months before I was going to a first job. And I was just spending the time in the old Harper Library at the University of Chicago. And happened to pull down this very slight Wicksell volume off the shelves and may have even seen it before, for all I know, but it hadn't made any impression. Took it over to my desk and started reading it, and literally it was as if the scales fell off my eyes because there was a man saying what I had sort of implicitly felt should be said but would never have dared articulate. And what he did was essentially develop this notion that somehow the exchange process through taxation. He was trying to extend the neoclassical notion of efficiency to the public sector. Now some others had tried that in Europe—continental writers were way ahead of the English-language writers at this level, and he was simply trying to extend this notion of allocative efficiency to the public sector. Under what kind of conditions would you be sure that taxing and spending was giving you an efficient allocation of resources? And he saw that it was necessary to go back and look at the . . . how decisions get made. So then he started looking at the rules: you have a legislature, you have legislators, each of whom represents a particular interest. And if you're going to get a guarantee that a project was efficient, you would have to have those legislators, each of whom represented some interest, you'd have to have them agree unanimously because only then would you be sure that everyone was getting some gravy—everyone was getting a benefit, and so he developed the unanimity rule. The idea somehow you need . . . that was the only real guarantee that you'd have an efficient project, and if you allowed variability, there'd always be, if anything was efficient, there'd always be one scheme in which you could generate enough taxes voluntarily to pay for it. So you've got a voluntary theory of taxation so to speak, which would guarantee efficiency. And in a larger sense, Wicksell was finding it necessary to go back and look at the rules for making decisions. So he said you need to drop the majority-rule requirement, move toward the unanimity . . . at least toward unanimity. And he also said, and this was a big influence on me, . . . economists have to quit acting as if they are advising benevolent despots, which I have quoted many, many, many times. And . . . so that's an example of my own experience with Wicksell, is an example of

serendipity. That is the principle of serendipity. Here I had no intention of . . . doing anything with this . . . pulled this little book down off the shelf. And it was all there. It was what I wanted to develop. It was implicit in my thinking. It articulated . . . brought it out. I was absolutely determined then that I was going to translate that Wicksell book into English. (Buchanan 2001, my transcription of the audio track, from minute 29 to around minute 35, with ellipses indicating pauses in speech)

Table 1 gives a summary of the elements of all the various versions of the serendipity account that have appeared in published sources:³ the first written airing as a footnote in the survey of public choice commissioned by the *National Tax Journal* in the mid-1970s (Buchanan 1975, 393 n. 10); the second retelling, which appeared in print in December 1986 in an essay with the rustic title “Better Than Plowing” (Buchanan [1986] 2007a);⁴ the third retelling, from Buchanan’s Nobel Prize speech, delivered on December 8, 1986, and published in 1987; and the fourth retelling in *The Intellectual Portrait Series* (Buchanan 2001). A checkmark denotes whether an element is contained in each version.

The table makes it strikingly clear that although there are subtle differences between the various accounts, there are a number of basic similarities. Buchanan, having finished his dissertation and German-language examination and with time on his hand before starting his first academic position, was browsing in the old Harper Library over the summer of 1948. Without forethought, he took down from a shelf Wicksell’s unknown and untranslated work *Finanztheoretische Untersuchungen*, started reading it, and in a moment of discovery realized that Wicksell had something crucial to say about the proper discourse of public economics. I return to the table later.

Johnson Bursts a Belief

Although Marianne Johnson has the broader agenda of masterly exploring the various influences on Buchanan’s postgraduate education at Chicago, she also bursts the bubble of the serendipity account offered in the Nobel lecture:

3. I freely admit my search of Buchanan’s work is not exhaustive—perhaps an understandable admission in view of the observation that at the turn of the twenty-first century his oeuvre comprises some nineteen volumes, as published in the *Collected Works*. After writing the third draft of this paper, I discovered a fifth account (Buchanan 2004), when Buchanan was interviewed by Aaron Steelman for the Federal Reserve Bank of Richmond. The latter account does not offer anything new except for the remark that in 1948 Wicksell had not yet been “translated from the very difficult German” (34). I have summarized in table 1 the elements that appear in this fifth account. I also restrict my search to published work; there may be additional material in the Buchanan archives at George Mason University.

4. Buchanan acknowledges that he wrote the paper “Better Than Plowing” after he was invited in 1985 to write an “autobiographical essay to an established series which had already featured many well-known economists” (Buchanan 2007c, xi). And he goes on to indicate that the extant paper was a godsend when he had to subsequently write his Nobel speech. Evidently, it is clear that “Better Than Plowing” predates the award of the Nobel Prize and the Nobel speech, despite both being written around the same time.

