

Not like this!

When we **urged** the rebuilding of New Orleans, **we didn't mean this!** A hideous plan to pour 250 billion dollars of Federal tax money – over \$50,000 per citizen of Louisiana – down a bottomless pit. We were urging a spontaneous act of defiance of nature and an affirmation of human creativity. This would be the opposite: an orgy of misappropriation and misuse of the creativity of others.

Update: Here are some remarkable phenomena under way in Biloxi, Mississippi, driven by the free market and human creativity. Opportunities are being exploited and structural changes in land use are under way, such as poor people moving away from waterfront areas and rich people replacing them. There are, no doubt, many reasons for the sharp *increase* in many property prices since the hurricane, and not all of them are good. But many are, and overall the picture seems to be that those in the best position to know believe that the city will not only recover, but be considerably more valuable in the future than it was in the past.

Tue, 09/27/2005 - 20:14 | [digg](#) | [del.icio.us](#) | [permalink](#)

You should have been clearer.

You should have been clearer. Now look what you've gotten us into.

by **R** on Tue, 09/27/2005 - 22:46 | [reply](#)

Oh

but that's the American way.

by a reader on Tue, 09/27/2005 - 22:49 | [reply](#)

You Should Have Known Better

It's one thing to urge people to be strong, and to pursue great things. But, it's quite another to encourage those who view these things as the province of governments who measure national greatness by how much of other people's money they commit to projects.

If you meant limited governmental response and great private

responses, you should have said so. I know you are somewhat libertarian, but I take your messages like the prior one, and the encouragement of space exploration (for example) as appeals to use the government to provide more of these "public goods".

It never turns out as nicely as it sounds in speeches.

Gil

by **Gil** on Wed, 09/28/2005 - 05:42 | [reply](#)

Is libertarianism

only about declaring ideals not necessarily being practical?

My impression is that libertarians always talk about right/wrong things to do in terms of coercion, personal freedom rather than working/not working things in a real society.

And when something doesn't work in reality - they wash their hands. For instance environmental concern cannot be entrusted to individuals and environment is, by definition our common limited irreversible resource, then libertarians just deny existence of such problem. Simply because environmental efforts cannot possibly be fitted into libertarianism. And this is where they loose connection with reality as it is. They say that rivers and forests should all be made private and then their owner would care about pollution. But in reality, whether we like it or not, shrinking rainforests are not private and neither USA nor UK have any control over their property status. And we cannot even see how soon they are going to become private. Perhaps even never.

But libertarians can keep denying that less oxygen is produced and more carbon dioxide is emitted. They resort to statistical and political tricks, to pointless discussions about what counted and how often and in what way we should look at the figures. I have no idea whether global warming is hapenning or not, but if it is - libertarian model has nothing to offer here at all simply because environmental concern doesn't fit into its idealistic model.

The best way to allocate limited resources is not to entrust everything to private property and to markets but to arrange pluralistic usage of it. If private property acts toward competition - it works, if it acts against pluralism (in case of monopoly) - it doesn't work.

The problem is not whether to pay taxes or not, whether to spend public money on re-building or not. The question is how to set up a proper truly pluralistic system of public money usage.

by **Yuryr** on Wed, 09/28/2005 - 11:32 | [reply](#)

"Somewhat" libertarian? Is t

"Somewhat" libertarian? Is this implicitly saying they are less pure libertarians (and so am I?) than you are?

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 09/28/2005 - 16:36 | [reply](#)

Somewhat

As the **Our Politics** section in the sidebar says: 'we have a lot in common with Libertarians ... except'

by **Editor** on Wed, 09/28/2005 - 16:50 | [reply](#)

The except clause begins: "Ex

The except clause begins: "Except that we are not barking mad" (and continues along similar lines)

Do people really believe being barking mad *increases* libertarian purity?

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 09/28/2005 - 17:18 | [reply](#)

No

The "barking mad" items were along the lines of opposing all military actions, or pushing the button to immediately invoke anarchy.

That's irrelevant to what I was talking about.

I think advocating large increases in government non-defense spending goes against a much more conventional libertarian position that **The World** generally seems to endorse.

Gil

by **Gil** on Wed, 09/28/2005 - 22:30 | [reply](#)

Gil, My comments about 'ba

Gil,

My comments about 'barking mad' were because the Editor seemed to concede he was not fully libertarian based on the stuff he linked. I think we can both agree *those* positions do not make the World less libertarian.

As for what you were talking about, I take that as: "yes, I was questioning the libertarian purity of **The World**". Glad to get that straightened out.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 09/28/2005 - 23:57 | [reply](#)

Mostly Private

"limited government response and great private response..."

Given the World's previous comments, I interpreted the previous article on the rebuilding of New Orleans to mean that government should be somewhat involved, but not that public money should be thrown away, as appears to be happening.

The existence of the City of New Orleans as a whole, benefits most Americans, given its unique cultural and historical significance. Probably most of us would be willing to donate money to its reconstruction, and likely have. But one person's donation benefits, to a small extent, another person because the non-donor gets the pleasure of seeing the city restored without having to pay for it. These "positive externalities" from charitable giving will tend to lead to inappropriately small voluntary contributions towards reconstruction of a site of national importance, after a natural disaster.

Spending a little government money is therefore appropriate, even if the money is obtained by taxation. Not all government programs are equally awful. But the rebuilding effort does seem to be headed in the wrong direction, whether one is a libertarian or not.

And public officials in New Orleans and Louisiana are not known for being frugal.

by Michael Golding on Thu, 09/29/2005 - 01:19 | [reply](#)

Purity

I guess my problem is with what seems to be an attempt to dismiss a criticism of what is completely unlibertarian by characterizing it as a complaint of a lack of libertarian purity.

It has nothing to do with purity. Endorsing a massive federal program to rebuild the area is not even a little libertarian. There isn't even an emanation of a penumbra of libertarianism in that position.

Fortunately, **The World** seems to recognize what a disaster such a project would be.

Gil

by **Gil** on Thu, 09/29/2005 - 02:57 | [reply](#)

Therefore Appropriate

Michael Golding,

I'll grant that there are cases where there are "underfunded" public goods such that economic efficiency would be enhanced with respect to those projects by government funding.

However, I do not grant that it's clear that rebuilding New Orleans

in any particular way constitutes such a case, nor that even when we find such a case it's obvious that government funding is "therefore appropriate."

When you take people's money you take away some of their choices and autonomy. These projects, collectively, will prevent some people from buying a house, or a business, or training for a new career, or investing in their health, or saving better for their future, or taking a dream vacation, etc. Our models may say that these things have less economic value, but I think we should be very careful about ignoring the moral component when we decide what's best for everyone.

And, in addition to the inevitable waste and fraud of government projects, there are the many unintended, often unseen, negative consequences of interfering with people's private choices. For example, the expectation of free federal disaster insurance will encourage people to behave less responsibly, and it will discourage others from helping them with private resources.

In general, I think that it's better to rely on our ability to persuade others that projects are worthwhile, and on their ability to recognize and act on these truths, than on political decisions (with their perverse incentives) to decide how our life's work should be spent. I think that this disaster is a fine example that these private contributions often greatly exceed the predictions of our economic models.

There may be some theoretically worthy projects that will go undone, but I prefer that greatly over proceeding in a cycle of escalating, suffocating, collectivism.

Gil

by **Gil** on Thu, 09/29/2005 - 04:28 | [reply](#)

My view is: The World's *act

My view is: **The World's** *actual* position is (an interpretation of) libertarian(ism). This does not surprise me at all. You seem too eager to declare them unlibertarian, when I think you ought to know them better than that.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Thu, 09/29/2005 - 05:05 | [reply](#)

Private Contributions Not Enough

"I'll grant that there are cases where there are underfunded public goods such that economic efficiency would be enhanced with respect to those projects by government funding."

"I think this disaster is a fine example that these private

contributions often greatly exceed the predictions of our economic models."

Gil

Private contributions alone, without some government expenditure on infrastructure, would be woefully inadequate, and New Orleans would not be rebuilt. That would be a shame.

Polls suggest that most Americans do want the non-flood-prone areas to be rebuilt, probably suggesting that most people would be willing to vote to contribute if they knew that their neighbor was contributing as well, provided that the government exercised a modicum of fiscal responsibility. Given that there is political support for government intervention and given that there is theoretical justification for some government investment, particularly in infrastructure; some areas of New Orleans should be rebuilt. But the primary source of funding should be individual private investors.

I truly doubt, however, that most Americans would support spending 250 billion (!) dollars on rebuilding, including 8 million for alligator farms.

That is a shame.

Michael Golding

by a reader on Fri, 09/30/2005 - 01:56 | [reply](#)

That Is A Shame

Well, that is exactly the nature of government projects. They always waste some people's money and buy the political/financial support of others. Either you think it's "appropriate" or you think it's "a shame". I don't see how you can view it as both. You can pretend that if only the right people were involved, then everything would be rosy; but pretending is all you'd be doing.

And, I strongly disagree with the implication that political support, and a plausible argument that a state interest exists, automatically justifies state action.

Democracy is the least-bad way to organize limited, coercive political power. It's not a magic ingredient that turns moral crimes into civic virtue.

In many areas of the U.S. there would be political support for outlawing homosexual activity. There are also arguments that can be made that there is a state interest in enforcing such restrictions (public health, local standards of decency, etc.) This only goes to show that there are many areas of life that should be beyond the reach of political institutions (with or without public support).

Gang rape isn't justified because the majority of participants favor it. Likewise for grand theft.

Gil

by Gil on Fri, 09/30/2005 - 05:57 | [reply](#)

Who is More Coercive?

"Either you think it's appropriate (to spend public money on rebuilding New Orleans) or you think it's a shame"

Gil

This perspective is a little too "black and white" for me, Gil. It is possible to favor some government spending without favoring spending \$250 billion. And the government has occasionally implemented a few projects that cost less than 250 billion dollars, so government spending less than this amount is certainly possible (Right?).

"Democracy is the least bad way to organize limited coercive power"

Gil

Perhaps I did not make myself clear. When a majority votes for government provision of a public good, if one prohibits the majority from realizing its wishes, this is coercive, as well.

For example, virtually all of us vote for defense spending because the cost of excluding someone who won't pay for the benefits of defense is prohibitively expensive. It would be quite costly to design defensive systems that direct incoming attacking missiles only to the homes of those who did not voluntarily support the military!

The point is not that "democracy rule" is ideal (it isn't, as many as 49% can be coerced in a vote), but rather that economic efficiency, supported by a vote of the majority *decreases* coercion, as well. Though some are coerced by taxation into paying for defense when they presumably never believe we will be attacked; failure to tax, coerces *the majority* into accepting an inadequately prepared military.

It is not logical to say that the majority should simply voluntarily contribute. What marginal benefit, in protecting myself, do I receive by voluntarily contributing an extra dollar to the military? Essentially none. The military is equally powerful whether I contribute an extra dollar or not. Unfortunately the situation is symmetrical for everyone in society, so the military will be inefficiently underfunded without government intervention to coordinate collections. Therefore, taxation to improve the military of a free nation, *decreases coercion* for the majority who favor it, just as it increases coercion for the minority who don't. This is a classic economic problem when transaction costs are high in the production, measurement, and distribution of a good.

Similarly with New Orleans, we can not exclude those who fail to pay for its reconstruction, from enjoying the benefits of the city. And despite its problems, on display for the whole world after the hurricane; its history, unique charm, wonderful Jazz, extraordinary cuisine and even Bourbon street, are valuable assets to most

Americans; as would likely be expressed in their democratic

preferences given polling data.

But what marginal benefit does an individual citizen receive in contributing an extra dollar to the reconstruction of New Orleans? Essentially none. New Orleans will have the same infrastructure whether I contribute an extra dollar or not, and the situation is symmetrical for all Americans, so infrastructure in New Orleans will not be adequately funded given the incentives of individuals, even if many are quite generous.

But the majority of Americans may very well be interested in contributing 100 dollars to rebuild New Orleans, in the form of new taxes, because they know that the combined total of everyone's contribution, coordinated by taxation, will begin to rebuild the city. This commitment to progress then encourages private investment, which often follows infrastructure reconstruction. Failure to allow citizens in the majority to coordinate their economic efforts via a government action for which they are willing to pay, is coercive (and wrong) as well.

But there is surely a difference between government spending 250 billion dollars and 25 billion dollars. And yes, it would be better if most of the work were contracted out by government agencies to private firms using fair bidding practices. And yes, there is bound to be waste and fraud, in any government project.

But reconstructing New Orleans, sends a signal to ourselves and to the world, that we will not back down in the face of natural disaster. In not succumbing to nature's wrath, we also force ourselves to learn from tragedy, yet still overcome it, and this is ennobling for our country.

Michael Golding

by a reader on Fri, 09/30/2005 - 23:37 | [reply](#)

Reality TV

Evolution. Donald Trump and Martha Stewart jointly recruit apprentices to rebuild New Orleans. What a combination! What a concept! Everybody wins.

Too bad we have to wait until next season.

by a reader on Sat, 10/01/2005 - 02:20 | [reply](#)

Coercion

Michael Golding wrote:

Failure to allow citizens in the majority to coordinate their economic efforts via a government action for which they are willing to pay, is coercive (and wrong) as well.

This is nonsense.

No coercion is necessary for willing contributors to coordinate their

economic activities, and nobody is interested in coercing them out of such activities. They can even set up a fund such that the activity is only triggered (and their contributions committed) when enough money has been contributed to pursue the project. If they insist on doing this extremely inefficiently, I suspect that the government would be willing to perform this voluntarily-supported project.

No, these people you speak of don't want the government to perform this because the government is so good at this work. They want the government to do it *so that they can coerce unwilling people to contribute*.

To accuse those who merely want to avoid this coercion of the crime they are threatened with is a gross moral inversion.

Gil

by **Gil** on Sat, 10/01/2005 - 18:53 | [reply](#)

No coercion is necessary for willing contributors to coordinate

This is to assume that so-called 'public good problems' (or problems of externalities, or free rider problems), or at least versions of them that can apparently be solved by government but not by contracts and other voluntary cooperation, are an artefact of idealised ways of describing an economy and never arise in real life. That is what I happen to believe too, but it is surely not obvious.

by **David Deutsch** on Sat, 10/01/2005 - 19:41 | [reply](#)

Failure to allow citizens in

Failure to allow citizens in the majority to coordinate their economic efforts via a government action for which they are willing to pay, is coercive (and wrong) as well.

Not nonsense! But I think mistaken. Let me point out two things:

In what sense are the citizens in question "willing to pay" for the government action they favor? They don't take on a higher tax rate for it. Those unwilling to pay, pay just as much (per person)!

What, precisely, do you believe a government is? Why do they need a *government* to coordinate their aid? Us libertarians think the difference between a government and a private organisation is the government takes taxes, effectively at gunpoint, even from those who don't want to pay for something. We don't see how that is a necessary part of coordinating aid.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Sat, 10/01/2005 - 21:49 | [reply](#)

Theory L

"an artefact of idealised ways of describing an economy..."

How interesting. Unless I misunderstood, that quote fits very well what i would describe as the concept of Libertarianism. As a conceptual artefact it does not exist in real life. As a philosophical theory (Theory L) it does certainly exist but only in the minds of its theoretical practitioners.

Useful theory, yes; practical in direct action to effect hurricane repairs and revitalization of a city, no.

Government in public good, imperfect yes; practical in a messy way, yes, but it depends on the actual world responsiveness and involvement of people in the polis (market place of debate) as to whether the public good is actually served. Without some government, we are all members of some crazy economic tribe dealing in the mediums of yams, wild pigs, and real estate (otherwise known as the totally free market). Yelp loudly if you are bitten by the wild pigs. Catch as many as you can. Buy beachfront property with the proceeds.

I would rather that your wild pigs don't mess with mine. Debate your reasons in the polis as to how your wealth accumulation will also serve the public good, trade a few pigs feet to maintain your access to the common wealth that feeds us all. Call it Liberalism or Democratic Socialism if you wish but carry no illusions about either. Wild pigs exist and feed on the same land that drives markets. Call the land New Orleans, or Pittypat Parish. It makes no difference what you call it, but make sure it stays above water for all our sakes, and I will too. Wild pigs, and yams for that matter, don't do well at sea.

Debate your theories and share the wealth that serves the public good, willingly if you believe, or dragging your feet if you don't. That's practical government in a practical free market and you'll never do away with either in a free world. Theory L, or C or M never fed anyone. Neither did it starve us either. Well debated in the polis, however it might help us organize some ideas and dreams into reality. That's where the public good comes in. For the good of us all, keep your government (and mine) on a short leash, but keep it.

Long Live New Orleans, may it Rise.

by a reader on Sun, 10/02/2005 - 18:37 | [reply](#)

Market Economics

Market Economics assumes, at a minimum that everyone knows who owns what, and transaction costs are low (actually assumes much much more...but these assumptions will do for the point of this example). If everyone knows who owns what, then everyone trades for mutual benefit. This is "unanimous rule", an ideal situation, according to libertarians and most with a conservative

economic bent. I will, for the sake of argument, agree that

unanimous rule (pure market economics) is ideal (for now) since this is really the libertarian assumption. As doctors say, "Above all else, do no harm." Or, as the the philosophers say, "the principle of non-maleficence takes precedence over the principle of beneficence." And the Economists (used to say) Pareto Optimality.

Economists are a bit smarter than the philosophers and doctors, because they have actually tried to model these situations...lot's of messy details.

If people in the majority wish to gang-rape a woman, they can't, according to market economics, because the woman owns her own body (has a property right to her body) and she did not come up with an amount of money that she would like to receive in order to permit the gang rape to proceed(it likely would be close to infinite, if there were a chance of death.)

Note that the principle of unanimous rule would be violated if she were not paid what she wanted and the rape proceeded without her receiving anything. So raping violates libertarian (unanimous rule) principles, as well as a host of other principles!

In the real world, however, we do not know who owns many or even most goods. That's often (but not always) why we fight with each other and have governments! Property rights have not yet been defined.

We often don't know who owns what. But, if transaction costs are low or zero; we still can make progress in our thinking using unanimous rule (libertarian) principles.

Let's take the case of our national defense. We really don't know whether the country as a whole has or does not have, a right to "national defense". Property rights have not been assigned to this entity.

Assume transaction costs are zero. So, we can take an open vote, and we assume that everyone HONESTLY casts their ballot for or against national defense. I emphasize honestly, because there is a real world actual cost associated with the *search* for peoples honest position.

So we take an open and honest vote and 40% vote against national defense and 60% vote for it. The majority certainly could ask all the people who voted against it, how much would it cost to get you to change your vote? In other words, we could say, "How much does it really bother you to be taxed 'X' amount, and get national defense in return" (remember, we're going for unanimous rule).

The problem is that those in the minority have a strong incentive to lie (a transaction cost) so they would get much too much money in a vote bribing scheme, because they wouldn't reveal how much it actually bothers them to pay the tax. They would exaggerate. But remember, transaction costs are zero so in this hypothetical situation, people won't lie. Surely the most we would have to pay any of those opposed to being taxed for national defense, would be the cost of the proposed individual tax increase on everyone. But

for some, who somewhat oppose substantially increased defense spending, we could get them to change their vote for less. They are unwilling to pay the full amount of the tax, but they want some national defense. So if we pay them a portion of what their increase in taxes is, they will change their vote. So, a free market **could** handle national defense issues, if transaction costs were zero. In a frictionless world, we could create a unanimous rule, libertarian solution.

But wait! Why is it that the majority has to pay the minority to get them to change their vote? Isn't it just as logical to ask the minority to pay the majority to change their vote, to maintain unanimous (libertarian) rule. Perhaps societies OWN the right to national defense, so if the minority wants to compromise that, this minority should pay off the majority. As long as either side is completely bought off, unanimous rule is preserved, but libertarian unanimous rule principles don't tell us which side is correct. And as long as transaction cost is zero, libertarian principles are neutral in regards to who should pay whom.

Is this surprising? After all, we started with the assumption that we did not know who owns what. This is why libertarians always favor a "strong judiciary," so they can have determined for them "who owns what". But libertarian (market) principles are **neutral** with respect to the initial division of property rights, including a possible right to a national defense.

But how should judges (government) decide when groups of people disagree. Should the majority pay the minority, or should the minority pay the majority. Actually, quite a lot of work by free market, transaction cost economists, has gone into thinking about this issue.

Some say the questions involve morality. But others, for example the "Law and Economics people" answer the question based on efficiency.

Should we pay polluters not to pollute, or should polluters pay us for using the air? Well, it depends on who owns the air. In the real world, there are transaction costs associated with organizing markets to pay polluters not to pollute, and there are transaction costs associated with organizing markets for polluters to pay citizens for their pollution. And there are huge transaction costs associated with getting people to be honest and setting up markets...so huge in fact, that we use government taxation or regulation to deal with pollution, and not the free market, and we also produce ideology (for example, religion and culture to try to increase honesty)

The Law and Economics people (for example circuit Judge Posner and I think Nobel Laureate Douglas North) say that judges should make decisions about who owns disputed property based on who can utilize and exchange the property with the least transaction costs. Actually they believe that societies will naturally evolve in time to assign property rights to individuals who can transact with the property the most cheaply. So societies will evolve toward more

and more free exchange of goods and ideas (decreased friction in the economic system). According to Posner, it is a judges job, and the governments job in general, to help along the natural course of history. As far as I can tell, arranging initial ownership of property rights to goods to minimize cost of exchange, is as far as one can take free market economic ideas without also talking about "demand" curves and peoples "preferences".

Now, back to New Orleans. The majority of Americans (according to polls) favor its reconstruction. A minority do not. Who owns the joy of New Orleans, the wonderful Jazz that comes together in the city, the varied dining from a hundred different restaurants, the walk down Bourbon street with all of its sights and sounds (at least before I get married)...etc? Who owns the rights to all this conglomeration of different competing businesses, creating the unique ambience of the city?

Yes, it is one of those real world situations to which we don't know the answer. In other words, market economics is neutral about the question of who owns the ambience of the city (unless we invoke a transaction cost perspective). If the government were not involved, I would be willing to give say 100 dollars, but not for infrastructure, rather to help the needy. If, however, I know that the overwhelming majority of Americans are willing to give, say 300 dollars to rebuild the city, and that others in fact will actually give that money (say because they are taxed), I am now willing to give 300 dollars myself via taxation. Why am I willing to give more, now (just because others are taxed as I am taxed.)? Because if the vast majority of EVERYONE gives towards rebuilding New Orleans, the basic infrastructure of New Orleans will reappear, and millions of Americans, including me, may enjoy the city again. Giving to New Orleans is a "public good" because most Americans want it there as a whole(well, not quite *there*, but rebuilt somewhat away from the lowest parts of the area.)

