The Normative Purpose of Economic "Science": Rediscovery of an Eighteenth-Century Method

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The necessity of abstraction is self-evident. By its very nature, intellectual activity involves coming to terms with a chaos of observations through the imposition of an order which is itself an artifact of the mental process. In this activity, a selective strategy must be used. Irrelevances must be blotted out, where these consist of observations that tend to disprove, qualify, or overly complicate the sought-for mental picture. Any theory is abstracted from the reality perceived by the senses, and theory derives its potential value precisely because it *is* so abstracted. From this perspective, it follows that any theory, any model, can, and indeed must, be able to tolerate a certain amount of dissonance with perception before it loses its relative superiority over potential alternatives.

This perspective suggests that there may well be many possible mental orders or constructs that can "explain" a particular set of "facts" within the tolerated range of "error." Which particular order chosen depends on many elements, including the tastes of the analyst, intellectual habits and fashions of the times, and the extent of congruence with the reality that is perceived (congruence that embodies predictive power as an important part). We leave as basically "mysterious" the causal linkage between changes in these elements and a switching of mental orders (paradigms).

In this essay, we are interested in one particular abstraction, one that is familiar to all economists. We are concerned with the model of man that is used in economic theory—the model of man that actually takes its name from the discipline, *homo economicus*. Our purpose is to develop a specific justification for that abstraction that has not been sufficiently recognized by our fellow practitioners. In the exposition that follows we shall argue three propositions.

1. The purpose for which a theory is to be used is itself an important consideration in choosing how it should be formulated (that is, what abstractions are acceptable).
2. The purpose for which *homo economicus* was used in classical political economy was largely that of comparing the properties of alternative socioeconomic arrangements (constitutions) and not that of explaining "scientifically" (making predictions about) the behavior of economizing actors.

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3. There are important differences between choices that are made among alternative institutions and choices made within the structure of given institutions, differences that are relevant to the nature of the assumptions about human motivation that might be viewed as appropriate.

Our objective is to spell out these propositions in such a way as to demonstrate that, appropriately understood, they provide a justification for the usage of *homo economicus* for comparative institutional analysis, even if the *homo economicus* behavioral postulate may be somewhat less satisfactory than possible alternatives in some predictive sense. In the discussion, we shall necessarily emphasize the differences between "constitutional choice" (that choice among institutions) and "postconstitutional or in-period choice" (the choice among alternative options within given institutions).

***Homo Economicus* Defined in Empirical "Economic Science"**

There is a necessary distinction to be drawn between the formal, but empty, economic theory that incorporates a pure "logic of choice" on the part of the actors, and the allegedly operationally scientific theory or "economic science" that embodies empirically refutable hypotheses.[1] There is a corresponding distinction between the motivational postulates attributed to the human agents in the two constructions, between man as a rational utility maximizer, with the arguments in the utility functions remaining unspecified, and man as a net wealth maximizer, which requires explicit specification of the arguments in utility functions, and the assignment of predominant weights to those arguments that may readily be transformed into monetary wealth.[2]

If we define *homo economicus* in the second of these two senses we have a basis for empirical scientific explanation. Man, as modeled, acts so as to maximize his own interests (or the interests of those for whom he acts) objectively defined, in his economic relationships with other persons. He need not be inherently self-interested in some personalized sense. As Wicksteed noted, "non-tuism" is all that is required here.[3] In the interaction behavior that is to be modeled, man is postulated to further that interest which he represents. His behavior in the economic relationship is not influenced by ethical or moral considerations that serve to constrain his pursuit of his objectively defined interest. *Home economicus,* by construction, is not predicted to act other than in furtherance of his interest, vis-à-vis that of his trading cohorts, as he evaluates such interest at the moment of choice. He must act so as to advance his own net wealth (or that of the party or parties that he represents in the economic interaction).

Armed with this behavioral postulate, we can test "economic theory" against real world observations, and, as the record shows, we can explain much of what we see. There are not clearly defined limits on this model of "economic man"; there is no delineation between "economic" behavior on the one hand and "noneconomic" behavior on the other. *Homo economicus* remains *homo economicus*.