Table 1
A Comparison of Buchanan's Accounts of the Serendipity Story

	Versions				
	Buchanan 1975, <i>National Tax Journal</i>	Buchanan 1986 ([1986] 2007a), "Better Than Plowing"	Buchanan 1987, Nobel Lecture	Buchanan 2001, <i>Intellectual Portrait Series</i>	Buchanan 2004, Federal Reserve Bank of Richmond
By chance picked up <i>FU</i>	✓	✓	✓	✓	✓
Discovery of <i>FU</i> after the submission of the thesis	✓	✓	✓	✓	✓
Read <i>FU</i> after passing the German-language requirement for Ph.D. students	✓	✓		✓	
<i>FU</i> was responsible for the paradigm shift experienced	✓	✓	✓	✓	
<i>FU</i> untranslated and unknown	✓	✓	✓		✓
May have seen <i>FU</i> before, but it had made no impression				✓	
Elements Learned from Wicksell the importance of the unanimity rule		✓		✓	
Learned from Wicksell that economists should cease proffering advice to benevolent despots			✓	✓	✓
Gained self- confidence to challenge public- finance orthodoxy			✓	✓	

(Continued)

Table 1
(Continued)

	Versions				
	Buchanan 1975, <i>National Tax Journal</i>	Buchanan 1986 ([1986] 2007a), “Better Than Plowing”	Buchanan 1987, Nobel Lecture	Buchanan 2001, <i>Intellectual Portrait Series</i>	Buchanan 2004, Federal Reserve Bank of Richmond
Claimed content of <i>FU</i> was implicit in his thinking		✓		✓	✓
Elizabeth Henderson subsequently offered considerable help in the translation of <i>FU</i> that Musgrave and Peacock published in 1958 (see Wicksell 1958)*			✓		

* Curiously, Elizabeth Henderson is not credited in Buchanan’s translation.

Actually, Buchanan’s origins story is an amalgam of poetic license, revisionist history, and the vagaries of memory. . . . That Buchanan bothered to craft and repeat the story—and the extent to which it has become a significant piece of public-choice lore (Johnson 2005)—emphasizes the importance placed on product differentiation. Buchanan’s literal discovery of Wicksell was less exciting than that dramatized in Buchanan (1987). [*FU*] is cited several times in Buchanan’s dissertation (1948, pp. 33, 40–41, 45). (Johnson 2014, 489, quotations from this source reproduced with permission of Cambridge University Press)⁵

It is worth stating at the outset that Johnson’s claims about the serendipity story are not developed chapter and verse. The charge of poetic license is one such area where Johnson fails to spell out her claim. As a consequence, parts of the following sections represent my interpretation of what she seems to offer as evidence.

5. As part of that permission, I need to cite Cambridge University Press’s online catalog at <http://journal.cambridge.org/>. Johnson’s parenthetical citations are retained in all quotations.

Revisionist Account

On the issue of revisionism, Johnson seems to claim that Buchanan did not literally discover the unknown and untranslated volume during the summer of 1948 because the quotations in the dissertation prove that he had read the work before its submission and therefore before that eventful summer. As Johnson puts it, “For Buchanan, the figurative discovery, which came when he had the leisure to really consider Wicksell, was much more important than the literal discovery” (2014, 490).

It may be worthwhile spelling out what I believe is at stake here. Johnson uses the word *craft* to describe his behavior (2014, 489). The word *craft* has multiple meanings. As a verb, it expresses the idea of transformation—a carpenter crafts a chair from wood. We do not use the word *craft* when we express the idea that a diarist sets out an account of what happened on such and such a day. If we did, then we would be suggesting the diarist is doing something more than a mere setting out of the facts—that the story is being embellished or fashioned for some other end. Johnson’s purposeful use of the word *craft* suggests, at least to me, that Buchanan’s account is not a mere account of the facts but rather an embellishment of what literally happened. I evaluate this claim later.

Vagaries of Memory

Although one might have expected that Johnson would point to the fact that Buchanan overlooked that he had read Wicksell before the submission of the dissertation as evidence of the vagaries of memory, she also curiously rests her case on her own footnote 18. There she recounts Buchanan’s vague memories of first “meeting” Antonio de Viti de Marco, as raised by Manuela Mosca in an interview with Buchanan.

But examination of the footnote provides little evidence of the vagaries of Buchanan’s memory. It instead suggests he had a remarkably good hold of when he learned of the early antecedents to his own work. And more to the point, an examination of the dissertation reveals that Buchanan quotes de Viti de Marco a number of times. As a consequence, he could have read de Viti de Marco’s work as early as 1947 but certainly no later than mid-1948, which was when he submitted his dissertation. Buchanan’s recollection of when he first “met” de Viti de Marco, as expressed to Mosca, seems highly reliable.

There is a more pressing issue. Even if one were to grant Johnson some ground on the evidence provided in the footnote, it is not at all clear how this evidence bears on Buchanan’s account of his serendipitous discovery of Wicksell, unless she is making a case that Buchanan was generally forgetful. There is no evidence, however, that she is making such a strong claim.

