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James M. Buchanan's 1981 visit to Chile: Knightian democrat or defender of the 'Devil's fix'?

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Abstract Nobel Prize winning economist James M. Buchanan has repeatedly argued that the "political economist should not act as if he or she were providing advice to a benevolent despot" (Boettke *Constitutional Political Economy*, *25,* 110–124, 2014: 112), but an increasingly influential body of scholarship argues that Buchanan provided a wealth of early 1980s policy advice to Augusto Pinochet's military dictatorship in Chile (e.g., Fischer 2009; Maclean 2017). In particular, Buchanan reportedly provided an analytical defense of military rule to a predominantly Chilean audience when he visited the country in late 1981. This paper draws upon largely ignored archival evidence from the Buchanan House Archives and Chilean primary source material to assess whether Buchanan provided a defense of Pinochet's "capitalist fascism" (Samuelson 1983) or whether he defended democracy when he visited Chile in 1981. Aside from the importance of this for assessing Buchanan's own legacy, his constitutional political economy arguments presented in Chile also provide an interesting and distinct perspective on the connection between democracy and growth, which remains highly relevant to current debates. Despite a general agreement about the desirability of democracy, the view that authoritarian regimes can spur "growth miracles", or might even be a necessary stage in political-economic development, still has prominent supporters (e.g. Sachs 2012).

Keywords Buchanan · Chile · Democracy · Dictatorship · Development

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> "Economists … have assumed implicitly that the policy desiderata need only be defined, and, once defined, the choosing agent – be this a dictator, a party clique, a ruling aristocracy, or a representative assembly responsible to a mass electorate

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– will be led by the inexorable logic of the case to install the 'good society', here and now. This has been, and continues to be, a gross error." (Buchanan 1960: 265-266).

"[C]onservatives who dislike how democracy works out are unwilling to follow their logic to the fascist conclusion these days and use constitutional limits on taxation as their form of imposed capitalism" (Samuelson 1983: 75).

"What is there in the constitutionalist position generally, or even specifically, when its advocates advance proposals for, say, constraints on the taxing, spending, and money-issue powers of modern governments, that provokes the fascist charge?" (Buchanan 1986: 63).

1 Introduction

Is "enlightened dictatorship" a viable path for economic development? Economic growth under politically authoritarian regimes, whether Lee Kuan Yew's Singapore, General Park Chung-hee's South Korea, Chiang Kai-shek's Taiwan, Deng Xiaoping's China, Greece under the regime of the Colonels, and Pinochet's Chile appears to provide a positive answer. However, various other growth disasters (e.g., Portugal under Salazar and Idi Amin's Uganda) suggest that the particular examples noted above (e.g., Singapore and South Korea) are highly unusual outliers which are far from easy to replicate. Indeed, there is ample evidence to show that the gamble of 'wise and benevolent' dictatorship is a high-variance wager (Tullock 1987; Easterly 2014). Similarly, there is much evidence suggesting that democracy is statistically associated with growth (Acemoglu et al. 2008, 2014; Peev and Mueller 2012; Sylwester 2015). Although the debate over the merits of enlightened autocracy and benevolent dictatorship is far from over (e.g. see Sachs 2012a, b; Acemoglu and Robinson 2012; Easterly 2011), there are important similarities between contemporary assessments of 'benevolent autocracy' (e.g., Easterly 2014), and Paul A. Samuelson's late 1970s and early 1980s analysis of "capitalist fascism" (e.g., Samuelson 1983: 75).

The most controversial historical example of "capitalist fascism" is probably Pinochet's Chile. Indeed, Samuelson repeatedly singled out Chile in his own writings on the topic. As Samuelson himself noted, "some keep hoping for an efficient fascism, one that will promote material efficiency … It is the conservatives' 'final solution' to stagflation … The recent Chilean case may be used to illustrate a paradigm" (1980: 815–816). In particular, Samuelson viewed "efficient fascism" as the "Devil's Fix That Does Not Fix" (1983: 75): The "cure" usually "turns out to be worse than the disease. Dictators tend to be venal … Their henchman … [perpetrate] all the foolish market interventions that Adam Smith warned against" (Samuelson 1980: 815).

Although the Chilean "Chicago boys" – primarily students of Arnold Harberger (e.g., Sergio de Castro) – played an intimate role in both the initial design and subsequent implementation of Pinochet's economic reforms (see Valdes 1995), a number of prominent Mont Pélerin Society (MPS) members including Milton Friedman, Gordon Tullock, Friedrich Hayek and James Buchanan made several rather

controversial mid-late 1970s and early 1980s visits to Chile (Fischer 2009, Maclean 2017). For instance, Sigmund (1982: 35) reports that the Chilean "Chicago boys" regularly "flew American professors such as ... Hayek … Harberger, and James Buchanan to Santiago to express their approval of the [regime's] new programs." Similarly, Wilson (1992: 77) writes that "Friedman ... Hayek, James Buchanan, Gordon Tullock, all the stars in the firmament of monetarism and public choice, were on hand from 1973 as unhidden (hired) hands to guide General Pinochet's military dictatorship according to their economic theory." In addition, the MPS held a particularly controversial meeting in Chile in late 1981 and this meeting appears to provide further credence to the frequently encountered charge that the MPS had an intimate mid-late 1970s and early 1980s relationship with Pinochet's military dictatorship (see e.g., Plehwe 2009, Dean 2014: 155, Barder 2013: 114).

Although the relationship between the MPS and the Pinochet Junta has attracted much negative commentary in the ever-burgeoning literature on neoliberalism and the MPS, this paper primarily focuses on one particular aspect of that far larger story: The charge that James M. Buchanan defended Pinochet's dictatorship because it provided a stellar "opportunity for the application … [of Buchanan's mid-late 1970s] proposals for constitutional reform" (Lehmann 1990: 79). For example, Cunningham (2002) notes that Buchanan visited Chile after the 1973 coup to provide "economic advice to the military government … [and] talk at the headquarters of the Admiralty in Viña Del Mar where the coup (proximately originated)" (120).[1] Although similar charges can be found in Maclean's (2017) much-vaunted analysis of Buchanan's early 1980s visits to Chile, Maclean's narrative primarily focuses on Buchanan's May 1980 visit and only briefly mentions Buchanan's late 1981 participation in the MPS meeting in Chile. Accordingly, our analysis here primarily focuses on the charge that Buchanan's 1981 MPS paper provided an analytical defense of military rule in Chile (see, e.g., Fischer 2009: 325).

According to Plehwe (2009), the "links between General Pinochet and Milton Friedman are fairly well known … [but Karin Fischer's] account of the role of the economists [Friedrich] Hayek and James Buchanan … demonstrates the extent to which neoliberal knowledge and capacity building extended well beyond the economic sphere." (32). Indeed, Fischer argues that because of the heavy "'Chicago' focus characterizing Chile's road to neoliberalism, the Virginia School's influence has been underemphasized and conflated with that of the Chicago School" (Fischer 2009, p. 324). In particular, Fischer argues that Buchanan "delivered a highly abstract paper titled 'Limited or Unlimited Democracy' to the Mont Pèlerin Society meeting in Viña del Mar in Chile in 1981," and reportedly told his audience that an "[un]limited democracy was a polity predisposed to disable a political market that would otherwise promote the most efficient allocation of scarce resources." Consequently, the "only meaningful task of the government would be to deprive the polity of its ability to do so" (2009: 325). Fischer's assessment of Buchanan's 1981 paper (titled "Democracy: limited or unlimited" and never published in English) and public choice theory owes much to Stepan (1985) who charges that the Virginia School sought to turn the "state into a firm" and wanted to atomize "civil society into an apolitical market" (1985: 323).