It may be useful to list some extreme examples in which the basic economic or economizing model of interaction is extended to behavioral settings that may not normally be classified as "economic" in nature. For example, if a judge's behavior in his assigned occupational role is modeled strictly in *homo economicus* terms, his decisions on the bench must be explained somehow as falling within a wealth-maximizing calculus. Similarly, for elected politicians and for bureaucrats. Parents' behavior toward their own children may be "explained" as down payments on reciprocal care in their dotage. Conscientiousness on the job may be interpreted in terms of the quest for promotion in a hierarchy. Honesty in business dealing is interpreted as the best policy to increase sales over the long term.

Homo Economicus as Abstraction

The first point to be made is to reemphasize that the *homo economicus* construction *is* an abstraction from reality. Its purpose is that of allowing economists to impose intellectual order on the observed chaos of human interaction, without excessive distracting detail in dimensions of the analysis that are not centrally relevant. Critics of economics may, with some legitimacy, think that economists do not recognize their own construction. There seems little doubt that there are economists, some of them influential within the profession, who do act and talk as if they think of *homo economicus* in much more descriptive ways. There are many economists who appear to think that the rarified *homo economicus* construction is, if not a perfect image of real man, at least sufficiently close so that no great violence is done by assuming that real man is actually *homo economicus*. And, these economists would argue, *homo economicus* is surely the "best" model of man that is available. In short, these economists defend the use of *homo economicus* on empirical, "scientific" grounds.

The methodological position alluded to here has been articulated by George Stigler in his 1980 Tanner lectures at Harvard University.

> Do people possess ethical beliefs which influence their behaviour in ways not dictated by, and hence in conflict with, their own long-run utility-maximizing behaviour?[4] . . . This question of the existence of effective ethical value is, of course, an empirical question and in principle should be directly testable. . . . Let me predict the outcome of the systematic and comprehensive testing of behaviour in situations where self-interest and ethical values with wide verbal allegiance are in conflict. Much of the time, most of the time in fact, the self-interest theory . . . will win. . . . I predict this result because it is the prevalent result found by economists not only within a wide range of economic phenomena, but in the investigations of marital, child-bearing, criminal, religious and other social behaviour. We believe that man is a utility-maximizing animal . . . and to date we have not found it informative to carve out a section of his life in which he invokes a different goal of behaviour. (Lecture II, pp. 23–24)

Or, as Stigler closes the lectures, he remarks:

> I arrive at . . . the thesis that flows naturally and irresistibly from the theory of economics. Man is eternally a utility-maximizer—in his home, in his office (be it public or private), in his church, in his scientific work—in short, everywhere. He can and often does err: perhaps the calculation is too difficult, but more often his information is incomplete. He learns to correct these errors, although sometimes at heavy cost.
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> What we call ethics, on this approach, is a set of rules with respect to dealings with other persons, rules which in general prohibit behaviour which is only myopically self-serving, or which imposes large costs on others with small gains to oneself. General observance of these rules makes not only for long term gains to the actor but also yields some outside benefits, and the social approval of the ethics is a mild form of enforcement of the rules to achieve this general benefit.[5]

In Stigler's conception, *homo economicus* literally does become a man for all seasons, and wealth maximization becomes the only game in town. Yet there is surely much behavior that cannot be explained, or explained without resort to fantastic mental contortions,[6] if we adhere strictly to the assumptions of the severe economic man construction.

As many persons have noted, and as Douglass North has emphasized, the scope for "free riding" in human interaction is so ubiquitous that if men genuinely were as economic theory depicts them, no sort of ordered society, whether market-dominated or not, would be possible. In this basic sense, the very existence of an ordered society casts doubt on the *homo economicus* model of behavior, if used as some all-inclusive explanatory hypothesis. For example, people vote, yet a proper income- or wealth-maximizing calculus would necessarily classify the voting act as irrational in large-number electorates. Economic theory cannot "explain" voting except in the tautological terms that the act of voting is a consumption activity, and must be so because people do it. Likewise, individuals exercise courtesy and compassion in circumstances where these traits yield no apparent benefits save those inherent in the acts themselves. People volunteer to fight for their tribe, community, or country and, in so doing, take on risks of death, when it would be conspicuously more self-serving to allow others to take on defensive roles. And, more importantly for North's ultimate purposes, no satisfactory account of history—and particularly judicial history—can ignore the influence of changing views about the world and what constitutes moral behavior in it, on the actual behavior of those who seem to have made the decisions that influenced the course of events.

