

showed so persuasively over 300 years ago, there is a legitimate need for objective law, impartially applied, and effectively executed, to resolve those disputes. Sadly, it is equally a reality of human nature that physical force also needs to be used in order to effectuate a workable legal system. That's why, like it or not, we need government.

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Public Finance and Public Choice: Two Contrasting Visions of the State

James M. Buchanan and Richard A. Musgrave
Cambridge, Mass.: MIT Press, 1999, 272 pp.

Public Finance and Public Choice is not a typical collection of papers from an academic conference. True, its text is derived from the papers delivered by James Buchanan and Richard Musgrave at a week-long symposium held in Munich in late March 1998 and organized by the Center for Economic Studies. True, the book is also organized in a point-counterpoint fashion, with the lead lecture delivered by Buchanan or Musgrave, with the other commenting briefly afterward. But the book also contains transcripts of the ensuing discussion among the participants and the lecturers, and that provides the reader of this volume with interesting insight on and criticism of the material. The ensuing discussions are vibrant enough that many of the readers' likely concerns are addressed.

The pairing of Buchanan and Musgrave should hold more interest than a mere academic curiosity. The published proceedings of the conference are certainly a very welcome addition to the literature of public choice economics, especially because this reviewer has often been asked to recommend a volume that would serve as a one-volume primer on the progression of Buchanan's thought and research program to date, and wasn't able to find a generally accessible one until now. It should be noted, however, that some parts of the book (specifically Musgrave's lectures and some of the discussion by the participants) rely upon the arcane language of economists, and may not be entirely accessible to those encountering these ideas for the first time.

Perhaps the reason Buchanan's views are, overall, more accessible than Musgrave's is his vision of the state. Buchanan's view is based on a methodological individualism that requires the legitimacy of the state and its actions to be derived from consent of the populace. Add to that a respect for natural rights recognized by a constitution and its limits on government, and you have the Buchanan paradigm. Americans realize that is the academic manifestation of the Madisonian endeavor, and the understanding of Buchanan's argument is quite possibly a factor of cultural commonality with American readers.

The subtitle of the book makes an important point: There are few

issues on which the two scholars agree, and a substantial amount on which they do not. Buchanan views politics “without romance,” as he has for decades. Musgrave takes a more sanguine view of the state as a benevolent administrator. Buchanan’s view stems from an approach that may be described as procedural classical liberalism, whereas Musgrave’s view tends toward the state as redistributionist in the name of justice and equity. In short, Buchanan’s quest is to seek “ideal” rules, and Musgrave seeks to find “ideal” outcomes.

The first lecture allows each to trace the genesis of his thinking on the matters at hand. As it turns out, both express an affinity for Knut Wicksell, although for different reasons. As stated by moderator Hans-Werner Sinn, “James Buchanan emphasizes politics as exchange—this idea that people come together from independent positions and do only what is mutually beneficial. Richard Musgrave . . . puts more emphasis on Wicksell’s treatment of public goods and his derivation of the result that public goods should be provided freely at a price of zero.”

The second lecture centers on Musgrave’s “paternal” view of a state with the three basic functions of allocation, distribution, and stabilization. The desire to use the state to redistribute wealth and provide “public goods” is a clear symptom of his communitarian view of the needs and goals of state action. That leads, obviously, to a large expansion of government. As Buchanan counters, the provision of “public goods” could equal around 10 percent of gross domestic product, so it can hardly explain the reality of government expansion in the 20th century. Instead, Buchanan sees the growth of government as the natural by-product of an institution that functions as a revenue maximizer prone to rent seeking. Musgrave’s view of the state is admittedly less skeptical.

Buchanan’s focus on constitutional rules that restrain the revenue-maximizing government is the subject of the third day’s lecture. In particular, this section deals with his arguments against the coerciveness of majorities, and how the constitutional endeavor is not complete, if even legitimate, without attention paid to moderating the tendencies of majorities (the topic of his Nobel-winning work, *The Calculus of Consent*). Additionally, Buchanan’s more recent work in developing the principle of “generality”—that is, finding rules that lead to nondiscriminatory legislative outcomes, specifically fiscal—is explained here. Musgrave’s criticism of those views further underscore his affinity for state action and his dislike of general constitutional restrictions. Perhaps the best way to illustrate that criticism is to borrow an anecdote from the end of one of Buchanan’s responses: When Musgrave was once asked by Buchanan whether he thought it was appropriate to muzzle his pet tiger (i.e., the government) in case it might bite someone, Musgrave answered: “Oh, I wouldn’t do that because I might want the tiger to eat the grass.”

The fourth lecture fleshes out a model of fiscal federalism by Musgrave that takes as a given the legitimacy of government redistribution. Of particular concern is the question of the qualities of a tax system that

takes into account the geographic distribution of benefits and his preferences toward a federal tax system (since it can most effectively tax movable assets like labor and capital) with benefits apportioned to localities through grants. Buchanan responds by underscoring the importance of understanding the exit mechanism, or “voting with your feet,” when taxes become too high. Musgrave suggests that is not as strong an argument due to his perception that people have (or at least should have) a communitarian affiliation with their localities, and leaving when taxes become too high would amount to breaching some sort of social duty. Buchanan’s final contribution to the discussion of fiscal federalism briefly considers the best use of federalist structures in the new European Union (i.e., most effectively in a decentralized system of competing governments under the larger umbrella of the federation).

The final lecture was Buchanan’s exposition on his more recent work on the effective construction of a “moral order” along the lines of F.A. Hayek’s “great society” notion. Here, Buchanan integrates his concern for nondiscriminatory legislative outcomes as a means to reaching a generality norm, which by its nature would contribute to a moral order that treats all as equal under the law. Musgrave then dwells on Buchanan’s criticism of government programs as destructive of the moral order, a criticism that the former finds too harsh as he reiterates his fondness for redistributive programs as a means to equality.

While Buchanan’s arguments are more compelling than Musgrave’s, the latter’s contributions to the field of public finance should not be diminished. However, the important point that readers will take away from the exchange within the pages of this book is that there is a fundamental difference in the public finance literature about what legitimizes government and how best to construct one that transcends the abuses of majoritarian impulses. The view of government as benevolent redistributor, which Musgrave seems to favor, is as old as the European finance models that he is steeped in. And Buchanan’s cogent and powerful criticism of that school is worthy of the Nobel Prize received for it.

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From Voting to Violence: Democratization and Nationalist Conflict

Jack Snyder

New York: W.W. Norton, 2000, 382 pp.

As the West has recently been putting pressure on newly emerging nations to embrace democracy, some are beginning to question the wisdom and effectiveness of this policy. Among them is Columbia University Professor Jack Snyder, whose new book, *From Voting to Violence: Democratization and Nationalist Conflict*, purports to demonstrate that “naively pressuring ethnically divided authoritarian states to hold instant