[1] Offer and Söderberg (2016) similarly charge that Buchanan was a "keen advisor to Pinochet's Chile" (204) who "visited Chile several times" (243).

Although Fischer adopts Stepan's basic interpretation of the Virginia School – public choice theory "sought to limit democracy ... [and] depoliticize the state in order to enable unconstrained market forces to guide human interaction" (2009: 325) – she argues that the Pinochet junta "was committed to using its governmental powers in precisely this manner," and Buchanan's MPS paper consequently provided "theoretical support for the regime" (2009: 325). Indeed, the "neoliberal utopia of a society self-regulated by the market" was seemingly "just within reach, fostered of course by a military regime with absolute political power" (325).

We argue that any reading of Buchanan's MPS paper which views Buchanan's analysis as a defense of military rule in Chile is significantly wide of the mark. For one thing, the evidence shows that Buchanan was highly critical of MPS colleagues who defended Pinochet's "capitalist fascism" (Samuelson 1983: 75). Indeed, El Mercurio reported that Buchanan had provided a passionate defense of democracy (a "spontaneous intervention") during an unspecified MPS session and had upbraided a number of MPS colleagues who defended dictatorship (November 22 1981: D4).

Our analysis of Buchanan's late 1981 visit to Chile draws upon a range of primary source material including documentary evidence gleaned from the Buchanan House Archives (BHA), the relatively heavy Chilean media coverage of the MPS meeting, and material from the MPS papers. The paper is organized as follows: Section 2 provides an account of the background to Buchanan's late 1981 visit to Chile. As we show, Buchanan was not initially meant to speak to the MPS on the topic of unlimited democracy. Section 3 provides an account of the analytical core of Buchanan's 1981 paper. In particular, we note Buchanan's MPS defense of universal suffrage and constitutionally-limited majoritarian democracy. Section 4 provides an account of Buchanan's relatively brief MPS analysis of Samuelson's early 1980s theory of capitalist fascism. Section 5 evaluates Buchanan's mid-late 1970s and early 1980s assessment of the 'Devil's Fix.' Section 6 provides concluding remarks.

2 Democracy: Limited or unlimited?

Maclean's (2017: 277-278) assessment of Buchanan's 1981 visit to Chile heavily draws upon the earlier work of Fischer (2009) and Stepan (1985). Similarly, Fischer's narrative places immense weight on Stepan's relatively brief analysis of Buchanan's supposed early 1980s involvement with Pinochet's dictatorship.[2] Maclean's (2017) account of Buchanan's involvement with Chile is primarily focused on the way in which Buchanan supposedly helped to "design a constitution for a dictatorship" (161) when he initially visited Chile in May 1980. In particular, Maclean seeks to link Buchanan to two leading pro-regime figures – Carlos Cáceres and Pedro Ibáñez – and consequently argues that "Buchanan and two pro-junta Chilean colleagues [Caceres and Ibáñez] together organized the program" for the 1981 MPS meeting in Viña Del Mar. Indeed, Maclean argues that the "sessions they designed sounded like

[2] For instance, Fischer (2009) invokes Stepan (1985: 341) to demonstrate that Buchanan was a "frequent" guest in Chile (325). The evidence shows that Buchanan visited Chile twice while Pinochet was in power and subsequently visited Chile in September 2000 to participate in an MPS General Meeting in Santiago. We thank an anonymous referee for helpful comments on the heavily self-reinforcing nature of the Buchanan-Pinochet literature.

rationales – indeed, justifications – for the dictatorship's choices … [e.g.,] Buchanan's own contribution, 'Democracy: Limited or Unlimited?'" (162). According to the archival evidence, however, Buchanan was not a member of the organizing committee and was not particularly involved in the organization of the meeting per se.[3] Moreover, Buchanan was not initially slated to speak to the MPS on the topic of 'unlimited' democracy. Indeed, when the organizing committee drafted a late 1980 'Tentative Programme' for the meeting they assigned the topic of 'unlimited' democracy to F. A. Hayek.[4]

It is hardly surprising that Cáceres and Ibáñez (President of the Program Committee) would want Hayek to speak to the MPS on unlimited democracy. For one thing, Cáceres and Ibáñez were present when Hayek briefly discussed 'unlimited' democracy with Pinochet in late 1977 (Caldwell and Montes 2015: 279).[5] Similarly, Cáceres and Ibáñez were members of the advisory Council of State which met between November 1978 and July 1980 to revise the draft constitution that was initially produced by the Ortúzar Commission.[6] In particular, Ibáñez vehemently objected to universal suffrage and provided the Council of State with a March 1979 memorandum that argued for a "largely autocratic government" (Session No. 67: March 27 1979).[7] Although Cáceres and Ibáñez "insisted on their criticism of elections throughout the council's deliberations … [they] were consistently outvoted and at the end of the council's work on the

[3] Maclean's evidence (2017: 279) for Buchanan's involvement in the organization of the meeting is provided by Pedro Ibáñez's formal 'Announcement' (December 2 1980) of the decision to hold a "Regional Meeting in Chile" (Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives). The document notes that a "first draft of the Programme has been drawn up and considers such subjects as … Democracy, Limited or unlimited?" (1–2). Ibáñez's 'Announcement' lists the members of the Executive Committee organizing the meeting: Pedro Ibáñez (Chile), Paulo Ayres (Brazil), Ramon Diaz (Uruguay), Alberto Benegas Lynch Jr. (Argentina), Carlos Cáceres (Chile), and Hernan Cortes (a Chilean who acted as Secretary to the Committee). Similarly, Ibáñez's 'Announcement' separately lists the officers of the MPS per se including the members (e.g., Buchanan) of the MPS Executive Committee. The evidence suggests that Buchanan's participation in the organization of the meeting was limited to a number of "very hurried suggestions." In particular, Buchanan suggested that Ibáñez might invite Colin Campbell to speak on "Social Security" and Clayton La Force to speak on the "'Education' panel," and suggested that the committee might want to add a panel on the "moral defenses" that could be "mounted for the market economy" (Buchanan to Ibáñez, December 30 1980).

[4] Caldwell and Montes (2015: 292) note that Ibáñez wrote to Hayek in late January 1981 to explain that the organizing committee had taken the "liberty of including your name in connection with the theme 'Democracy, Limited or Unlimited?'"

[5] According to El Mercurio (November 18, 1977, pp. 27–28), Hayek "told reporters that he talked to Pinochet about the issue of limited democracy and representative government. . . . [Hayek] said that the head of state listened carefully and that he had asked him to provide him with the documents he had written on this issue." The U. S. Embassy in Santiago noted Ibáñez's anti-democratic views in late February 1978: "Pedro Ibáñez dominated the conversation … [but was] particularly evasive in describing how a transition to civilian government might occur … Subsequently a senior Embassy Chilean employee reported to us that Ibáñez had been troubled by the direction of conversation and had made his concern known to the government. Presumably our interest in the mechanics of a transition, bothered him." (U.S. Embassy Santiago, Chile. Memorandum of Conversation: 23 February 1978. https://www.foia.state.gov/Default.aspx).