We are not, of course, calling upon our fellow economists to drop *homo economicus* and assume, *volte face,* that persons are saints—that ethical, or generally noneconomic, considerations dominate human motivations in behavioral settings that may or may not be narrowly "economic." Nor do we want to suggest that a mere demonstration that some course of action is "best" on moral grounds will be sufficient to convince persons to act in accordance with such a norm. Our plea is the more modest one that calls upon our fellow economists to recognize that *homo economicus* has its own limit as a useful abstraction. We can only load the construction with so much, and we stand in danger of having our whole "science" collapse in an absurd heap if we push beyond the useful limits. The fact that the whole set of "non-economic" motivations are more difficult to model than the "economic" should not lead us to deny their existence.

We are not even suggesting that more effective predictions about behavior may be made by refining and tempering the abstraction of economic man. The loss of elegance and simplicity that would necessarily be involved in any such attempts might not be offset by marginal extensions in the accuracy of the "scientific" predictions. Our implied criticism of the overextended usage of the *homo economicus* abstraction in trying to explain human behavior "scientifically" lies in our conviction that "scientific prediction," in the sense normally indicated, is *not* what our whole exercise is about and that this application is not the usage for which the abstraction was intended.

We suggest here an alternative usage of the *homo economicus* abstraction that seems more acceptable in all respects. In one sense, we offer a *methodological,* rather than a predictive ("scientific") defense of the whole construction. Simply put, our claim is that *homo economicus* rightly belongs in the analytical derivation of normative propositions about appropriate institutional design. In other words, the model of human behavior that we might properly use in choosing among alternative institutions may be different from the model that would be more appropriate in making predictions about behavior within existing institutional structures.

At one level of analysis our claim is very simple: at another level, however, it requires a rather subtle understanding of the difference between constitutional and postconstitutional choice. Our argument is that the *homo economicus* construction supplies a postulate about human behavior that is in many ways uniquely suited for the comparative institutional analysis that underlies genuine constitutional choice.

Homo Economicus and Constitutional Choice

As a point of departure, let us agree that whatever model of man is to be used in evaluating alternative social orders—alternative rules of the economic/political/social game—it must be applied *uniformly* over all the possibilities to be compared. Simple requirements of methodological consistency require this. If we are to employ one set of behavioral postulates for one institution, and another set for another institution, no legitimate comparison of the two institutions can be made. The ultimate purpose of the exercise is to choose among alternative sets of rules—not among alternative "models of man." We must therefore make a prior selection of a single model of man. Otherwise it becomes analytically impossible to isolate the effects of the institutions as such; the whole analysis is muddied by the arbitrary change in behavioral assumptions midstream.[7]

This is a simple point, and stated in this manner seems totally unexceptionable. Yet we know that it has proved in economics to be a curiously elusive one. The model of political process implicitly assumed in most orthodox discussion of economic policy has made profoundly different assumptions about individual behavior from the corresponding assumptions made in market settings. It has only been in the last twenty years with the burgeoning of public choice that this grotesque asymmetry has been exposed, and the "benevolent despot" model of politics been seriously queried.

But what is more important, because it may be less obvious, is that the methodological requirement of uniformity in the behavioral postulate *remains* even if there is good empirical evidence and analytical presumption that behavior may be different between different institutions. This is so because those differences in behavior have to be *shown* to be attributable to differences in institutions; and if a different model of human behavior is adopted for each institution at the outset, the relevant results will be simply assumed, not analytically *derived*.

A simple example may illustrate here. Suppose it is widely recognized by individual participants that the invisible hand operates in market processes to transform purely self-interested behavior into behavior in the interests of others. Suppose it is also recognized that no corresponding process operates in majoritarian political institutions. Then individuals may well behave in a totally self-interested manner in the market, precisely because the consequences of such behavior are desirable, yet at the same time operate in an ostensibly more altruistic manner in the political mechanism because the consequences of contrary behavior are much more disastrous. A rational actor who is only mildly altruistic might be predicted to behave more altruistically in the political setting than in the market: he "conserves" his altruism in the setting where it is least productive, and "spends" it in the political mechanism where it is more productive. This is the essence of the "economizing" on the scarce resource, love—which economizing, Dennis Robertson reminds us, is the prime virtue of the freely operating market order.

