An Economic Rationale for a Work and Savings Ethic?

J. Buchanan's Late Works and Business Ethics

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Abstract

This article discusses the possibility of an economic foundation for a work and savings ethic. In particular, James M. Buchanan has, in his late works, endorsed traditional 'Puritan' demands for working and saving more, while arguing that this is beneficial for all members of a society. I will question Buchanan's analysis of the 'Puritan' ethic both in normative and methodological respects before aiming at a constructive interpretation.

Keywords

Work Ethic, Savings Ethic, James M. Buchanan, Contractualism, Ethics and Economics

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During the recent discussion of reforms in many European countries, calls for longer work hours are quite current. For example, in 2005, the German government favours an increase both in weekly working hours as well as in working life. Similar demands exist in France, Italy, and other EU countries. This is a clear counter-movement to the continuous reduction in work hours especially during the 1970s and 80s. Thus, from an ethical standpoint, the question arises whether a *work ethic* might be a *desideratum* to support reforms.

Historically, the *work ethic* has been prominent in the works of Max Weber, his most famous hypothesis being, of course, that the specific Protestant *work ethic* led to the rise of the early capitalist economies.[1] This is, however, not his only contribution. Rather, Weber developed his analysis into a more general study of the relation between the religious convictions of a society and its economic productivity[2]. But it is his work on the 'spirit of capitalism' that still occupies, among others, business ethicists and psychologists.[3] For example, Christopher and Jones (2002) found several positive correlations between the Protestant *work ethic* and the "tendency to engage in and enjoy effortful cognitive endeavors"[4].

The second phenomenon to be covered here is less usual: the call for a higher savings rate. Currently, in countries like Germany and Japan, government rather tries to encourage people to save *less*. This is because the saving ratios in these countries are already relatively high, ranging from 5.1% in Japan to 11% in Germany (data from 2004[5]). However, in the US, the saving ratio is only 0.8%, so an appeal to save more becomes comprehensible in this national framework.[6]

While there is in general much discussion of the work ethic and rather little of the savings ethic, the combination of both is especially peculiar. And it is even more peculiar if the author in question is a Nobel prize winner in economics:

James Buchanan's conception of a constitutional economics is not necessarily known for its moral or ethical dimension. It might even look, at first glance, that constitutional economics requires the members of a democratic society only to observe the rules – and maybe to look for ways of changing rules in ways preferable for all. A quite common reaction to this position is this: Ethics is just being 'relocated' into the rules.[7]

In general, rules do indeed occupy a central position in constitutional economics which can hardly be overestimated (cf. Brennan and Buchanan, 1985). I will first present this 'orthodox' position of Buchanan. However, I will then point to some developments which can be observed (mainly) in Buchanan's later writings. In some of these, Buchanan explicitly requires the members of a society to subscribe to a specific ethic and thus act in ways which go beyond the mere observation of rules and the search for mutually profitable ways of changing the rules.

Buchanan's original conception

Buchanan's conception of a constitutional economics can be found in its fully-fledged version in "The Reason of Rules" (Brennan and Buchanan, 1985), which builds on earlier work like "The Calculus of Consent" (Buchanan and Tullock, 1962) and "The Limits of Liberty" (Buchanan, 1975). In general, constitutional economists can be found to subscribe to four main tenets:

- Economics deals primarily with interactions, especially with the analysis of dilemma situations (such as the prisoners' dilemma), and not with individual decision-making. Buchanan calls this "catallactics" (Buchanan 1979, p. 19).
- The purpose of economics according to this view is not just a theoretical, but a

practical one: The economist should regard it as her main goal to design institutions in order to overcome or – depending on the situation at hand – to establish dilemma situations.

- It is only for this purpose – institutional design – that individuals should be modelled as self-interested actors. The *homo oeconomicus* thus plays an instrumental role, it is a tool, but not an image of man 'as he really is'. The usefulness of this tool depends on the problem you want to solve, i.e., institutional design or any alternative purpose like reconstructing the situation from the actors' perspective.
- The normative basis for institutional design is consent. There is no external normative criterion. Rules are efficient if all people in question consent to them. But there is a hierarchy of different levels of consensus. People are not required to consent to every single political measure, but rather to the most general rules of the political process. They agree *unanimously* to decision procedures that require *less than unanimity*.

Thus, constitutional economics mainly aims at institutional reform and is, in general, rather critical of ethics or moral preaching *without an institutional basis*. I will come back to such an approach in section 4.