The majority of us want to get together and are willing to pay for its partial reconstruction, provided we can guarantee that others (who also favor it) will pay, also.

How should a libertarian think about this? Let's assume transaction costs are zero, and let's assume 2/3rd's of Americans want to spend 300 dollars to reconstruct the city. Let's further assume a completed New Orleans has absolutely no value at all, to the other 1/3rd who vote against its reconstruction. If everyone is honest about his preferences (cost of ascertaining a persons true belief is zero) and the cost of market transactions are zero, then each of us in the majority, can use our government to combine our money (300 dollars a piece) confident that all others who actually favor this will pay this amount, too. So Gil and others like him pay nothing (and they are permanently excluded from New Orleans for life), but they pay no taxes. Unanimous rule.

But we can't do this, because the cost of people lying about their preferences is too high. The majority, who actually believes that the city should be constructed, should from a self-interested perspective, vote against the city, confident that each ones

marginal contribution will do nothing to change the total amount given. So most in the majority will defect to the minority, no money will be generated, and the city will not be built, despite the willingness of the majority to pool money and build the city. So noone votes for New Orleans. So the city does not get rebuilt.

Why can't people organize their own money? Because the transaction cost associated with 200 million people each contributing 300 dollars is too high. Why? Because of the cost of contracting, but primarily because each person would have an incentive to lie about whether he wants to give, just as each has an incentive to lie about how much he favors national defense in a purely voluntary system. Each contribution of his neighbor benefits the individual, without the individual having to pay for it. So no one pays for it, and we will get no New Orleans and no National Defense.

So sometimes we settle things by majority vote with enforced taxes on everyone, when it is too expensive to create markets for certain types of goods. If Gil wants to stop the majority from organizing its money this way via the government, he must admit that he is being coercive, because I am fully willing to admit that my position coerces him.

And it is still a different discussion whether Gil and his friends in the minority should be willing to pay the majority to stop building New Orleans (if such markets for this type of exchange could exist). Again, Libertarian (free-market) principles are **neutral** on this disagreement, as well, unless one adopts the Judge Posner point of view.

Like many "real-world" problems, libertarian unanimous rule principles are helpful in deciding what should be done in New Orleans, or at least understanding who the winners and losers are. But when markets break down, as I have illustrated with the problem of the reconstruction of New Orleans, it is likely that someone will be coerced and we can only hope that this coercion can be kept to a minimum. We are very far from an ideal world.

And Gil and I would certainly agree that the current use of government funds is egregious, but this certainly does not imply that government should not be involved in the reconstruction of New Orleans, at all.

Michael Golding

by Michael Golding on Mon, 10/03/2005 - 01:46 | [reply](#)

Re: Failure to allow citizens in

"What, precisely, do you believe a government is?"

If it's a good government it's an organization that takes as much resources as it needs from its citizens to help its citizens in ways that volunteerism currently won't help with well enough.

"Why do they need a **government** to coordinate their aid?"

See above.

"Us libertarians think the difference between a government and a private organisation is the government takes taxes, effectively at gunpoint, even from those who don't want to pay for something. We don't see how that is a necessary part of coordinating aid."

As people shouldn't want to murder, they should want to pay taxes, therefore taxes are only coercive for people who are in the wrong, because taxes are the best system so far to cover the shortfalls of volunteerism.

I'm all for a completely voluntary system as soon as someone thinks of one that will prevent too many people from starving, etc.

Bob

by a reader on Mon, 10/03/2005 - 04:56 | [reply](#)

Bob, If it's a good govern

Bob,

If it's a good government it's an organization that takes as much resources as it needs from its citizens to help its citizens in ways that volunteerism currently won't help with well enough.

So a good government takes as much as *it judges that it needs*, even when some citizens say that's too much. Correct?

And it does this *when it judges* that if it doesn't force something to happen, the thing won't happen. Correct?

And it will do this *when it judges* that the thing should happen, and is worth taking taxes for, even when some citizens say it isn't and don't want it. Correct?

And it will do all this even if it is unable to win arguments for its position against the best rival views (for example, mine. It never has to argue its position with me, or even try to, before taking my money). Correct?

In short, your position seems to be it's a good government *if it's right*. If it isn't mistaken. That position is a bit pointless. Everyone thinks they are correct.

-- Elliot Temple
<http://www.curi.us/>

by [Elliot Temple](#) on Tue, 10/04/2005 - 02:37 | [reply](#)

Public Goods

If I produce automobiles and pollute the air, and the citizens own the air, but I don't have to pay them even though I am polluting, then I will tend to inefficiently OVERPRODUCE cars, because I won't take into account the spillover cost of polluting the air. So we have

an argument for government coercion of polluters (for example taxing them) to prevent them from stealing property (the air).

On the other hand, if I administer a live vaccine that jumps from person to person and causes immunity in many, not just the patient who received the vaccine from me; in administering the live vaccine, people other than the recipient benefit, but don't have to pay. So I don't capture the full benefits of what I produce when I vaccinate. So I will tend to inefficiently UNDERPRODUCE vaccine because I don't take into account the spillover benefit of administering live vaccines to those who don't get the shot, but nonetheless become infected by a live virus vaccine, and so get immunity.

(By this argument, the descendants of Albert Einstein, and possibly David Deutsch and his friends, should be far more wealthy, according to free market principles, than Bill Gates. But the free rider argument [we all benefit from brilliant people but don't pay them] does possibly explain why we are willing to fund public universities. But it also explains why people don't think and learn as much as would be socially optimal)

I'm not paid by those who benefit from my work (giving live-vaccine shots) -- so I won't work hard enough, if I am a purely self-interested individual. Voluntary cooperation won't solve the problem because there is too much incentive for a given individual to "shirk". After all, if everyone gets vaccinated, it is likely the "free rider" will catch the vaccine virus, from everyone else. But this is everyone's reasoning! So few people get the shot. Voluntary cooperation won't work.

So there is an argument for citizens to (voluntarily) vote to have everyone "coerced" by the government to pay taxes, and then use the tax money to subsidize live vaccine administration to get me to work harder, to get the efficient amount of vaccine administered.

We voluntarily coerce ourselves by mandating that if one person pays, so must the other! And theoretically, in certain situations, it is logical for 100% of the population to (voluntarily) vote to be coerced! And the government which gets 100% of the vote (unanimous rule) to force everyone to be taxed, should be considered to be operating perfectly!

Unanimous rule is unanimous rule...a perfect libertarian situation. A voluntary group of rational but selfish individuals, simply cannot create this optimum outcome without government assistance, because by many definitions, only the government has a monopoly on the use of force.

And those who would stop them (maybe like Gil?), would be willing on principle, to coerce 100% of the population, to force these individuals not to cooperate through their government. Now that is hatred of taxation! And reflects a complete misunderstanding of the free market principles that libertarians supposedly hold so dear.

Which is more important, hatred of taxation (ideology) or

unanimous rule (principle and morality)?

Now, libertarians would properly say (as Gil did) that not only does one have to show that the market has not worked, leading to public goods and externalities, but rather that government intervention will efficiently solve these market "spill-over" effects, often a dubious proposition.

But, in both of the above cases, arguments can be made for government intervention to (financially) support administering innocuous vaccines which benefit whole sections of the population, and arguments can be made for government intervention to tax and therefore inhibit the production of cars, if this production pollutes the air.

Now, back to New Orleans. Let's say my neighbor gives a dollar to reconstruct New Orleans. Since I like New Orleans, too, my neighbor has benefited me by his contribution, but I have had to pay nothing. So I am getting something for free, a partially reconstructed New Orleans, and I have had to pay nothing.

Just like the person who gets free vaccine because he "catches it" from the person who paid the doctor, I get New Orleans reconstructed for free, without having to pay the donor. I am a "free rider", though I would have been willing to purchase an improved New Orleans, if my neighbor hadn't bought it for me and if we both had to contribute, together. I get something from the labor of someone else, and don't have to pay him. So he (the donor) won't work as hard (just like me, he will now become a "free-rider") In other words the donor will not donate as much and neither will I, though we both would VOTE to give more than we would give if no taxation were involved. We both would vote to give more, if we knew all our neighbors would have to give that amount, too. So voluntary cooperation won't work as well, we need to work through our government to cooperate, so we take a vote, or at least a poll.

So without government intervention, an inefficiently low amount of aid will flow into New Orleans, given the preferences of the citizenry, without government assistance in coordinating dollars, because of the "free rider" problem. We can't exclude those who don't contribute from enjoying New Orleans. So, just like with the live vaccines and with defense spending, you can't exclude people from enjoying the benefits of New Orleans, you can't exclude people from enjoying the benefits of a powerful defense, and you can't exclude people from enjoying the benefits of a live vaccine administration. In these cases, there is an argument for citizens to vote to impose taxes on themselves. Defense, live vaccinations, and possibly the reconstruction of a wonderful city after a hurricane, are examples of public goods in which, arguably, the government should be involved.

Unfortunately, when we voted (or sort of did through polls), there was not 100% agreement to coerce ourselves through taxation to help New Orleans. But the majority still would like to be coerced through taxation. And those who stop us, **are** coercing us, since

we want to use our government to solve our "free-rider" problem, a classic argument for the use of the government. And that brings me back to the discussion in my previous post.(Please see that)

So what is the appropriate role of government? I think this is too complicated a question. But three major roles are:

1. Define and enforce property rights to goods (which includes developing defense and police forces since otherwise other countries and fellow citizens can take stuff from us)
2. Help solve "public good" problems, for example, possibly the reconstruction of infrastructure in New Orleans and
3. Help solve "externality" problems, like pollution.

Actually, if you think about it, roles 2 and 3 are subsets of role 1.

I would also add that Governments should decrease transaction costs....but that opens up a big can of worms!

Have a nice day.

Michael Golding

by Michael Golding on Tue, 10/04/2005 - 02:43 | [reply](#)

Coercion, Again

Michael Golding,

If two people are each willing to pay 1/3 the cost of a pony to share, but a third person is unwilling to pay that amount, then you might say that the two (who voted, or were polled, etc.), who want the pony on the condition that all three are forced to pay, should hire a thug to use force to extract the 1/3 cost from all three. After all, then they'd have a pony, and ponies are good, and the majority is willing to tax themselves to have the pony, and we're not sure who owns the joy of having a shared pony...

You might say that one could view it (as I do) as the two people coercing the third, or one could view objecting to this mechanism (as you seem to) as the third person coercing the first two.

I'm really surprised that someone who is obviously as bright as you are cannot see that these two instances of "coercion" are incredibly different. And, that the second instance of "coercion" is not considered as such at all by those who believe that people should have self-ownership.

I don't think the morality changes if we multiply the numbers by hundreds of millions.

Gil

by **Gil** on Thu, 10/06/2005 - 05:35 | [reply](#)

Not Correct Analogy

I apologize Gil. I obviously have not been clear. I may have been

using technobabble.

With your permission, perhaps I can try again.

I will get back to the pony in a minute.

Imagine that each of 100 people has 100 dollars that he can anonymously place in an envelope and place in a container. Everyone pools their money together and no one knows who gives what to the total, but each can give 100 dollars or any portion of 100 dollars.

The rules of the game are as follows. 10% of the TOTAL contribution of all 100 people is added to the total by an anonymous source. So if all 100 people give 100 dollars, that would make \$10000.00 and the anonymous source then adds 10% of the total or 1000 dollars. So if everyone gives 100 dollars, there is now \$11,000 in the container, once the 10% is added.

Now, the total is divided by all 100 people, so \$11,000 divided by 100 people is \$110 dollars per person. Everyone is happy and makes 10 dollars, since each has \$110 dollars, and started with \$100.

But let's allow some people to be selfish. So if no one knows who contributes what, one person might think, "Hmm, if I don't donate my 100 dollars then the total of everyone else will be \$9,900 plus 10% equals \$10,890. If that is divided by 100 people, everyone will receive (\$10,890 divided by 100 which is) \$108.90, not quite as much as 110 dollars, but close. But since I never donated the 100 dollars, I will have 100 dollars plus \$108.90 which is \$208.90, and that total is greater than 110 dollars, the amount I would have received had I contributed. I think I won't contribute and more than double my money."

Clearly if someone is selfish, he gets the benefit of everyone pooling their money (the extra 10% plus a portion of everyone else's contribution), but none of the cost (the contribution of 100 dollars). But of course the situation is symmetrical for everyone, so if everyone is selfish, no one contributes \$100 dollars and the benefit (the extra 10% added to the total) is lost to EVERYONE.

So in this "game", the voluntary cooperation of people (if all are self-interested), will not lead to the optimal outcome. No one will contribute much of anything (or less will be contributed), and so the benefit of the extra 10% is lost to everyone. Voluntary cooperation will not lead to the optimal outcome. By the way, in economics, the people who don't contribute but expect the benefits anyway, are called "free riders".

But let's say there is a smart person in the group who says, "You know, we could get an extra 10% if we had some way of guaranteeing that everyone will pay, or excluding the people who don't contribute from enjoying the benefit."

But let's say there is no way of "excluding" the people who don't

contribute from the benefit.

A smart person might continue, "if we hire a 'police-man', say for 10 dollars and he makes sure (able to use coercion) that everyone pays their 100 dollars, then at the end of the night we will have \$10,000 plus 10% is \$11,000, minus 10 dollars for the policeman, leaves \$10,990 dollars. This, divided by 100 leaves \$109.90, not quite the \$110 dollars and 10 dollar profit, but still a profit of \$9.90.

So the smart person asks everyone whether he would like to take a vote to decide what to do. Should everyone voluntarily cooperate without the policeman, and pool his contributions, or should the group hire a policeman and pool the money that way?

One can see that if this were a real world scenario, it is very likely that 100% of people in the group would agree **TO VOTE TO BE COERCED**. That is, 100% would vote to hire a policeman, provided the policeman did his job.

Of course the problem is always the "who polices the policeman?" situation. Could not the policeman abscond with everyone's money? Obviously we need "checks and balances", to try to hold policemen accountable, too, and these checks and balances will never be perfect.

By the way, the outcome of hiring a policeman could be considered an entirely libertarian outcome. (Why?) Because 100% of everyone votes for the outcome. Everyone agrees to be coerced, provided that his neighbor is equally coerced, to create an outcome that 100% of everyone favors. It is using coercion to allow free citizens the option of **unanimous rule**, the essence of libertarianism. So paradoxically, in this hypothetical example, libertarians NEED A COERCIVE force (like the government) to realize their highest ideals.

Back to the Pony. Let's imagine that it is a "pony of defense" that enables our 100 villagers to protect their farmlands from theft, when ridden by a police officer. After much debate, all 100% of the villagers agree that it would be worth 100 dollars for each to pool their money and buy the needed one pony of defense, ridden by a policeman, per year. They come to this rational conclusion, because after arguing back and forth for a while, they all believe that their best theory (they all read "The Fabric...!") argues that more than 110 dollars is stolen from each farm every year, so it is worth pooling their money to buy the Pony.

Gil, do you see the analogy to the situation previously described when people were pooling their money? If everyone decides "voluntarily" to pool their money, the fact that there is a policeman on a Pony, protects everyone's farm from attack by marauding evil-doers. So should a selfish individual contribute? If one person does not contribute, and if everyone else does, everyone still has a pony and a policeman protecting everyone's farm, but a given individual who does not contribute, has the pony and the policeman and gets to keep his 100 dollars. (Well, because one 100 dollars contribution is missing, perhaps the policeman and pony take a day or two off per year). Since the situation is symmetrical for everyone, self-

interested individuals do not contribute and "free ride" on everyone else's contributions. So everyone loses. But if the group hires the policeman not only to protect their property, but also to collect taxes (err...collect the contributions), if everyone shares the theory that more than 110 dollars will be stolen per farm unless each contributes 100 dollars, there will be a vote in which 100% of everyone (unanimous rule) prevails. A perfect libertarian solution (unanimous rule) requires the coercion of a government (err...voluntarily hired policeman).

Now, enter the real world. a. Policemen steal, too, and they have guns! Obviously, in deciding to vote for the policeman, the townspeople will need to take into account their best theories about the amount that a policeman might steal.

But another problem is: What if there is 1 person in the group who does not agree with the "best theory" of the other 99. In fact his theory is that "defense ponies" attract "evil-doers" and that if a pony and policeman are hired, the town will surely lose \$1,000,000, the entirety of the town.

So when the vote is taken, 99 say hire the "defense pony and policeman" and 1 says don't hire the defense pony and policeman.

So what's a good unanimous rule libertarian to do? There are several options. The 99 could agree to hire the defense-pony by themselves, and ignore the 1 person who disagrees, and at least don't ask him to pay 100 dollars, even if he thinks he's going to lose his entire \$10,000 farm if the others get the pony.

But if the 99 know before-hand that someone who votes against the defense-pony, won't have to pay for it, (even if this hypothetical selfish person secretly wants a defense pony), an actual selfish person amongst the 99 could say, "I ought to pretend to not want the defense-pony."

Then when the vote is taken, 98 will vote for the defense pony, and the person who does not want the defense pony will vote against, as will the selfish man who wants the defense pony but would like others to pay for it for him.

But the situation is symmetrical for everyone, so if you can opt out of paying by voting against, all selfish people will vote against, and pretend to have the same viewpoint as the person who actually believes the "defense-pony" will be bad for the village. So if the majority in a vote does not have the ability to coerce the minority in a vote to also pay, all selfish people will lie, to get their neighbor who votes for something to pay instead. (Their neighbor being the one who "foolishly" is honest, votes for what he actually thinks and ends up being the only one contributing to the global good of the community by contributing to the "defense pony.") So, people wisely agree that in the case of "defense-ponys", they will not allow the minority to prevent them from increasing their efficiency.

Note that in my first example, where 100 people pool their \$100 to get an extra 10% on the total collected, if a person can "opt out" of contributing by voting against, yet he still gets 1/100th of the total,

a selfish person will "opt out" and vote against pooling money. But this is true for all selfish people in the group. So virtually everyone will vote against pooling their money, and the group forfeits its extra 10%! If a minority can prevent the majority from pooling its money, the minority is coercing the majority into forfeiting its extra 10%, and this is wrong.

So one of the reasons that there is no "opt-out" clauses in votes on defense, for example, is that it would prevent *the majority* from coercing itself into a contribution that each and every person in the majority wants.

Yes the majority coerces the minority in a democratic vote. But if there is a "good" that is produced (like defense or the reconstruction of New Orleans) in which, regardless of someones contribution, everyone gets to enjoy the benefits: If the minority can "opt out" of paying taxes, then a group of individuals pursuing their "rational self-interest," who actually want Defense or New Orleans reconstructed, will also "opt-out" and vote against it, even if they want it. Why? Because if everyone else votes for it, they won't have to pay taxes because they "opted-out" and they still get New Orleans reconstructed or proper defense, with no contribution. Since this situation is symmetrical for everyone, *allowing the minority to "opt-out" of paying taxes, coerces the majority into not being able to coerce itself, into an outcome that each one in the majority wants.*

This is why we do not allow a minority to "opt-out" of paying taxes when they disagree with the majority. Obviously, part of the reason is because (as Gil suggests), the majority wants to take money from the minority, but part of the reason is to allow efficient collective action of the majority, in the production of a good from which others cannot be easily excluded (like national defense or the reconstruction of New Orleans.)

by Michael Golding on Fri, 10/07/2005 - 03:52 | [reply](#)

Re: Therefore Appropriate

Way up above, Gil wrote, "Our models may say that these things have less economic value..." But aren't most innovations the result of letting people play with resources? Beyond completely original ideas, money can buy time to think about relationships, for example, which may in turn reduce the cost of violence in society. Don't we generally want people to have control of their resources so they can make use of their local knowledge including their knowledge of what is needed to help themselves learn? Doesn't knowledge have a large economic effect?

Without coercion some valuable projects would not get done. However, in Michael's scheme 49 percent may not think the goal in question has as much value as other possibilities. Of those who wish to contribute, some will find themselves voting to spend more than they would want because only one amount can be chosen for everyone. For them, the excess is money they would otherwise have better uses for but need to contribute to get the project to go

through.

In Gil's scheme, if no one pays unless everyone puts up their money, nobody may lose resources they can see a better use for. Can we know for any ordinary project how the sums would work out?

by romr on Fri, 10/07/2005 - 12:53 | [reply](#)

The Point

Michael,

You say:

If a minority can prevent a majority from pooling its money, the minority is coercing the majority into forfeiting its extra 10%, and this is wrong.

This is where we are in complete disagreement.

If you have a scheme (e.g. a plantation system) that will produce a profit, but only if some people (e.g. slaves) involuntarily contribute to it *then you do not have a right to that project, even if you sincerely believe that the project makes the unwilling better off*. I think that people have a right to their own lives and to the fruits of their labor.

If a minority prevents the majority from imposing that scheme on them or on others, they are *not* coercing the majority, they are protecting individual rights. And, that is *not* wrong.

Now, given our current state, I agree that national defense and law enforcement may be areas that are so vital for the exercise of other liberties, and the consequences of inadequate funding are so great, that they may justify involuntary collection. But, this is a rare exception, and I hope that we can be creative enough to finance these services voluntarily soon.

Other projects, worthy as they may seem, just don't rise to the level of such justification.

And, I will even agree that there may be non-defense projects such that they would provide *every single person* with more value (in his own opinion) than he could get by using the funds himself; and that creative supporters of these projects would not be able to raise funds voluntarily.

However, I think that a rule that forbids involuntary financing of non-defense projects is better (more moral and more efficient) than one that permits it. In the real world, this power will not be limited to cases where efficiency is increased. The power will be abused by politicians and special interests who see opportunities to use other people's money to further their own interest. Then there will be a race to see who can get more loot for themselves. See [this great article](#).

By the way, a tremendous amount of money was raised voluntarily

to help the victims of Hurricane Katrina. Even though rationally-self-interested people could have kept their money and have seen almost as much good done. No, people (like me) decided that the right thing to do with their money was to contribute it to a cause that they judged to be more valuable than any other plans that they had for the money (even though they could get away with refraining). If it is your theory that, unless forced, people will not contribute much money to causes that they can be convinced are worthy (and the benefits are not limited to contributors), then your theory is obviously false.

