

Social &

Liberalism

14-JUL-1993 BLDSC BOSTON SPA
SOCIAL PHILOSOPHY AND POLICY LS23 7BQ



8318.129000 VOL 10 PART 2

1

CONTENTS

NORMAN BARRY	The Social Market Economy	1
JOHN GRAY	From Post-Communism to Civil Society: The Reemergence of History and the Decline of the Western Model	26
JAMES M. BUCHANAN	Asymmetrical Reciprocity in Market Exchange: Implications for Economies in Transition	51
SVETOZAR PEJOVICH	Institutions, Nationalism, and the Transition Process in Eastern Europe	65
WILLIAM H. RIKER AND DAVID L. WEIMER	The Economic and Political Liberalization of Socialism: The Fundamental Problem of Property Rights	79
DON LAVOIE	Democracy, Markets, and the Legal Order: Notes on the Nature of Politics in a Radically Liberal Society	103
RUSSELL HARDIN	Liberalism: Political and Economic	121
RICHARD J. ARNESON	Socialism as the Extension of Democracy	145
DANIEL M. HAUSMAN	Liberalism, Welfare Economics, and Freedom	172
PETER C. ORDESHOOK	Some Rules of Constitutional Design	198
ALLEN BUCHANAN	The Morality of Inclusion	233
ROBERT H. FRANK	A New Contractarian View of Tax and Regulatory Policy in the Emerging Market Economies	258
JOSHUA COHEN AND JOEL ROGERS	Associations and Democracy	282

CAMBRIDGE
UNIVERSITY PRESS

Social Philosophy & Policy

ISSN 0265-0525

Editor: Ellen Frankel Paul

Associate Editors: Fred D. Miller, Jr., and Jeffrey Paul

Managing Editor: Harry Dolan

Social Philosophy and Policy Center

Editorial Board

David Braybrooke
Dalhousie University

Baruch Brody
Rice University

James Buchanan
*Center for Study of Public Choice,
George Mason University*

Jules Coleman
Yale University

Maurice Cranston
London School of Economics

Jack Douglas
*University of California,
San Diego*

Richard Epstein
University of Chicago Law School

James Fishkin
University of Texas, Austin

Antony G.N. Flew
University of Reading (Emeritus)

Charles Fried
Harvard Law School

Martin Golding
Duke University

John Gray
Jesus College, Oxford University

Gilbert Harman
Princeton University

Seymour Martin Lipset
Stanford University

Eric Mack
Tulane University

Harvey Mansfield
Harvard University

Wallace Matson
University of California, Berkeley

Jan Narveson
University of Waterloo

Robert Nozick
Harvard University

Nicholas Rescher
University of Pittsburgh

David Sidorsky
Columbia University

Hillel Steiner
University of Manchester

James Q. Wilson
*University of California,
Los Angeles*

Leland B. Yeager
Auburn University

Social Philosophy & Policy is an interdisciplinary journal with an emphasis on the philosophical underpinnings of enduring social policy debates. Each issue is dedicated to a particular theme chosen by the editors, with the advice of the editorial board, designed to appeal to both academic specialists and a broader scholarly audience. While not primarily a journal of policy prescriptions, several contributions to each issue will typically connect theory with practice. The editors encourage and actively pursue diversity of viewpoints of contributors. Diversity is also encouraged by selecting authors from among different disciplines, especially philosophy, economics, political science, and the law. Readers' suggestions for future themes are always welcome, as are inquiries about the topics of issues already planned.

Editorial Office: Social Philosophy and Policy Center, Bowling Green State University, Bowling Green, OH 43403, USA.

Publishing, Subscription, and Advertising Information: See inside back cover.