Johnson would have been seemingly on far stronger ground in her charge that the serendipity story reflects the vagaries of Buchanan’s memory if she had accessed the fourth version and recounted Buchanan’s statement that he “happened to pull down this very slight Wicksell volume off the shelves and may have even seen it before, for all I

know” (Buchanan 2001). Manifestly, Buchanan’s statement that he “may have seen it” before that fateful summer day is a serious understatement. Johnson’s investigative work, as acknowledged here, has alerted us all to the fact that he *had* more than seen it; he must have indeed read at least some of it before the summer of 1948 because he directly quoted Wicksell in the original German in the final version of his dissertation.

There is no evidence that Johnson is familiar with the Liberty Fund footage. If she were aware of the footage, then Buchanan’s self-acknowledged forgetfulness about the fact that he quoted Wicksell in his dissertation would weaken her claim that he crafted a revisionist account.

Product Differentiation

Although the argument is hard to discern, Johnson seems to be claiming that Buchanan crafted the serendipity account to serve two masters. First, he allegedly crafted it to honor the Swedes: “While bits of the story appear as early as the 1970s, it is fully birthed in Buchanan’s Nobel lecture (Buchanan 1987). ‘Acknowledg[ing] that great Swede, Knut Wicksell’ in his home country, Buchanan describes, in words dramatized for the occasion, ‘one of the most exciting intellectual moments of my career’ being his ‘1948 discovery of Wicksell’s unknown and untranslated [work *FU*] (1896)’” (Johnson 2014, 488–89). Second, the account was designed to be a vehicle of product-differentiation self-promotion. Johnson claims that

Buchanan’s own telling of the story provides clues to why the discovery story is an important piece of public-choice lore. Wicksell was a radical outsider, challenging the professional orthodoxy, which is how Buchanan viewed himself. . . . For Buchanan, the figurative discovery, which came when he had the leisure to really consider Wicksell, was much more important than the literal discovery. This consideration formed the basis of Buchanan’s first [*sic*⁶] publication, which was an overt challenge to orthodox public finance (Buchanan 1949[a]). (2014, 490)

It is far from clear, however, what the substantive content of the product-differentiation argument is. Is she claiming that Buchanan crafted the serendipity story to set out a precise point at which the product differentiation occurred—a focal point or point of salience that would be lacking from the literal account?

Although Buchanan was iconoclastic, the charge that he fashioned the serendipity story to enhance his product differentiation lacks plausibility. At the time Buchanan first wrote about the serendipity story in 1975, his status in the profession had been secured by a long line of articles published in high-ranking journals and widely cited and respected books such as *The Calculus of Consent* (1962), coauthored with Gordon Tullock. If we judge Johnson’s claim on his eminent standing, it is hard to explain why

6. Buchanan’s first publication is Buchanan 1949b.

Buchanan would allegedly go out of his way to craft a revisionist account of when he first discovered Wicksell. His standing in the profession would not have been less if he had written, as Johnson expects, that he had first read Wicksell before the submission of the dissertation. Johnson thus fails to provide a motive for his revisionism.

Perhaps Buchanan's first account of the serendipity story offers a motive. In the account from 1975, Buchanan notes that he had been telling the story to his colleagues and graduate classes, and so perhaps he felt obliged to perpetuate the web of revisionism once he put it to print. A possibility? Yes, but not particularly convincing. If Buchanan was able to recall that the dissertation contained evidence that he had read Wicksell before the submission of the dissertation—and the charge of crafting a revisionist account suggests such awareness—then why not just publish what Johnson would regard as the literal truth and set aside the oral history, if questioned, as being imperfectly recalled by observers or imperfectly told or both?

In any case, Johnson's argument that he crafted the story "in words dramatized for the occasion" does not offer a plausible account of Buchanan's behavior. Buchanan had apparently for many years before the receipt of the Nobel Prize been telling his students and colleagues of his serendipitous discovery of *FU*. As indicated earlier, Buchanan offered the first written account in 1975, some eleven years before his recognition by the Swedes. And the claim that he dramatized the facts for the occasion of the Nobel Prize is not a plausible explanation because the substantively similar second published retelling in "Better Than Plowing" (Buchanan [1986] 2007a) was drafted before the announcement of the award of the Nobel Prize.

One would have to mount the claim that Buchanan embellished the story in the second retelling because he thought he was possibly destined for such an award. But two observations speak against such a line of argument.

First, Brennan notes that Buchanan thought academics should strive to be in the academic game for the long haul. Brennan reports that when Buchanan sat on a hiring committee, he would occasionally ask candidates which of three options they would prefer: to be the most influential economist of today but only for a year; to win the Nobel Prize in thirty years; or in two hundred years to be regarded by economists as doing perhaps the most important work of the candidates' time (Brennan 2000, 6–7).

Brennan reports that Buchanan believed candidates should reply that they were intending to write some piece that academics in two hundred years would regard as constituting good work. I am not aware, however, of any evidence that Buchanan believed the receipt of a Nobel Prize guaranteed that a particular piece of academic work would be discussed through the aeon.