Ethics in Buchanan's later writings

"The Reason of Rules" (Brennan and Buchanan, 1985) introduces some new ideas into this theory, which then continue to be present in Buchanan's late writings. In general, Brennan and Buchanan highlight the importance of rules, but there are two instances in which they sketch a conceptual place for ethics. First, Brennan and Buchanan cite the example of a football player who gets not only a fifteen-yard penalty for foul play, but also a "moral opprobrium" (Brennan and Buchanan 1985, ch. 7). This could be understood in two different ways: Either the moral opprobrium is a penalty that can be added to the fifteen-yard penalty. In this case, fifteen-yard penalty and moral opprobrium can be interpreted as being in the same 'cost' category, and their sum can be regarded as a *total* penalty. Or fifteen-yard penalty and moral opprobrium are incommensurable factors, i.e., they belong to *alternative* 'cost' categories (or alternative mechanisms of sanctioning) and cannot be added to an overall penalty. This latter seems to be the intention of Brennan and Buchanan: They regard the football example as support of their theory according to which an actor does not yet act in a just way if he *accepts the penalty* for the violation of a rule. He only acts in a just way if he observes the rules and consequently keeps his promise vis-à-vis the other players. The players have got a 'sense of justice' which may prevent violation of rules and must thus be strengthened through moral sanctions like the moral opprobrium. Ethics is seen here as a mechanism of sanctioning alternative to rules. However, it does not yet occupy a central theoretical place.

Second, in their last chapter, Brennan and Buchanan call for a "civic religion" (Brennan and Buchanan 1985, ch. 9). It should promote a new public understanding of rules and lead to a sceptical view of the state's possibilities for intervening into the market. This is primarily an appeal to academics: They should refrain from advising politics and rather take the sceptical role in the tradition of the enlightenment. Still, these ideas do not yet assign a central conceptual position to ethics.

In later works published since the late 80s, Buchanan puts greater emphasis on the role of ethics. These works start with the article "On the Work Ethic" (in Buchanan, 1989), which appeared in amended form in 1991[8] and finally, in 1994, as an enlarged version ("Ethics and Economic Progress", Buchanan, 1994).[9] In "Ethics and Economic Progress", Buchanan – at least partially – abandons the framework of his previous conception of constitutional economics and goes beyond the original demands for mere observation of rules and search for mutually advantageous reforms of these rules. In particular, Buchanan suggests the following three types of behaviour to the members of the (esp. American) society:

"We should all work harder"

According to Buchanan, the traditional American *work ethic* has been lost in the course of the civil rights movements during the 70s and should be revived. His argument is of an economic nature: All members of society A with a *work ethic* fare better than the members of society B without such an ethic, because there are more opportunities for specialisation in A where more time is devoted to work rather than to leisure. The greater the specialisation, the better for all. This is Adam Smith's (1982) classic argument for the division of labour, according to which – basically – everyone should concentrate on what he can do best and be relieved from those tasks in which he is less productive. As working more is assumed to lead to greater specialisation, a *work ethic* is profitable to all, according to Buchanan.

"We should all save more"

Buchanan is convinced that the members of a society should also adopt a *savings ethic*. This ethic is supposed to have been undermined by Keynesian theory, as Keynes doubted the economic value of saving.[10] In addition, the welfare state reduced the incentives to save for one's own future. Again, Buchanan regards his analysis as strictly economic (cf. Buchanan, 1979):

> We should save more to increase our own utility. At the same time, we increase the utility of all other members of our society, as we increase the society's total capital available for investment. This increases the size of the market, which in turn leads to a higher degree of specialisation, which again benefits all.

Buchanan stresses that the *savings ethic* has to be (re-) internalised in order to increase productivity. Contrary to the *work ethic*, however, the *savings ethic* can be effectively supported by *institutional* incentives like tax reforms (cf. Buchanan 1994, p. 58).

"We should all pay the preacher"

This is a more general imperative concerning the relation of rules and ethics. Buchanan claims that moral norms are of economic value[11], and that their origin can be explained in economic terms (cf. Buchanan 1994, p. 61). There are several economic approaches aiming to explain the origin of moral constraints. One is the "economics of self-control"[12], according to which those norms survive that benefit an individual's own life, regardless of the actions of others. According to this approach, if a norm like "Be honest!" survives, this implies that the honest ones must have – by and large – benefited from being honest. One difficulty for this approach are situations like the prisoners' dilemma[13] (PD), which cannot be solved by one party's cooperative (honest) behaviour, but instead are *inter*action problems. No single individual can escape a PD on her own – that is the point of this situational model. Only a change in rules, which in turn changes the pay-off matrix for *all* individuals at the same time, can help escape a PD. Unilateral cooperation will lead to exploitation and cannot prove stable in an evolutionary setting. Thus, an economics of self-control cannot deal with situations in which my behaviour crucially hinges on the actions of others.