[6] The Ortúzar Commission (1973–1978) was created shortly after the military coup and "held a broad mandate to 'study, elaborate, and propose a draft of a new Political Constitution of the State and its complementary laws.'" (Barros 2005: 90). The Council of State was created in early 1976 as "an exclusively advisory body to the president … Consultations were optional and council recommendations were nonbinding" (165). As Barros explains, neither body had any "authority regarding the timing of promulgation nor the content of the new constitution" (175).

[7] As Ibáñez explained to the Council of State, the "central idea" behind his "memorandum – that of a largely autocratic government" was strongly favored by Chilean "public opinion" (March 27 1979).

constitution [early July 1980] presented a joint minority opinion which reiterated their stance and presented Ibáñez's institutional proposals" (Barros 2005: 222).[8]

According to Cáceres and Ibáñez, "the cultural and social crisis that Chile experienced for many years and that culminated in the collapse of its political system was essentially a moral crisis." In particular, they argued that the "threat of Marxism" would necessarily "subsist as long as the generation of power is totally and exclusively rooted in universal suffrage." Consequently, Chile could only "defend" its "integrity" and assure the preservation of its "independence" by maintaining a "political regime of an essentially military character." Similarly, Cáceres and Ibáñez argued that the "exercise of public power" ought to reside in the hands of "virtuous citizens … the enlightened class," and they explained that any return to "universal suffrage as a means of generating practically all public power" would immediately negate the value of many of the "articles of the new draft Constitution." Moreover, their analysis "inescapably" led them to wonder whether "universal suffrage" provided a suitably "sound source" by which to generate "political power? Or should it definitely be dispensed with?"

Cáceres and Ibáñez eagerly invoked the analytical tenor of Hayek's mid-late 1970s writings on unlimited democracy to buttress their negative view of universal suffrage.[9] As they explained, the logic of democracy (e.g., the "party system" and "universal suffrage") imposed a heavy cost on the "entire nation … [but] the most burdensome part of that cost is the corruption it introduces into public life, which has provided Hayek [with] a foundation for describing universal suffrage as legalized bribery."[10] Indeed, Cáceres and Ibáñez similarly invoked Buchanan and constitutional economics to buttress their defense of autocratic rule. Ultimately, Cáceres and Ibáñez argued that it was necessary to "strengthen the military character of the regime and considerably restrict the use of universal suffrage." ('Voto de Minoría en Informe Sobre Anteproyecto Constitucional: Observaciones y proposiciones de los miembros del Consejo de Estado, Carlos F. Cáceres y Pedro Ibáñez O.' El Mercurio, July 10 1980).

As noted earlier, Buchanan was not initially slated to speak to the MPS on the topic of 'unlimited' democracy. Instead, the organizing committee had tentatively assigned Buchanan the topic of "Direct or Indirect Taxation – New Approach to Taxation Policies." Buchanan subsequently wrote to Ibáñez in response to "your letter dated 10

[8] The draft constitution which the Council of State gave to Pinochet in early July 1980 was heavily revised by a "special working group …On a chapter-by-chapter basis, in daily afternoon sessions, agreements were hammered out, and then presented to the Junta for review and decision the following morning" (Barros 2005: 219).

[9] "I am fairly certain that the days of unlimited democracy are numbered. We will, if we are to preserve the basic values of democracy, have to adopt a different form of it, or sooner or later lose altogether the power of getting rid of an oppressive government" (Hayek 1979: 134). Hayek subsequently told a journalist that "'it is possible for a dictator [e.g., Pinochet] to govern in a liberal way. And it is also possible for a democracy to govern with a total lack of liberalism … I prefer a [self-limiting] liberal dictator to democratic government lacking in liberalism'" (El Mercurio, April 12 1981: D9). Hayek readily acknowledged that the probability of self-limiting dictatorship was low: "It is at least conceivable, though unlikely, that an autocratic government will exercise self-restraint; but an omnipotent democratic government simply cannot do so" (1979: 99).

[10] Hayek views unlimited democracy as "legalized corruption" (1979: 103) but argues that it "is not democracy or representative government as such … that makes it necessarily corrupt" (11).

December, which enclosed the preliminary program for your projected Regional Meeting." In particular, Buchanan noted that "You have me listed as one of the authors for main papers. I hope to be able to attend … [and am] happy to prepare a paper … [but] could as well be included under the session topic 'Monetary System ...' or under 'Democracy ...' as under the 'Taxation' one." Consequently, Buchanan told Ibáñez that he was "fully flexible as among these three areas … [hence] you can sort of shift my name around ... as other participants in your program accept or turn down invitations" (Buchanan to Ibáñez, December 30 1980).

The initial program subsequently underwent many changes, and Carlos Cáceres sent Buchanan a heavily revised "tentative schedule" in March 1981. In particular, Cáceres explained that Hayek would probably not attend the MPS meeting in Viña Del Mar because he was already visiting Chile in April 1981. Accordingly, the Organizing Committee – much appreciating Buchanan's earlier expressed "versatile possibilities" (Ibáñez to Buchanan, January 30 1981) – had placed Buchanan's paper in the panel on the "topic of 'Democracy: limited or unlimited'" (Cáceres to Buchanan, March 26 1981).[11]

3 Buchanan's MPS paper: Constitutional democracy or capitalist fascism?

According to Fischer (2009), Buchanan's "highly abstract" MPS paper provided "theoretical" succor for Pinochet's "regime" (325). Similarly, Maclean (2017) suggests that Buchanan's paper provided an analytical rationale for dictatorship (162). As noted earlier, however, the Organizing Committee had initially wanted Hayek to speak to the MPS on democracy, and while Cáceres and Ibáñez probably wanted Buchanan to provide the MPS with much the same kind of analysis of 'unlimited' democracy that can be found in Hayek's late 1970s and early 1980s defenses of Pinochet's dictatorship, the Chilean newspaper *La Segunda* subsequently reported that Buchanan's paper had provided the MPS with a steadfast defense of universal suffrage and constitutionally-limited majoritarian democracy (November 19 1981: 2).[12]

Buchanan's MPS paper is fairly wide-ranging in scope. For instance, while Section 5 of Buchanan's paper provided an analytical defense of universal suffrage and constitutionally-limited majoritarian democracy that was primarily addressed to MPS defenders of Pinochet's capitalist fascism, Section 3 (Democracy and Political Equality) and Section 6 (The Electoral Fallacy) of Buchanan's MPS paper provided an analysis of in-period majority rule that had much similarity to Buchanan and Tullock's earlier

[11] Hayek wrote to Cáceres in February 1981 to explain that he was highly unlikely to make a second visit to Chile to attend the MPS meeting (Caldwell and Montes 2015: 292). We especially thank Leon Montes for kindly drawing our attention to the late 1980 and early 1981 correspondence between Ibáñez, Cáceres, and Buchanan. Copies of the correspondence can be found in the Pedro Ibáñez papers.