Second, Brennan also notes that Buchanan was highly suspicious of any award that elevated one person to such a position of influence on the lives of others (2000, 7). Evidently, the prospect of a Nobel Prize is not a plausible motive for Buchanan to craft a somewhat figurative account rather than to report a factoid.

Third, Brennan's argument that Buchanan preferred the third choice offered to job candidates because he felt one ought to be engaged in a dialogue with past and future economists on grand issues suggests that the serendipity story is not an

instantiation of the need for product differentiation but an acknowledgment of such a dialogue.

Toward an Answer to Johnson's Puzzle

Although I have found Johnson's claims wanting, one thing is clear: she does make a valuable contribution by dispelling the mistaken belief that when Buchanan writes that he discovered "Wicksell's *unknown* and untranslated" (my emphasis) work, he was referring to it being unknown to and untranslated by himself. But a puzzle implicit in Johnson's discussion remains: Why did Buchanan repeatedly tell this story when it appears to be literally false?

There appear to be three reasons for the *repetition* of the serendipity story.

Buchanan the Storyteller

First, Buchanan was a natural storyteller. In 1977 and 1978, I attended his graduate class in public finance, Economics 5041, and in both introductory lectures he set out an account of how he had serendipitously discovered Wicksell's volume in the summer of 1948. He would wax elsewhere about the moment he discovered "the theory of public debt" while walking down the staircase of the Albergo d'Ingleterra in Rome (Buchanan 2007b, 83). Just as good narratives help us to remember an argument, Buchanan's accounts of when he discovered certain ideas capture our imagination. Most of us, I suspect, generate our ideas while sitting at a desk, fixated by the computer monitor. Our stories of discovery, if they were told, would be commonplace and downright dreary, unable to rival accounts that feature Italian staircases or dusty stacks at the University of Chicago library.

Buchanan the Explorer

Second, Buchanan probably perceived the serendipity story as a personal instantiation of the value-creating role of the spontaneous order—that from small⁷ uncoordinated entrepreneurial efforts of creativity, mighty social value can grow!⁸ Specifically, from the serendipitous discovery of a "small" idea, a mighty paradigm could be created and shaped by choices that were unknown and unknowable during the summer of 1948. And since Buchanan was a strong proponent of spontaneous as opposed to imposed orders, it is perhaps not surprising that he would repeat the serendipity story with affection.

One might interpret such an observation as providing motive for the alleged revisionist cast of the sets of events experienced over the summer of 1948. The provision

7. "Small" as measured in terms of the number of words rather than in terms of its impact.

8. Although Buchanan found Israel Kirzner's (1985) book on entrepreneurial discovery to be flawed, he nevertheless read it closely. See Buchanan and Vanberg 1991 for the elevation of creativity above discovery as a central element of the market process.

of motive would seemingly strengthen Johnson's case because she offers, as I indicated earlier, little in the way of explanation as to why Buchanan would have set out to craft a revisionist account.

Buchanan the Teacher

Third, although I did not appreciate it at the time, I now think Buchanan repeated the serendipity story to each class in public finance because it served a pedagogical function. Buchanan was telling his young charges they ought to be on the lookout for the seeds of genuine contributions in the most unexpected places, even in heavily tilled ground. Wicksell's *FU* had been read, as Johnson points out, by many academics long before Buchanan read it, but not one of them had seen the foundational truths there that Buchanan came to exploit so brilliantly. The serendipity story therefore served as a parable: when he says in the fourth version, "That is the principle of serendipity. Here I had no intention of . . . doing anything with this . . . [and just] pulled this little book down off the shelf" (Buchanan 2001), he is sounding a warning bell that "rings" the principle that we should be on the lookout for surprises.

Now I turn attention to why Buchanan offered a series of accounts that were to varying degrees literally false.

Metaphorically and Literally Speaking

As quoted earlier, Johnson claims that, "[f]or Buchanan, the figurative discovery, which came when he had the leisure to really *consider* Wicksell, was much more important than the literal discovery" (2014, 490, my emphasis). The sentence seems to be constitutive of a claim that although Buchanan had read all of Wicksell's work before the submission of the dissertation, it was during the summer of 1948 that he had the time to reflect or "really consider" what he had read.

There is simply no evidence, however, that he had read the entire monograph let alone the entire second chapter of *FU* before he submitted his dissertation. Johnson notes that "[*FU*] is cited several times in Buchanan's dissertation (1948, pp. 33, 40–41, 45)" (2014, 489). Checking the passages quoted against Wicksell's original text reveals that Buchanan was quoting from pages 102, 82, and 81 of Wicksell's work (see Wicksell 1896). The latter two quotations are drawn from section 1, pages 76–87, and the first quotation is from section 3, pages 101–9.⁹ Manifestly, the quotations draw on only two of the eight sections in the second essay. And so it is entirely possible that when Buchanan pulled down the volume from the shelf in the summer of 1948, he literally read a passage for the first time in a moment of revelation.