Suppose for the purposes of argument that this behavioral asymmetry is observed. Then it may be tempting for the "scientific observer" simply to note the fact that political agents seem more altruistic than market agents, and model behavior in the two institutions accordingly. But this procedure precludes any proper *explanation* of why behavior may differ—an explanation which is possible only if we maintain the methodological assumption that human motivations are the same across institutions. Moreover, the "empirical" procedure may well lead to the conclusion that people would be more altruistic if we relied more heavily on political rather than market institutions to coordinate individual actions, whereas, of course, no such conclusion can be drawn from the model of behavioral choice as we have given it in the preceding paragraph. On the contrary, heavier reliance on political institutions may simply destroy the incentives to behave altruistically at all.

To recapitulate, then, the requirement of a uniform model of human motivations is fundamental to proper institutional analysis, and remains so even in the face of empirical evidence that might suggest behavioral asymmetry. This requirement establishes a need for a *uniform* model of man—but not necessarily for *homo economicus* as such. What additional arguments can we bring to bear to support the use of this *particular* model of human behavior?

Our central argument here is simple. The question we are interested in posing about any particular social order is whether the rules by which individual actions are coordinated are such as to transform actions undertaken by participants in their own *private* interests into outcomes that are in the interests of others. We know that this curious alchemy is in fact worked by the *market*—that the invisible hand operates, under certain more or less well defined conditions, to convert private interest into public interest. The prime task of comparative institutional analysis is to enquire whether other institutions do the same, and, if so, whether those institutions do so under more or less restrictive conditions. The only assumption required to make this task an interesting one is the assumption that some individuals behave in their narrowly defined private interest at least some of the time. Clearly, if we lived in a world in which all individuals were motivated solely by a concern for the public interest—for example, a world of pure Kantians or Benthamite utilitarians, for whom each individual's own utility counts in determining his behavior no more and no less than anyone else's—then we should hardly be interested in whether the institutional structure served to transfer private interest into public interest or not: no distinction between private and public interest would make sense.[8] In this sense, the minimal agreement that the "invisible hand" mechanism is, *ceteris paribus*, a *virtue* in any social order is tantamount to setting aside as remote the possibility that *all* people are motivated by the public interest *all* the time. Further and more importantly for our purposes, in establishing whether any particular social order has this particular virtue, we can usefully abstract from public motivations entirely. In order to show that private interest is transformed into collective interest, we begin naturally by assuming agents to be privately motivated. If they happen to be publicly motivated *in part*, results may or may not be better: but it simply does not bear on the analysis whether they are so motivated. What is crucial is that *such privately motivated behaviour as exists* is converted into public interest outcomes. To assume that private interest is all that makes men tick is simply to focus on what is relevant for the exercise in hand.

In short, then, the question of whether *homo economicus* is a good approximation to empirical reality determines the *significance* of the exercise of institutional comparison, but not the appropriate *method*. The invisible hand is doubtless a more spectacular virtue in a world where self-seeking behavior is more, rather than less, prevalent. But whether institutions other than the market may exhibit an invisible hand mechanism and under what circumstances, are matters that can only be established by examining the implications of self-seeking behavior within those institutions: to examine the implications of non–self-seeking behavior for such a purpose is manifestly absurd.

A simple example may help to elucidate here. Suppose you are hiring a builder to build you a house. In selecting from among available builders, you will take a number of things into account—his general competence, his conscientiousness, his honesty. The latter characteristic is important because you will not normally want to deal with a builder who you seriously believe is likely to fleece you. For empirical purposes, therefore, the assumption you will make about the said builder is that he is honest: you would not deal with him if you genuinely believed otherwise. But now you proceed to your lawyer's office to draw up a contract. And in this setting, the working hypothesis you make about the builder is quite different. For the contract-drawing exercise, you make the assumption that the builder *is* going to fleece you, not because you believe this necessarily is his objective but because this is the contingency against which you wish to guard. The nature of the exercise leads you, in other words, to make an assumption about human motivations that you believe may be (and certainly hope will be) a poor reflection of empirical reality.[9]

In constitutional design, and in comparative institutional analysis more generally, one's particular beliefs about what model of man is empirically most descriptive are less relevant in precisely the same way and for much the same reason. One calls forth the *homo economicus* assumption, not because it is necessarily the most accurate model of human behavior but because it is the appropriate model for testing whether institutions serve to transform private interest into public. It is as simple as that.