[12] Hayek argued that "free choice" could "exist under a dictatorship that can limit itself but not under the government of an unlimited democracy which cannot" (Hayek 1978b), and he subsequently illustrated his thesis by noting that when he had visited "much maligned Chile" in late 1977 he had not met anyone who did not readily "agree that personal freedom was much greater under Pinochet than it had been under Allende" (Hayek 1978c: 15). As Meadowcroft and Ruger (2014: 362) aptly note, "[n]o one can read the Report of the Chilean National Commission on Truth and Reconciliation … which details the thousands of arbitrary arrests, summary executions, and imprisonments without due process that took place under the Pinochet regime, and be impressed."

advocacy of a wide-ranging set of in-period collective decision rules (Buchanan and Tullock 1962).[13]

Buchanan and Tullock (1962) famously argued that no single in-period collective decision rule – whether a qualified majority voting rule or simple majority rule per se – provided a uniquely 'ideal' or 'efficient' way to make every possible variety of in-period collective choice. In particular, Buchanan and Tullock (1962) argued that the 'ideal' voting rule for any given in-period choice would minimize the "total interdependence costs" of the in-period collective choice at hand.[14] Buchanan and Tullock's analytical justification for the use of a wide array of in-period collective decision rules is intuitively persuasive. Nevertheless, while Buchanan and Tullock (1962) viewed in-period majority rule as simply "one among many practical expedients made necessary by the costs of securing widespread agreement on political issues when individual and group interests diverge" (1962: 96), they similarly noted that "It may be quite rational for the individual to choose a majority voting rule for the operation of certain collectivized activities" (1962: 94).

A core aspect of Buchanan's theory of constitutional political economy stresses the vital distinction between the initial adoption of the constitutional rules of the game and the subsequent unfolding of in-period play within a specific set of rules. As Buchanan himself explained in 1987, the basic contractarian premise of the *Calculus of Consent* (Buchanan and Tullock 1962) had outlined "the conditions that must be present for the individual to find it advantageous to enter into a political entity with constitutionally delineated ranges of activity or to acquiesce in membership in a historically existent polity" (Buchanan 1987: 70). Consequently, while any individual member of a political body will reasonably expect that in-period collective decisions will be made which occasionally run counter to their interests, their membership of the polity may still remain preferable due to the overall benefits associated with membership. Nevertheless, for such overall benefits to be adequately secure it is necessary to impose constitutional limits on the exercise of in-period collective choice and to provide constitutional guarantees of various individual rights.

As noted earlier, Hayek's mid-late 1970s analysis of 'unlimited' democracy – an ultimately self-destructive "tug of war for shares in the income pie" (Hayek 1979: 102) – carried much weight with the organizers of the MPS meeting. Similarly, many of those attending the meeting (e.g., Christian Watrin, Wolfgang Frickhoffer, Arthur Shenfield, and Alvaro Alsogaray) agreed that "All democracy that we know today in the West [e.g., the British Parliamentary system] is more or less unlimited democracy" (Hayek 1978a: 153).[15]

[13] La Segunda noted that Buchanan "was ready to answer press queries" and had provided La Segunda's reporter with a copy of his paper: "This gesture [was a] surprise because the [MPS] debates occur 'behind closed doors and without access to the press.'" (November 19 1981: 2). Araujo (1982: 208) briefly mentions that Buchanan's MPS paper provides a defense of constitutionally-limited democracy which has much similarity to Buchanan's other early 1980s writings.

[14] The total interdependence costs of a specific collective choice equal the sum of the external costs (a decreasing function of the inclusivity of the voting rule) and decision-making costs (an increasing function of the inclusivity of the rule) of collective choice. For instance, an in-period unanimity rule assures that the external costs of collective choice are equal to zero but the requirement for unanimity similarly assures that decision costs are extremely high. By contrast, the decision costs of in-period dictatorship are very low but the expected external costs of dictatorial rule – e.g., Idi Amin's Uganda or Mobutu's Zaire – are very high.

[15] Watrin told his MPS audience that the "present-day democracies" had displayed an inherent "tendency to develop from minimal state towards an unlimited democracy," and provocatively charged that a "growing number of people in some European countries" viewed their "country as a welfare dictatorship rather than a welfare state." (The Growth of Leviathan: 13. Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives).

By contrast, Buchanan began his MPS lecture by immediately noting that he did not particularly share his MPS colleagues' pathological fear of the null-set of 'unlimited' democracy. For one thing, "'unlimited democracy' would presumably allow voting majorities or pluralities … to do what they please, when they please, and to whomever they choose." Consequently, Buchanan told his audience that he much doubted whether "anyone" would "seriously support 'unlimited democracy' in any form or fashion" (1981: 1).[16] Indeed, Buchanan urged the MPS to abandon its myopic focus on the imagined pathologies of 'unlimited' democracy: The "critical" debate for the early "1980s and beyond" did not "turn on the desirability or undesirability of unlimited democracy," but on the "degree and kind of limits" that were "minimally necessary to insure the viability of a society in which individuals can maintain personal liberties" (1–2). Although any adequate consideration of Buchanan's earlier visit to Chile is far beyond our scope here, Buchanan initially became aware of the stark contrast between Cáceres and Ibáñez's highly negative view of democracy and his own self-avowed "individualist-democratic methodology" – "Each man counts for one, and that is that" (1975: 2) – when he visited Chile in May 1980. Consequently, Buchanan had ample reason to provide the MPS with a steadfast defense of universal suffrage when he subsequently visited Chile in late 1981.

Although Buchanan noted that democracy was usually defined as "government 'by the people,'" and frequently viewed as the only viable alternative to "any form of government by an elite … an aristocracy, a hereditary monarchy … or ruling committee," he wondered how "meaningful content" could "put on the phrase 'government by the people'?" In particular, Buchanan noted that democracy was usually thought to necessarily imply majority rule but told his audience that "rule by a majority, to those who are ruled, is no different from rule by any other group." Moreover, a "majority" was not substantively identical to "'the people,'" and there was consequently "nothing sacrosanct in simple majority rule" per se (1981: 5–6).

For Buchanan, democracy fundamentally meant that "governmental decisions affecting *all* members of the polity, are reached through processes of discussion and decision-making in which *all* members participate, actually or potentially [i.e., they are not forcibly excluded but may choose to not participate], on equal terms. Ideally, the processes of discussion and participation produce *agreement* by *all* persons [i.e., unanimity] on the collectively determined [in-period] option to be chosen. Failing agreement, the process should be expected to generate appropriate rules through which all persons agree to disagree, majority voting being only one from among many possible rules that might be selected for certain types of collective choice options (others might be random selection, plurality voting, qualified majority voting, unanimity, [and] binding arbitration by appointed third parties" (1981: 6).[17]

[16] As Buchanan subsequently noted, "few persons" could be found who would "openly ... defend the 'rights' of legislative or electoral majorities to do whatever they please" (1986: 60).

[17] Buchanan and Tullock insisted that the individuals participating in discussion "must approach the constitution-making process as 'equals' … [i.e.] the existing differences in external characteristics among individuals are accepted without rancor … [and] there are no clearly predictable bases among these differences for the formation of permanent coalitions." Ultimately, their contractarian analysis had "little relevance for a society that is characterized by a sharp cleavage of the population into distinguishable social classes or separate racial, religious, or ethnic groupings sufficient to encourage the formation of predictable political coalitions and in which one of these coalitions has a clearly advantageous position at the constitutional stage" (1962: 80).