9. In Wicksell 1958, Buchanan translates the titles of sections 1 and 3 of *FU* as "The Main Principles of Taxation in Traditional Doctrine" and "The Inadequacies of the Traditional Methods of the Science of Public Finance under Modern Political Conditions." Buchanan's translation of the title of section 4 is "The Principle of (Approximate) Unanimity and Voluntary Consent in Taxation."

In the fourth retelling, Buchanan acknowledges he “may have even seen it [*FU*] before, for all I know, but it hadn’t made any impression” (Buchanan 2001). Indeed, Wicksell received only a cursory treatment in Buchanan’s literature review, as Johnson remarks when she provides a direct quotation from Buchanan’s dissertation:

In the nineteenth century, the theory of taxation based upon the benefit principle all but disappeared from the literature. The overthrow of the underlying ideas has been attributed to several causes, all of which perhaps were of some influence in bringing about the shift in thinking. Wicksell attributed the overwhelming emphasis placed on taxation and the distribution of tax burdens rather than the distribution of public benefits to the fact that in finance theory considerations governments were assumed to be monarchical in nature and therefore little thought was given to expenditures returning to the people in the form of benefits. (Buchanan 1948, 33, quoted in Johnson 2014, 489)

Here Buchanan is making a reference to some of the material in section 3 of *FU* on the “inadequacies of traditional methods of the science of public finance,” in which Wicksell makes the point about public finance resting on the notion of absolute state power. But in the dissertation Buchanan does not refer to Wicksell’s very next paragraph: “Even the most recent manuals on the science of public finance frequently leave the impression, at least upon me, of some sort of philosophy of enlightened and benevolent despotism, and they seem to represent a running commentary on the famous rule ‘Everything for the people, nothing by the people’—or, at most, with the faint-hearted addition ‘perhaps a little by the people’” (Wicksell 1896, 102, translated by Buchanan in Wicksell 1958, 82–83, reproduced with permission of Palgrave Macmillan). It is entirely possible that Buchanan had not translated the second paragraph in which the concept of the benevolent despot is mentioned until that serendipitous moment in the summer of 1948. Yes, possible, but implausible. It is not likely that Buchanan, in his search for material to bolster the case he was making in the dissertation for the benefit-taxation approach, would not have gone on to read at least the next paragraph once he had found the point in the first paragraph.

On the basis of evidence, it seems likely that Buchanan had read Wicksell’s words about the idea that orthodox public finance was wedded to the idea of the benevolent despot before he submitted the thesis. On this ground, at least there is support for Johnson’s claim that, “[f]or Buchanan, the figurative discovery, which came when he had the leisure to really consider Wicksell, was much more important than the literal discovery.” And yet I say “support” advisedly. One can always read each word in a passage without literally discovering the meaning of the passage. At the point in the dissertation in which the material on Wicksell’s comment on monarchs is quoted, Buchanan is preoccupied with explaining why the benefit side is not usually mentioned when public-finance issues are discussed in the literature. The idea of a benevolent

despot, when allied with the concept of omniscience, can be used to explain away the need for political processes such as voting, politicians, and parliament. The benevolence aspect of the motivational assumption cannot be used, however, to explain away the benefit side because benevolence implies that the ruler would be seeking to implement what the people want. In contrast, an absolute monarch may pursue his or her own agenda without any regard to the demand of the citizenry—under a totalitarian regime in which only the leader's decisions count, the benefit side can be left off the analytical agenda.

Accordingly, it is not surprising Buchanan does not quote Wicksell's critique of benevolence despotism in the dissertation—it would have been irrelevant for his purpose. And because it was irrelevant, although Buchanan may well have read Wicksell on benevolent despotism, the idea may not have registered with him before he re-read that passage in the Harper stacks during the summer of 1948. In which case, we can interpret his seemingly off-the cuff aside, when he exclaims in the fourth retelling that he “may have even seen it before, for all I know, but it hadn't made any impression,” as possibly meaning that his re-reading of the passage over the summer of 1948 was a serendipitous moment of literal discovery rather than a metaphorical moment, as Johnson suggests.

Another “character” in this story may lend direct support to the idea that we ought to take Buchanan at his word: Wicksell's idea of using relative unanimity as an evaluative process. In the second and fourth accounts of the serendipity story, Buchanan states that Wicksell was instrumental in his formation of the idea that relative unanimity is the test of any policy proposal.¹⁰

A further check of the passages, listed correctly by Johnson, that are directly attributed to Wicksell in the dissertation reveals there are no direct quotations from section 4, which is the section on relative unanimity. Significantly, there is no mention of *relative unanimity* or *unanimity* in Buchanan's dissertation. The word *consensus* is used in a number of places in the dissertation (Buchanan 1948, 28–29, 218, 222, 224, 225, 266). It appears to be used, however, in the conventional sense of referring to a general agreement, as in “There must exist a social consensus which regards the system as equitable in an overall sense, although, of course, a dissenting group will always be present which will consider the system ‘unjust’” (Buchanan 1948, 28–29). If one thought Buchanan had taken on board the notion of relative unanimity before the submission of the dissertation, then one would expect some reference to the possibility that the size of the dissenting group might not be large enough to veto a proposal—in other words, that relative unanimity holds. I cannot detect, however, any such usage in the dissertation.