To avoid some possible misunderstanding, we should perhaps emphasize that, in the content of constitutional design, the notion of *homo economicus* can be broadened somewhat beyond the confines of the definition used widely in "economic science." For the purposes of predictive science, the elements in individual utility functions must be specified in clear, recognizable, and measurable terms. Application of the *homo economicus* construction for empirical or predictive purposes requires something like the assumption of net wealth maximization as a surrogate for maximization of consumption more broadly conceived. For the purposes of constitutional design, however, *homo economicus* can be seen to maximize almost anything at all, providing each individual conceives of others as operating without his interest in mind. That is, all that we require is that each individual, in choosing a set of rules, models the motivations of others vis-à-vis himself in such a way that *excludes* their inclusion of his own interests or well-being in their utility functions. *This* version of the *homo economicus* model in no sense rules out the possibility that each individual may be motivated by certain ethical or moral concerns, as long as we can take it that such ethical conduct on the part of anyone cannot be presumed to benefit everyone else. Burning people at the stake in order to secure for them better claims on eternal life is, for example, perfectly consistent with *homo economicus* assumptions at the constitutional level.

For the purposes of constitutional design, then, no specification of arguments in *homo economicus's* utility function is required: the narrowly defined *homo economicus* of predictive science and the more open-ended construction in which the utility function includes any arguments other than the well-being of the chooser become *methodologically equivalent.*

An example may be helpful here. Suppose that a person is considered to be examining the working properties of an institution that would grant some other persons (say, an appointed "governor") the power to tax, with accompanying coercive enforcement. So long as the potential chooser models the behavior of the "governor" so as to exclude his own (the chooser's) interests, the constitutional calculus remains the same whether the "governor" is modeled as using tax revenues for financing a private harem or for providing transfers to other persons in the community, or any other purpose in which the chooser expects to have no interest.

It may be useful to summarize the argument to this point. We have insisted that the model of man to be used in comparative institutional analysis, whatever its precise characteristics, must for analytic reasons be uniform across institutions. And we have insisted that such uniformity must be maintained even in the face of empirical evidence to the contrary. We have argued further that the specific model of human motivations to be used in comparative institutional analysis must emphasize private interest as the prime motivating force, because the specific issue we are interested in examining at this level is whether alternative institutional rules are such as to convert *private motivations* into publicly desired actions. To the extent that the assumption of public motivation is included in the behavioral model, we come close to simply assuming what we wish to prove. We have termed this model of man *homo economicus* consistent with classical usage: it is, however, somewhat less restrictive a model of man than the net-wealth–maximizing model used extensively in economic science.

This argument is, as we see it, complete. There is, however, a complementary line of reasoning that is worth mention here. It runs as follows. For the purposes of economic science, the model of man to be used is the one that gives the best "fit," the most reliable set of predictions about the effects of particular changes in parameters. What is required for such purposes is a model of the "average" or "representative" man. In constitutional choice analysis, however, we seek a model of man which is a "*weighted* average man," where the weights at stake involve the costs that various types impose on the social fabric.

Consider a simple example. Suppose we postulate a world in which half the individuals are Kantians and half are *homines economici*. Suppose that the citizenry in this world examining the costs and benefits of alternative restrictions on the behavior of a dictator whose identity, and hence personality type, is presumed unknown. Clearly, a truly Kantian dictator will impose relatively little in costs upon those who are subject to his rule. A purely self-interested dictator, on the other hand, can be expected to impose enormously high costs on his subjects. For this reason, in any rational constitutional calculus, the model of man presumed will be much closer to the self-interest model than mere empirics might indicate. And this does not presuppose any particular risk aversion on the part of the individual choosing constitutional restrictions. Clearly a risk-*neutral* individual will take into account the expected costs associated with dictators of different personality type; and the whole calculus will naturally be weighted toward a consideration of those cases in which most is at stake. The self-interest postulate takes on a significance in the constitutional setting, therefore, that it essentially lacks in its "scientific" or strictly predictive setting. *Homo economicus* is alive and well, and living in the analytical foundations of constitutional choice—his natural homeland.