So, I think that the vast majority of worthy projects would get done without involuntary funding. This will often require creativity (educational/promotional campaigns, telethons, sponsorships, matching contributions, contributions uncommitted until the funding goal is reached, etc.)

Again, some "worthy" projects might go undone, but I'm confident that the moral (and economic) consequences of my rule are better those of yours.

Gil

by **Gil** on Fri, 10/07/2005 - 16:12 | [reply](#)

Re: Therefore Appropriate

romr,

I agree that the value of private use (with local knowledge) of funds is likely to greatly exceed estimates of central planners. I just don't think that anybody can make good estimates of these uses for particular cases, and that's a good reason to be cautious before we decide to socialize costs.

But, though the economic arguments against this socialization are strong, I think the moral ones are even stronger.

Gil

by **Gil** on Fri, 10/07/2005 - 16:31 | [reply](#)

Laws are Public Goods

Gil,

I respect your desire to protect the minority in many instances. I share that desire with you. By the way, I liked the article you referenced. But I still think there is a subtle point that we are not communicating clearly on.

Let us define a public good as a good that many people want, but that everyone can enjoy, regardless of who pays for it (A national defense and a reconstructed New Orleans, are two examples). This definition will have to do for now, but more precise definitions involve relative divisibility of goods and transaction costs.

But please consider that your position could be considered to be

even stronger than wanting to just protect the minority. Your position also prevents the potentially unanimous ability of people to voluntarily contract with each other to produce a public good, if the contracts (in everyone's interest) have to be enforced by a police officer to make everyone feel comfortable and wish to voluntarily contribute. Your position is really against *collective action*, if there is even a possibility that someone *might* oppose the community arrangements, even if no one actually does. Let me explain.

Think of the decision described in my previous post with the community buying the "defense pony". Or think of everyone wanting to pool their money so that 10% is added to the total contributed, and then redistributed to everyone, whether an individual contributes or not. Everyone's individual (self-interested) incentive is not to contribute since everyone will get his share of the divided pooled money, without having to contribute to begin with. So without enforcement, this collective pooling arrangement won't take place and the community loses the extra 10% it could have had. Little money is pooled. 10% of a small amount is a small amount. Notice, however, that every single person in this group would want to contribute, provided that a police officer enforced everyone else's giving. But, if anyone had the option of "opting-out" of the payment scheme, and just getting the rewards when the sum is divided, the arrangement would not occur, because few would voluntarily give to begin with, since their money would have to be divided amongst those who did not give.

So your position, Gil, is not only that the minority should always be protected, but also what follows if a policeman can not be hired to enforce agreements. Even if there is a *possibility* that someone might disagree with a group, you logically favor not allowing an actual unanimous group of people to form, if the formation requires a policeman to guarantee each person's honest contribution. And so an interesting "counterfactual" situation is created. The fact that someone *might not* have to contribute because there is no police enforcement (and everyone becomes aware of it), means that everyone else *will not* contribute (much.) And so this violates the rights of even a unanimous group to organize and pursue collective projects in the construction of public goods. This atomistic perspective about how to benefit humanity may be morally justifiable in certain situations, but sacrificing every single person's actual beliefs on the altar of protecting a hypothetical minority individual's beliefs, is morally problematic at times.

Furthermore, allowing a minority to "opt-out" of paying for the provision of a "public good" encourages lying. If the group cannot hire a policeman (utilize a government) to enforce its own agreed upon laws, this encourages everyone to disobey the law, when it suits them, and even to lie about whether they support a law. Consider a situation where some people favor spending a certain amount of money on a good that they cannot prohibit others from enjoying as well (a public good), even if the others don't pay. And suppose that a few do not favor spending money on this public

good, because even though they cannot be excluded from using it,

they simply have no interest in using it.

If the minority, who actually does not favor the production of the "public good" can always "opt out" of paying, then virtually everyone in the majority *will pretend* to agree with the minority, even if they actually don't: And so everyone will "opt-out" In other words, the majority will lie about how much money they wish to spend to support a public good, in order to put the costs on others, when there is no enforcement. Think again about the situation where everyone wants to pool their money so that 10% is added to the total contributed, and then redistributed to everyone, whether an individual contributes or not. Everyone's individual (self-interested) incentive is not to contribute since everyone will get his share of the divided pooled money, without having to contribute to begin with. If a vote is taken that is not enforceable by a policeman, everyone will pretend to not be in favor, and vote against the measure, even though everyone (or a majority) actually wants the measure to pass. So not allowing individuals to utilize policemen (a government) to enforce rules on everyone, encourages everyone to lie to each other about their actual views, and so desperately hurts knowledge creation about the opinions of people, needed for the evolution of society.

But Gil your position has even worse implications than preventing unanimous groups of individuals from reaching their highest ideals and encouraging people to lie. I have acknowledged that minorities are injured when a majority takes something from them. This is undoubtedly true. But you really should acknowledge that the majority is also injured if they are not allowed to utilize their government (hire a policeman), to coordinate their activities.

Because one of the fundamental "public goods" in a society is its laws! Should the minority in a 100-person community be able to "opt-out" of laws stopping stealing? Just like in the situation where everyone who pools their money gets 10% extra divided amongst everyone else, laws against stealing may add more than 10% to the bottom line of every single business. Should someone in the minority be able to opt-out of this law? Should he be able to say, "I don't have very much. I would like the right to steal just 1/100th of the property of everyone else? It is morally wrong to stop me from taking 1/100th of everyone's property. A minority of us simply want to steal. Stop forcing us to abide by your crazy ideas about not stealing. Read the arguments of Gil."

How is this person in the minority, stealing say 1% from everyone else, different than a previously discussed hypothetical person in the minority? In that case everyone wanted to pool their money and then a guaranteed 10% is immediately added to the total, contributed from an outside source, and then redistributed to everyone. So everyone gains 10% only if everyone gives, just like everyone gains hypothetically 10% if everyone gives their consent to laws against everyone stealing 1% (or more) of others' property. That is, everyone gains 10% if all the laws are enforced by a policeman (a government). But the group who wants to pool their money needed a policeman to coordinate their activities and prevent "free-riders," too, just as many communities need a

policeman to stop stealing.

Gil was opposed to the policeman in the case of the people who want to pool their money. He felt that someone in the minority should feel free to opt-out of the arrangements and should not be "coerced" by the majority into participating and pooling money. But I have argued that if one person can opt-out, with no consequence, then every self-interested person will opt-out. And the whole community loses the 10%. The same is true for stealing. If any person in the "minority" can decide to opt-out, of an arrangement to stop stealing, so there is no consequence to those who steal, then virtually every purely self-interested person will steal (just as virtually everyone will not contribute to the collective pooled money, if there is no policeman enforcing a "law" guaranteeing the pooling of money).

So I say to you Gil. Why is it OK for a community to sometimes pass a law against stealing, even if its enforcement hurts a minority of individuals who do not favor it; but not OK to sometimes pass a law supporting a public good, even if it also hurts a minority of individuals who do not favor it?

Gil, what is the difference between the community that wants to pool its money for profit, and the community that wants to prevent the loss of money, for profit?

Democratic rule, in deciding what should be produced, causes individuals to call too many things "public goods," because as Gil suggests, it allows one group of individuals to force another group of individuals to subsidize its production. If we all eat out and are not friends, and we agree to divide up the check according to the average cost per individual, selfish people will all order too much, because such individuals put the cost of their eating on their neighbor. But the situation is symmetrical for everyone, so if we are selfish, we all order too much. Although sometimes difficult to tell, one needs to look carefully at the good itself, to decide whether it really is the case that others cannot be excluded from using it, if they do not pay. Is it really a "public good" so that my contribution to it benefits my neighbor, but I cannot collect from my neighbor. In addition, one also has to decide that the inevitable governmental waist associated with coordinating production of the public good (the cost of the policeman) justifies the benefits from its production.

But the absence of democratic rule causes too few things to be funded as "public goods," because it prevents majorities from coordinating their activities in the provision of goods that may be economically or morally important to produce, but from which those who do not contribute can not be excluded.

Both arguments are morally and economically correct. To acknowledge one without the other makes little rational sense.

by Michael Golding on Sat, 10/08/2005 - 22:22 | [reply](#)

Your position also prevents t

Your position also prevents the potentially unanimous ability of people to voluntarily contract with each other to produce a public good, if the contracts (in everyone's interest) have to be enforced by a police officer to make everyone feel comfortable and wish to voluntarily contribute.

Policy A: something everyone wants, but some people only want if
Policy B also happens to make them feel comfortable

Policy B: a police man that some people strongly oppose

you call this unanimous support. i call it anything but. with no policy B, many people don't want it. but many people don't want policy B.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Sun, 10/09/2005 - 00:16 | [reply](#)

To Gil and Elliot

Gil,

You confuse two very different kinds of economic goods, despite my (apparently unsuccessful) attempts to explain the difference. There are goods in which people can be excluded from benefiting (standard economic goods), and goods in which people cannot be excluded from benefiting (or in which the cost is very high to create exclusivity). Goods in which people cannot be excluded from the benefits, I have (simplistically) defined as "public goods", as more precise definitions require discussions of transaction costs and divisibility of goods.

I can easily exclude someone from using my horse by not inviting the person over to my pasture. We cannot exclude people, for example, from visiting the city of New Orleans, or enjoying the benefits of citizens who do not steal. Both of the latter could arguably be considered "Public Goods". I am certainly not saying that the majority should be able to vote to make someone else pay for my horse, because horses are not "public goods." Citizens can restrict the access of others to their horses! I also don't think most sane people would vote to make someone work for someone else for free (slavery). I don't know how you could construe anything I have said to favor these propositions. A person's labor is a standard economic good. Labor can be given to one person (for a price) or *excluded* from that person and given to someone else (for a price). So where a person works or how much he makes or whether he chooses to contribute to my horse, are in general not subject to a vote of the majority! Or at least they shouldn't be. A person has a right to his own decisions about these subjects. Yes, I completely agree with you Gil. Such a vote to make someone work for someone else for free or to make someone buy someone else a horse would almost always be wrong. We have been in agreement about this from the very beginning.

We are (or at least I have) been trying to discuss the production of

PUBLIC GOODS: Goods in which people cannot be excluded from enjoying the benefits. These goods pose many more interesting ethical and economic challenges.

Elliot,

Actually my initial example was an example of complete unanimous rule, in a given group, where everybody favored both "A" and "B", in your terms. Someone from outside of the group, not subject to the policeman, not asked to contribute money, and not involved in any voting might try to coerce the group as follows,

"I say this group is not allowed to hire a policeman (use the government) to pool money to produce their "public good", because it would require a vote and a policeman to enforce the vote, and we can't have policemen enforcing what might not be unanimous voting (even if the vote later turns out to be unanimous and even if people voluntarily decide to live in the community). Your group can't have the policeman because it is theoretically possible for someone in your group to vote against the proposition, and then majority rule would hurt that minority member. We ought to protect that potential minority member, even if the 'public good' is therefore not produced." And if the speaker forces what ultimately would have turned out to be a unanimous group of people, to give up their money-collecting policeman then, as argued repeatedly in other posts, this group of unanimous individuals will not be able to fully cooperate in pooling their money. Their "public good" will not be produced despite unanimous support.

I then added a second part of the argument, which I acknowledged no longer involved unanimous rule. I allowed someone who will be subject to the arrangements to object to the policy and the policeman. For example, people could object to a law against stealing, promulgated by the group: And if the majority forces the minority in this group to not steal, the people who want to steal are then penalized for their minority viewpoint, namely they are penalized because they no longer are permitted to steal.

And I asked, why is it OK for a community to pass a law against stealing, even if its enforcement hurts a minority of individuals who do not favor it, but not OK to pass a law supporting a public good, even if it also hurts a minority of individuals who do not favor it?

And what is the difference between the community that wants to pool its money for profit, and the community that wants to prevent the loss of money (by for example stopping stealing) for profit?

Indeed, the LAW itself is the quintessential public good, if it is JUST LAW! One can (almost) define a "just law" as one that inexpensively promotes the production of a "public good". Laws against stealing, for example, promote the public good "efficient trade." And the implications of the law, "don't steal or you go to jail" will likely be supported by a majority of individuals in society. The enforcement of this law is a "public" good, as I have defined the term, because one cannot *exclude* anyone from benefiting from the absence of stealing, unless you exclude everyone from benefiting from the law. Universal application of a law is the hallmark of a law, even if the

minority objects.

If there is a law against stealing, everyone (no exclusions) has the right to set up a business without fear of people stealing, even though some (in the minority) might not want to set up a business and would prefer instead to make their living by stealing.

Why can't one exclude someone in the minority from the benefits and costs of the law banning stealing, and so allow him to steal and be stolen from? Why does the law have to be universal and affect the minority who do not favor the law? Because if anyone in the minority is allowed to "opt-out" of a majority vote in which stealing is determined to be against the law, and if such a person is permitted to steal, then every selfish person in the majority also has an incentive to "opt-out", as well. Why should I vote to restrict myself from stealing when others will be permitted to steal from me? So everyone opts out, and there are no enforced laws.

If one cannot enforce a just law (the consequence of which is, almost by definition, the production of a public good!), even if a minority of individuals do not favor it, then one might as well have *no laws* and simply allow people to choose to do whatever they want (anarchy).

This is as close to a "reductio ad absurdum" as can be done, in showing that the majority ought to be able to support the production of universally taxed "public goods"; because if we cannot produce public goods (in which an objecting minority cannot "opt out"), we cannot have law. And if we cannot have law, we cannot have society. Three cheers for public goods.

Thanks.

by [Michael Golding](#) on Sun, 10/09/2005 - 18:03 | [reply](#)

...if we cannot produce public goods

Michael:

You have commented on this thread. The comments benefit some readers. You have no way of preventing anyone from enjoying those benefits. (We could charge to view the site, but even then, we could not prevent the subscribers from passing on the benefit to their friends who had not subscribed.) So those comments satisfy your criterion for being public goods. Correct?

by [David Deutsch](#) on Sun, 10/09/2005 - 18:35 | [reply](#)

Public Goods

Michael,

I didn't misunderstand you. I just disagree with you.

Everything I argued applies to public goods (sorry if the plantation/slave examples threw you). You want to finance public goods by forcing unwilling people to contribute.

I reject the idea that if you have a scheme such that you don't know how to exclude me from benefitting, then you automatically have a moral claim against me to contribute to your scheme.

I agree that if people do not contribute to such schemes in proportion to their benefits, then these goods will be "under produced". I say "too bad". I choose liberty over economic efficiency in such cases.

I am not at all against allowing any group to collectively finance a project, and to enforce contractual commitments. I merely insist that participation in such "agreements" be voluntary. Don't you think it's reasonable that everyone in the agreement actually agrees?

A law against stealing is an invalid example because it's merely the protection of rights. Violating such a law would entail the kind of coercion that I object to.

Gil

by **Gil** on Sun, 10/09/2005 - 20:05 | [reply](#)

FWIW, unlike Gil, I make no c

FWIW, unlike Gil, I make no choice for liberty over economic efficiency; I don't think they are in conflict.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Sun, 10/09/2005 - 21:05 | [reply](#)

Possibly yes, Possibly no

I do think knowledge creation is a public good.

But I like exchanging ideas with you, and you like exchanging ideas with me (I think -- otherwise you wouldn't), so we are more likely doing this because we are having some fun, and not particularly because we are benefitting other people. But I guess it's possible that we could benefit somebody.

But for our exchange to be a public GOOD, our exchange would have to benefit somebody else, who would benefit from our wisdom and possibly (if we are very lucky), benefit from our knowledge creation, without paying us.

Indeed, such an individual should have to pay us, in a perfect world with perfect markets, except in the real world, the costs of measurement of the quality of our good and the costs of collection of our money, are likely very much higher than the value of the knowledge we create in this exchange!

No Professor Deutsch. I don't think we're gonna get any money.

The costs of measurement of the quality of our good (our ideas)

and the costs of capturing the benefit we produce are obviously very much higher than any benefit our mutual exchange brings to anyone else, especially if the government were to become involved!

You, on the other hand, are pretty smart. And if you bring us viable quantum computers or a new conception of quantum gravity, one can be sure that you will not capture the economic benefit of the knowledge you create for the world. And neither did Einstein or his descendants. (If you wanted to make money, you should have gone into business: You could have captured the economic value of the goods you create. Knowledge is not a cleanly packaged good like breakfast cereal)

As I've said, if the market worked properly, the descendants of Einstein should be far more wealthy than Bill Gates.

Yes, knowledge is a public good, and capitalist economies will certainly tend to underproduce it, as will all other economies. Other economies will usually do even worse. Have you looked around at all the people who don't do a lot of thinking, even though they live in Oxford? Have you ever wondered why?

I do favor public subsidies of (particularly) higher education.

by M Golding on Sun, 10/09/2005 - 22:49 | [reply](#)

Re: Possibly yes, Possibly no

Do you think anyone is reading this exchange other than you and I?

by [David Deutsch](#) on Sun, 10/09/2005 - 22:57 | [reply](#)

Just Law = Rights

"A law against stealing is an invalid example because it's merely the protection of rights. Violating such a law would entail the kind of coercion that I object to."

Gil all just laws (rights, if you will) are public goods. If you do not favor applying them to the minority who disagree with your conception of "rights", then you are in favor of no law and no rights. To be in favor of "rights" is to be in favor of forcing the minority (or majority) to support your conception of rights, even if the minority (or majority) disagrees. To be in favor of universal rights is to be in favor of universal laws defending those rights. These universal rights are otherwise known as public goods; since no one can be excluded from having them and they are *a good* or just *plain good* for everyone.

So you want to call public goods, "rights"? Economists used to say (before conceptions of transaction costs) that a public good is a good in which everyone has a non-exclusive "property right". So yes the language of "rights" and the language of "public goods" are often used interchangeably.

So you are (of course) in favor of coercion, you just want to call it

universally applying "rights", even if someone, (a minority, a majority, but someone) disagrees with your conceptions of rights. I happen to agree that there are "public goods" (rights), but I recognize that sometimes we need to use coercion to defend them...sometimes taxes and sometimes the police and sometimes the military. You do as well, you just want to call it something different.

by M Golding on Sun, 10/09/2005 - 23:57 | [reply](#)

Don't Know

In between checking out the football scores, perhaps a few.

So you are motivated by altruism?

by M Golding on Mon, 10/10/2005 - 00:56 | [reply](#)

I can testify that I read Dav

I can testify that I read David's posts, and enjoyed them, and did not pay for them. I similarly benefitted from MG's posts.

This doesn't mean David was motivated by altruism. I think the point is more that he **wasn't** motivated by altruism, did not use force, and created a public good anyway.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Mon, 10/10/2005 - 02:48 | [reply](#)

Death and Taxes

Economists are very good at explaining why people don't cooperate in altruistic ways, but not why they do.

I long for a society governed by cooperation and morality, too.

But until then....we still need taxes, at least to help with the infrastructure of New Orleans!

I like Davids (and Gils and your) posts, too.

But why don't you think any of David's motivation is altruism?

by M Golding on Mon, 10/10/2005 - 06:46 | [reply](#)

Economics, Cooperation and other problems

Michael Golding wrote:

"A law against stealing is an invalid example because it's merely the protection of rights. Violating such a law would entail the kind of coercion that I object to."

Gil all just laws (rights, if you will) are public goods. If

you do not favor applying them to the minority who disagree with your conception of "rights", then you are in favor of no law and no rights. To be in favor of "rights" is to be in favor of forcing the minority (or majority) to support your conception of rights, even if the minority (or majority) disagrees.

People need access to the things we term property in order to pursue their own ideas. I think what Gil might want is something like this: we should have a legal system under which when Jim is the legal owner of a commodity Jack cannot take it away from him unless Jim has voluntarily made some agreement that stipulates he should allow Jack to take it away. For example, if Jim defaults on a mortgage he has agreed to pay to Jim in a contract, then Jack may take the house away.

Now suppose Jim doesn't leave and tries to stay. Then he is violating an agreement he made voluntarily with Jack. Their situations are in fact asymmetric, Jim is in fact violating his contract; Jack is, in fact, not violating that contract. Both of them made the contract voluntarily. A law stipulating that people should respect contracts they make voluntarily at the time even if they later regret those contracts doesn't imply that people have unequal rights. Rather people have equal rights and end up with different outcomes because they take different actions.

Economists are very good at explaining why people don't cooperate in altruistic ways, but not why they do.

I think you probably haven't been reading the right economists. Or maybe not the right philosophers. Some people support altruistic policies because they like to think they are being generous and doing good by backing such policies. None of this is incompatible with economics, which does not comment on motives but just assumes that people have motives for what they do. See economists like Hayek and Ludwig von Mises for instance.

As for needing taxes to reconstruct New Orleans. Every year charities get lots of voluntary donations to give African villages waterpumps or whatever. These charities work in places a lot worse than New Orleans and some do a good job. I am not suggesting that charities should reconstruct New Orleans. For one thing there is a profit to be made by reconstructing New Orleans so I don't imagine much charity will be needed. But I am suggesting that there is no particular reason why it can't be done voluntarily.

by [Alan Forrester](#) on Tue, 10/11/2005 - 02:08 | [reply](#)

Who Owns What

Obviously Alan, if everyone agrees on who owns what, there is not a problem. We all trade for mutual benefit. If we all agree about the same universal rights, there is very little to discuss. I would think that goes without saying, but thank you for clarifying that.

But issues in the real world sometimes involve the following: One

person thinks someone is stealing, and another person thinks he owns the very thing he is accused of stealing.

Some people are claiming that everyone in society "owns" a part of a debt that they must pay to society for providing a package of goods to everyone. Others claim that they own no such debt and asking them to pay amounts to stealing!

Those who believe that defense is a "public good" (like me) would argue that in choosing to live in this country, we are choosing to have delivered to us a basket of goods, but also choosing to pay for them (taxes). We are choosing to have a basket of goods produced for us by this country, including, for example, national defense, police protection, and I would add (but Gil apparently would not), infrastructure in cities.