An alternative economic explanation of norms would be a contractarian one, which would try to explain constraints on behaviour as the result of bargaining processes. According to contractarians, those constraints survive that all participants can agree to. Each one constrains his own behaviour if all others do the same. However, while Buchanan takes the contractarian line of argument in his original approach, he does not regard the contractarian rationale as the basis of *morals*.

Instead, Buchanan (1994, pp. 66ff.) regards the actor's interest in constraining the behaviour of the *other* actors as the origin of morals. By way of moral persuasion, actor A wants to convince actor B of giving A something without getting anything in return. Suppose actor A has one euro and B has an apple. In an ordinary exchange process, A would get an apple for one euro. However, it would be even better for A to get the apple for free, if B could be convinced that she has to donate the apple to A – for moral reasons. Therefore, A would invest in the preaching of morals and thus at 'reprogramming' the behaviour of others – one euro at most.

Unlike the economic mainstream, which holds that preferences are fixed and changes in behaviour are explained via changes of constraints, Buchanan (1994, p. 70) considers the possibility of preference change:

> Ordinary sense observation suggests that the economists' stance in this respect is violative of reality. At best, the economists' model can be defended only on some principle of methodological reductionism. Persons do not simply emerge full blown with well-defined preference orderings over all potential alternatives for choice. (Buchanan 1994, p. 76)

Buchanan argues that the standard economic model does not see human beings 'as they really are'. Thus, Buchanan takes the postulate of fixed preference to be an ontological one, as a claim about the world (I will criticise this in section 3).

Buchanan introduces the possibility of preference change for a specific purpose: In this way, problems of interaction shall be solved, in particular, cases in which solutions based on bargaining and exchange do not work. Suppose again that A has one euro and B has an apple. Suppose further that no one can morally persuade the other to give away his or her property for free. Still, both would like to get what the other has. Thus, it would benefit both to exchange their goods instead of keeping them. If however, A and B cannot – for whatever reasons – exchange their goods, then the mutually profitable solution could also be reached by way of morals: *Each* of the two would have to be convinced that he/she is morally committed to give his/her possession to the other for free. Therefore, both would have an interest in investing in morals, even if neither of them can bring about a one-sided advantage. Rather, an investment in moral preaching can also be productive when a mutually profitable alternative to the institution of exchange is required.

As more and more contractarian solutions become available, the importance of morals can decrease. Buchanan holds, however, that mutually constraining behaviour via morals is still vital for those situations in which exchange solutions are “highly complex and difficult to enforce” (Buchanan 1994, p. 71) and will bring about high transaction costs. This applies, for example, to the cases of the *work ethic* and the *savings ethic* mentioned above. In both cases, the ethic would be mutually profitable. And its advantage lies “in the elementary fact that ethics are not contractual” (ibid.). Each one would be better off if the others worked or saved more, but no one can be forced to do this. Moreover, if the ethic came into effect here, a contract (associated with high transaction costs) would be unnecessary. I will come back to this point in my commentary (cf. section 3).

It is important to note that, according to Buchanan, not just any set of moral norms is productive and worth an investment. Some systems of norms are not productive at all and ultimately leave all participants worse off.[14] Among them are calls for ‘pure’ altruism, to leave all your belongings to the poor, to stop working or “to take the time and smell the flowers” (Buchanan 1994, p. 79). For Buchanan, the productive ethic is the set of puritan norms and values. Besides the *work ethic* and the *savings ethic*, this includes the traditional imperatives to

- be honest in negotiations,
- keep your promises,
- tell the truth,
- respect person and property,
- deliberate rationally,
- be tolerant.

These imperatives correspond largely to those norms that – in traditional approaches to business ethics – represent the classic ethic of the ‘honest businessman’. It is not difficult to interpret this ethic in a standard economic way: The economic rationale behind it lies in its *reputation effects*. Those who act according to this ethic improve their public image and hope to increase sales.

However, this rationale is not what Buchanan has in mind. Rather, it would conform with what the economics of self-control or the contractarian morals hold: Their point is to constrain one's *own* behaviour (out of self-interest), not preach morals (or more precisely: puritan values) to others. As I have made clear, Buchanan suggests investing in puritan moral constraints in order to 're-program' the behaviour of others.