As is clear, Buchanan's analysis focuses on the vitally important meta-question of how persons can themselves create democratic governance structures when they disagree on fundamental issues and decision costs are sufficiently high to prevent unanimity from emerging via discussion. Accordingly, Buchanan argued that the "characteristic feature" of democracy that had "operational meaning" was that of "*political equality* among all persons who qualify for membership in the polity. Each person stands equal before the law of the land ... [and] is given equal weight in the ultimate determination of how the law shall be changed, law being defined both in terms of the higher law (constitutional rules) and [in-period] legislation of the ordinary variety" (6). Indeed, Buchanan explained that the "principle of political equality" – the principle embodying the ultimate "philosophical foundations of the democratic precept" (1981: 2) – necessitated that every "person has the franchise, which he may exercise or not exercise as and if he chooses" (6).[18]

In Section 5 (Limits on Government and Limits on Democracy) of his paper, Buchanan told his audience that it was vitally important to distinguish "between (1) the range and scope of governmental-political activities, and (2) the extent of satisfaction of democratic precepts [i.e., the satisfaction of in-period political equality] in decision-making for those activities defined to fall within the allowed range and scope of government" (10). As Buchanan explained, "If the ultimate objective in organizing and reforming the political structure is that of insuring and protecting individual liberties, the first of these characteristics may be much more important than the second, even though, as indicated above [Section 3 of Buchanan's paper], the second may be intrinsically of value" (10). In other words,

> "[A] governmental-political structure that is limited constitutionally to a well-defined range of activities, *even if governmental decisions within this range are made non-democratically* [i.e., in-period political equality is violated], may well be preferred to open-ended and *unlimited* governmental-political structure in which decisions are made democratically (*by legislative-parliamentary majorities*) (1981: 10-11, emphasis added).

The passage above might be taken to imply that Buchanan readily agreed with Hayek's late 1970s and early 1980s defenses of Pinochet's junta (see, e.g., El Mercurio, April 12 1981: D9) if one ignores Buchanan's steadfast defense of universal suffrage in Section 3 of his MPS paper. Nevertheless, Buchanan had already told the MPS that 'unlimited' democracy was a null-set (1981: 1) and had similarly told his audience that persons might unanimously agree to delegate a relatively unimportant in-period collective decision to a designated third-party (6).[19] Consequently, and while Christian Watrin mistakenly told the MPS that

[18] Buchanan's MPS defense of universal suffrage is heavily influenced by Frank Knight's view that democracy is fundamentally equivalent to "government by discussion" (see Levy and Peart 2016). Buchanan was far more Knightian than any other mid-late 1970s or early 1980s member of the MPS and argued for an "'approach … which deliberately avoids the independent establishment of criteria for social organization (such as 'efficiency', 'rapid growth', etc.), and instead examines the behavior of private individuals as they engage in the continuing search for institutional arrangements upon which they can reach substantial consensus or agreement'" (Buchanan quoted in Levy and Peart 2016: 65). As Buchanan himself noted, "The definition of democracy as 'government by discussion' implies that individual values can and do change in the process of decision-making" (Buchanan 1954: 120). Meadowcroft (2011) provides a fascinating and detailed analysis of Buchanan's view of democracy.

[19] Buchanan subsequently told a Chilean interviewer that "'nobody would support completely unlimited democracy'" (El Mercurio November 22 1981: D4)

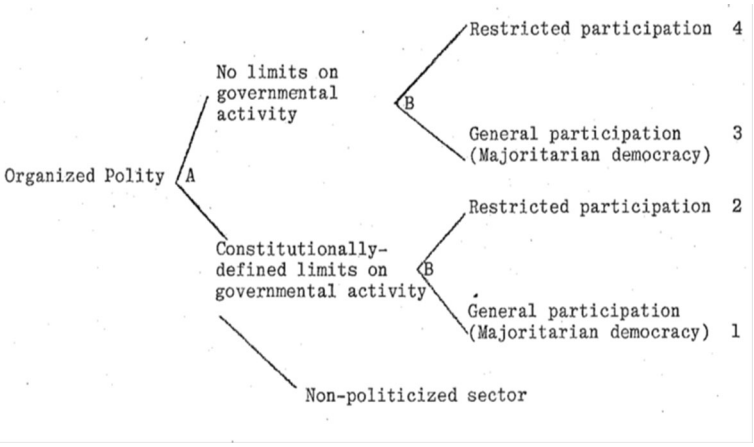

Fig. 1 Buchanan's Analysis for the MPS 1981 Audience in Chile.

Buchanan's earlier work provided an analysis of the "deficiencies of democracy" per se (The Growth of Leviathan: 12. Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives), it is clear that Buchanan and Tullock's (1962) important analytical distinction between the pre-constitutional choice over the rules of the game and the subsequent unfolding of in-period choice within a unanimously adopted framework of rules provided the basic foundation for Section 5 of Buchanan's MPS paper. Accordingly, Buchanan illustrated his basic point with the "aid of a simple" but illuminating "tree-like diagram" (1981: 11). The way in which Buchanan's "tree diagram" (Fig. 1) illustrated the crux of Section 5 of his MPS paper and his earlier defense of in-period political equality is particularly significant.

According to Buchanan, the basic "structural 'choice' made at A may be much more important than the structural 'choice' made at B" (11). Consequently, Buchanan thought it "reasonable" to suppose that any person who found themselves placed "behind some appropriately-defined veil of ignorance and/or uncertainty ... would rank

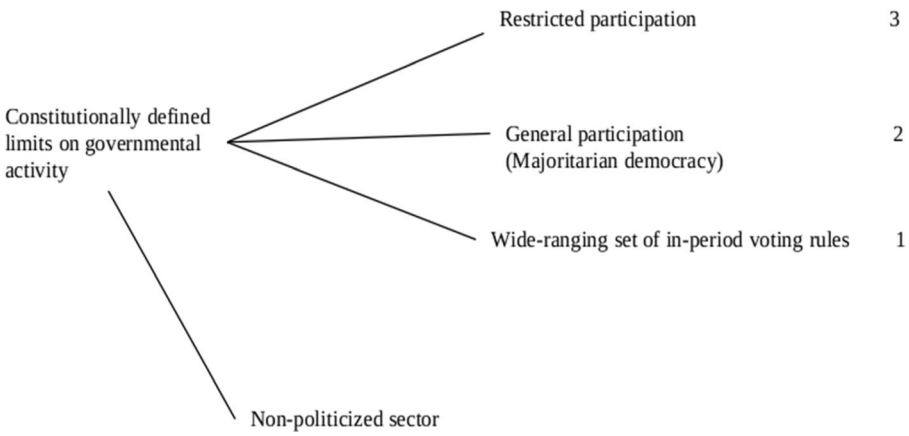

Fig. 2 Buchanan's Typical Analysis in Most of his Other Writings.

order the political structures from 1 [most preferred] to 4 [least preferred], as indicated. This ranking suggests that the individual (any individual) would prefer a constitutionally-limited, restricted, participation regime to a non-limited, fully majoritarian regime" (11).

As noted earlier, Section 3 of Buchanan's MPS paper provided an analysis of in-period majority rule which has much similarity to his earlier work (Buchanan and Tullock 1962). For instance, Buchanan told his 1981 MPS audience that a wide-range of in-period decision rules – unanimously adopted 'agreements to disagree' (e.g., third-party arbitration) – might be adopted for different collective choices (1981: 6), and he similarly told a 1959 MPS audience that majority voting merely provided one possible in-period "choosing scheme out of a wide number of possibilities. Actually, many devices are used. *The bureaucrat decides where to locate street lamps* … The [in-period] choosing device is dependent on the *importance* and on the *characteristics* of the issues that must be resolved" (1960: 269, emphasis added).[20]

Figure 2 augments Buchanan's MPS Fig. 1 to illustrate the basic analytical tenor of Section 3 of Buchanan's MPS paper and the logic of his 1959 MPS paper.