Copyright © 1993 Social Philosophy and Policy Foundation

All rights reserved. No part of this publication may be reproduced, in any form or by any means, electronic, photocopying or otherwise, without permission in writing from *Social Philosophy & Policy*. Photocopying information for users in the USA: The Item-Fee Code for this publication (0265-0525/93 \$5.00+.00) indicates that copying for internal or personal use beyond that permitted by Sec. 107 or 108 of the U.S. Copyright Law is authorized for users duly registered with the Copyright Clearance Center (CCC) Transaction Reporting Service, provided that the appropriate remittance of \$5.00 per article is paid directly to: CCC, 27 Congress Street, Salem, MA 01970. Specific written permission must be obtained from *Social Philosophy & Policy* for all other copying.

Printed in the United States of America

CONTRIBUTORS

Norman Barry is Professor of Politics at the University of Buckingham in the United Kingdom. In 1989–90, he was a Visiting Scholar at the Social Philosophy and Policy Center in Bowling Green, Ohio. His books include *Hayek's Social and Economic Philosophy* (1979), *An Introduction to Modern Political Theory* (1981, 1989), *The New Right* (1987), *Welfare* (1990), and *The Morality of Business Enterprise* (1991). His research interests include political philosophy, political economy, and business ethics.

John Gray was educated at Exeter College, Oxford University, where he received his B.A., M.A., and D.Phil. degrees. Since 1976 he has been a Fellow of Jesus College, Oxford. His books include *Mill on Liberty: A Defence* (1983), *Hayek on Liberty* (1984, 1986), *Liberalism* (1986), *Liberalisms: Essays in Political Philosophy* (1989), and *Post-Liberalism: Studies in Political Thought* (1993). He has been Visiting Professor in Government at Harvard University; Visiting Distinguished Professor in Political Economy at the Murphy Institute, Tulane University; and Visiting Professor in Philosophy at Bowling Green State University. Much of his research over the past several years has been conducted during periods of residence as Stranahan Distinguished Research Fellow at the Social Philosophy and Policy Center, Bowling Green State University. He is currently working on a history of political thought.

James M. Buchanan is Advisory General Director of the Center for Study of Public Choice, and Harris University Professor at George Mason University in Fairfax, Virginia. He is the holder of the Nobel Prize in Economic Sciences, 1986. He received his B.A. from Middle Tennessee State College in 1940, his M.S. from the University of Tennessee in 1941, and his Ph.D. from the University of Chicago in 1948. His major works include *Explorations into Constitutional Economics* (1989), *Economics: Between Predictive Science and Moral Philosophy* (1987), *The Reason of Rules* (with Geoffrey Brennan, 1985), *Freedom in Constitutional Contract* (1978), *The Limits of Liberty* (1975), and *The Calculus of Consent* (with Gordon Tullock, 1962).

Svetozar Pejovich is Rex B. Grey Professor of Economics at Texas A&M University. He is the author of *The Economics of Property Rights: Towards a Theory of Comparative Economic Systems* (1990), and the editor of *Economic and Philosophical Foundations of Capitalism* (1982) and *Socialism: Institutional, Philosophical, and Economic Issues* (1987).

CONTRIBUTORS

William H. Riker is Wilson Professor of Political Science, Emeritus, at the University of Rochester. He is the author of several works on positive political theory, including *The Theory of Political Coalitions* (1963), *Liberalism against Populism: The Confrontation between the Theory of Democracy and the Theory of Social Choice* (1983), and *The Art of Political Manipulation* (1986), as well as a number of essays on the theory of property rights.

David L. Weimer is Professor of Political Science and Public Policy at the University of Rochester. From 1985 to 1989, he was editor of the *Journal of Policy Analysis and Management*. His recent books include *Policy Analysis and Economics* (1991), *Policy Analysis: Concepts and Practice* (with Aidan Vining, 1989, 1992), and *Responding to International Oil Crises* (with George Horwich, 1988).

Don Lavoie is Associate Professor of Economics at the Center for the Study of Market Processes, George Mason University. He is author of *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* and *National Economic Planning: What is Left?*, which are critiques of Marxian and market-socialist theories of central planning; and he is editor of *Economics and Hermeneutics*, a collection of essays on the philosophy of science.