Buchanan seems to be conscious of one danger: To be understood as a moraliser. Therefore he never ceases to stress (cf. Buchanan 1994, p. 28) that all three imperatives he lists are in the interests of all. This is what ethics and rules are supposed to have in common:

> "Ethical constraints or rules, as means of correcting or internalizing relevant externalities, are, of course, alternatives to possible legal-political constraints." (Buchanan 1994, p. 28, fn. 2)

Thus, externalities – effects on others – can be corrected not only by means of institutions, but also by moral norms. Here, Buchanan goes beyond not only his original position, but also beyond Brennan and Buchanan (1985). While Brennan and Buchanan (1985) saw ethics just as a mechanism of sanctioning *additional* to rules, it is now seen as a *substitute* for rules.

Critical discussion

I will criticise the Buchanan enterprise in two ways, one aiming at its normative, the other at its descriptive dimension. First, regarding the normative dimension, I fail to see why the arguments Buchanan employs in his original approach against moral solutions to social dilemmas should not hold here. If Buchanan were consistent, social dilemmas could only be resolved by means of institutional reforms.

Second, regarding the descriptive dimension, I contend that Buchanan's analytic approach is problematic. Buchanan takes morals as a ‘brute’ empirical fact which is to be integrated into economic analyses in order to make them more ‘realistic’.

I will start with the first point: In his original conception, Buchanan argues that the rules of a society strongly influence the individuals’ behaviour. Only reforms of rules can solve social and political problems, as they change the constraints for all parties *at the same time*. Moralising appeals to changes in behaviour are fruitless as they cannot change the situation for all parties at the same time, even if all like to follow these appeals. Those who are the first to act ‘morally’ risk exploitation by others. Anticipating this, they in turn ‘counter-defect preemptively’[15]. Consequently, the mutually benefiting behaviour does not come into effect. Therefore, interaction problems of the PD type can only be resolved by changes in constraints. Then, individuals cannot be exploited anymore, and thus have no incentive for preemptive counter-defection.

This is the situational logic that Buchanan himself clearly states in his original conception. However, this is not to apply to the *work ethic* and *savings ethic*, obviously. But why? If actor A starts to work harder, then actor B would feel rather relieved from his commitment. Being in a PD situation, it would be best for B if all others worked harder, but B did not, while still reaping the fruits of greater specialisation. Prima facie, I cannot see how the situation that the *work ethic* is to solve differs from standard PD situations like these:

- It would be best for the owner of a factory if all competitors took measures to control pollution while not having to do so herself.
- It would be best for the prisoner in the classic PD situation if his mate did not confess, but he himself would and thus go free.

If this is correct, then both the *work ethic* and the *savings ethic* would be faced with a PD type situation, and it is not clear how morals, which cannot solve the classic PD situations, should be able to cope with these two. Nevertheless, I will come back to this in section 4 and try to find a constructive interpretation of Buchanan's position.

The second major problem for Buchanan's conception is a methodological one: Buchanan takes moral motivation to be an empirical fact, without taking into account whether there might be alternative explanations for observed changes in behaviour. There are two instances of this: First, as I have already mentioned, Buchanan holds that preferences are subject to change. "[O]rdinary sense observation"[16] shows that this is the case 'in reality' and that the standard economic model is unrealistic in this regard. In particular, people do not have well-defined orders of preference.

Second, Buchanan writes:

> We may start from the premise that individual behavior is morally-ethically constrained. We do not behave opportunistically in each and every encounter; we do not act in accordance with some 'as-if' cost-benefit reckoning, as might be made against the formal legal structure of rewards and penalties. Many of us do not steal, even if we should be certain that there is no possibility of discovery, apprehension, and punishment. (Buchanan 1994, p. 63)

Again, Buchanan holds that people do not act in the way that standard economic theory claims. Rather, many individuals follow moral norms even if they do not benefit from this. They do not calculate their utilities, but systematically ignore incentives.