As already noted, Buchanan had initially told his 1981 MPS audience that he much doubted whether it "would be possible, even in 1981, to locate a willful defender of totally unconstrained majoritarian rule" (1981: 1). Accordingly, the 'No limits on governmental activity' branch of Fig. 1 in Buchanan's 1981 paper can be safely ignored. Similarly, Buchanan's suggested MPS comparison between a "constitutionally-limited, restricted, participation regime" (e.g., every in-period choice is made by third-party arbitration) and the null set of literally 'unlimited' democracy is not a "'choice'" that actually faces any person who finds themselves at any node in Buchanan's "tree diagram" (Fig. 1). Consequently, any person who found themselves "behind some appropriately designed veil of ignorance and/or uncertainty" (Fig. 2) would "rank order the political structures from 1 to … [3] as indicated. This ranking suggests that the individual (any individual) would prefer a constitutionally-limited" regime that is typified by a wide-range of in-period "choosing" devices (e.g., "The bureaucrat decides where to locate street lamps"), to a constitutionally-limited regime in which every in-period "choosing device" violates the philosophical precept of political equality.

[20] Buchanan's advocacy of a wide-range of in-period voting rules appears to have made him an outlier in mid-late 1970s and early 1980s MPS circles. For instance, George Stigler's 1978 MPS discussion of the merits of "becoming non-democratic in our desired political institutions" (1979: 66) provides much evidence to signify that the average mid-late 1970s MPS member viewed majority rule as the substantive equivalent of democracy per se. Maclean (2017: 152) implies that Stigler's discussion of "non-democratic" institutions signified that Stigler included military rule in the set of institutions he wanted the MPS to think about. As Stigler himself had clearly noted, however, "that kind of policy is repugnant to our principles" (1979: 61). As Stigler subsequently made abundantly clear when he raised his MPS speculations about the consequences of the abandonment of the "total acceptance of present day democratic institutions," he was not thinking about the merits of dictatorship per se but instead about the merits of federalism (the "decentralization of political life"), the use of super-majorities to "pass economic legislation," and the "restriction of the franchise to property owners, educated classes, employed persons, or some such group" (66). Stigler much doubted whether a "narrow electorate would engage in less income redistribution through the state." Ultimately, Stigler told his MPS audience that "It is not congenial to us to contemplate departures from simple majoritarian political systems" (66).

Although a wide-ranging and unanimously adopted set of in-period choosing devices would minimize the total interdependence costs of collective choice per se (Buchanan 1960, Buchanan and Tullock 1962), Buchanan provided his predominantly Chilean MPS audience with an analytical defense of universal suffrage (in-period "political equality") and constitutionally-limited *majority* rule (Fig. 1). Consequently, we conjecture that Buchanan primarily provided his 1981 MPS audience with a defense of constitutionally-limited majority rule because he was amply aware that a significant number of MPS colleagues were much taken by Pinochet's capitalist fascism. In particular, Section 5 of Buchanan's paper was targeted at MPS colleagues (e.g., Cáceres and Ibáñez) who viewed universal suffrage and in-period majority rule as substantively equivalent to 'unlimited' democracy (see, e.g., El Mercurio, July 10 1980). Indeed, much evidence to support our conjecture is provided by the analysis of in-period majority rule which Buchanan subsequently provided for a predominantly North American and European MPS audience in 1984. As Buchanan explained to his audience, "Majority rule may well emerge from the constitutional contract. But it does so as only one among several plausibly acceptable decision rules, any one of which might have equal legitimacy [i.e., legitimate because they are unanimously adopted] … For some type of decision, majority rule may well prove efficient … *for still other types of decision, the assignment to a designated agent may be preferred to majoritarian procedures*" (1984: 5, emphasis added).[21]

Although Buchanan's analysis is congruent with the basic tenor of Fig. 2, Buchanan provided his 1984 MPS audience with a steadfast defense of political equality. As Buchanan himself explained, the "critical requirement in any individualistic-contractarian perspective is that all persons possess *ex-ante* political equality, that access to the political process that produces legislation be open to all. This requirement is satisfied if the franchise is open" (5). In particular, ex-ante political equality "embodies the 'democracy' that is necessary for any society that guarantees individual liberty. And it rules out any scheme of governance that delegates decision authority to an hereditary monarchy, a family-defined aristocracy … [or] self-cooptive committee or an elite" (5–6). Indeed, Buchanan appears to have had the Pinochet regime in mind when he provided a characteristically sharp late 1980s admonition to defenders of discretionary monetary policy. As Buchanan noted, "There exists no monetary constitution, as such, in the United States. What does exists is an institutionally established authority charged with an ill-defined responsibility to 'do good' as determined by its own evaluation. We would have no difficulty in classifying an analogously directed military junta in a Latin American setting as nonconstitutional … [i.e.] it operates in accordance with no predictable rules of behavior. Viewed in this perspective, it becomes difficult, if

[21] Buchanan told his 1984 audience that his "individualistic and contractarian" model of politics did not necessarily "yield direct implications" about the in-period use of "'democracy' in the everyday meaning [i.e., in-period majority rule] of this term" (1984: 2). As Buchanan similarly told another MPS-friendly audience in mid-1984, "decisions as to how … [public] goods are to be provided may be assigned to the state. The question at issue here involves the possible role for *democratic procedures* in the making of such [in-period] decisions. Will individual contractors necessarily adopt *majority rule* for those political choices that may be confronted within the allowable ranges of state action?" (1986: 243, emphasis added).

not impossible, to mount intellectually respectable defenses for continuation of the monetary institutions that are in being." (1989: 295).[22]

4 Samuelson's analysis of capitalist fascism?

As noted above, Buchanan publicly chided a number of MPS colleagues who had effusively praised Pinochet's dictatorship in an earlier session.[23] Similarly, Section 5 of Buchanan's 1981 paper provided his audience with a relatively brief analysis of Paul Samuelson's early 1980s analysis of "imposed capitalism" (1981: 44). Indeed, Buchanan suggested that the manifestly undemocratic way in which Chile had adopted the much-vaunted 1980 Constitution was inherently "fascistic in tendency" (Buchanan 1981: 13).

Buchanan told his audience that a "somewhat different way of stating the argument here [Section 5 of his paper] is to emphasize that placing limits on the range of governmental powers and/or activities is wholly distinct, actually and conceptually, from placing limits on the exercise of democracy within a defined range." Consequently, "For any *given* institutional means of making collective decisions (majority or plurality voting rules, rule by a restricted committee, junta, or elite) there are alternative allowable limits (ranging from highly restricted to totally unconstrained), on the exercise of governmental-political powers." Similarly, "For any *given* allowable range of governmental-political powers, there are alternative institutional means of reaching collective decisions" (12).