Russell Hardin is Mellon Foundation Professor of Political Science and Philosophy at the University of Chicago. He is currently working on issues in ethics and public life and on the foundations of rational choice and social order. He is author of *Morality within the Limits of Reason* (1988) and *Collective Action* (1982), and past editor of *Ethics: An International Journal of Social, Political, and Legal Philosophy*. During the 1992–93 academic year, he was a Visiting Scholar at the Russell Sage Foundation in New York.

Richard J. Arneson is Professor and Chair of the Department of Philosophy at the University of California, San Diego. He has been an associate editor of the journal *Ethics* since 1986. His recent work has explored contemporary theories of justice and the ethics of socialism. He was educated at Brown University and the University of California, Berkeley.

Daniel M. Hausman is Professor of Philosophy at the University of Wisconsin–Madison. He is co-editor of the journal *Economics and Philosophy* and editor of the anthology *The Philosophy of Economics* (1984). He is the author of *Capital, Profits, and Prices: An Essay in the Philosophy of Economics* (1981), *The Inexact and Separate Science of Economics* (1992), and *Essays on Philosophy and Economic Methodology* (1992).

Peter C. Ordeshook is Professor of Political Science at the California Institute of Technology. He received his B.S. degree from the Massachusetts

CONTRIBUTORS

Institute of Technology in 1964 and his Ph.D. from the University of Rochester in 1969. A member of the American Academy of Arts and Sciences, he is the editor of *Game Theory and Political Science* (1978), and the author of *An Introduction to Positive Political Theory* (with W. H. Riker, 1973), *Game Theory and Political Theory: An Introduction* (1986), *The Balance of Power: Stability in International Systems* (with E. M. S. Niou and G. F. Rose, 1989), and *A Political Theory Primer* (1992). In addition, he has published extensively on models of election systems, on the application of game theory to political science, on the analysis of balance-of-power and collective-security systems in international politics, and on the general character of cooperation in political systems.

Allen Buchanan is Professor of Philosophy at the University of Arizona. He has written numerous articles in ethics, epistemology, political philosophy, bioethics, and other areas of applied ethics, and is the author of *Marx and Justice: The Radical Critique of Liberalism* (1982), *Ethics, Efficiency, and the Market* (1985), *Deciding for Others* (with Dan W. Brock, 1989), and *Secession: The Morality of Political Divorce from Fort Sumter to Lithuania and Quebec* (1991).

Robert H. Frank currently holds a joint appointment as Professor of Economics in Cornell University's Johnson Graduate School of Management and as Goldwin Smith Professor of Economics, Ethics, and Public Policy in Cornell's College of Arts and Sciences, where he has taught since 1972. He received his B.S. in mathematics from Georgia Tech in 1966, his M.A. in statistics from the University of California at Berkeley in 1971, and his Ph.D. in economics in 1972, also from U.C. Berkeley. He has published on a variety of subjects, including price and wage discrimination, public-utility pricing, the measurement of unemployment spell lengths, and the distributional consequences of direct foreign investment. For the past several years, his research has focused on rivalry and cooperation in economic and social behavior. His recent books include *Choosing the Right Pond: Human Behavior and the Quest for Status* (1985), *Passions within Reason: The Strategic Role of the Emotions* (1988), and *Microeconomics and Behavior* (1991).

Joshua Cohen is Professor of Philosophy and Political Science at the Massachusetts Institute of Technology. He is co-author (with Joel Rogers) of *On Democracy* (1983), *Inequity and Intervention* (1986), and *Rules of the Game* (1986).

Joel Rogers is Professor of Law, Political Science, and Sociology at the University of Wisconsin-Madison. He is co-author (with Joshua Cohen) of articles on political theory and American politics published in *The Canadian Journal of Philosophy*, *New Left Review*, *The Nation*, *Boston Review*, *Monthly Review*, *Socialist Register*, and Japan's *Economist* magazine.