So if we are choosing to live in a country, we are choosing a basket of goods. We choose the country that, to the best of our knowledge, provides the best basket of goods for the least money. We know we can't get those goods for free. We have to pay for them. And the currency is taxes -- the price of citizenship. Gil (apparently) thinks, however, that when he decided to live here, he didn't know he would have to pay for infrastructure in cities, or at least not for infrastructure in cities destroyed by hurricanes. So asking him to pay now (he feels) is stealing. But I thought it was made pretty clear to me that if hurricanes destroyed our cities, the government (via taxes) would help reconstruct the infrastructure. It seemed clear to me when I decided to live here that that was part of every citizens contract, even though Gil wants to weazle out of it now. Even if Gil didn't know, he should have. If he looks back at virtually all the historical precedents, the US government always seems to help out in building infrastructure. The majority won't let Gil get out of his citizenship contract with the country just because the going gets tough.

So who is right? Gil or me.

I would say that countries which tend to provide "infrastructure in cities" in exchange for tax revenue will be more powerful and secure than countries that do not. I think Gil would disagree with me on this point, although I am not sure. Those who do not believe that providing infrastructure in cities is a public good, and also believe that the provision of such services via taxation ruins the entire country, are (of course) in this country free to move to another country that does not supply city-infrastructure, as part of its basket of "public goods" in exchange for taxes.

Or Gil could argue with the majority that thinks that "city infrastructure" should be part of the basket of public goods for citizens, as he is effectively doing. He could try to convince us that government often makes a mess of things in providing infrastructure and he could ask us to look at all the waist that is happening in New Orleans, *right now*.

He could say that if we considered changing our minds, and made it such that city infrastructure is not part of the public good package offered to American citizens in exchange for tax revenue, America

would be even greater.

And he might even be right, but I don't think so. But he can try to change our (the majorities) minds. And who knows, if he does, then more people will consider his position accurate. And then perhaps the majority will believe that paying taxes for city infrastructure is stealing. And at that point perhaps it will be. But not now.

Anyway, what Gil considers an act of stealing, I think of as the provision of a public good. So Alan, as you can see, Gil and I don't agree about who owns what. Gil thinks I'm violating the contract I "signed" when I agreed to be an American citizen and pay taxes for a basket of goods, because Gil doesn't think "city-infrastructure" was one of the items. But I think it was. Some Americans agree with me and some Americans agree with him. I think the polls suggest more agree with me.

One way of solving Gil's and my disagreement is by seeing what a vote of the people conclude (I think I would win).

But another way to solve the problem would be to leave it up to "Law and Economics" Judges (like Posner). Does it lower transaction cost more for "infrastructure in cities" to be owned by the city, or by individuals? I think I know the answer to that question, that's why I want tax revenues to support city infrastructure development. But I certainly could be persuaded otherwise if someone could show me some corporate models of city ownership (or other private models) which still protect freedoms and are cheaper, and still provide credible city infrastructure. I hope there could be evidence that could convince Gil, too.

The majority could certainly be wrong.

But with all due respect, Alan, there has not been carefully constructed mathematical/evolutionary models of how true altruism comes into being (like the anonymous donation of blood vs. say repeat dealings helping to define property rights, which has been well modeled). Such a model of true altruism would require fully incorporating the evolution of "preferences" as endogenous variables in the economic model (so supply and demand curves could not be derived independently).

Some of us have been working on such models, because we believe that ultimately they would go a long way in explaining the evolution of such seemingly disparate phenomena as "common preferences", certain types of mental illness, bipolar illness, brain waves, business cycles, and ultimately "culture" and "institutions", the holy grails in property right theory economics.

Think about the concept of businesses trying to avoid too much variance in money flows (potentially destructive to a business) vs. someone with coronary heart disease trying to avoid too much variance in blood pressure (potentially destructive to a heart vessel).

Now imagine the evolution of memes causing complementary

preferences in interacting people, and how that might decrease such variance, in both circumstances. Such complementary preferences promote altruism, and smooth (and healthy) human exchange, without a government having to coordinate it. And we know that some of the memes we share can sometimes overrule our "selfish" genes.

Under what circumstances would such (complementary) memes evolve? Have they evolved in humans? When would it be optimal for there to be increased variance in money flows....would such conditions promote "search" for increasingly optimal outcomes?

I'm afraid there is much to learn about the evolution of altruism and its place in economic models. And reasonable mathematical models for these phenomena have not been fully developed yet, although people are trying.

Thanks!

by M Golding on Tue, 10/11/2005 - 06:20 | [reply](#)

Public Goods And Government

At issue is whether public good problems justify government. We are faced with the following issue: There are many possible public goods to produce. Which ones should be produced, and which not?

I suggest the proper way to approach this question is exactly the same way we approach the question: which goods should be produced, and which not? The critical thing is not to create the perfect plan for what to produce and then implement it exactly as written; it is that errors (there **will** be errors) in what is produced be corrected. The best way to achieve this is for every individual to use his own knowledge of his own situation to produce what he thinks he ought to, and to change what he produces when he is confronted with a problem. This overall approach accesses vast knowledge that would not be available to a group of planners deciding what goods should be produced in the entire US.

by [Elliot Temple](#) on Wed, 10/12/2005 - 00:10 | [reply](#)

OK

I think I agree with that, if I understand you correctly. Even if something is a "public good" there is no reason for "planners" (at a distance) to organize most projects. Local contractors may be more familiar with the lay of the land and one can organize competitive bidding so that (hopefully) there is a chance that the most efficient (best) economic ideas are used, if corruption can be kept to a minimum. And only those who want to be involved in a project will bid.

Elliot, given your ideas, should there be any tax collection? Should tax dollars ever be used to produce something, like a national defense or infrastructure in a city? Should taxes ever support roads or a police force, to the extent that these goods are produced by

individuals using the "deductive" procedures you outline above?

Thanks.

Michael

by M Golding on Wed, 10/12/2005 - 01:12 | [reply](#)

Presently, taxes are the only

Presently, taxes are the only way certain things happen at all. So, for valuable things that we are unable to have otherwise, I support taxes. A good example of that is our military. Private armies present numerous problems that have nothing to do with a military being a public good. The problems include not wanting our best weapons to fall into the wrong hands, and avoiding rival armies fighting over what should happen. I don't consider these problems insurmountable, but so far no one has created an effective, valuable, private, modern army.

Building cities (also a public good) is nothing like this. We know how to build cities (within our borders) without government funding. OK, not every last part of a city -- I'll be happy to let the government help with the laws and police. But we don't need government to build houses, malls, grocery stores ... in fact, most stuff lost in New Orleans was created by private enterprise in the first place.

I was in a bookstore today (Borders). I read their books for two and a half hours, then left, without paying a dime. They had nice chairs for me to sit in. We do not need government funding to have a new (public-good-producing) Borders in New Orleans.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Wed, 10/12/2005 - 02:54 | [reply](#)

Ideas

Here is an interview: <http://www.reason.com/0112/fe.rb.post.shtml>

Romer claims that the careful allocation of resources is essential to promote the development of knowledge and that this is a very important economic goal.

If this is the case, a system that constantly pools resources against the better judgement of large numbers of people will sacrifice many large and small opportunities. The size of this cost cannot be estimated very well (I suppose) but the importance of the lost value apparently will be cumulatively great.

I don't see, therefore, how we can estimate that a given (ordinary) project will actually yield economic advantage for those who support it or for anyone else. The advantage may be modeled but the disadvantage cannot be, so it is impossible to know whether it is a public good or a shared mistake. If the relative values can't be argued one way or the other, then why sacrifice a methodological

rule that is normally so successful?

This reasoning seems especially relevant to a project like rebuilding New Orleans, which is not being promoted for economic reasons but for the social value of the gesture and for aesthetic reasons.

By the way, with these sorts of arguments I become fuzzy about what should be considered a moral issue and what should be considered an economic one. Anyone, please feel free to help me.

by romr on Wed, 10/12/2005 - 03:07 | [reply](#)

moral issue vs economic issue

Moral issues are about how to live, or what choices to make, or what is a good life strategy, or what are good ways to treat people.

Economic issues are about money, trade, business, wealth, the economy.

Sometimes these overlap. But is it particularly important to decide which label is best?

-- Elliot Temple
<http://www.curi.us/>

by [Elliot Temple](#) on Wed, 10/12/2005 - 03:33 | [reply](#)

moral vs economic

Some of the comments here have opposed moral and economic considerations and others have come close to equating them, so I was curious about what I was missing. I don't think everyone is using these words the same way.

by romr on Wed, 10/12/2005 - 04:25 | [reply](#)

Re: moral vs economic

Surely for present purposes, "the social value of the gesture" and "moral reasons" and "aesthetic reasons" are all special cases of economic reasons. The situation is that many people would like various building projects to take place, and are willing to forgo a certain class of other goods in return. Whether this takes the form of a religious person wanting a church to be rebuilt, or a jazz lover wanting to see culture revived, or some blogger wanting to 'defy nature', or a hotelier wanting to accommodate tourists at the waterfront because they will pay more in rent than the hotel costs to build, these are all preferences and they are all part of the economics of the situation. For one class of possible building projects, what people are willing to forgo to have them happen is worth less than what it would cost. To meet those preferences is to destroy net wealth, cause net harm. Where the balance is the other way round, the project would create wealth and do net good. It is up to various sorts of entrepreneur to guess which is which, and to create ways of exploiting these preferences in such a way as to

prevent the first kind of project from happening and to cause the second kind to happen.

by **David Deutsch** on Wed, 10/12/2005 - 04:58 | [reply](#)

Borders and Taxes

Although executives and owners at Barnes and Nobles and Borders are more than capable of being altruistic, it is likely that their set-up ultimately encourages people to buy, even though not every person does every time he goes into the store. Barnes and Nobles and Borders make probabilistic estimates, implicitly or explicitly, about the likelihood of somebody buying given comfortable surroundings in which people can browse. In short, from an economic perspective, I don't think your browsing or reading without purchasing something is really an example of the store producing a public good. Their behavior in allowing you to browse is calculated to optimize profit. But if you become happy, and treat your friends more nicely after visiting the store, which gets passed on, that could arguably be an example of a public good being created by the store's ambience, the profit from which the bookstore or you will likely not be collecting.

David and Elliot: Do you favor using tax money to fund anything other than a police force in New Orleans? Should tax money be used to finance new roads destroyed by flooding or get rid of water, for example.

Michael

by M Golding on Wed, 10/12/2005 - 18:40 | [reply](#)

Let us define a public good a

Let us define a public good as a good that many people want, but that everyone can enjoy, regardless of who pays for it

Borders provides a public good. The Borders-armchair-policy is something many people want, and everyone can enjoy, regardless of who pays for the cost of the policy.

I'm sure providing a public good in this way **is** profitable for Borders (overall). It is for grocery stores too. And countless other cases.

Other public goods are provided for other reasons, such as someone feels strongly about an issue and enjoys providing it.

My point is public goods are provided all the time, without government. What makes something hard to provide isn't being a public good. There must be some **other** quality that makes the hard cases (like having a military) unlike the Borders case.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 10/12/2005 - 22:20 | [reply](#)

Re: Borders and Taxes

Barnes and Nobles and Borders make probabilistic estimates of somebody buying given comfortable surroundings in which people can browse ... I don't think your browsing or reading without purchasing something is really an example of the store producing a public good.

You might as well say that governments don't really maintain public goods because they're only concerned with winning votes.

In addition to benefiting the public, what's wrong with making a profit? Is my job bogus because the salary exceeds my mortgage and other expenses? What if I like my job exceedingly, or work for a good charity?

Consider friendship, which involves a kind of emotional balance sheet. If I feel good about my friend and he does about me does that mean we're both wrong and it's not really a friendship?

The 'profit motive' is condemned everywhere but in reality profit is only one of a hierarchy of motives for the individual starting an enterprise.

This is recognised by consumers who rave about companies that innovate, care about their services and try to improve the world.

by [Tom Robinson](#) on Thu, 10/13/2005 - 00:39 | [reply](#)

Re: moral vs economic

David Deutsch wrote:

It is up to various sorts of entrepreneur to guess which is which, and to create ways of exploiting these preferences in such a way as to prevent the first kind of project from happening and to cause the second kind to happen.

These guesses involve capital which may be lost so they are risky.

This shouldn't be surprising: as well as accessing more knowledge, private reconstruction involves creating new knowledge, which entails risk.

Angry economist explained [recently](#) why bureaucrats are bad at taking risks.

Realistically I think that rebuilding New Orleans must intimately involve the federal and state governments, if only to bypass much existing regulation.

by [Tom Robinson](#) on Thu, 10/13/2005 - 01:01 | [reply](#)

Yes, my thinking was a mess.

Yes, my thinking was a mess. Thanks for your criticism. It was, at

least, a private good.

by romr on Fri, 10/14/2005 - 21:27 | [reply](#)

Public Goods

Elliot,

If I trade an apple for an orange with you, I think most people familiar with the term would not say we were creating public goods, except if we added a number of other details.

If you trade your time at Borders for a comfortable seat and some reading material, public goods are also not being created by that transaction. A customer's time in the store is valuable, and Borders is competing for it by providing comfortable chairs. Perhaps if you learn something at Borders and benefit someone else when you go home or create other 3rd party uncompensated effects, one could then argue that Borders is creating public goods! Trading your time for a comfortable chair should make everyone happy, that is the nature of trade for mutual benefit.

A nice ambience within a store is not a public good because people are more likely to spend time there, but a beautiful storefront might be, because then everyone is effected, whether they go into the store or not. A store's external appearance is (of course) often subjected to "zoning" regulations, precisely because of the public good implications of attractive or unattractive store fronts.

For an interesting non-technical discussion of what a public good is, consider reading the below. It's a fun article because he shows how several goods, like the famous lighthouse of Samuelson, is not necessarily a classic "public good", but in fact can be considered a "private good", in many cases.

For lighthouses to become "private" not "public goods" required a good bit of ingenuity and creativity, but apparently shipping companies and lighthouse owners have risen to the challenge!

The author also talks about how local initiatives (like zoning regulations that are coercively applied to 100% of those who CHOOSE to live in such communities), can privatize goods thought to have public good implications (like quality neighborhood public schools), without the need for federal or even state government intervention.

<http://66.102.7.104/search?q=cache:Gx5qDmFwfu4J:www.dartmouth.edu/~wfischel/Papers>

Thanks.

Michael

by M Golding on Sun, 10/16/2005 - 05:49 | [reply](#)

Re: Re: Borders and Taxes

Tom,

"...what's wrong with making a profit....?"

Did I say there was something wrong with that?

Michael

by M Golding on Sun, 10/16/2005 - 05:53 | [reply](#)

Re: Ideas

ROMR,

The article you cite is indeed written by a well-respected and thoughtful economist. Let's quote the article.

"There are some kinds of ideas where, once those ideas are uncovered, you'd like to make them as broadly available as possible, so everybody in the world can put them to good use. There we find it efficient to give those ideas away for free and encourage everybody to use them. IF YOU'RE GOING TO BE GIVING THINGS AWAY FOR FREE, YOU'RE GOING TO HAVE TO FIND SOME SYSTEM TO FINANCE THEM, AND THAT'S WHERE GOVERNMENT SUPPORT TYPICALLY COMES IN. (caps mine, MG)

In the next century we're going to be moving back and forth, experimenting with where to draw the line between institutions of science and institutions of the market. People used to assign different types of problems to each institution. "Basic research" got government support; for "applied product development," we'd rely on the market. Over time, people have recognized that that's a pretty artificial distinction. What's becoming more clear is that it's actually the combined energies of those two sets of institutions, often working on the same problem, that lead to the best outcomes."

ROMR, the economist is explicitly advocating using government imposed taxation, something inherently coercive to those who don't want to pay, to pool the collective resources of citizens to support the research of scientists, in collaboration with private industry.

In other words, he favors government support of the production of the public good called "knowledge", something I have also advocated in this blog on this very topic.

So from a libertarian perspective, in advocating government coercion in pooling resources (taxing certain citizens who don't want to pay scientists), how is he not advocating "pool(ing) resource(s)" to produce the public good called "knowledge"?

by M Golding on Sun, 10/16/2005 - 15:38 | [reply](#)

Michael, I was using your

Michael,

I was using your (old) definition of a public good. Would you please provide your new one?

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Sun, 10/16/2005 - 16:48 | [reply](#)

Same Definition

Just need to think about probabilities.

by M Golding on Sun, 10/16/2005 - 17:28 | [reply](#)

I don't follow

Let us define a public good as a good that many people want, but that everyone can enjoy, regardless of who pays for it

As I understand this, it doesn't say something can't be a public good if it is a mutually beneficial trade. It only says a public good is a good that many people want and benefits everyone regardless of which people pay for it.

Many people, including me, want Borders. The benefits of Borders are available to me regardless of which people pay for them. So as far as I can tell it qualifies.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Sun, 10/16/2005 - 18:33 | [reply](#)

RE Borders and Taxes

"The benefits of Borders are available to me regardless of which people pay for them....."

The fact that businesses exist, in general, is arguably a public good. But your sitting in Borders store is likely not a public good, even if you buy nothing.

If I invest 50 dollars (for example, give to person John, \$50) and I have a 50% chance of getting \$110 back from John, and I do not get my money back, I have not necessarily created a public good by investing, though John got 50 dollars, and I got nothing.

Borders is investing in YOU Elliot, when you walk into the store. The store may or may not get a return on their investment in you on any given visit. They are allowing you to "test drive" their materials. You are providing for them, however, the EXPECTATION that on average, for example over time, they will make more money than they spend in providing a chair and reading materials to you and others in the public.

A chance of customers spending money, is in fact money to a business with a large enough volume of customers. A 50% chance of getting 100 dollars is worth something to most businesses so

they will spend some money to get that money. And I bet it's worth

something to you, too, Elliot. You can prove this to yourself.

Ask yourself whether you would be willing to pay a certain amount of money to have a 50% chance of getting 100 dollars. Most people would be willing to spend something (usually less than 50 dollars) to buy that deal. Again, most people would be willing to pay SOMETHING to buy a "chance", even if it is not a guarantee of money, but a "chance" for money.

Because people will spend money to buy a "chance", a chance at winning money is worth something to the people who will spend for it. I bet Elliot, that you would be willing to spend 30 dollars for a 50% chance of winning \$100, if the money were paid to you immediately and with no other risks and if the transaction were legal. So then YOU would buy a "chance", too and think it had value. If this is true, then I have convinced you that "chances" have monetary value, even if you don't get money every single time.

Borders is paying you money, Elliot, by giving you a comfortable chair and reading materials. And yes, you ARE paying for it, because you are offering them a "chance" that you will buy something. And remember, chances are valuable, so the owners of Borders are willing to spend money (provide seating) to buy the valuable "chance" that you are giving them when you walk into the store.

If you think this is "fishy": Remember, (I surmised that) you were willing to say that a "chance" is worth money. So perhaps the owners of Borders, if they are as smart as you, are willing to think that "chances" are worth something, too. Perhaps "chances" are even worth more than the cost of providing comfortable armchairs and reading materials!

But in being paid with nice seating and reading materials, you are not providing them with a guarantee that their investment will pay off. Just because Border's owners do not get a payoff on every visit, does not mean that they are providing a public good for you, any more than I am providing public goods by investing 50 dollars with John, which is the metaphorical equivalent of giving him a chair and reading materials.

Borders invests in you, because of their expectation that on average they will make more money from you and people like you, by keeping you in the store and causing you to spend your relaxation time in the store. After all, even though you didn't buy last time, you might just get the itch to buy next time, because of your good feelings and because of the time that you are spending with them. Have you ever bought something from Borders?

If Borders were to know that you would never buy anything at any of their stores, and furthermore if they knew that excluding you would not cost them (much) of the spending of others who could be upset because you were excluded, and furthermore if Borders still allowed you and others like you to come into the store and sit down comfortably and read; then yes, Borders would be providing a public good.

"The benefits of Borders are available to me regardless of which

people pays for them..."

Not quite. Virtually all customers pay Borders for their comfortable seating with the valuable "chances" that they sell to Borders when they enter the store, and which Borders redeems when some of the "chances" actually generate money.

Now, is it possible for "free riders" to exist at Borders? Are there people who always fool the owners? The owners would exclude them if they could, but they hang out at Borders and never pay? Perhaps they also don't bathe so other customers are discouraged from going into the store, or at the least these "free riders" always take up the most comfortable armchair, even though customers with a higher chance of buying would like to use it. Sure. These are "free-riders".

But likely there are very few of them, because bookselling is a competitive business and Borders would not provide the comfortable arrangements they do, unless most customers have a reasonable "chance" of buying during the many visits in which they go into these lovely stores. (I go, as well, Elliot. I buy things, but not every time. They get me with their "two-cheese" sandwich...very good.)

Why do markets sometimes provide public goods, without government intervention?

Two usual reasons are given.

1. Altruism/the rewards of spreading "truth"/self-replicating memes that "fight" against self-interested behavior. In short, cultural factors can make (more likely) the provision of public goods, without need of government intervention.

2. Some goods are provided by individuals who have natural monopolies over the production of the good. If I own the only practical source of water for irrigation to 10 farms owned by others, yet there is some runoff that benefits a public forrest, I doubt that I can expect the government to pay me for the runoff!

If I make continuing profit (economic not accountants profit, Tom) because of my monopoly position, without expectation of future competition because of unique geographical factors and known technology, then losses from my uncompensated water "run-off" may not make my profitability negative.

I will provide the public good even when I can't capture the full benefit of what I produce because I am not challenged by competitors -- who theoretically would lower my profit to near zero -- which could then make the water "run-off" a devastating uncompensated business expense, if my competitors did not also have to pay for run-off. So I provide water to the forrest for no compensation (a public good) because I can make an economic profit because of my monopoly position vis-a-vis the water supply. So I make more money than I spend to provide the water, so I can lose money to "runoff" and still be profitable.

So cultural effects (e.g. altruism) and forms of monopoly (including

zoning requirements) allow the private production of "public goods".

Indeed, this is (sort of) the argument made by the (unfortunately) often overlooked economist Joseph Schumpeter. Schumpeter believed that monopolies or monopolistic competition was optimal, rather than pure "no economic profit" solutions being optimal, because he believed that the public good "innovation" would be more likely to occur in companies making economic profit.

Michael

by M Golding on Sun, 10/16/2005 - 21:46 | [reply](#)

Unlike

You don't have to write so much, I already know these things in detail.