10. In the third account, Buchanan states that he learned from Wicksell, among other things, that economists “should look to the structure within which political decisions are made” (Buchanan 1987, 243). It is possible to interpret the statement as being an implied statement about the role of unanimity in democratic processes.

Accordingly, it is entirely possible that when Buchanan pulled down Wicksell's (1896) thesis, flipped the book open, and started reading some passage on relative unanimity in the first third of the book, he was reading for the first time Wicksell's section 4, on relative unanimity.

Another Account?

An anonymous referee suggests an entirely different explanation:

In his dissertation, Buchanan cited Wicksell and also de Viti de Marco, which appeared in English translation in 1936. Both of these people embraced a voluntary exchange theory of public finance which Buchanan wanted to carry forward, and did throughout his career. My own sense of the matter is that Buchanan got onto this from [R. A.] Musgrave's (1939) trashing of that theory in the *QJE* [*Quarterly Journal of Economics*], where he affirmed the superiority of the planning approach of the Anglo-Saxon style.

As someone hurrying to finish a dissertation—and remember that he was in Chicago less than three years—he could have spotted some Musgrave references to Wicksell and made citations. That he entered them in German into his dissertation does, of course, show that he had already passed the German exam and was not reading Wicksell to practice his German.

The argument is not entirely clear: Is the referee suggesting that Buchanan translated Wicksell back into German or read the text in the original version that Musgrave cited? And, in particular, the referee does not explicitly account for Buchanan's serendipitous moment. On this logic, however, the suggestion seems to be that Buchanan almost certainly experienced a serendipitous moment when he opened and started reading Wicksell's habilitation because in the process of expediting the completion of the dissertation he had read only the passages cited by Musgrave.

The referee finishes, "I hope I would be excused for thinking that my line of speculation was even more plausible [than your] embellishment on Johnson's speculation."

A brief examination of Musgrave's paper reveals, however, that he mentions Wicksell's work on just four occasions (1939, 214 n. 2; 215 n. 3; 218 n. 8; 226 n. 5) because the paper is devoted primarily to setting out and criticizing Erik Lindahl's model of voluntary exchange. Musgrave does not quote Wicksell's own words aside from the phrase "justice in taxation," which means that the first interpretation the referee gives can be set aside. And of those four citations, only the second and last refer to explicit passages in Wicksell's work—namely, pages 110 and following and page 143. As Johnson's essay indicates, Buchanan offers quotations from pages 102, 82, and 81 of *FU*. Manifestly, the page numbers cited by Musgrave and Buchanan do not overlap. As

such, there is no evidence for the referee's account of Buchanan's serendipitous event in the summer of 1948.

A Summing Up

Over a number of varied renditions of the serendipity story, Buchanan indicates he gained three things from reading Wicksell's *FU* during the summer of 1948: the confidence to question public-finance orthodoxy and the two substantive ideas that economists ought to stop proffering advice to government as if it were a benevolent despot and that unanimous decision making is the appropriate evaluative process. And on the basis of those claims, especially those proclaiming "that it was all there," one might have expected that Wicksell's contributions would have soon been incorporated in Buchanan's own contributions. Indeed, Brennan himself says, "[I]t is uncanny how much of [Wicksell's work] can be identified in Buchanan's writings right from the start" (2013). There is much to be said in favor of Brennan's evaluation. But some of the hallmarks of the Buchanan contribution—the insistence on using unanimity as the evaluative process and the rejection of romance from politics, which Buchanan tells us he gleaned from Wicksell—are surprisingly not raised at all in Buchanan's first major publication. It took some time for the Wicksellian lineage to manifest itself in Buchanan's work.

Here is my take on what probably took place. In the years immediately following his graduation, it is unlikely that Buchanan spoke of *FU* in terms of a case of serendipity. Apart from one history-of-economic-thought paper on Wicksell and a paper on welfare economics that extends the Wicksellian position,¹¹ written as part of the activity in the production of *The Calculus of Consent*, none of Buchanan's papers in the 1950s elaborate on or extend Wicksell's two principal ideas. In the absence of any results, a retelling of the serendipity story would have served no pedagogical purpose, and Buchanan's colleagues would have failed to understand his homage. But circumstances gradually changed. The economics of *The Calculus of Consent*, other papers dealing with such exotic matters as politics and the Pigovian margins,¹² and excursions into welfare economics and politics provided a framework in which Buchanan could extend the Wicksellian ideas in terms of the newly developing field of public choice. Buchanan could start¹³ telling of how he had discovered the Wicksellian insights during the summer of 1948. But with the elapse of time he also forgot that he had read and quoted Wicksell in the dissertation. The failure of memory is perhaps understandable when one notes that the Wicksellian material quoted in the dissertation

11. See Buchanan 1959 for a discussion of welfare economics along Wicksellian-inspired lines.

12. See Buchanan 1962, in which he explores the line of argument that orthodox economists are seemingly content with developing policies for benevolent despots.