Homo Economicus in Classical Political Economy

We consider our argument to be directly within the tradition of classical political economy. Modern economists can still learn much from the methods of the eighteenth-century philosophers, such as Mandeville, Hume, and, particularly, Adam Smith. Their reflections led them to the recognition that the peculiar alchemy of the market order allows the transformation of private interest into "public interest." Individuals with no concerns beyond their own net wealth could, by virtue of the invisible hand of the market, be induced to act as if they were furthering the interests of others than themselves. Adam Smith's butcher could be recognized to be acting in the interests of his customers without one whit of concern for their welfare. It is not required of Smith's butcher that he have no direct concern for his customers; he may well have had such concern. The significant thing is that we do *not* require him to have such a concern in his utility function; and we do not model him as having such a concern when we compare the market with alternative institutional arrangements.

It is in this cradle that *homo economicus* was nurtured. He was a creation for a purpose—this being the demonstration of the virtues of the free market as an institutional order. Smith makes it clear that *homo economicus* is not to be conceived as a generalized *description* of human nature. "Humanity does not desire to be great [or, we may add, to be rich] but to be loved."[10] And no one who has looked at the first pages of *The Theory of Moral Sentiments* can deny Smith's belief in the ubiquity of sympathy. Nonetheless, if one wishes to examine the extent to which a particular institutional order transforms private interest into public interest, it becomes entirely appropriate to focus on a model of man in which private interest predominates. To model man as publicly motivated in making such a comparison would be to assume away the problem that institutional design involves—the problem that was central to Smith's purpose.

In comparative institutional analysis, and ultimately in constitutional design, one calls forth *homo economicus*, not for its accuracy in prediction, but for its assistance in helping to identify and to classify patterns of outcomes attributable directly to institutional differences. The central contribution of the eighteenth-century philosophers lay in their demonstration that, even under strictly *homo economicus* assumptions about behavior, public interest is served by the market order. No such demonstration can be made with respect to alternative arrangements.

The imputation of *homo economicus* motivation to actors in political roles may seem to violate ordinary notions about descriptive reality more than the comparable imputation to actors in the marketplace. But this difference need not provide any justification for replacing the model used for institutional comparison. It may be that judges seek to 'uphold the law' most of the time, that most government employees try to further their own conceptions of "public interest" most of the time, and that elected politicians are genuinely concerned about promoting the "good society." But, even if this were admitted, institutional arrangements would surely be preferred which made these congruent with narrow self-interest on the part of the relevant actors. A model of human behavior in which the natural impulse toward self-interest, narrowly defined, predominates is a highly useful artifact in helping us to identify that set of arrangements that "economize on love."

John Stuart Mill stated the point well:

> The very principle of constitutional government requires it to be assumed that political power will be abused to promote the particular purposes of the holder; not because it is always so, but because such is the natural tendency of things to guard against which is the special use of free institutions.[11]

We might add that what goes for political power goes for market power also, but this point hardly seems necessary. The *market* aspects of this truth have long since been widely recognized and accepted, which makes the continuing neglect (perhaps even denial) of the political aspects even more surprising.

Homo Economicus and Public Choice

In our recent book, *The Power to Tax*,[12] we incorporated a theory of political process in which the *homo economicus* construction was allowed full play. Many of the modern developments in public choice theory can also be interpreted as variations on what might be called the *homo economicus* model of politics.

In developing our approach to taxation, and particularly in attacking the benevolent despot model of politics that has for so long monopolized orthodox economic policy debates, we have been subjected to understandable criticism. The argument has been consistently made that politics is simply not like our models of it, that the application of the *homo economicus* model to political processes does little more than expose our own disciplinary hubris. At the same time, some critics who are generally sympathetic to our approach have sought to defend our position on the grounds that politics is indeed "like that," like our models of it, and so, indeed, is every aspect of human behavior. Our growing reluctance to support this latter ("Stiglerian") defense of our position has been met with some shock and sometimes resentment from some of our colleagues. But the battle over the empirical status of *homo economicus* is *not,* in our view, the crucial issue at all. On empirical grounds, we are surely closer to Adam Smith than to our modern critics, whichever side those critics come from. We admit freely the possibility and indeed the likelihood of non–self-seeking behavior by human agents in all institutional settings. But like Adam Smith, we believe that *homo economicus* remains the appropriate model of behavior in the derivation of normative propositions about the institutions themselves.