As I understand it, you think some cases, such as the rebuilding of New Orleans, are *unlike* the Borders case. Profitability is not what makes them unlike because New Orleans is potentially profitable (if built well enough). Please outline what the relevant differences are.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Sun, 10/16/2005 - 23:09 | [reply](#)

Public Goods

At Borders, you are giving the owners a "chance" that you will buy something and in exchange they are giving you a comfortable chair. Simple trade. No "third party" effects. No public goods produced. No externalities. Your action in "sitting down" benefits no one else in the store.

With New Orleans, when you give a dollar to New Orleans, I too am happier. You created a third-party effect. You traded with an organization in New Orleans, and as a consequence of your generosity, you benefitted me, because I also don't like to see people suffer. But I didn't pay you for the happiness you created for me because you are giving away happiness to everyone in society for free. If I am selfish and I can get something for free, why should I pay (as much) for it? So my natural rate of altruistic giving will decrease, because you already gave money.

This is true for everyone, so no one gives the optimal amount of altruistic donation (given their preferences). Donations to New Orleans create third party benefits. Going to Borders does not.

Giving for defense spending creates 3rd party effects like giving to New Orleans. When you give money (voluntarily) to the defense department, you make me happy because I don't have to pay (as much) for the airplanes that protect me. Your donation to the defense department creates benefits to everyone in society. But

why should I pay (as much) for something that you are willing to

give me, for free? But this is true for everyone. So even if we all have the same desire for defense spending, we all voluntarily give too little, unless we can all levy taxes on each other -- which we in fact do -- to pay for defense and yes, now for New Orleans.

Third party spillover effects -- Defense and New Orleans.
Direct bilateral trade -- Sitting at Borders

Defense and New Orleans reconstruction -- potential public goods.
Sitting at Borders -- private good.

Michael

by M Golding on Mon, 10/17/2005 - 01:29 | [reply](#)

Third Party Effects

Buying books from Borders increases the chance that Borders will still be open next year. This benefits people who want to visit that Borders next year. Therefore, buying from Borders has third party benefits. Therefore, "has third party effects or benefits" is not a difference between funding New Orleans and buying from Borders.

What say you?

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Mon, 10/17/2005 - 02:59 | [reply](#)

Providing Public Goods + Democracy != Good Government Coercion

Michael,

Perhaps you already know this, but just to be clear, my disagreement is with your apparent theory that providing any public good justifies financing via coercive taxation. Or, maybe you think that this somehow, magically, becomes true in cases where a majority agrees. I think that these theories are false.

Economic efficiency doesn't trump morality.

I think drug prohibition is immoral. Even if I accepted the premise that it improved the overall public welfare (which I don't), and was faced with the fact that a majority approves of it. I think it violates the proper sphere of autonomy of individuals.

Likewise with taxing people to fund (most) public goods.

I happen to think that, given political realities, adopting my rules regarding funding public goods would actually lead to greater overall public welfare than adopting yours. But, that's not my primary concern.

My primary concern is treating individual people morally. And that, for the most part, does not permit coercing them for the good of the majority (or even their own).

Gil

by **Gil** on Mon, 10/17/2005 - 06:16 | [reply](#)

Borders and Taxes and Stealing (again)

Elliot,

What do economists mean when they say that a good is produced in a "competitive market"?

Gil,

I understand (and actually share) your beliefs more than the average citizen, I think. In most arguments, I am the one having to defend "the market" against those supporting far greater government involvement.

However, I do recognize that as a citizen of this country, I owe (and believe you owe) money to my fellow Americans for the benefits of citizenship. The issue of the morality of "stealing" therefore depends upon who owns what. If you don't pay taxes to support goods that Americans have lawfully (and hopefully reasonably) determined to be "public goods" best supplied by the government, I think you are stealing from me and your fellow Americans. (I am assuming of course that you are an American, but the argument would apply if you held a different citizenship).

You, on the other hand, believe that Americans have no right to the provision of certain "public goods" by the government, even if this is the most efficient way of providing them. Therefore if money is collected from you in the form of taxation to support Public Goods, Americans are stealing from you and you believe this is wrong.

So the issue is not the morality of stealing. We both agree that it is wrong to steal. The issue is how do you reasonably decide what to do when 2 different people disagree about who owns what. That is a much more subtle and interesting question, and is truly what we have been arguing about. And yes, the argument involves questions of morality.

by M Golding on Mon, 10/17/2005 - 14:28 | [reply](#)

Accuracy in Media

"My difficulty is with your apparent theory that provides any public good justifies financing via coercive taxation."

Gil

I don't think I've ever said that. But I've certainly pointed out situations in which that statement is not true.

Michael

by M Golding on Mon, 10/17/2005 - 14:46 | [reply](#)

benefits of citizenship

However, I do recognize that as a citizen of this country, I owe (and believe you owe) money to my fellow Americans for the benefits of citizenship.

Michael,

I put it to you that the average free benefits a person gets for being part of American society are exactly the same size as the average benefits he gives away to others without being paid. My reason is there is no force creating free benefit but us humans, so the total amounts created and received should be the same. So I don't see why I should owe anything.

What do economists mean when they say that a good is produced in a "competitive market"?

Do you mean a perfectly competitive market? I wasn't aware "competitive market" had an exact meaning.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Mon, 10/17/2005 - 18:14 | [reply](#)

Competitive market

Ok.

You are right, "competitive market" does not have an exact meaning. But economists routinely say that a market for a good is relatively "competitive." What does that mean (approximately) even if there is no exact definition?

Michael

by M Golding on Tue, 10/18/2005 - 03:33 | [reply](#)

Who Owns What

Michael,

So, is it your theory that I don't own what I have earned via voluntary trade; but rather my fellow citizens own whatever portion of it they choose to take (if they can gang up on me via elections and use it to provide public goods)? And is it your further theory that I have agreed to this by accepting my citizenship?

I suppose I have, in the same sense that a child who chooses to go to school has agreed to risk being beaten up by bullies. It's a fact of life. In that sense, he doesn't really have a right to control his bodily integrity because he's agreed that being somewhere that people regularly abuse him is better than his alternatives.

Do you recognize any rights at all that our current system violates, or do you think that rights are defined by the current system, or

that they just happen to coincide perfectly?

Gil

by **Gil** on Tue, 10/18/2005 - 03:52 | [reply](#)

competitive market

It means, roughly that there is, in one area, a variety of people/groups either producing and selling the good, or with the means to begin if they wanted, that way there is competition by sellers and potential sellers over the price. We also need a variety of buyers -- who either do buy the good or would consider it.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Tue, 10/18/2005 - 04:08 | [reply](#)

Well Stated

Well stated, given the imprecision of the question!

So if the bookselling industry is relatively competitive, there are a lot of *substitutes* for given booksellers and buyers. So this industry would not seem to create too many "public good" problems.

When there is monopolistic or oligopolistic buying and selling patterns in an industry and this pattern is expected to persist over time, these economic circumstances may create "public good" problems.

Michael

by M Golding on Tue, 10/18/2005 - 17:33 | [reply](#)

So if rebuilding New Orleans

So if rebuilding New Orleans was sufficiently competitive -- for instance, there were plenty of different construction companies that wanted to build the buildings -- would government intervention be unnecessary?

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Tue, 10/18/2005 - 19:28 | [reply](#)

Public Goods, Again

There are two issues.

1. The fact that one person gives to New Orleans likely diminishes the amount that another person gives. As stated before, my preferences for charitable giving to New Orleans are satisfied by

those who give, and so I give less. If I can get something for free,

why should I have to pay for it? This situation is symmetrical for everyone, so everyone gives less.

How is this situation similar to a monopoly creating a public good problem? There is a relationship, but people don't usually phrase things as you do, Elliot, so your interesting question requires a different type of response.

Let's say 1000 hurricanes hit our 1000 most important cities simultaneously (G-d forbid), only one of which is New Orleans. Let us further suppose that the tragedy in each city is comparable in the minds of the citizens of the country. Each tragedy is a "substitute" for the other. In other words, no one city is considered any more important than the another (just like there are many substitutes for bookstores). Let us further suppose that the country is composed of 100,000 people only, so that no group of people's contribution substantially increases the happiness of someone else who also gives, because the tragedy in each city is so enormous overall. So no amount of charitable giving is ever completely adequate (preferences for charitable giving, like preferences for goods, are infinite and no group's contribution changes the value of giving, like no one group's purchase of a particular book changes the overall price of other books)

In other words, let us suppose that the "market" for hurricane relief is "competitive". So there is no New Orleans style "monopoly on tragedy". Then charitable giving for hurricane relief would not be a "public good", as buying and selling books is not a public good.

In the absence of these assumptions, charitable giving for hurricane relief is arguably a "public good".

2. Other "public goods" in New Orleans include things like roads. It is inefficient to have 1000 roads in the same town, constructed by 1000 different firms, connecting the same two buildings. So certain roads are often most efficiently built by monopolies, whether government or private. But monopolies (government and private) can then have a degree of control of prices (taxes and tolls). Therefore long-term monopolies maintain economic (not accountants) profit...i.e. charge a price greater than the average total cost of production and maintenance of the road.

Though users of the single road would like to share ownership of the road, the cost of them organizing is too high. So a "road-owner" can jump in the void and buy the space connecting two important buildings in a city, and perhaps can buy a column of land dividing an entire city in two. (And someone with views like Gil would, I think, stop -- coerce -- the citizens group that wants to share ownership of the road from hiring their government as their agent. He would stop the group from hiring their government to purchase the road so that all own a part of it.)

A pure libertarian would say that buying a stretch of land dividing a city in two is OK, because this is simply a profit maximizing solution for the entrepreneur even if he gains the ability to charge monopoly rents to everyone who wishes to cross. That is, to the pure libertarian, it's completely OK even if the road owner is able to

charge 10 times more than the full cost of production of the road and his time. If you give the road owner \$10.00 for access to the road and he gives you \$1.00 worth of road crossing time (in terms of the cost of maintenance of the road), this is somehow not stealing \$9.00 from the public, according to a pure libertarian.

Indeed someone like Gil might even say that taxing the road owner even \$1.00 is, remarkably enough, stealing from him! Gil would say that it is stealing because the road was created with the "owners" hands. I, on the other hand, would say that the road owner owns the road up to the Average Total Cost of the roads construction (including the opportunity cost of the owners time), but not more.

The paradox of a purely libertarian perspective is that if one owns the ability to coerce someone else, for example, if one owns a single road dividing a city in two and you charge everyone to cross, and if citizens use their government to fight back, then (and only then) does power, in the interests of self-defense, become wrong.

by M Golding on Thu, 10/20/2005 - 00:42 | [reply](#)

Right to Profit

Thanks for clarifying your position, Michael.

You think that profit is stolen.

You think that if someone is creative enough to supply goods and services at a lower cost (to himself) than the value to his customers (an amount greater than or equal to the price that they willingly pay), then he is stealing that profit from his customers; that they have a right to the entire benefit of his creativity, and he only has a right to recoup his costs (including his time).

I suspect you're willing to let people keep some of the profit (because you must realize how little wealth would be created otherwise), but you think that, rightfully, we are practically slaves of the collective and have no individual right to the fruits of our creativity that others willingly offer us.

No wonder you have no problem with taxation. You don't think people actually own anything they've accumulated, because rightfully they would only break even in all of their endeavors.

Very...um...interesting.

Gil

by **Gil** on Thu, 10/20/2005 - 06:16 | [reply](#)

Not Quite!

Gil,

You're not reading carefully. I described the ability of a public citizen to purchase not a private good, but a "public good" (like a line cutting a city in half). Such purchases, though very profitable

for the individual, do not lead to wealth creation, but rather the opposite.

The ability of an individual private citizen to permanently make profit because of institutional arrangements, not innovation, is the ability of a private individual to purchase a "public good." Such an individual is not really purchasing a good (imagine purchasing an inch-big line cutting a city in half) but rather is purchasing the law itself!

If someone holds a gun to your head, and therefore makes profit, this is not creating wealth because it is *decreasing peoples choices*.

If someone owns a public good, like a square border around every single persons house in a city, and charges whatever rent he wishes for each person to cross the line, that person is powerful indeed. For he could charge any given person in the city for the ability to cross the line even to purchase food. And if the governments only role were to enforce the owners rights to the square borders; that is to enforce property rights to the inch thick lines surrounding each house like a grid, then when a private citizen owns a public good, he is metaphorically and often literally demarcating private property itself. Purchasing public goods is therefore equivalent to buying the ability to define law itself, because it is *law* that demarkates the extent of private property.

(Why shouldn't a person have to offer 50 years of service to the kind man who owns an inch-wide piece of property surrounding his house. Yes the grid owner is permanently making profit on his property, but what's wrong with that!) After all, the owner of the house himself is just wanting to trade for mutual benefit. He wants food so has to pay the full cost of that food, including the cost of crossing other peoples property, as determined by the property "owner". The cost of crossing the line could be 3 million dollars (and remember, the government should have no say in prices for goods, public or otherwise. And perhaps 3 million dollars is 50 years of work for most people to pay off.) A private citizen who owns "public goods," for example a line around each persons house, effectively owns the law and then is ultimately able to effectively enslave an entire city. And all this, apparently OK to the libertarian, because the government only acts as a police officer, enforcing private "property rights" to the grid (the public good) around everyones house. Please.

I beg to differ, if the government does not own many "public goods", it is selling the law to private citizens, and the ability to therefore coerce everyone. When private citizens own public goods, yes they make profit, but in the same way that gun slingers make profit: By "holding-up" people, they *decrease peoples choices*. This does not lead to wealth creation (though it creates profit) but rather leads to wealth destruction.

Owning public goods is owning the law. (Gil, please distinguish between buying public goods and private goods.) When private citizens own the law, it is neither fair nor equitable nor efficient.

Such arrangements lead to (long-term) profit for a few, with no need to innovate, and at the expense of everyone else.

Gil if you don't think something is a public good, like a road for example, because there are helicopter substitutes, argue that. But I think you can see that allowing private citizens to own all public goods is counterproductive. And no, before you respond (!), I have not said that making profit is bad or that the government should own all public goods!)

Take care.

Michael

by M Golding on Thu, 10/20/2005 - 11:45 | [reply](#)

Public Goods without Government

M Golding said:

The fact that businesses exist, in general, is arguably a public good.

Since businesses, in general, were not created by the government (through taxation), this proves Elliot Temple's statment that:

...public goods are provided all the time, without government.

If this point is already agreed upon, excuse me; I skipped some of the lengthier comments by M Golding.

by Bob on Fri, 10/21/2005 - 08:07 | [reply](#)

Public Goods

Individuals do produce public goods.

"Businesses", however, would not function well at all without government provision of the defense of property, and equally importantly, government facilitation of exchange, both public goods.

Michael

by M Golding on Fri, 10/21/2005 - 14:51 | [reply](#)

Re: Public goods

defense of property, and equally importantly, government facilitation of exchange, both public goods.

In fact they are not public goods by your definition, because it is very easy for governments to refuse to defend a particular person's property or enforce a particular person's contracts. In fact governments worldwide do this all the time.

by a reader on Fri, 10/21/2005 - 15:00 | [reply](#)

And....

Governments, like private enterprises that metaphorically or physically own the public spaces around peoples property, are capable of strangulating business transaction and therefore hurting the public good.

The interaction (transaction) between people is in fact the primary public good, easily interfered with by governments and businessmen with power over public spaces and extreme libertarian philosophies!

Michael

by M Golding on Wed, 10/26/2005 - 18:00 | [reply](#)

If I own a strip of land thro

If I own a strip of land through the middle of New York, and put into place a crazy policy of charging millions of dollars as a toll to cross ... yes it will be a disaster. However, I will destroy the value of my own land in the process. I won't want to charge absurd tolls; I'd rather charge moderate ones that people want to pay.

Further, the people who built on opposite sides of my land knew they were taking a risk. Or, alternatively, the people who cheaply sold me the various parts of the strip of land ... well apparently they are idiots, and the people who built on opposite sides of a strip of idiots were taking a risk...

If government owns a strip of land through the middle of New York, and puts into place some kind of crazy policy, it will also be a disaster.

Government is known for making crazy policy mistakes more than private individuals are, because government is less accountable, and various other reasons.

We both want reliable, sane policy for the strip of land through the middle of New York. I think keeping government far away will best achieve this.

You may say you only want government to intervene in an emergency ... after the idiots sell me the strip and I put into place a stupid policy. But how is government to judge this is taking place? Maybe I've just set up a toll road that is ... well pretty much ideal ... but people are complaining anyway. How is government supposed to decide who's right? Economists disagree all the time. And what will the law say, exactly? It needs to be clear to me, in advance, which purchases and policies will break it.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Fri, 10/28/2005 - 11:16 | [reply](#)

Libertarianism and Slavery

A line across New York produces nothing and only increases transaction costs. The cost for crossing an arbitrary line across New York City should be zero. The line is a "public good."

If the governments only role is to protect property (what some libertarians seem to say), and not to protect transaction, the consequences are interesting, to say the least.

Elliot, let's say someone owns an inch thick piece of property extending arbitrarily high into the air that completely surrounds your house or neighborhood. Further, assume that the governments only role is to protect property, not promote transaction.

Since someone owns the inch thick property around your house, he can charge an arbitrary sum of money to have you permitted to cross it, perhaps far more money than you have. And he can ask the police to prevent you from crossing because the government must defend property.

So the owner of the property can have you starve to death by not permitting you to leave or food to enter. Your choices are then to commit suicide or to (voluntarily?) sign a contract specifying that in exchange for being able to cross the boundary, all of the products of your labor and the number of hours you work, and everything that you consume, for the rest of your life, will be determined by the owner of the property surrounding your house. Then and only then, will he permit you to cross the line and eat what he determines you should eat, as defined in the contract. This is otherwise known as slavery.

So if Libertarianism means that a government must defend property, but not human interaction/transaction and efficiency, then that Libertarianism supports slavery. So when Gil says, on moral grounds, that he supports the defense of property over efficiency, if one takes him too seriously, Gil would support slavery. A simple property line around a neighborhood enslaves everyone within. (I'm quite sure Gil doesn't support slavery, but it is interesting to think through the steps about how we got here).

So the government and private citizens must support public goods, the most important of which is transaction and interaction between people. In different arguments, when "natural" monopolies are discussed, if the monopoly is expected to last indefinitely, many argue for government intervention, precisely to prevent this limitation on transaction (Note that a natural monopoly is precisely an entity that reduces transaction between people, just like the owner of the "monopoly" line surrounding someones house!)

Gil apparently argues that it is morally wrong to interfere with property rights, even at the expense of efficiency. So the government presumably should not prevent someone from purchasing a line around a house. Worse, from the perspective of a purist Libertarian, interfering with a contract between the owner of the line and the occupants of the house amounts to stealing from the monopolist who owns the line. I, in contrast, argue that it is stealing from the owner of the house, for a monopolist to own a

"public good" like a line around a house!

It is possible to defend the free market, if one relaxes ones libertarian assumptions and agrees that it is the governments and private citizens role to own and defend public goods so that everyone can use them. The most important of these public goods are public spaces promoting transaction and interaction between people.

And yes, these arguments can be very precisely formulated. In a simple way, the law and economics people have mathematically and philisophically argued that judges and governments should favor those laws and definitions of property that maximally promote free human interaction and exchange (i.e. decrease transaction cost). Lines across New York City or around your house do not qualify!

I personally am not a "law and economics" type because I do not accept that the "preferences" modeled by economists or the "arguments" discussed by Popperians should be treated as exogenous variables in models.

Nonetheless, law and economics professors have created a very "rational" approach to economic models that some at the "World" might be interested in learning about. And unlike the simplistic libetarian arguments (just defending property over efficiency), the law and economics people can show that their models increase human freedom.

So unlike Libertarians, who start out defending property to promote freedom but ultimately must logically defend slavery, an approach that emphasizes minimizing transaction costs as a primary economic goal; promotes property, efficiency, and freedom.

To understand this perspective better, The Nobel Economist Douglas North is fun to read (e.g. "Structure and Change in Economic History"). Judge Posner also has written some interesting books, using this type of philosophy. The "Law and Economics" worldview is remarkably consistent with Popperian epistemology and so (one would think) would be referenced frequently when economic issues are discussed in this forum.

Libertarian epistimology is not really consistent with a Popperian world-view, because of its emphasis on property, even at the expense of human interaction and exchange. Indeed, Popper was certainly not in favor of slavery, and libertarians logically are, but don't admit it.

by M Golding on Sun, 10/30/2005 - 02:17 | [reply](#)

My understanding is in the wo

My understanding is in the world today, people are careful about buying property that isn't connected to a reliable system of roads/airports/seas/whatever for transportation. In other words, people won't buy land with a circle around it without also buying or having rights to pass through the circle.

Do you think people shouldn't have to pay anything for the right to

egress over someone else's property? even if that other property owner doesn't want to give it up?

ok i can imagine a law about having right-of-way, for free, in some situations being reasonable. that need not involve taking away anyone's property though!

basically, i don't see that the nightmare scenario would ever happen, and I do see you attacking property rights needlessly.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Mon, 10/31/2005 - 02:33 | [reply](#)

The "Right of Way"

"Ok. I can imagine a law about having a right-of-way for free."
Elliot

Congrats. You've just discovered what a public good is. It is a "right-of-way" to exchange goods and ideas. Facilitation of exchange does not destroy property. Indeed there would be no property without it!

Do not sell across all margins the rights to the roads around our houses or the free speech that emanates from our mouths. The control of exchange is the control of our lives. If you sell the public good, you traffic in slavery.

Would not Popper wish that you exchange so that you find what you know best? Property without knowledge is like science without theory. So it is our ideas, forged in exchange, that tells us what we have and own.

So if you'd like to find a rational economic policy, reduce the costs of exchange -- free the costs of exchange if you can -- and not only will we all be more wealthy, but we will all be a bit more free.

And if you must be of a practical mindset, REDUCE TRANSACTION COSTS.

by M Golding on Mon, 10/31/2005 - 04:40 | [reply](#)

The "Right of Way" "Ok. I

The "Right of Way"

*"Ok. I can imagine a law about having a right-of-way for free."
Elliot*

Congrats. You've just discovered what a public good is.

Are you saying if I have right-of-way to walk across a trail on someone's property to get from my house to the highway that is a public good...?

I don't see how this fits with your earlier definition either.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Mon, 10/31/2005 - 07:15 | [reply](#)

Transaction Cost

"I don't see how this fits with your earlier definition, either" (of a public good)

Let's say Joe has been carefully buying from different people, tracts of land that are adjacent to a neighborhood in the shape of a cul-de-sac, with one road leading out (the "mouth" of the cul-de-sac).

