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the market as a "discovery process" will likely yield further insights, and perhaps especially as the role of entrepreneurship [Kizner, 1973] is more fully incorporated into models of economic interaction. The property-rights/public-choice emphasis on comparative incentive structures in differing organizational forms will surely be developed beyond its current limits. The relationship between the radical subjectivism of Shackleton [1972] and the modern theories in the physical sciences of self-organization outside of equilibrium warrants further inquiry [Buchanan and Vanberg, 1991].

I want here, however, to point out a quite different set of developments that will surely assume increasing importance. Recall Adam Smith's central theorem to the effect that the division of labor, upon which economic progress depends, is limited by the extent of the market. Economists, generally, have been able to neglect this central theorem of Smith, because they have been satisfied to remain behind the assumptions of their models in which the extent of the market is exogenously fixed. If the assumed fixity of preferences, resources and technology is dropped, the extent of the market, and hence the potential for exploiting specialization, comes within the choice set of participants in the economy.

The relationship between generalized increasing returns and economic progress, sensed by Adam Smith and Alfred Marshall, and articulated informally by Allen Young in a seminal, but widely misunderstood, 1929 paper, will dominate many research programs, and in many applications and extensions [Kaldor, 1985]. Already by 1991, there are developments to be noted in theories of endogenous growth, associated particularly with the work of Paul M. Romer [1987; 1989] and new theories of international trade [Eichner, 1982]. In my own work over the period 1987-90 [Buchanan, 1991a; 1991b; forthcoming], I have stressed the importance of the work ethic, the economic relevance of which depends on the presence of generalized increasing returns. Quite clearly, comparable extensions could be made to the ethic of saving. More controversial, but in some respects much more interestingly, Adam Smith's classical distinction between productive and nonproductive labor deserves reinterpretation and reexamination in the light of the modern revival of the increasing returns analysis.

The welfare economics of the middle decades of this century, sometimes called "theoretical welfare economics," was developed within the collectivist-socialist mindset, and its central thrust involved the identification of market failure, defined against the idealized allocative efficiency of static equilibrium along with the normative precept that such failure provided a prima facie case for political correction. The post-socialist welfare economics, most of which remains to be developed, will emerge in a mindset that examines markets in nonequilibrium settings and that accepts the incentive incompatibilities always present in politicized alternatives. This post-socialist welfare economics will necessarily incorporate the interdependence between dynamic market performance and the institutions (property rights, legal structures, constitutional rules) within which persons economically interact. The "new institutional economics" that has emerged in the 1970s and 1980s already has done much to fill in the gaps here. But the post-socialist welfare economics also must incorporate the interdependence between dynamic market performance and the ethical norms that constrain the behavior of the economy's participants. This part of the research program scarcely has been commenced. An "economic theory of ethics" must emerge to take its place alongside the "economic theory of law" and the "economic theory of politics."