13. Recall note 1. Accordingly, the term *start* is ill defined; I have no knowledge of when Buchanan first started telling the serendipity story to his colleagues or graduate students in the public-finance class.

and the early paper (Buchanan 1949a) was not on ideas that Buchanan would later say he gained from Wicksell. The material on Wicksell in the dissertation therefore lacked salience for his later publications. And if I am also correct in the conjecture that he may not have read certain passages or that he might not have appreciated the point of those passages until he re-read them during the summer of 1948 and then recalled the exhilaration of the moment in the summer of 1948, it is understandable that Buchanan slipped into a narrative that discounted his “meeting” with Wicksell before submitting his dissertation—at least in four of the five published accounts.

Note, too, that in public-choice circles Buchanan was notorious for treating most of his published work as if it were an “orphan”—once a piece was in the public domain, it would stand or fall on its own merit without further assistance from its “parent.” There was little likelihood that, armed with such a disposition, he would go back and re-read the dissertation and surprise himself with the discovery that some portions of his serendipity stories were not in order. So Johnson is on the mark here: the serendipity story exhibits the vagaries of memory but clearly not on the evidence advanced by Johnson regarding de Viti de Marco. The charge of crafting a revisionist account designed to promote product differentiation seems, at least to me, to be unwarranted. As the issue of memory lapses comes to the fore, which is one part of Johnson’s claims that I have attempted to extend and accentuate, her claim that he set out to craft a revisionist history must necessarily wane.

It might seem that my work here is an exercise in hagiography—defending Buchanan from all charges that might shake an admiring view of an intellectual hero. I don’t believe that is the case. It is now well known that Buchanan could be intolerant of religious observance.¹⁴ Quick to temper, he could unjustifiably rage and rant, which I can attest to as the victim of one such tirade. I also witnessed him abusing an unknown young man who had merely traipsed some snow into the Public Choice Center during a heavy storm in Blacksburg. Buchanan was not a saint. But that realistic view of him does not cloud my judgment that the evidence of his not literally experiencing a serendipitous moment during the summer of 1948 is weak at best. And for that reason, I believe we ought to take him at his word.

References

- Brennan, Geoffrey. 2000. Onwards and Upwards: James Buchanan at 80. *Public Choice* 104, nos. 1–2: 1–18.
- . 2013. James Buchanan: An Assessment. March. At <http://oll.libertyfund.org/pages/geoffrey-brennan-james-buchanan-an-assessment-march-2013>.
- Brennan, Geoffrey, and Michael Munger. 2014. The Soul of James Buchanan? *The Independent Review* 18, no. 3 (Winter): 331–42.

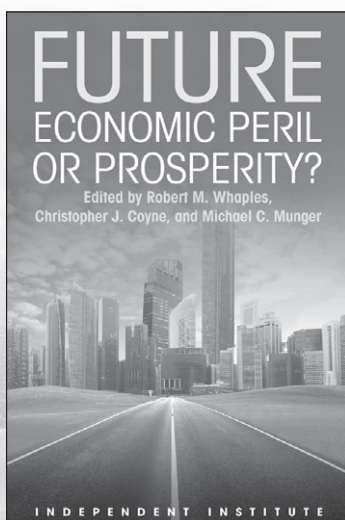
14. See Brennan and Munger 2013 for an instance of Buchanan’s intolerance of overt religious observance.