There is no inconsistency here. Nor is there any retreat from positions we have taken earlier. The appropriate use of the narrowly "economic" model depends on a prior understanding of what the model is to be used for. And although *homo economicus* may be a useful tool in providing a superior set of hypotheses about political behavior—behavior within well-defined rules—than much of traditional political science has appeared to offer, this is not to argue that it is *the* most useful model of man for such explanatory or predictive purposes, or that there is not much that such a model fails to explain. The level of discourse at which the *homo economicus* construction seems uniquely appropriate is the constitutional level, and this may remain true even if the construction does not give precisely the "best" empirical fit.

NOTES

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1. *See* J. M. Buchanan, "Is Economics the Science of Choice?" In *Roads to Freedom,* ed. E. Streissler (Routledge and Kegan Paul, 1969), pp 47–64.
2. In making this two-part distinction, we are "passing over" the in-between postulate, one that involves specification of the arguments in the utility function of persons, but which does not assign weights. In this in-between setting, there remains scope for positive prediction; for example, if we know that some argument, X, is valued positively in the utility function, we can predict that more X will be chosen as the relative cost of X falls. However, note that X may be "giving to others" or anything else. In other words, we do not require net wealth maximization as a behavioral postulate in order to have a "scientific" economics. For further discussion, *see* J. M. Buchanan, "Professor Alchian on Economic Meth-

od,'' in his *Freedom in Constitutional Contract* (College Station: Texas A & M University Press, 1978).

3. P. H. Wicksteed, *The Commonsense of Political Economy* (London: Macmillan and Co., 1910).
4. By ''utility-maximizing'' behavior, Stigler means self-serving behavior, with some allowance for altruism within the family and among close friends. He is careful to distinguish this usage from the purely tautological use of utility maximization as in a pure logic of choice.
5. G. Stigler, ''The Economist as Preacher,'' three Tanner Lectures delivered at Harvard University, April 1980.
6. Our colleague, David Friedman, one time in conversation explained the fact that individuals marry those who love them, on the grounds that this procedure reduces monitoring costs in household production processes. This sort of explanation makes creative use of the *homo economicus* model, but its empirical accuracy may seem questionable and it also tends to shift the model toward a pure logic of choice, albeit in a novel manner.
7. We need not argue here that institutions do not affect tastes—although such an argument is implicit in much of the neoclassical tradition. Even where preferences can be shown to be endogenous (i.e., influenced by the institutional environment), the model of man upon which the institutions exercise their influences must be the same *at the outset*. In what follows, however, we ignore the question of the influence institutions may have on tastes *per se* and focus on the effects of rules on the costs and benefits to the individual of alternative courses of action.
8. Of course, institutions may still be compared, but by reference to other criteria. For example, even in this world of publicly motivated individuals there is the question of how those individuals obtain the *information* necessary to enable them to act in accordance with their assumed norms. Interestingly enough, the market has virtues in this area as well, a point emphasized strongly by Hayek. See F. A. Hayek, ''The Use of Knowledge in Society,'' *American Economic Review* 35 (1945): 519–30. With imperfect information, it is reasonable to expect that perceptions of the ''public interest'' will differ. Then one can and must distinguish between the explicit private pursuit of public interest, and the emergence of ''optimal'' outcomes as an ''unintended consequence'' of the interactions within the institutional structure.
9. It could of course be argued (as a referee has done) that the contract-drawing exercise is based on uncertainty about the morality of alternative builders and that contract drawing is a *cheaper* way of saving on transactions costs than acquiring additional information. Analogously, choosing the institutional structure to guard against the abuse of power may be looked on as a cheaper way of ensuring tolerable outcomes than acquiring information about which individuals are sufficiently benevolent to be entrusted with political power.
10. A. Smith, *The Theory of Moral Sentiments* (Indianapolis: Liberty Fund, 1976), p. 30.
11. John Stuart Mill, on *Representative Government* in *Essays on Politics and Society*, vol. 19, *Collected Works*, p. 505.
12. G. Brennan and J. Buchanan, *The Power to Tax: Analytic Foundations of a Fiscal Constitution* (Cambridge: Cambridge University Press, 1980).