As noted above, a number of Buchanan's MPS audience readily agreed with Hayek's late 1970s and early 1980s analysis of 'unlimited' democracy and defense of Pinochet's regime. Indeed, Hoy magazine reported that Pedro Ibáñez had candidly told the MPS that he wondered whether Salvador Allende's eventual ascension to the Presidency was "'despite – or because of? – our 150 years of democratic tradition'" (25 November 1981: 26).[24] As Buchanan explained to his audience, however, the "central point" of Section 5 of his paper was "elementary, but it has been the source of major intellectual confusion." For instance, there was "widespread acceptance of the notion that any reform effort aimed at imposing new constitutional limits on the range of

[22] Although Pinochet had been unexpectedly defeated in a late 1988 plebiscite and Chile would subsequently make the transition back to democracy, Buchanan would have been well aware that his reference to a military junta would immediately cause his readers to think of Pinochet. Buchanan's assessment of "nonconstitutional" and unlimited military rule is squarely congruent with the analytical tenor of his 1981 and 1984 MPS papers. We thank an anonymous referee for drawing the importance of the timing of Buchanan's 1989 paper to our attention.

[23] Buchanan gave his MPS paper on November 19 1981 (the final session of the MPS meeting).

[24] Although Fischer argues that some MPS members viewed Buchanan's paper "as a critique of the host country's recent history" (2009: 324–325), the ultimate downfall of Chilean democracy was far more attributable to the heavy polarization of the early 1970s than to the supposed logic of 'unlimited' democracy. Levy's (1989) analysis of the consequences of a heavily polarized bimodal distribution of political preferences is of particular relevance. As Radomiro Tomic – evaluating the likely consequences of the breakdown of the August 1973 negotiations between Allende's Unidad Popular (the coalition which supported Allende) and the Confederation of Democracy (the anti-Allende coalition that was squarely in control of Chile's bicameral legislature) – presciently told General Prats, "'everybody knows what will happen, everybody says they do not wish it to happen, and everybody does exactly what is necessary to bring about the disaster'" (see Collier and Sater 2004: 330).

governmental powers must, at the same time, limit 'democracy' in the reaching of collective decisions." (12).

Accordingly, Buchanan immediately invoked Paul Samuelson's invitation to "'ruminate about Proposition 19 [Samuelson meant 13] and Proposition 2½. If democracy cannot be trusted, write once and forever into the constitution that capitalism must be the law of the land. Don't think this scenario can end with the comforting words, 'And they lived happily ever afterwards.' I could write a book, a long book, on the evils and instabilities of fascism'" (Samuelson quoted in Buchanan 1981: 12–13).

There is no evidence to suggest that the bulk of Buchanan's MPS audience had any real familiarity with Samuelson's late 1970s and early 1980s "theory of capitalistic fascism" (1981: 44), but Buchanan appears to have initially acquainted himself with Samuelson's analysis shortly before he drafted his MPS paper in late July 1981.[25] Although Samuelson argued that "If the 'Chicago Boys' and admirals of Chile had not existed, we should have to invent them as an archetypical case," Buchanan took umbrage at the way in which Samuelson had immediately invoked Proposition 13 and Proposition 2½ when he suggested that "To begin to appreciate this new theory you don't have to go below the equator" (1981: 44). As Buchanan explained, "Proposition 13 and Proposition 2½ … were constitutional amendments in California and Massachusetts, *approved through fully democratic referenda*, that placed limits on the powers of legislative majorities in those states to impose taxes" (emphasis added). Accordingly, Samuelson's analysis of capitalist fascism appeared to imply that any "constitutional limit" on the "powers of legislative majorities" was "*fascistic in tendency*, *regardless of the procedures through which such limits might be chosen*" (emphasis added). Ultimately, Samuelson's late 1970s and early 1980s "position fails to recognize the essential distinction stated in this Part [Section 5] of my paper … the categorical difference between *rules* within which activity is allowed to take place and [in-period] *activity within rules*" (1981: 13). As Buchanan subsequently told a mid-1980s MPS audience, however, "There is no contractually-derivable justification … for basic structural rules of governance that cannot meet the consensus test" (1984: 6).

5 Whither the 'Devil's fix'?

Buchanan never viewed constitutional rules as the de facto self-enforcing equivalent of an imaginary "robot enforcer" who would "strictly limit its own activities to the enforcement of existing law" (1973: 4). Consequently, it was necessary to ask who would "impose limits on the enforcer? How is Leviathan to be chained? ... [This is] the critical question of our time" (4). Indeed, Buchanan similarly urged his 1981 audience to turn their analytical attention away from the imagined pathologies of "totally unconstrained majority rule" (1981: 1) and to instead pay attention to the way in which unanimously agreed-upon constitutional "limits" might be made "effective in the mindset of the late 20th century." (2). In particular, it was necessary to pay serious attention to the "potential enforceability of any constitutional constraints that are laid down," and Buchanan argued that the "extent to which citizens share what I have called 'the

[25] Buchanan wrote his MPS paper – "a paper on the topic assigned in the title" (1981: 1) – over a three-day period in late July 1981 (Draft MPS Paper, BHA).

constitutional attitude'" provided a vital "element in making any set of limits effective" (1981: 19).

According to Fischer, Buchanan's 1981 MPS paper provided an analytical justification for Pinochet's regime but Buchanan apparently did not dare to "openly endorse authoritarian rule" (2009: 325). By contrast, a number of "MPS members" (e.g., the "Chilean government official Carlos Cáceres") gladly provided a far "more straightforward case for authoritarian rule at the Viña del Mar meeting" (325). Unfortunately, Fischer's narrative ignores the way in which Buchanan publicly upbraided various MPS colleagues who saw merit in "imposed capitalism" (Samuelson 1981: 44). For instance, Buchanan was particularly critical of Wolfgang Frickhoffer's "Introduction of Market Economies: The German Model, Compared with the Chilean Model" (Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives). Frickhoffer saw many parallels between Pinochet's Chile and General Clay's "authoritarian regime" in late 1940s Germany.[26] In particular, Pinochet and Clay both "introduced a decentralized system, a free economy with decentralized initiative … The Chilean generals gave away power and permitted pluralism" (6). As Frickhoffer candidly told his MPS audience, however, his defense of military rule was "not a new discovery … the old Rome before Christ knew the institution of the temporary dictator ... [and] Napoleon – certainly a dictator – realized ... [a necessary] administrative reform" (9).

Frickhoffer's fellow-panelists were Carlos Cáceres and Rose Friedman. Cáceres was highly effusive in his praise for Pinochet's Junta and similarly invoked the specter of the 'unlimited' democracy of the Allende years when he warned his audience that any reintroduction of "an unlimited democratic regime, sooner or later, and perhaps sooner rather than later, would lead again to demagogy and moral decay. The aim is then to establish a regime which, based on the essential rights emanating from human nature, makes the State an institution whose primary function is the custody of the common good" (Cáceres 1982: 81). By contrast, Rose Friedman did not criticize democracy in her paper ('Can China Square the Circle?') and explicitly noted that Chile was one of a number of countries which had a "relatively free private enterprise" economy but did not have a "politically free society" (Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives).[27]

Importantly, El Mercurio subsequently reported that Buchanan was particularly annoyed by Frickhoffer's unabashed defense of dictatorship. Indeed, Buchanan had

[26] General Lucius D. Clay was the High Commissioner (1947–1949) of the American occupied zone in postwar Germany. Clay had reportedly provided Ludwig Erhard with a relatively "free hand" to introduce his famous economic reforms in 1948 (Frickhoffer, Introduction of Market Economies: The German Model, Compared with the Chilean Model: 4). Frickhoffer initially told his audience that the analysis in his paper "takes me close to the final subject of this congress which is concerned with limited or unlimited democracy" (1). In particular, Frickhoffer was unwilling to "close" his eyes to the "fact" that significant and "far-reaching" economic and social reforms could not be easily adopted by a "normal parliamentary system" (1). For instance, Erhard had reportedly told Frickhoffer that Germany's late 1940s economic reforms would never have been adopted if they had to make their way through the "normal" and cumbersome democratic procedures of "our German Bundestag" (4). Pedro Ibáñez was much gratified by Frickhoffer's acceptance of an invitation to speak in Viña Del Mar (Ibáñez to Chiaki Nishiyama December 2: 1980, Mont Pèlerin Society records, Box no. 24, Hoover Institution Archives).