The final transaction occurs when Joe buys from Harry the road at the mouth of the cul-de-sac. If this were a pure libertarian world, Joe now essentially owns everyone within, and can turn them into his property as described above, by preventing them from leaving and starving them.

Let's say one of the new slave's relatives (say Ellen, on the outside of this cul-de-sac), attempts to buy the mouth of the cul-de-sac (from Joe) to free her relative. If the transaction goes through, then Joe and the relative have made a transaction, but the benefits of the transaction are then distributed across all the residents of the cul-de-sac. But the costs of the transaction are concentrated on Ellen. (So Ellen would have to be very altruistic to purchase back the road at the cul-de-sac mouth...which is the public good)

Seen in reverse, when Joe buys the mouth of the cul-de-sac, he imposes costs from this transaction on every single person in the cul-de-sac, by denying them food and thus forcing them into slavery. When this transaction is reversed, everyone benefits, but does not have to pay, for their freedom. The reverse of a Pigouvian externality, is a Pigouvian public good.

"Are you saying that if I have right-of-way to walk across a trail on someones property to get from my house to the highway that is a public good..?"

Elliot

Not at all. How would a "law and economics" Judge answer the question of whether you should be able to cross someones property to get to a highway?

First of all, he would acknowledge that a law allowing people to cross each others property does in fact decrease certain transaction costs. In fact individuals will be able to get to the highway faster and these savings should be counted.

But, the law and economics judge would also ask what effect arbitrary crossing of property has on the land-owners ability to transact with his property. Indeed, property that can be crossed by anyone will not have the same value in trade. This expected decrease in value across everyones property would be calculated. In most situations, the decrease in transaction costs associated with

getting to the highway more quickly, will be easily offset by the decrease in value of property in which trespass is permitted, so the law and economics judge should decide against your ability to cross peoples property. Since the same property is there, but the overall value of property falls with a law allowing arbitrary trespass, laws allowing trespass usually increase net transaction costs. So arbitrary crossing of property should not be allowed, according to this model.

Now, what about the mouth of the cul-de-sac described above? How would a law and economics judge approach that problem?

1. A single monopolist could be permitted to own the mouth of the cul-de-sac. In other words, we could allow a private company to own the "public good" called the "mouth of the cul-de-sac." But to prevent the owner from starving the residents within and making them slaves, or at least charging more than the cost of maintaining the road, this monopolist could be regulated. So if a monopolist owns a public good and it is expected that his monopoly will last indefinitely, he should expect regulation. Perhaps individuals could be charged tolls equal to the expected fair market cost of maintaining the cul-de-sac mouth.

2. Or, the community covenant could say that 200 dollars per month is owed to the community managers by anyone who decides to build a house or live there. Community managers could be elected by the community. Decisions about "public goods", like who should maintain road access out of the community, could then be resolved by majority vote. Each person voluntarily agrees to be coerced when he is in the majority, in exchange for the ability to coerce the minority when he is in the majority. A vote could be taken and money could be allocated to pay a local child or worker to maintain road access out of the community.

In model 1, a private firm owns the "public good", and the people pay the regulated monopolist to administer the property. In model 2, the people own the public good and appoint their own representatives to administer it.

A law and economics judge, looking at both scenarios would need to decide whether it is cheaper to socialize ownership of the cul-de-sac mouth leading out of the community through a community covenant, or is it cheaper to allow a monopolist to control the public good (access out of the community), regulate him, but allow him to charge each resident as he passes through.

Which scenario is cheaper and better can be subject to empirical inquiry, however imperfect econometricians tools are. Which alternative keeps transaction cost the lowest? Both alternatives are frequently used.

Michael

by a reader on Tue, 11/01/2005 - 01:24 | [reply](#)

Michael,

I'm afraid you've been mischaracterizing my position.

I don't hold property rights as absolute. I approve of allowing violations of property rights in emergency situations provided reasonable compensation is made (e.g. starving hikers breaking into an empty cabin for food and to call for help).

But there's a huge difference between making this concession and supporting the regular, institutionalized, violation of property rights as a matter of course, because the representatives of a majority think a particular public good is worthy of coerced payment. For example, I don't approve of preventing a young couple in Montana from allocating their assets in pursuit of their own values, because Michael Golding and many others like jazz and the nostalgia of what New Orleans was like.

See the difference?

By the way, if roads were privatized, every piece of property would surely be sold with an easement so that nobody could be prevented from having access to and from his property. And if it happened without such an easement, the law would recognize the right anyway (and possibly force reasonable compensation).

Also, anybody who tried to profit in this way would surely fail. People profit (in free markets) by providing customers with things that they want and are happy to pay for (considering their alternatives, etc.). They depend on reputation for future success. If they took advantage of unfortunate people in a way similar to what you describe, then the general public would be sure to punish them economically (boycotts, bad publicity, etc.)

These nightmare scenarios go nowhere toward justifying the policies you seem to support.

It's a bit like arguing that nobody should be allowed to be rich because an evil rich person might offer poor people \$1 million to cut their feet off.

It's just not a real problem. And the possibility certainly doesn't justify the "cure".

And even if one doesn't recognize the morality of property rights and is only interested in economic efficiency, I think that a proper analysis would conclude that our present political institutions are not likely to limit their actions to funding those projects that actually increased efficiency, and that allowing them to try makes us worse off overall.

Gil

by **Gil** on Tue, 11/01/2005 - 06:16 | [reply](#)

I think that a proper analysis

I think that a proper analysis would conclude that our present

political institutions are not likely to limit their actions to funding those projects that actually increased efficiency, and that allowing them to try makes us worse off overall.

I think we can do even better. We don't need a proper analysis. Government can't decide to limit its actions only to efficient ones -- even if it wanted to -- because it cannot know for sure which actions are efficient. No one knows that. That's why there is risk involved in investing in companies.

When I make a risky investment and it's bad, I suffer. When government does, I suffer, you suffer ... all the tax payers suffer. Government shouldn't be in the business of trying to decide what actions are economically efficient. Period.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Tue, 11/01/2005 - 06:45 | [reply](#)

The Whole Discussion is about "Easements"!

Gil,

The issue is not Michael Golding's nostalgia. You and I would have had no discussion if we were talking about a persons desire to take someone elses property and use it for his own purposes. But some Libertarians fundamentally misunderstand economics. Property has no value without interaction and transaction (the fundamental public goods). Governments and all of our roles should be to promote voluntary interaction and transaction. Promoting voluntary interaction is virtually the only way to promotes property. For example, property is worthless without the fundamental public good called knowledge (something that exists between people otherwise noone would know what he is trading). Elliot calls public goods "rights of way" and you call public goods "easements." I don't care about the words. Knowledge quite literally gives someone "a right of way" and an "easement" to other knowledge. It is a "public good".

I have been trying to talk about the fundamentally complex way in which "easements" affect society and in particular, what are the barriers to functioning "easements" in societies? Who owns them? Who cares for them? And in particular, what should be done when someone (especially a libertarian talking about "freedom") erects a barrier on an "easement".

You blithely (and simplistically) say that of course there are "easements," but without even a smile on your face! The problem in the real world is that "easements" can be very expensive to maintain and people actually have to decide how to maintain them for use, so that libertarians don't build on them and (in my view) steal from people.

It is nonsense to say that people only make profit by satisfying the needs and wants of others. They also make profit by owning "easements" or "rights of way" or "public goods" (all the same thing) and erecting barriers which they charge people to cross.

Owning a line around peoples house is a metaphor that shows that profit can be made by erecting barriers to trade, and it is the governments primary (perhaps only) responsibility to facilitate trade, to facilitate exchange.

Libertarians want defense of property. But property is worthless without exchange (as the example of the line around the house shows).

Shall I provide an example of erecting a barrier over an easement (a partial line around a house)?

Gil, do you think that a neighborhood under construction should be able to ask citizens who wish to move there to contribute a certain amount each month to a community fund? The pooled money would then be used for "community projects" (like taking care of the easement/roads that connect the community to those outside the community).

Should individuals be allowed to decide that the community should decide, say by majority vote, certain issues that affect the community? Such individuals in the community would agree to be coerced when in the minority, and agree to coerce others on certain issues when in the majority.

For example, the color of peoples houses is arguably an "easement," to use your words. If someone paints his house "pink" (an eyesore to most), this color inhibits the ability of other homeowners to "connect" with someone who may wish to buy their property, because others may not wish to move into a neighborhood with a bright pink house. So the pink color erects a barrier to transaction for others in the neighborhood. So the person painting his house pink is effectively building on what you would call an "easement" (do you see that?). A good that connects people to their trading partners is an "easement" (or "public good" or "right of way") But to the person painting his house pink, he may think it adds to the value of the house or at least his enjoyment of it.

Worse, he could hate the color pink but he could say to others, "If you would like me to paint over it a different color, that hurts me profoundly. I would like 1000 dollars from all of you in the neighborhood" (up to the value of their property lost because of the pink house.)

And so he could charge (make profit by) threatening to ruin the property value of everyone elses house. Such an individual is absolutely NOT making profit by producing what people want. Indeed he is making profit by producing specifically what people *DO NOT WANT.* So Gil, do you see how people can make profit other than by satisfying other peoples needs and wants?

Should a majority vote of the community be able to decide whether someone should be able to build on their collective "easement", especially if majority rule on these types of issues was agreed upon before someone lived in the community? Would the majority be stealing from the minority by preventing pink houses? If the person violated the covenant and painted his house pink, would he be

stealing from the community? What do you honestly think?

Such discussions happen *all the time* in real neighborhoods, in real cities, and in real nations. (In our neighborhood, the fight every year is over spending community money to place religious crosses on the "easement" identifying my community during Christmas. Some of us want them there and some of us don't. How do we decide using Libertarian principles?

Michael

by M Golding on Tue, 11/01/2005 - 18:14 | [reply](#)

Government Analysis

"Governments shouldn't be in the business of trying to decide what is economically efficient."

Elliot

Interesting.

Bob and Harry move next door to each other at about the same time. Bob opens a restaurant. Harry opens a mail-order business. Bob takes Harry to court saying that the length of his grass keeps customers away. His business is an eyesore to customers.

Harry counters that his grass is not that tall and it is not good business to mow the grass all the time because it wastes time (it's not efficient).

Who should win? How do you decide?

Michael

by M Golding on Tue, 11/01/2005 - 23:15 | [reply](#)

Contracts

Michael,

I do approve of voluntary (in which all participants have given prior, informed, consent) agreements being honored.

However, I strongly deny that I have entered into such a voluntary "Social Contract" in which I have agreed to go along with anything the government chooses to do to me (or others).

You may wish to pretend otherwise, but pretending is all it is.

If you support forcing unwilling people to help fund lots of public goods, you are *not* merely enforcing voluntary agreements. You're doing something very different.

You may think it's worth it, but I think you're mistaken.

Gil

by **Gil** on Wed, 11/02/2005 - 08:11 | [reply](#)

But What About the Specifics?

Gil,

I share your opinion that government is often overintrusive.

But Gil, what do you think about the below situations.

1. Should a community be able to have people sign an agreement when they move in, saying that on issues of landscaping, color of houses, additions to houses, and/or possibly defense of the neighborhood, and other issues in which one person's decision affects the property value of others in the neighborhood; then the majority can decide whether it is OK, as long as the decisions are constitutional and do not violate state or federal law?

Money for defense of the neighborhood (e.g. a nightly police car making rounds) would come from community dues...as we had in my neighborhood when I was growing up, though there were people who voted against paying for the extra police presence!

2. So should the community described in my post yesterday be able to stop someone from painting his house pink? Is the person stealing from the community if his house gets painted pink anyway? Or is the community stealing from him by not letting him paint his house pink? What do you honestly think?

3. Should I be able to legally not pay my taxes in support of defense because others (who want defense) should be able to pool their money? Why can't people voluntarily pool their money and give to the military? Only those who want to give should give (right?) Otherwise it's stealing from those who don't want to give. If defense is not important then people won't give and if it is they will. Right?

(Maybe a young family wants to realize its dreams in Oregon. If this family doesn't give, it doesn't destroy our national defense. How can we possibly justify coercing them. And people are very generous. I have no doubt that billions would be raised VOLUNTARILY, if people were asked to defend their country with their donations.)

Thanks,
Michael

by M Golding on Wed, 11/02/2005 - 15:56 | [reply](#)

Specifics

1. Yes, such an agreement seems valid and 2) I think a party to the agreement can be held to its terms.

3. I personally would like to move to voluntary funding of defense as quickly as possible because the same principles apply as to other

public goods and I think our culture will be able to raise such funds

voluntarily with some creativity.

However, I recognize funding defense to be an exception at the present time (because the risks to all other liberties are so high) that I accept coercive funding temporarily until we can evolve towards voluntary funding in a safe manner.

I don't see any other public goods (e.g. rebuilding New Orleans, space programs, research funding, public "education", etc.) rising to a level that justifies this type of exception.

Gil

by **Gil** on Wed, 11/02/2005 - 18:20 | [reply](#)

Fair Enough

You're certainly mostly consistent!

So we've established that at times it is reasonable for a majority to coerce a minority to defend a public good (like hiring a police car to defend property) if all have (non-coercively) signed on to a set of community rules allowing that to take place.

The next logical question would be,

1. Under what set of circumstances is it "rational" for a majority (or anyone in the community) to vote for hiring a patrolling police car and how much should the community be willing to spend? Let's assume that all crimes in the neighborhood are property crimes (e.g. theft) and no one is injured or frightened by intruders. (Assume this for simplicity)

2. "Because the risks to all other liberties are so high", the majority should be able to coerce the minority and make them pay for defense, too. (Gil, is this your argument for why everyone should have to pay for defense of the country?)

If so, why should the majority be able to coerce the minority (even right now)? If the majority wants defense, because it believes "the risks to all other liberties are so high", why can't the majority still contribute and just reduce the size of the military a little bit? Or perhaps everyone in the majority can contribute a little more to make up the difference lost because the minority does not contribute. After all, the cause is so important, surely those who recognize the value of defense would be willing to give a little more to defend their principles.

3. "Because the risks to all other liberties are so high"
Defending which liberties justifies coercing people?

Thanks,
Michael

by M Golding on Thu, 11/03/2005 - 01:30 | [reply](#)

Justifying Coercing People

Michael,

1) I suppose it would be rational to choose to increase spending on protection so long as the expected benefit of the marginal increase exceeds the marginal costs by more than the rate of return of alternative available investments. This is not always an easy call (lots of secondary costs and benefits), but I would think that a single patrol car would be a good investment.

2 and 3) I'm not saying that high risks/benefits justify entrenched, institutionalized coercion. I do think that extreme emergency situations where there isn't time or opportunity to get agreement can make it reasonable to coerce people if you're willing to offer compensating benefits (enough that a reasonable person would be indifferent between the offense + compensation vs. no offense).

I don't favor permanent coerced defense funding. But, I'm afraid that turning off current funding immediately and hoping for sufficient contributions might be irresponsibly dangerous (leading to mass innocent deaths).

Here's an interesting article with some ideas for funding public goods (like defense). I think that these and other ideas would be sufficient to voluntarily raise enough to fund a reasonable defensive force (and I do think that much of current defense spending is wasted).

Gil

by **Gil** on Thu, 11/03/2005 - 04:04 | [reply](#)

Taking Children Seriously (TCS)

Off Topic:

Just to try to avoid confusion (for lurkers as much as anyone), the use of the word "coercion" and "non-coercion" in this thread has nothing to do with the TCS use of the word. I bring this up because TCS and **The World** are by the same people, and because TCS is sometimes (misleadingly) called "non-coercive parenting", and also because I know some TCSers must be reading this thread (like myself) and initially think "hey wait, that *is* coercion" before realising the use of 'coercion' here is completely different.

BTW, back on topic, as far as libertarian-coercion (ie, the libertarian meaning, as in this thread), it looks to me a bit like a euphemism for saying force. I think it'd be clearer to write "we've all agreed to force a minority, if they agreed (non-forcefully) to do the thing". also this is silly. you can't force people who consent.

BTW if everyone truly consented to all the laws of a community, you wouldn't need police roaming the streets.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Thu, 11/03/2005 - 15:52 | [reply](#)

OK

Gil

I. Concerning the community that has a move-in requirement of
a. an amount of money/month for a few public goods (like easements) and
b. the community that has the police car, and
c. in this same community you personally notice that the majority (and often close to everyone) is making rational calculations about such things as police cars by trying to make sure that the
d. "expected benefit of the marginal increase exceeds the marginal cost by more than the expected rate of return of other investments" when they vote

Concerning such a community described above, you say it should be legal for individuals to run such a community but

A. would you seriously consider living in such a community if members are continuing to use the "rational" calculations you specify? If you would not wish to live in this community, what changes would you want made to handle issues like bright pink houses and the need for police vehicles?

II. I still don't understand why the IRS cannot print out a summary of defense needs, what the individual and others (approximately) gave last year, and ask for voluntary contributions to defense.

B. Specifically, why do you think there would be any decrease *at all* in the net amount of money given to the military, given the stakes you mention, even if voluntary contributions for defense were initiated this very next tax season?

Thanks.

Michael

by M Golding on Thu, 11/03/2005 - 17:24 | [reply](#)

Considerations

1) Yes, I would consider living in such a community (in fact, I do). The considerations include understanding the extent of the possible restrictions and fees, and deciding whether I think that it adds more value than it costs in my choices. Also, it helps to have the option of leaving to a less restrictive community. This type of competition will tend to help the evolution of good rules.

2) I have never denied that there are factors which will tend to reduce voluntary contributions to public goods.

While I'm personally confident that enough funds can be raised voluntarily in the U.S. for an effective defensive force, there is still a degree of uncertainty about how long it will take to evolve the proper norms and mechanisms for such funding.

It's this uncertainty that leads me to accept a gradual, rather than

immediate, transition towards voluntary funding of defense.

An adequate defense is something that we, literally, cannot live without. There's a huge difference between victory and defeat. This is not so for other public goods. Those that are perceived as most valuable will receive substantial contributions, of course.

Gil

by **Gil** on Thu, 11/03/2005 - 17:54 | [reply](#)

Defense

At this point reading through 100 posts I am willing to concede Gil his own country, water and air rights and easements, and his own government to go with it. The jury is out as to whether this government will be needed. I would like to see the plans for the Defense budget and the building which it rents tho before I immigrate.

by a reader on Fri, 11/04/2005 - 00:05 | [reply](#)

Specific Factors

1. We have agreed that we should be able to have, and you (and I) might in fact live in, a community that has individuals sign an agreement when they move in specifying

a. that on issues of landscaping, colors of houses, additions to houses, defense of the neighborhood and other issues in which one person's decision affects the property value of others in the neighborhood, then the majority can decide whether it is OK,

provided that

b. we have free choice to leave the community and given that our decision to stay or leave would partially depend on the extent to which most of our fellow citizens utilize marginal cost and revenue estimates when they vote.

c. As our successful community grows, it becomes complicated, as you have pointed out, to make marginal cost and revenue estimates on every issue discussed. Would it be OK, if the majority then starts to consider that information matters. Specifically, the relative presence or lack of INFORMATION that some people have ABOUT marginal cost and marginal revenue issues, in fact affects the way people vote. So information itself becomes a "public good," because peoples intelligent or unintelligent voting itself affects the overall property values of the community.

So appropriate voting procedures could themselves become subject to a vote, given the original wording of the covenant allowing the community to decide to vote on issues affecting communal values of property. Improving voting rules improves the value of community property.

And so lets say the people overwhelmingly vote to pay "experts,"

out of their community dues, to study certain issues, because each person does not have time to learn all the information needed to make an informed choice (because they are doing other jobs and not doing econometric analyses.)

And the people also vote to divide the community into 60 equal square parts (like a grid superimposed on the community), and each subcommunity in each little block gets to vote for a number of representative experts, proportional to the population, so that each person's vote from each subcommunity continues to count the same as every other person's vote from other subcommunities.

The "experts'" job (say an average of 3 per subcommunity) is then to calculate as best they can, the effect on property values in the subcommunity (using marginal cost and revenue decisions), of any decision by a homeowner which affects property values of other homeowners in the subcommunity. If there is not unanimity of the 3 experts, then they vote.

A. Gil, should it be OK for a community to try to organize itself this way? Then every single person does not have to be an expert on every single issue that affects the appearance or property of the community as a whole. And as long as the "experts" can be voted out of their job as experts, if they are not optimizing the property values of the subcommunity, would that be OK? The experts might be considered "portfolio" managers for the appearance of the community.

The community is then effectively divided, so that most property problems are handled on a local level by the experts who do econometric analysis, unless the decisions of individual subcommunity homeowners affect the community as a whole. If a decision of one homeowner is thought to affect the property values of those outside the subcommunity, as well, then the experts from all the subcommunities gather, and vote on the issue. In addition, the community is giving itself the opportunity to adjust to the different collective preferences of subgroups and learn what types of decisions in each subcommunity in fact maximize the value of property and individual happiness (people will leave one subcommunity and join another if it is better for them and their property).

Should this arrangement be legal?

2. Back to the real world.

B. In your view, which specific "factors" prevent individuals from adequately coordinating their economic activity to voluntarily support the US military, say by utilizing a voluntary checkoff on their IRS tax form? Which factors prevent this from being done this very next tax season?

by M Golding on Fri, 11/04/2005 - 03:48 | [reply](#)

Factors

Michael,

A. Such an agreement should be legal provided that the imposed rules and fees do not go beyond the original mandate that was unanimously agreed upon (without unanimous approval).

The limits of the agreement should be clear and understood. It shouldn't be a "living" document. It shouldn't begin to allow restrictions on what drugs people may consume, whether or not they may own guns, how much they may/must pay neighbor kids to mow their lawns, or force them to pay for projects unlike those originally agreed to (no matter how large a non-unanimous majority would like to fund them with forced fees), etc.

B. I accept the problems that you describe with respect to funding public goods (free-riders, etc.). I'm sure that many people would contribute less for collective defense than they would if their own defense depended on their own payment.

The major factor that I think is needed is *time* for social norms to change so that defense is considered a worthy cause to contribute to, and such contributions are expected, rather than an entitlement "paid by the government".