- Buchanan, James M. 1948. Fiscal Equity in a Federal State. Ph.D. diss., University of Chicago.
- . 1949a. The Pure Theory of Government Finance: A Suggested Approach. *Journal of Political Economy* 57, no. 6: 496–505.
- . 1949b. Regional Implications of Marginal Cost Rate Making. *Southern Economic Journal* 16, no. 1: 53–61.
- . 1959. Positive Economics, Welfare Economics, and Political Economy. *Journal of Law and Economics* 2:124–38.
- . 1962. Politics, Policy, and the Pigovian Margins. *Economica* 29, no. 113: 17–28.
- . 1975. Public Finance and Public Choice. *National Tax Journal* 28, no. 4: 383–94.
- . 1987. The Constitution of Economic Policy. *American Economic Review* 77, no. 3: 243–50.
- . 2001. *The Intellectual Portrait Series: A Conversation with James M. Buchanan*. Part 1. Interview by Geoffrey Brennan. Indianapolis, Ind.: Liberty Fund.
- . 2004. Interview by Aaron Steelman, Federal Reserve Bank of Richmond. *Econ Focus*, Spring, 32–35.
- . [1986] 2007a. Better Than Plowing. *Banca Nazionale del Lavoro Quarterly Review* 39, no. 159: 359–75. Reprinted in *Economics from the Outside In: "Better Than Plowing and Beyond,"* 1–18. College Station: Texas A&M University Press.
- . 2007b. *Economics from the Outside In: "Better Than Plowing and Beyond."* College Station: Texas A&M University Press.
- . 2007c. Preface to the Original Edition. In *Economics from the Outside In: "Better Than Plowing" and Beyond,* xi–xiii. College Station: Texas A&M University Press.
- Buchanan, James M., and Gordon Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press.
- Buchanan, James M., and Viktor J. Vanberg. 1991. The Market as a Creative Process. *Economics and Philosophy* 7, no. 2: 167–86.
- Johnson, Marianne. 2014. James M. Buchanan, Chicago, and Post War Public Finance. *Journal of the History of Economic Thought* 36, no. 4: 479–97.
- Kirzner, Israel. 1985. *Discovery and the Capitalist Process*. Chicago: University of Chicago Press.
- Marciano, Alain. 2013. Why Market Failures Are Not a Problem: James Buchanan on Market Imperfections, Voluntary Cooperation, and Externalities. *History of Political Economy* 45, no. 2: 223–54.
- . 2016. Buchanan's Non-coercive Economics for Self-Interested Individuals: Ethics, Small Groups, and the Social Contract. *Journal of the History of Economic Thought* 38, no. 1: 1–20.
- Musgrave, R. A. 1939. The Voluntary Exchange Theory of Public Economy. *Quarterly Journal of Economics* 53, no. 2: 213–37.
- Wicksell, Knut. 1896. *Finanztheoretische Untersuchungen nebst Darstellung und Kritik des Steuerwesens Schwedens*. Jena, Germany: Gustav Fischer.

———. 1958. *A New Principle of Just Taxation*. Translated by James M. Buchanan. In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 72–118. London: Macmillan.

Acknowledgments: I am grateful to Marianne Johnson for comments on several drafts of an earlier version of the paper, Kate Burton and Annie Barva for detailed editorial advice, Alain Marciano for some clarificatory remarks on Marciano 2016, an anonymous referee, and Michael Munger for encouragement. The usual disclaimer applies.

WHERE WILL THE WORLD ECONOMY BE IN FIFTY YEARS?



FUTURE ECONOMIC PERIL OR PROSPERITY?

It is impossible to tell what the future will look like a single year from now, much less fifty. In ***Future***, however, twenty writers bravely venture to shine a spotlight on the next fifty years. In this engaging book, the authors create an economic roadmap with both warning signs and guideposts, signaling the direction of the best possible future through innovations in technology, the marketplace, and workplace.



ORDER TOLL FREE: 800-927-8733
ORDER ONLINE: INDEPENDENT.ORG/FUTURE
Independent Institute | 100 Swan Way, Oakland, CA 94621-1428

“The fascinating book ***Future*** succeeds admirably in provoking and informing about the directions our choices may take us. Those who fail to think about the future are destined to repeat the mistakes of the past!”

—**Garry K. Kasparov**, Chairman, Human Rights Foundation; 13th World Chess Champion; and author, *Winter Is Coming*

SUBSCRIBE NOW AND RECEIVE A FREE BOOK!



"The Independent Review does not accept pronouncements of government officials nor the conventional wisdom at face value."

—**JOHN R. MACARTHUR**, Publisher, *Harper's*

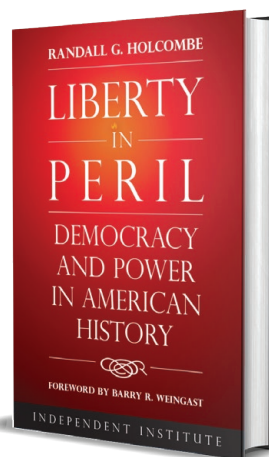
"The Independent Review is excellent."

—**GARY BECKER**, Nobel Laureate in Economic Sciences

Subscribe to [*The Independent Review*](#) and receive a free book of your choice such as *Liberty in Peril: Democracy and Power in American History*, by Randall G. Holcombe.

Thought-provoking and educational, [*The Independent Review*](#) is blazing the way toward informed debate. This quarterly journal offers leading-edge insights on today's most critical issues in economics, healthcare, education, the environment, energy, defense, law, history, political science, philosophy, and sociology.

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



Order today for more **FREE** book options

SUBSCRIBE

The Independent Review is now available digitally on mobile devices and tablets via the Apple/Android App Stores and Magzter. Subscriptions and single issues start at \$2.99. [Learn More.](#)