This is a criticism that has been voiced by many critics of neoclassic economics like Sen (1977), Elster (1989) and Hirschman (1984). While not all aspects of this can be covered here, it should at least be made clear that economics does not regard the rational actor as a realistic image of man.[17] The *homo oeconomicus* is a theoretical construction, a model which cannot be directly tested against empirical data. This model has only been constructed for a specific purpose, and can only be sensibly employed for this purpose.[18] This purpose is the explanation *and* design of constraints and consequences of interactions on the basis of cost-benefit calculations.[19] Thus, economic explanation is systematically directed at subsequent institutional design. For example, phenomena like the unemployment or inflation rate are explained in terms of cost-benefit calculations of the participating individuals. On the basis of this explanation, recommendations for institutional reforms are proposed and addressed at the political arena and the general public. It is only for this problem that the *homo oeconomicus* is adequate. It is, however, *not* adequate for

- The explanation of individual rather than collective or social phenomena. Psychological problem settings are different from economic ones and are directed rather at analysing cognitive processes of *individuals*. Here, the psychologically 'enriched' model of the actor proposed by Simon (1983) or Elster (1989) can be very useful.
- Purely descriptive enterprises like sociological systems theory. Luhmann (1997), e.g., aims at developing a semantics for modern societies, but not at designing institutions. For this task, the *homo sociologicus* can be a useful model.

In both cases, alternative constructions are needed for different theoretical or practical problem situations. However, this cannot lead to the conclusion that 'real' people *are* like the *homo sociologicus* or *homo oeconomicus*. These models are not meant to be realistic models of man regardless of the question asked or the problem to be solved. Rather, they are *think tools*, i.e., theoretical constructions, which are judged to be more or less fruitful in view of the question asked. In the case of economics, this means that proposals for institutional design, made on the basis of theoretical explanations, must be realisable. They must be incentive-compatible, i.e. they must be compatible with the actors' self-interest. *Homo oeconomicus* thus is a useful tool only as long as it helps to successfully structure situations in ways that lead to mutually advantageous proposals for institutional reform. If this is not systematically possible anymore, then the *homo oeconomicus* should be given up.

In view of these considerations, it seems problematic to accuse economics of a lack of realism. It is clear that 'real' people do not *have* well-ordered preferences, but this is not a brute fact which could be used to falsify a theory. Rather, well-ordered preferences are *attributed* to actors for the ultimate purpose of designing institutions. Buchanan disregards this theoretical aspect and remains on a level of pre-theoretical phenomenalism.

The same holds for his claim that many people observe moral norms without calculating their utility. This is a phenomenalistic, everyday language statement which must be questioned in a theoretical framework. An economic approach would rather look for hidden incentives and benefits for the actors to observe moral norms. Of course it is true that "many of us do not steal". The economic rationale behind this might be:

- Actors cannot be 100% sure not to be caught violating a norm. A very small probability of getting caught combined with a large penalty in this case (like damage of reputation) can deter many people from shoplifting or free riding, for example.
- In general, it is much less costly to stick to a rule and follow it (almost) blindly than to calculate one's utility in every single case anew. If actors recalculated every day whether it is worth to dodge the fare or to shoplift, this would cost them large (e.g., intellectual) resources which could be used in other ways. Thus, standard economic theory can explain quite well the observation of moral norms even in those cases where a violation would not necessarily lead to immediate disadvantages in the situation at hand.

Constructive Interpretation

Is an alternative interpretation of Buchanan possible? There are some passages in his work which indicate that he might have had at least a different *intention* in mind. For example, he maintains that he only wants to *explain* the origin of moral norms without any further normative intention. Economic analysis would however show that everyone would benefit if a society had a working, internalised puritan ethic:

> But let me emphasize once again that these arguments are presented as exercises in economic explanation and not as ethical discourse. [...] And also note that my argument does not address prescriptive issues concerning how any particular person 'should' or 'ought' to behave. The argument says nothing at all about whether or not an individual should work harder, save more, tell the truth, or keep promises. The argument says only that the individual, any individual, will be 'better off', in terms of economic well-being, if others work harder, save more, keep promises, and so on." (Buchanan 1994, p. 80)

But is Buchanan really just after an economic *explanation*? First, the scope of such an explanation is unclear. It could, for example, explain the origin of moral norms only during the past and thus only in pre-modern societies – with doubtful relevance to modern societies.

And at second glance, Buchanan indeed provides us with more than just an explanation. He makes *proposals* of an instrumental nature like 'if you want to reach goal B then you should do A', 'if you all want to gain, then you should work harder and save more'. This is a hypothetical proposal on the basis of a theoretical analysis. Now if such proposals are what Buchanan is after, then he would have to discuss how these proposals can be *implemented*, especially in view of PD structures. And then he would have to resort to rules and institutions as possible solutions. However, Buchanan explicitly does not want to take this road, but rather wishes to analyse the economic consequences of moral norms, with the result that it is in our own interest to work more, save more and pay the preacher.