I'm confident that given the time and opportunity, this will happen and people will recognize a responsibility to support collective defense and will act accordingly. Also, time will help more creative funding solutions to be applied and to be discovered.

Gil

by **Gil** on Fri, 11/04/2005 - 06:41 | [reply](#)

So Were You Overstating the Case?

Gil,

Neither you nor I believe the government should finance many public goods, although I'm virtually certain you favor government intervention less frequently than I do.

For example, you don't believe that the government should help with hurricane relief in New Orleans, other than to provide police protection for property. But in the short-term you have acknowledged that

"I accept the problems you describe with respect to funding public goods (free riders, etc.)"

So when someone describes a public good problem to you, is the best response really, "No coercion is necessary for willing contributors to coordinate their economic activities"?

Indeed if you acknowledge the possibility of "free riders" in the short term preventing efficient pooling of money to buy a public good like collective defense, then the "no coercion is necessary...." comment is overstating things a bit, isn't it?

Michael

by M Golding on Sun, 11/06/2005 - 19:13 | [reply](#)

Overstating

Well, the quotation is true. It might not always be the case that the degree of coordination is to your satisfaction, and it may be less than if all externalities were internalized; but it is non-zero. Public goods *do* get voluntary funding (even despite inhibition by government policies); all the time.

I'm sure you agree that it's a good thing that we (usually) protect people from having their lives and efforts commandeered by others for the purposes of those others. The narrow project of running a plantation efficiently might have been enhanced by slave labor, but the wider project of advancing human flourishing was not.

The *real* question is: When, if ever, is using force rather than reason morally (or, if you prefer, economically) justified by the situation?

My argument that the answer is "Extremely rarely, if ever", and that it's a huge mistake to institutionalize this power to make it relatively easy for bureaucracies to employ. History (and **public choice theory**) show us that this policy leads to problems that often outweigh the intended benefits.

If not in each case, then certainly in the aggregate.

Gil

by **Gil** on Sun, 11/06/2005 - 21:33 | [reply](#)

Efficient Coordination?

I see!

So when you discuss public goods that you would like financed through the government (like defense), and you say "No coercion is necessary for willing contributors to coordinate.....,"

what you really meant to say is that when it comes to financing public goods, "No coercion is necessary for willing contributors to **INEFFICIENTLY** coordinate their economic activities."(!)

I'm glad we both agree that when it comes to public goods, willing contributors **do not** necessarily coordinate their economic activities efficiently. If saying that (in certain circumstances) "willing contributors cannot efficiently coordinate their economic activities" means the same as "willing contributors coordinate their economic activities....", well OK then!

By the way, independent of the immorality of slavery, your example of plantations being economically efficient, is laughable. If slavery had been economically efficient, slaves would have been used in just about the same way as free individuals (with maybe a few more hours of work per day). Slaves would have been congressmen, presidents, business owners, etc.

A slave would make far more money for the slave-owner as a

business man than as a slave (if he were willing to be a slave and a businessman -- a big if). So a perspective that only analyzes transaction cost to decide who should own what, clearly comes down on the side of people owning themselves, because when they own themselves, their intellectual and physical resources can be used in many very productive ways. When people own themselves, they use themselves more efficiently.

Slaveowners have to waste enormous resources trying to keep slaves stupid and in chains so that they can't escape. In addition, they have to wastefully damage their bodies and minds to keep them from organizing against the tyranny that oppresses them.

A law and economics judge, independent of ethical considerations, would easily come down on the side of people owning themselves, because when they do, their bodies and minds produce more. So the "Law and Economics" perspective does give you a surprising number of "correct" answers to ethical questions, while just employing seemingly empirically-based analysis.

Obviously, even if a person's resources were more efficiently utilized as a slave, and not a free person, it still would be very wrong to enslave him. But it is nonetheless surprising how ethically "on target" decisions are, when legal decisionmakers try to find those definitions of property that minimize transaction costs. There is a bizarre near-confluence of ethical and economic decision making when this occurs. The "positive" and the "normative" inch closer together.

Michael

by M Golding on Mon, 11/07/2005 - 01:56 | [reply](#)

Inefficiency

Inefficiently coordinating resources to support public goods is the only way it can be done. If you think it's done efficiently through government (or would be if we could only get the right people into the right positions), then you're delusional (I'll leave it to you to contemplate whether such delusions arise from disease or not).

I suspect that in the vast majority of cases using government force and bureaucracy as the coordination mechanism is much more inefficient than through the creative efforts of private people voluntarily contributing their own time and resources.

Government force is a very poor attempt at a solution to public goods funding; both morally and practically. As you say, it is interesting how often these things align.

Gil

by **Gil** on Mon, 11/07/2005 - 04:27 | [reply](#)

Slavery

By the way, my intuition about the economics of slavery matches

yours. However, I've seen reports of serious studies that have come to the opposite conclusion.

In any case, my point was merely that the perception of an efficiency gain for a narrow project by those with political power via violating individual rights (and we must both agree that slavery had *that*) is not a sufficient condition to go ahead and do it.

Often the judgments will be wrong, and even when they're right...they'll still be wrong. :-)

Gil

by **Gil** on Mon, 11/07/2005 - 04:52 | [reply](#)

Michael, You're absolutely

Michael,

You're absolutely right about the inefficiency of slavery, and the point that if it wasn't they'd have been businessmen is great.

As to public goods ... I agree there are situations where coordinating efficiently is difficult. it takes knowledge to identify these cases. and it takes more knowledge to come up with an efficient solution. where i differ from you is that I deny government has any advantages in identifying these cases, or in solving them efficiently. I noticed your post didn't mention this issue.

also, following your take on slavery ... i am highly suspicious of any claims that government forcing people is particularly efficient. more inefficient than slavery? of course. the only way something will get done? sometimes. but the most efficient way to do something? no way. when government solutions seem to work well, it's probably b/c government used it's large scale organisational talent (which while flawed certainly exists), or something else it has knowledge about how to do.

i'd also like to acknowledge that I believe your position in the argument makes more sense than Gil's. I think if one concedes the things that Gil concedes, then you'd be (mostly) right.

however, I don't think Gil's extraordinary commitment to freedom should be seen as a flaw. he could easily make this argument to you, that i'd agree with: you (Michael) are too quick to accept unfree solutions to problems, and ought to be more skeptical of such methods.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Mon, 11/07/2005 - 10:01 | [reply](#)

Freedom

I think many of us want to find the most efficient ways for certain

public goods to be produced, as long as benefits actually exceed costs in the production of the good.

If it is the government that is producing the good, its activities are often remarkably inefficient and wasteful, due to governments lack of accountability.

But if citizens pay the least when, for example, road ownership is socialized and supported by taxes, then so be it. But if it is on average cheaper for roads to be owned by a monopoly that charges tolls and is regulated by the government, I am fine with that, as well. And if it is still cheaper to set up creative rules for companies to compete for contracts and routes, while roads are supported by tolls and with little government regulation, that would be even better. Regardless, we should perform cost-benefit analysis on as many government projects as possible to project what we think will happen and then carefully document our errors.

As stated in a different thread, Murray Weidenbaum, as head of the presidents council on economic advisors under Reagan, tried to get this type of analysis performed routinely on proposed government projects. He proposed using the office of management and budget for these efforts. As one can imagine, his endeavors may not have been too well received by many government bureaucrats, whether of the liberal or conservative persuasion. Projects often cost more than those proposing them are willing to admit! Professor Weidenbaum did not stay too long in Washington.

Defending arbitrary definitions of property (like someone owning a line around someone elses house and multiple variations) does not necessarily promote freedom and often hinders freedom and efficiency. As I have shown, defense of property arrangements that in the long term inhibit transaction, in fact decrease peoples freedom. Indeed in extreme cases, defense of such property arrangements actually promotes slavery.

Policies that in the long term lower transaction cost, on the other hand, are more likely to promote rational definitions of property in the future. More importantly, decreased transaction cost allows increases in rational exchange between people. And it is this facilitated free exchange that ultimately generates wealth, knowledge, and most importantly, freedom.

by M Golding on Wed, 11/09/2005 - 01:06 | [reply](#)

While government is presently

While government is presently the most efficient way to do some things ... and in some cases the only known way I see no in-principle reason to expect this to remain so forever. The special feature of government, that differentiates it from just a private company providing something, is that it uses force against its subjects. I don't mean to declare government illegitimate, but this fact remains. I believe this fact gives government no theoretical advantages in economic matters, where the critical thing is knowledge. Thus, I believe one day we won't need "government"

(force initiation) to provide our services. in other words, i see no qualities of government to be necessary parts of solving economic problems.

Also, and I'm sure you'll agree with this, if people wish to pay more for a less-efficient non-government option, that is perfectly OK. what people value matters, and it's legitimate to value things other than efficiency.

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 02:34 | [reply](#)

Novel Idea!

1. Some of us appreciate government because it combats the forcefulness of others. When noone is violent (uses guns or builds fences on easements), then government will not be needed. This might take a while!

2. It's not less efficient, per se. If people want something (call it good A) and place a premium on something else (i.e. goods not produced by the government...good B), then when people purchase A + B, they are purchasing more than good A alone, and therefore may be willing to pay more.

3. But your point is still very interesting to me and #2 is a quibble. I have never thought of the situation where people might be willing to pay more for something, to not have the government produce it!

So I'll use your assumptions. Let's say it is, in general, more "efficient" (in your sense) to socialize ownership of the roads and have them financed through taxation rather than through private ownership and tolls.

So just socializing the whole road building activity and collecting taxes is financially cheaper than having the government have to deal with the "barriers" that private road owners could place on "easements", by privately owning roads. I don't know that this assumption is true, but let's say it is.

Elliot, should a majority be able to ...well...coerce(?!)..... the minority into paying more for the roads, because the majority does not want the (coercive!) government involved?

by M Golding on Wed, 11/09/2005 - 03:31 | [reply](#)

I say if you can't persuade p

I say if you can't persuade people your project is a good idea, they shouldn't bear the cost of it. However, I don't advocate making taxes optional today; I know that system would be horribly abused. What I do advocate is moving (gradually) towards the first thing, so that people prosper, or not, on their own merits and choices, and

not on other people's decisions. It's bad if I lose money over

someone else's foolish road project; your analysis seems to leave out that we don't know, in advance, if a project is actually efficient or not. Which is the primary reason paying for it should be voluntary.

About government preventing forcefulness ... I like being safe as much as the next guy, but I don't know how much this is government's doing. In many countries, one is not safe from the government or the military (if they are separate). What makes us safe from our military can't be laws that the military isn't allowed to take over. And it isn't private gun ownership. And it's not checks and balances in government decision making -- those can't do much about bullets. It must be traditions of peaceful society, and knowledge of how to live peacefully. I know government is presently an integral part of that tradition, but I don't think it deserves all the credit.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 04:33 | [reply](#)

A wise anarcho-capitalist kno

A wise anarcho-capitalist knows that anarcho-capitalism is a *more* sophisticated way of life than our present one, not a simpler one. It will emerge from it only by evolution and piecemeal conjectures and refutations. Not by abolishing taxes at a stroke. The latter would simply revert us to an earlier state, and would not constitute progress at all. How can one expect improvement without thought?

by a different reader on Wed, 11/09/2005 - 04:34 | [reply](#)

Not sure I understand

Elliot,

If it's cheaper to socialize ownership of roads and collect taxes, but a majority of the people would rather pay more and have them privately provided and pay tolls, should the majority rule?

Michael

by M Golding on Wed, 11/09/2005 - 04:42 | [reply](#)

There are multiple questions

There are multiple questions there.

Today, we use a system of voting for government projects, and a system of voluntary trade for private projects. So if a government road gets voted for, it should be built. (It's not quite that simple.) If we're talking about a voluntary road, it should only be built by people who voluntarily build it.

In general, I would prefer that only people who believe the road is a

good idea, and wish to build it, pay for it.

None of my analysis depends on whether the road is, in fact, efficient. We have to have policies that can be implemented without being sure about who's right or what policies are right. If we knew what was best, we wouldn't need ways of making decisions.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 06:08 | [reply](#)

I Still Do Not Understand

So (right now) if it happens to be cheaper to socialize ownership of roads and collect taxes, but a majority wants to begin the process of moving toward less government involvement in a few spheres of our lives, and if the majority votes to pay more and have roads privately financed by tolls:

Should the majority rule?

Michael

by M Golding on Wed, 11/09/2005 - 11:59 | [reply](#)

Why Rule?

Why is it a question of ruling?

If some people (majority, minority, or individual) want to build private roads and finance them voluntarily (tolls, advertising, etc.) why is it a question of them ruling? Why is it anyone else's business, and by what right should they stop them?

They don't need to rule. They just need to be unmolested.

Gil

by **Gil** on Wed, 11/09/2005 - 17:50 | [reply](#)

The problem with your questio

The problem with your question is it still seems to involve some central authority making decisions (us). I don't want to rule. I don't want to decide who should rule. Popper said "Who should rule?" is a bad question, and should be replaced with, "how can we remove bad rulers and bad policies?"

anyway, here is what I think should happen:

If the majority (in congress, or in state government, or wherever that controls a government budget) vote to cut funding for government roads, then government road funding should be cut. meanwhile, building private toll roads should be legal. (already is, as far as I know)

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 18:11 | [reply](#)

OK

"If the majority....vote to cut funding for government roads, then government road funding should be cut."

Elliot

Thanks.

If the majority wants, can the government that represents it vote to sell the government roads to willing private entrepreneurs?

Michael

by M Golding on Wed, 11/09/2005 - 20:01 | [reply](#)

yes, government selling its r

yes, government selling its roads is OK with me. while they're at it, i hope they sell the postal service ;-)

-- Elliot Temple

<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 20:48 | [reply](#)

Majority Sells the Roads!

Elliot,

The minority complains and says it was coerced by the majority. The minority says that road use is now more expensive, just as the majority and minority both predicted.

Because on average everyone in the minority (and majority) has less money, the minority says its opportunities are relatively decreased, a little of their freedom has been taken from them by the ruthless majority decision.

Elliot, do you think the majority coerced the minority by forcing them to pay more for traveling the roads?

Michael

by M Golding on Wed, 11/09/2005 - 21:07 | [reply](#)

I don't know exactly what you

I don't know exactly what you mean by "coerced", could you rephrase with a different word?

Doesn't your objection apply equally well to all voting? A policy of [something] is put in place, then the minority that opposed this policy complains that the [something] hurts them.

Also, traveling on a given road is optional! You may say I'm splitting

hairs because roads are so useful. But I generally take the view that great things to buy from other people are a *bonus*, not my natural right. Thus if, for example, a grocery store raises its prices, I don't say they are "taking my freedom", because I don't think they owed me anything. They were *giving* me extra freedom, now they aren't, that's all.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 22:37 | [reply](#)

Freedom vs. Coercion

If someone owns something, or a right to do or not do something, and then that something is involuntarily taken away from them, then that is coercion because it is using power, rather than voluntary exchange, to effect change.

You said,
"Yes, government selling roads is OK with me", though the minority did not want the roads sold.

By "OK", I assumed you thought it was reasonable (perhaps right) for the majority to authorize the government to sell the roads. You have told this blog in many different ways that you value freedom and voluntary exchange, so I was wondering why you thought it was OK to coerce the minority into giving up their public roads?

Michael

by M Golding on Wed, 11/09/2005 - 23:32 | [reply](#)

I don't own government roads.

I don't own government roads. I have a right to use them. I am perfectly aware that their are processes by which my access to the roads may be changed even if I vote against the change. I know the government could impose a curfew, and not let me use the roads at certain times. I know the government could impose a holiday and a parade, and again take away my road use. I know the government could, if it got the votes, tear down a road and replace it with a post office.

so while i have some right to the road, I know that right is limited, and I don't consider a government policy of selling the roads to violate it anymore than a parade does. as long as the profits for the sale go into the government budget, it's like getting a refund (since taxes built the road)

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Wed, 11/09/2005 - 23:48 | [reply](#)

OK

So do you believe that the minority was not coerced when the majority voted to authorize the government to sell the roads to private citizens?

Michael

by M Golding on Thu, 11/10/2005 - 02:38 | [reply](#)

not coerced by your definitio

not coerced by your definition. yeah.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Thu, 11/10/2005 - 09:18 | [reply](#)

Coercion

Was the minority coerced by your definition and if so what it it?

Michael

by M Golding on Thu, 11/10/2005 - 15:29 | [reply](#)

My definition isn't relevant

My definition isn't relevant (It's the www.takingchildrenseriously.com one if you're interested), i was just emphasizing that I was answering according to the way you defined coercion above, not according to some definition of my own.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Thu, 11/10/2005 - 18:29 | [reply](#)

Coercion

Do you think the minority was coerced according to the taking children seriously definition? (I want to know whether YOU think the policy that you said was OK is coercive, not whether I should think it is coercive by my own definition)

Michael

by M Golding on Thu, 11/10/2005 - 20:13 | [reply](#)

why do you want to know that?

why do you want to know that? couldn't you just ask me questions that don't use the word coercive?

-- Elliot Temple

The Logic

I am very curious about how you reconcile a few things that you have said and I need a little more information about how you view things to accurately ask you the correct questions.

"Coercion" has several very precise meanings in mathematical models of economic theory and in game theory. I gave a vague "English" description of one of those meanings. The TCS-type definition has also been mathematically modeled (in a way...if you want more details, ask if you are not familiar).

But since you previously gave responses to posts that used the word, you must have had your own understanding of what that word means. I'm asking you to use THAT understanding (your understanding) of the way the word was used to now respond to a question about whether the minority was coerced.

Was the minority coerced by the majority when the majority voted to authorize their government to sell the roads to private entrepreneurs?

The logic of my questioning would have become apparent in the very next post if you were willing to answer the question.

The word "coercion" has been used repeatedly in this thread and you have commented on multiple posts that have specifically used the word "coercion."

Obviously, not using a word that was key to multiple of your previous responses, changes the present discussion to something else, and therefore does not allow examination of the consistency of the relevant arguments that you have previously made in these threads. Others (especially me) previously have used the word "coercion", and you responded to the threads. So there is an entire line of relevant past discussion that is eliminated when you negate the logic of our previous interaction, by refusing to use a key word that was part of the interaction...Is that your intent?

You participated in a discussion that used the word. Now you don't want to use the word. I guess that means you don't want the discussion, either?

I was enjoying this discussion with you. If you must use a different word for "coercion" then use the less precise "freedom decreased by the actions of another or others," every time you see the word "coercion" in our previous discussion. But please make sure that your previous responses to my posts, now with the relevant substitution made, still are accurate, because I don't want to have to re-argue over 100 posts to get back to this point (and I'm not sure that I would be willing).

I will assume that if you elect to continue this discussion that your

previous responses *would not* change if the relevant substitution were made.

If the above paragraph is true, then the new question would be, "Were the freedoms of the minority decreased across relevant margins when the majority authorized their government to sell the roads to private entrepreneurs?"

by M Golding on Fri, 11/11/2005 - 03:06 | [reply](#)

According to my understanding

According to my understanding of how people usually use the word "coercion", and the way I thought they did in the discussion above ... the minority who didn't want the roads sold was not coerced.

I also deny its freedom was decreased.

Sorry about all this. I didn't mean it to be a big deal. I just wanted to express my lack of familiarity with standard use of "coercion".

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Fri, 11/11/2005 - 06:15 | [reply](#)

No Problem

No problem at all. Sorry I overreacted.

Will respond a little later!!

Michael

by M Golding on Fri, 11/11/2005 - 18:18 | [reply](#)

Ok

So the roads in this community are quickly sold off (but unfortunately without a lot of planning) and those who wanted a tax-refund from those purchasing the roads and those who wanted to intermittently use the roads, but pay taxes, can no longer use the roads unless they pay a toll. And the absence of planning for this decision shows.

Road owners quickly try to "encircle" each other, to nearly monopolize transit in and out of the city. No one can achieve a complete monopoly because of air travel, however. But road-owners quickly encircle the airport, as well (in order to maximize profit, a critical part of capitalism) Furthermore new construction begins taking place in order to try to create a new "beltline," outside the current outer beltline encircling the city in order to be the one who controls transit in and out of the city. This new construction owner sues in court the owner of the previous outer beltline to guarantee that appropriate "easements" are put in place to ensure access to his road from inside the city.

The previous owner of the beltline counter-sues claiming that he

offered one easement (because he is "generous") but there can not be other easements leading across the 25 miles of his encircling road because of the tremendous cost of construction, but if the new owner wants to pay him for the construction plus a "fee" to take into account his industriousness and cleverness for owning the existing beltline around the city (with one door in and out of the city), that would be fine. He claims that "making profit" is simply part of the American way and the extra 150 million per month is what his insightfulness is worth.

Besides, this owner opines, it is very costly to have to build around an existing loop too many access points out to other roads because it slows traffic and "my customers" demand a fast road. He says, "your easement to your property is my cost to most of my customers". The one building the outer beltline, outside the previous outer-beltline, retorts that the previous owner of the outermost beltline is simply trying to prevent competition for routes around the city, and into and out of it, and it is only "right and proper" to allow competition by allowing him to build roads over and through the other owners property.

Lawsuits break out all over the place. (Incidentally, this is one of the common criticisms of a libertarian model). If other branches of government are not involved in helping to define property, particularly the "easements" which are so difficult to correctly define, the courts will become flooded with cases.

Libertarians like to speak about decreasing government power, but the many who disagree with libertarians believe that decreasing the input of, for example the Senate and the House, and the Executive in the American form of government (because these bodies quintessentially are involved with defining property), throws all the weight of the government behind an even more unrepresentative group: The police, military, and unelected judiciary. Libertarians (inadvertantly) therefore could be argued to support INCREASES in government monopolization of power.

At any rate, it turns out that privatizing the roads, increases the cost of using the roads far more than either the minority or the majority, on average, predicted. Instead of 60% in favor of privatizing the roads, a year after implementation, now 80% are opposed. Even 70% of the "road owners" are now in favor of a government buy-back plus interest, because the cost of litigation over easements, and the chronic litigation of citizens groups has become prohibitive.

A. Should the majority (one year later) now be able to buy back (all) the roads that were previously sold?

The lone "hold-outs" amongst the road-owners, who still like privatization, seem to be the property owners who have better encircled parts of the city and seem to profit because they own what others consider "easements", though the property owners deny they own "easements" and claim they have provided "fair access-- just at a profit."