[27] Although the Chilean journal *Estudios Públicos* 6 (1982) subsequently published a number of papers from the MPS meeting (e.g., the papers by Cáceres and Frickhoffer) it did not publish Rose Friedman's 1981 MPS paper.

passionately spoken about "'the moral obligation that we have as people who love freedom to look for ways of improving democracy without falling into the naive belief that dictatorships are the only or the best way of establishing a free economy'" (Buchanan quoted in El Mercurio, November 22 1981: D4). Similarly, El Mercurio reported that the MPS had "heatedly debated" the topic of "democracy, its virtues and defects and the different forms that it can take." For instance, several MPS members had argued that democracy would "inevitably lead to the tyranny of the masses over the individual." By contrast, a number of other members (e.g., Milton Friedman) had joined Buchanan in defending democracy and had argued that "without political freedom … the achievements of a market economy in widening the sphere of mankind's freedom are ephemeral and vulnerable to the whims of the authorities." Ultimately, El Mercurio explained that "freedom" was "not synonymous with democracy, although, in theory and practice, freedom and democracy are inescapably linked" (D4).

John Chamberlain (1982) reported a similarly evident cleavage between the Chilean and Latin American MPS members who welcomed Pinochet's dictatorial rule and the "Northern Hemisphere speakers … [who] still pinned their faith on limited, or 'proper,' political democracy," and could not readily "bring themselves to give unqualified endorsement to their southern colleagues' acceptance of the dictatorship of a military man, *enlightened though he might be*" (1982: 358, emphasis added). Indeed, Chamberlain rather bemoaned the way in which a number of European and North American MPS speakers had delivered papers which had "London, Washington, Paris, and Bonn audiences in view" (359). For example, Chamberlain – understanding the significance of Buchanan's spirited MPS defense of political equality – reported that Buchanan's paper "presupposed a pluralistic attack on problems." Consequently, Buchanan simply "could not possibly recognize the 'either-or' implications of the Chilean experience as pertaining to his own country" (359).[28]

Although Lehmann (1990) charges that Buchanan views democracy as an "enemy of freedom" (79), and Offer and Söderberg (2016) similarly argue that Buchanan was particularly "hostile to democracy" (274), Buchanan had long disavowed the idea that any "improvement in the lot of modern man" could be attained by the "imposition of new rules by some men on other men" (1975: 169). For one thing, any "Nonconstitutional revolution" – e.g., Pinochet's "imposed capitalism" (Samuelson 1981: 44) – would immediately invite "counterrevolution … [and] a continuing zero- or negative-sum power sequence" (Buchanan 1975: 169).

Ultimately, Buchanan's 1981 MPS paper captures many of the core aspects of his contractarian-democrat social philosophy and political economy. In particular, Buchanan repeatedly argued that any immediate "shift" from "diagnostic evaluation to action independently of agreement involves a leap beyond contractarian limits. Diagnoses based on hypothetical contract can be useful in making initial evaluations of existing institutions … But hypothetical contract provides no justification for the imposition of change nonvoluntarily … hypothetical contract has no advantage over the more familiar transcendental norms – economic efficiency … truth, [or] God's will."

[28] Chamberlain praised the way in which dictatorship assured that the Chilean Chicago Boys could easily disdain the "compromises that have been forced on Britain's Margaret Thatcher and that now threaten the supply-side revolution of Ronald Reagan" (1982: 356).

Accordingly, Buchanan noted that "in the absence of general agreement or consensus the contractarian has no more license to impose his preferred changes than has any other 'reformer'" (1977: 139–140). Brennan and Buchanan (2000) similarly reject the 'Devil's Fix' and place heavy weight on the necessity for a genuinely "noncoercive and voluntary resolution of the generalized social dilemma [e.g., the fiscal commons] that seems to describe modern politics" (150). As they explain, "nondemocratic revolutions, constitutional or otherwise … are always possible, even in countries that have long been accustomed to democratic procedures of governance [e.g., Chile] … [where] a military *junta*, a single party leadership, a ruling committee, an elitist establishment – seizes power and imposes its will on all persons outside the dominating group … [but] to model constitutional-institutional reform in this fashion … [is] to play at being God" (150). Indeed, any "Contractual agreement among a subset of persons, with terms to be imposed on others, would negate the legitimacy of the whole construction." (2000: 32).[29]

6 Conclusion

The 1981 MPS meeting in Chile has attracted much negative commentary but the MPS was not the only organization to invite Buchanan to participate in an early 1980s conference in Chile. For instance, Carlos Martinez Sotomayer (UNICEF's Regional Director for the Americas) and Jorge Mendez Munevar (Director of the Latin American Economic and Social Planning Institute) invited Buchanan to visit Santiago and participate in a mid-April 1982 Symposium on Social Policies in Latin America and the Caribbean. Although they wrote that it was "an honor" to be able to invite Buchanan to speak on "'The Most Important Controversies Concerning Social Policies'" (December 14 1981: BHA), Buchanan was unable to visit Chile in 1982. As he himself explained in an early 1982 letter, "I appreciate this invitation, and I should seriously consider it were it not for the fact … [that I already have a] commitment to give a series of lectures in Oxford University … at precisely those dates" (Buchanan to Munevar, January 18, 1982: BHA).

In 2004, a US Senate subcommittee revealed that Pinochet had a large number of secret US bank accounts (the tip of a very large iceberg). Indeed, the subcommittee's revelation (see Huneeus 2007: 458–459) did much to delegitimize Pinochet in the eyes of many of his staunchest supporters: Pinochet had previously been viewed as an "honest authoritarian ruler ... [now he was placed] in the same category as the rest of Latin America's [venal] dictators" (Huneeus 2007: 457). We doubt whether Buchanan would have been surprised (see, e.g., Buchanan 1977: 50). Indeed, Buchanan told his late 1981 Viña Del Mar audience that the scholar wearing "public choice eyeglasses … sees things as they are when actors are modeled as human beings and not as angels" (1981: 18). As Buchanan had himself revealingly noted in 1977: "Persons who could not, at a time of contract, predict their own positions would never agree to grant

[29] Meadowcroft and Ruger (2014) provide a valuable analysis of the important contrast between the way in which Buchanan, Friedman, and Hayek evaluate democracy and Pinochet's dictatorship.

unrestricted political authority to any group, whether it be a duly elected majority of a parliament, a judicial elite, or a military junta" (1977: 16).[30]

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[30] Any adequate discussion of the Chilean Constitution of 1980 is far beyond our scope here. Nevertheless, the "permanent body of the text structured a 'self-protected democracy' … [but the accompanying] twenty-nine transitory dispositions … reinstated the status quo of dictatorship" (Barros 2005: 169).

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