Therefore, it seems that Buchanan aims at moralising appeals after all. It would accord with his position in Brennan and Buchanan (1985) that ethical constraints can be used as an alternative to rules in order to correct externalities. It would also accord with his claim that some problems of interaction can only be resolved by morals, as contractual solutions would be "highly complex and difficult to enforce" (Buchanan 1994, p. 71). Buchanan's argument can thus be reconstructed as follows: 'Externalities like a low savings rate or a low work rate cannot be corrected by political-legal rules. It is therefore not worthwhile to propose institutional reforms in these cases. However, I, as an economist, can still suggest to the participants to act in a specific way – from their own interest.'

This could be interpreted as providing the public with information about economic 'facts'. But if Buchanan's suggestions cannot be put into practice by the individual actors, as they risk exploitation by others in PD situations, then I fail to see how this 'providing information' differs from (ultimately fruitless) moral preaching. I repeat: Buchanan does not mean to use this information as a sort of *heuristics* for further institutional reforms, but rather in a *non-contractarian sense*. *Work ethic* and *savings ethic* are needed in addition to or even as a substitute for rules and institutional reforms.

While a constructive interpretation of Buchanan's approach is certainly desirable, there are at least two preconditions for this: First, the purely phenomenalistic approach to morals must be abandoned. The phenomenon of people observing or not observing moral norms must be reconstructed in strictly economic terms as the result of cost-benefit calculations. It is clear that norms are only observed systematically if there are no opposing incentives.

Second, it must be clear that morals cannot – in no case – completely *substitute* rules. Morals might, however, have 'subsidiary'[20] effects in some specified cases and under specific conditions:

- There are some areas, increasingly hard to find, where people still follow an intact ethic. In these areas, it might be worthwhile trying to stabilise such an ethic preemptively.
- In cases where the rules are *incomplete*, morals may be used as an alternative, though rather on a trial basis.[21]
- Under specific, well-defined conditions, actors can build working social systems by way of self-organisation. Ostrom (1990) specifies these conditions: The number of actors involved must not be very large (approx. 15,000 at most[22]), and there must be a working and effective background institutional structure. In such a case, morals – and this should be in Buchanan's sense, too – may take a support

role, for example, in companies that do not exceed the size of 15,000.

But it must be clear that in all these cases, morals – like a *work ethic* or a *savings ethic* – will not 'do the job' without supporting incentives. Whenever there are systematically opposing incentives, such an ethic will erode. And when this erosion has taken place, the ethic cannot be reactivated.[23] Individual actors might still think it 'profitable' to invest in preaching and this might even be beneficial for their entire society. But nothing follows from this. The political-legal incentives, set by rules, stay in place. And a solution that would be beneficial for all, may fail due to such incentives. What *would* be beneficial is not therefore reality yet.

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[1] Cf. Weber, 2001.

[2] Cf. Weber, 1991.

[3] For some rather recent discussion of Weber cf., e.g., Farnham 1990 and Cherrington 1980. A classic work in this regard is Tawney, 1977.

[4] Christopher and Jones 2002, p. 741.

[5] Source: OECD.

[6] Source: OECD.

[7] Cf., for example, Ulrich, 2002.

[8] Cf. Buchanan, 1991.

[9] I am referring here exclusively to this final 1994 version of Buchanan's approach.

[10] Cf. Buchanan (1994, pp. 39ff.) and Buchanan and Wagner (1987).

[11] Cf. ch. 3: "Economic Origins of Ethical Constraints".

[12] Cf. Rachlin, 2000 and O'Donoghue and Rabin, 1999.

[13] Cf. Axelrod, 1984.

[14] "[...] some sets of ethical precepts or principles are 'better' than others, if we use 'better' in terms of welfare as ultimately measured by the individuals' own preferences." (Buchanan 1994, p. 1)

[15] Cf. Homann 2002, p. 98.

[16] Buchanan 1994, p. 76; cf. section 2.

[17] This applies, at least, to *reflective* conceptions of economics. I admit that this error has been committed sometimes, cf. Stigler (1981), for example.

[18] Cf. Homann and Luetge, 2004; Homann, 2002, ch. 4 and 6.

[19] Cf. Homann and Suchanek 2000, pp. 391ff.

[20] Cf. Luhmann's (1989, p. 378) "Reststeuerung".

[21] Cf. Homann and Luetge 2004, pp. 82ff.

[22] Cf. Ostrom 1990, pp. 237 and XVIIIff.

[23] Cf. Luhmann 1985, p. 18.

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