B. If the government buys back the roads, is it coercing (decreasing

the freedom of) the 20% of the overall population that still wants the roads private?

The 20%, however, argue that the population has not given the situation enough time and the very existence of such profit (for some) creates markets for new alternatives and new problem solving. They point to the newly emerging portable helicopter-market, and the long-range battery powered "jump-vehicles" being pioneered to escape the gridlock of the encircling roads.

They believe even in situations where private property owners control easements, this still encourages the development of brand new markets to bypass the problems of "barriers" on easements, even if such barriers seem permanent.

Elliot, what is the correct answer to questions A and B, given your analysis of the situation described?

by M Golding on Mon, 11/14/2005 - 18:32 | [reply](#)

The society you describe has

The society you describe has *less* knowledge than our present one. Thus has nothing to do with progressing *beyond* government.

Why did the people want to sell the roads before there was an understanding of how to make such a sale not be a disaster?

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Mon, 11/14/2005 - 20:38 | [reply](#)

Yes, Less Knowledge

Yes, they may very well have less knowledge. And they certainly made a mistake. They completely miscalculated.

But in a situation like the above, in which it is reasonably known that the decision of this majority was disastrous, and a new majority wants to undo the problems, does the majority coerce the minority if the government wants to buy back the roads?

Michael

by M Golding on Mon, 11/14/2005 - 21:32 | [reply](#)

My question to you: Massiv

My question to you:

Massive things go wrong. How should we fix it?

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Tue, 11/15/2005 - 03:20 | [reply](#)

The Above Question

I would have no trouble with the above question,

Yes, the majority should vote to undo the damage and try to learn from the mistake.

Do you think the majority should do that and do you think their action decreases the freedom of the minority (there really is a specific reason why I keep asking these questions, Elliot!)

Sorry to be a pain.

Michael

by M Golding on Tue, 11/15/2005 - 11:08 | [reply](#)

There is no criterion for whe

There is no criterion for when it's OK for the government to take property from peaceful citizens. (It needs to be argued case by case.)

What to do depends on a million details of the society (including the arguments put forward on both sides). The solution requires creativity. By people who live there and know what needs to be done.

-- Elliot Temple

<http://www.curi.us/>

by [Elliot Temple](#) on Tue, 11/15/2005 - 20:18 | [reply](#)

Unfortunately, Life Involves Coercion

"There is no criterion for when it is OK for the government to take property from peaceful citizens"

Elliot

A margin of property is nothing other than a restricted right to use something in a particular way. There may be infinite uses for that margin of property, but its use is nonetheless always somewhat restricted.

Therefore,

1. In saying that it is OK for the government to sell off public roads, you are saying that it is OK for the government to usurp a peaceful private citizens limited right to use public roads; a property right that a peaceful private citizen shares with others who use the road. This taking of the rights to use roads is coercive. If you don't think that rights to public roads is a type of property right shared by citizens (right now), imagine trying to get to work today, without being able to gain access to a road. If the government prevented

you from accessing the roads, you'd angrily say your (property)

rights to use the roads were restricted!

2. If you say that the majority should not be able to take back public ownership of roads after a disaster occurs in which private ownership of roads leads to multiple impediments built on easements, then you are implicitly saying that it is OK for private citizens to involuntarily take property from others. (Building on an easement, almost by definition, takes property from someone else by restricting them from using *their property* the way they want.) So preventing majority rule from taking back private ownership of roads is also coercive.

3. If you say that after the roads are sold off by the government and private citizens build multiple impediments on easements, the majority should be able to coercively buy back the roads from the private citizens in the minority, then you are sanctioning a different form of coercion.

Moving towards libertarianism (even using majority rule to do so) is coercive, because it takes from the minority their current property right to shared property, without their consent. It forces the minority to adopt a system that they may correctly believe deprives everyone of property, because of the cost of obtaining and maintaining libertarian (unanimous rule) politico/economic systems.

But failing to move toward libertarianism coerces those in the minority, who do not want to contribute to the shared costs of a good like a road. And maintaining a libertarian status quo, may allow private citizens to (inefficiently) take property from others by, for example, building private roads on easements (as described above), when the cost of legal squabbling amongst private owners for key parts of the roads (the easements) is greater than the benefits.

"There is no criterion for when it is OK for the government to take property from peaceful citizens."
Elliot

This statement is illogical Elliot, because in many situations the status quo is coercive, and changing the status quo, even in favor of a libertarian idea, is also coercive and leads to coercion. No matter what is done, property is "taken".

In general, moving towards libertarianism is coercive because most people will not vote for it. They will not vote for it for many reasons; but a main reason is the prohibitive transaction costs of arriving at and maintaining unanimous-rule systems (libertarian systems).

A coerced unanimous rule system could be defined as a libertarian society that a person must live in (or perhaps a system in which all societies are based on unanimous rule systems, so a given person, or even a majority of people, have no choice but to live in such a society.) A coerced unanimous rule libertarian society would be a society in which all decisions are made by unanimous rule, except the decision to make all decisions by unanimous rule.

In forced (coerced) libertarian unanimous-rule systems, the

inefficiency of needing unanimous rule for decision making takes property from everyone (and is therefore coercive), especially if the overwhelming majority can think of a (coercive, majority rule) way to not lose as much property to unanimous-rule inefficiency. We would then have a perfectly unanimous-rule libertarian society, but not wanted by virtually anyone, because it inefficiently takes property from everyone, because of the cost of obtaining unanimous rule on all decisions.

So if even unanimous rule societies are quite coercive to virtually everyone (probably more so than majority rule systems), then can government or citizens do anything to improve things?

The point is that in the real world, people will win and lose, property will be taken and given, and a simplistic model of mutual exchange for mutual benefit (unanimous-rule-libertarianism) is so expensive to try to implement, that virtually no one will ever vote for it! So people vote for coercion. They vote for majority rule systems, not unanimous rule systems. Unanimous rule systems (libertarianisms) are so expensive to implement because of the transaction cost of obtaining honest unanimous consent.

So trying to force people to vote against their desire for a form of majority-rule-coercion and towards the more expensive unanimous-rule-libertarianism, is itself coercive. But forcing unanimous rule libertarianism on people is, however, in some ways even more coercive than majority-rule decision making, because forcing libertarian unanimous-rule decisions on virtually everyone (who is not a libertarian), coerces virtually everyone to behave as they don't want, not just the minority.

Note. I am not a pessimist. But I do recognize that even though we attempt to limit coercion, we cannot completely eliminate it, if we are to move forward. So we should consider moving forward, even if it involves (a little) coercion if we use our "best theories" to guide progress towards less coercion.

So I do favor limited experiments in privatizing road systems, for example, to see which ideas work best. But I have no illusions that this course of action is anything other than coercive to the minority, who may not agree with the majority's plans. And helping to pay for New Orleans **is coercive** to the minority. But, I think that the government failing to act in a national disaster with such huge public good implications as New Orleans, is even more coercive.

Michael (Happily the realist, but with idealistic hopes).

by M Golding on Mon, 12/12/2005 - 19:48 | [reply](#)

Therefore, 1. In saying th

Therefore,

1. In saying that it is OK for the government to sell off public roads, you are saying that it is OK for the government to usurp a peaceful private citizens limited right to use public roads;

One of the ways the right to the road is limited is that citizens are

aware the road may not be available in the future. For example, it could be replaced with a post office. Or sold. There is nothing unpeaceful about either of those.

-- Elliot Temple
<http://www.curi.us/>

by **Elliot Temple** on Wed, 12/21/2005 - 17:29 | [reply](#)

Too strong a claim!

Hi... just stumbled across this post. I don't think you can make this claim without some phenomenally strong evidence. A less "so not obvious that it's wrong" argument might be that public good scenarios necessitate governance more rarely than presumed.

One strong example: an epidemic is going to kill 1% of the population, give or take. A huge investment in R+D, say 2% of society's effort/GDP in the next year, will be required to develop an effective vaccine in time. Members of society can expect to be much better off paying for the vaccine (on average; count also the harm from losing friends and relatives). Also, the antibodies in the vaccine can be easily copied by many biologists, once it is in use (ie it is non-excludable).

In practice, the odds of getting that much from voluntary contributions, even with very organised campaigns, are extremely low. Rational self interest models, including those with fancy contracts (such as pledges to pay for the vaccine, if it's developed), don't get above a small fraction of the optimal amount. Of course rational self interest models are pessimistic, but the task is gargantuan.

To depend on getting the vaccine, you'll either need patents (which are a drastic governmental intervention, and don't even dream about markets pricing vaccines well) or public research or some in-between hybrid.

Governments often fail in these situations too but libertarian organisational scenarios are starting from a long way behind.

by **Peter Eckersley** on Thu, 01/05/2006 - 06:20 | [reply](#)

Re: Too strong a claim!

The reason we would use government intervention for the vaccine case is not that it's a public good, it's just that our government is the only organisation we have that's big enough to organise and execute such a large project. If the vaccine was impossible to duplicate and thus easily excludable, we'd still want the government to make it, and private companies would still have a HUGE task raising 2% of GDP in capital.

To claim public good problems are silly, we do not need evidence. No number of examples or observations will ever prove we're right about all cases. What we need is to argue that governments have

no special knowledge that makes them better at solving problems. By special I mean knowledge that only governments are capable of having. Either that or we need to argue that using force doesn't solve problems. Which is true because you have to have knowledge of which solution to force on everyone, so the critical thing, whether using force or not, is knowledge.

-- Elliot Temple
<http://www.curi.us/>

by [Elliot Temple](#) on Thu, 01/05/2006 - 13:27 | [reply](#)

Government Forcing Libertarianism--Coercive When Citizens Object

One of the ways the right to the road is limited is that citizens are aware the road might not be available in the future, for example it could be replaced by a post-office...

Elliot

Saying that a person has shared rights to roads in a majority rule system is not saying he has complete rights. Voting for government provision of roads is not telling the government exactly where the location of all roads should be.

Yes, a given road could be replaced by a post-office. But if the government were to eliminate ALL roads when a majority of citizens had voted for at least some roads, citizens certainly would feel coerced by the government! So if the government is a democratic one, it can't completely fail to provide roads, if the majority votes for the provision of roads for most people.

So if the government privatizes roads, despite some private citizens voting against this, these private citizens in the minority are being coerced -- especially if they lose nearly all, or all of their access to roads (say because of private owners of roads who build barriers on easements). Even if barriers on easements could be ultimately eliminated by lawsuits, the cost of trying to force unanimous rule conditions (via judicial rulings) in the private market for roads, could be quite expensive and therefore coercive to those who have to pay for going to court (such citizens involuntarily lose money by the decision to privatize, because they have to pay their lawyers). Before the government privatized roads, they did not have to pay lawyers. Now they do, so they feel coerced into losing their money.

Indeed, those voting against privatizing roads may precisely believe that privatization is a bad idea because of the cost of going to court to fight the inevitable self-interest of entrepreneurs who have incentives to build on easements. The cost of fighting against barriers on easements, could be argued to be greater than the cost savings from competition by companies providing road service.

If people do not favor a libertarian free market solution to the provision of roads or other public goods, and the government forces one on them, people will legitimately feel coerced.

People do not vote for unanimous rule libertarian systems in the

provision of certain goods, because the cost of obtaining unanimous rule in many situations is too great. So they vote for democracy. Citizens vote to allow the decisions of the majority to control the provision of certain goods (like roads). They, in effect, decide to allow themselves to be coerced (democratically) when they are in the minority, so they do not have to experience even greater coercion. What is the greater coercion? Citizens feel coerced when they lose too much of their money to the costs of arriving at a unanimous rule (market or Libertarian) solution.

Elliot, when a minority objects to honoring a majority ruling that favors exclusively libertarian unanimous rulings, it is coercive to go against the minority. And therefore, the majority contradicts its own anti-coercive principles by honoring its own decision! So it is coercive to impose Libertarianism on any group of people who do not want it. It is coercive to not honor the will of the minority -- which is that the roads should not be privatized.

So yes Elliot, you have favored coercion in what you said, and you should admit that. You simply can't avoid it in the real world!

Michael

by [Michael Golding](#) on Sun, 01/15/2006 - 06:55 | [reply](#)

"especially if they lose near

"especially if they lose nearly all, or all of their access to roads"

Why would people vote to sell off many govt roads before someone works out a proposal so that it won't be a complete and utter disaster?

If people do vote for a disastrous policy, you may as well make it the policy of burning down everyone's house, or making taxes 150% of income.

-- Elliot Temple

Now Blogging Again

by [Elliot Temple](#) on Mon, 01/16/2006 - 02:34 | [reply](#)

Bad Decisions

Communities make bad decisions democratically all the time.

1. The question remains, is it coercive for a majority to impose a libertarian (unanimous rule) solution on a minority group who do not want it? The minority favors, for example, democratically electing a group of people and having them oversee the construction of a few goods, like roads in a neighborhood.

One might want to answer making two separate sets of assumptions....

a. The minority predicts correctly that the unanimous rule (market)

solution is in net, more expensive to implement because the cost of arriving at unanimous rule conditions is so high. For example, court costs end up being very high. So before implementing the project, the minority tries and fails to convince the majority. If the majority imposes a libertarian unanimous rule solution on the minority, so the roads are privatized, was the minority coerced? Note that most, in net, lose money.

b. The minority is wrong that the unanimous rule (market) solution costs too much to implement. For example, the few examples of individual entrepreneurs constructing barriers on easements are easily and quickly taken care of by courts, and the new private road system in net decreases the costs of roads and generates better roads.

I am curious about your opinion.

FYI I would answer like this.

In both cases, the minority is coerced. But sometimes in a democracy, those voting for something are actually trying to get other people to pay for something they want. If it happens to be the case that the market solution in net costs less, then it may very well be the case that the minority is advocating taking money from others to build roads and trying to use their vote to accomplish this (so the minority does not have to spend the money itself on the roads). Then the minority is trying to coerce the majority to pay for what it wants. So in this case, net coercion is decreased if the libertarian solution is implemented. One should impose the libertarian solution on a minority of individuals who don't want it, because the reason they don't want the libertarian solution is that it prevents them from coercing (and stealing from) others.

On the other hand, if the minority is right, and if the court costs and restrictions on trade become onerous in a libertarian system, with roads becoming private, so that virtually everyone (involuntarily) loses money, I would say that the minority was certainly coerced by the imposition of a libertarian solution. The majority did not guess properly, so arguably it coerced itself.

2. Elliot, if the majority favors implementation of a libertarian, market oriented solution that increases efficiency, do you think the majority has the moral right to force implementation of its policies?

3. Elliot, if the majority favors implementation of a libertarian, market oriented solution that decreases efficiency (and so involuntarily causes the minority to lose property), do you think the majority has the moral right to force implementation of its policies?

by [Michael Golding](#) on Mon, 01/16/2006 - 15:34 | [reply](#)

Re: Bad Decisions

You have proposed that what is coercive depends on which answer was, in fact, best. In other words, mistakes are coercive. We can never be sure which is best (not even after the fact, and certainly not before, and certainly not in cases where there is a serious

debate on), so it follows that mistakes will be made, and people will be coerced. As long as you equate mistakes with coercion, its unavoidable.

(This is glossing over the issue that sometimes the right choice -- the best one we could make at the time -- is not ideal, but can't be rightly called a mistake, but would still qualify as coercion by your use.)

If you want to know if selling public roads is forceful: no more than taxes, or building public roads. None of those things are inevitable.

In asking about what the majority has a moral right to do, I believe you are asking about who should rule and whether they are justified in forcing people to go along with it and hurting people. The answers are that rule is bad and we have traditions and laws about what our rulers can do. Rule being bad doesn't mean it should be disposed of tomorrow, but it does mean we have valid criticisms of it and know the future will be different. Given rule is bad, asking about ideal rights of rulers seems nonsensical.

FYI I am unaware of a connection between libertarianism and unanimous rule. Libertarians generally want to be left alone, not engage in complex joint decision making processes.

-- Elliot Temple
Now Blogging Again

by [Elliot Temple](#) on Mon, 01/16/2006 - 19:40 | [reply](#)

I See Now

FYI I am unaware of a connection between libertarianism and unanimous rule.....
Elliot

No wonder my questions have not made sense to you. Classically, pure market/libertarian economics is a unanimous rule system(!), where mutual trading is permitted for mutual benefit as long as everyone knows who owns what. All winners are charged and all losers are compensated. For example, if all losers are not compensated from a market interaction, there is a breakdown of unanimous rule and this is called an "externality".

No wonder you don't see the irony in asking whether a majority can impose a libertarian (unanimous rule) solution on a minority!

Virtually the entire 140 post discussion has been a discussion of the relative merits of unanimous rule ("free-market"/libertarian economics) vs. democracy rule, but phrased using the language of "public goods" and externalities -- which can now be thought of as coercive violations of unanimous rule.

The question has been, is it ever rational for someone to agree to voluntarily be coerced (e.g. live in a democracy)? My answer has been "yes". When it is too expensive to produce a good using unanimous rule (libertarian/market principles), sometimes people

will prefer a democratic solution, even though the minority is nonetheless coerced in the decision. So sometimes people will prefer a democratic solution when the market (unanimous rule) is too expensive to implement.

The example good which I utilized for illustration was a "road". Many have argued (correctly or incorrectly) that the costs of generating approximate unanimous rule in the production of this good is so high that democratic bodies should control its production, instead. So people vote for the government to own the road, not individuals.

On the other hand, most people allow an approximately unanimous rule solution to prevail in the production and sale of lettuce, for example, because it is believed that unanimous rule is not too expensive in this market (when everyone know who owns what).

So now do you see why the question, "Is it moral for a majority to impose a libertarian unanimous rule solution" is relevant? If people believe libertarianism (unanimous rule) takes too much of their time and therefore income, do you see that forcing unanimous rule (libertarianism) is wrong, if people correctly believe that rule by democracy in certain situations is more efficient?

So there is a deep underlying reason why democratic rule, in certain situations, can be preferable to unanimous rule.

That is the point. Democracy can work at least partially, even when the production of a good is too expensive utilizing a unanimous rule (libertarian) framework. So unanimous rule libertarianism can be coercive because people lose money arriving at approximate unanimity, and democracy can be coercive because the minority lose. So most of the time people prefer the market (approximate unanimous rule), but sometimes they prefer democratic decision-making.

Saying that "rule is bad" says nothing. If "rule", even "unanimous rule" is "bad", then what alternative do we have?

By the way, you are correct that people can make decisions that are quite correct, but lead to bad outcomes. But why is that relevant to the point about..."should the majority be able to impose a unanimous rule (market) decision making process on a minority who do not wish to participate (because the minority rationally knows that unanimous rule production of roads, for example, is inefficient?)

by [Michael Golding](#) on Tue, 01/17/2006 - 01:36 | [reply](#)

libertarianism

libertarians only want all actors in a transaction to agree to it, not everyone. thus a road owner can sell it, and the only people who get to say anything are the seller and buyer. if a road owner wants to destroy his road, he can do that all by himself, and everyone else can go to hell. Note: libertarians are generally pretty rigid about

what can be property. For example not people or the right to send

radio waves across a property.

Using courts for all disagreements would be stupid. That system has far less knowledge than our current one. Making changes is perfectly reasonable, but throwing out almost everything at once isn't.

-- Elliot Temple
Now Blogging Again

by **Elliot Temple** on Tue, 01/17/2006 - 02:35 | [reply](#)

All Actors in a Transaction

All actors whose property is being impacted by a transaction...yes..... If anyones property rights to something is (particularly negatively) impacted, then he or she must be compensated, for the transaction to be OK. So if we assume that we know who owns what, then this is the equivalent of a unanimous rule market-based decision. And the point is that there are some transactions, for example the transactions associated with integrating virtually everyone's property with roads, that are so expensive that people will not want to pay the perceived costs of a free market solution. People may believe that too many barriers will be placed on easements necessitating court involvement. So they vote against libertarian unanimous rule solutions and for democratic solutions (the government builds many roads).

And the question remains, is it wrong to impose an inefficient unanimous rule libertarian solution on those who favor using the democratic process to build roads? The point is that democratic rule may have a logical place in the production of certain type of goods given our current state of knowledge.

It is all well and good to say "rule is bad", but this is meaningless absent alternative means of solving the problems that will come up at a city council meeting tomorrow morning. How should a city councilman reading this pay for the construction of roads, if (hypothetically) he knows that privatizing road construction will cost more than government production of roads? Should he vote to privatize, nonetheless? These are practical questions that are addressed everyday by people in government. Needless to say, saying "rule is bad", does not help.

And yes Elliot, if somebody steals somebodies property, we do use courts. These can not be eliminated right now even if "rule is bad". If we can anticipate that tremendous litigation will arise because of the incentives that people have, for example to build barriers on easements, then yes we can anticipate that courts will be consulted. And the cost of enforcing unanimous rule libertarianism will be expensive. (high transaction costs)

If you haven't noticed, we do not have a system (yet) in which we can eliminate courts. When you say that "rule is bad", do you want to eliminate courts or courts and governments? If rule is bad, even unanimous rule in a libertarian sense, what alternative is there?

Perhaps you mean that all "rule" is bad, but we have no alternative and some types of "rule" are "less bad" than others?

In which case, is it less bad to produce a good through the private market than through a democratically elected government, even if people prefer the government to produce it because they rationally believe its cheaper?

And where did I say we should "throw everything out" at once?

by [Michael Golding](#) on Tue, 01/17/2006 - 04:00 | [reply](#)

libertarianism

If the cost of enforcing our rules goes up, I see two primary possibilities:

1) the rules are more intrusive. for example one child in ten becomes the king's slave. that's hard to enforce because it gives people such strong incentives to cheat.

2) the society in question has less knowledge about how to live peacefully, so more disputes come up

The problem with libertarianism certainly isn't the first of those. You seem to be imagining that people will more often try to cheat each other and go to court if more things are privately owned.

This is strange prima facie because it would be illegal to do that in both cases.

But more importantly the primary force stopping people cheating each other right now is that people don't want to. Why, in a libertarian society, would people want more to adopt a life of crime? This is what I mean about you were throwing things out *in your hypothetical libertarian society*. Today we have certain knowledge of how to interact peacefully, but your examples of problems for libertarianism are about a society *without* that knowledge we have now.

-- Elliot Temple

[Now Blogging Again](#)

by [Elliot Temple](#) on Wed, 01/18/2006 - 11:07 | [reply](#)

Not All Goods.

The point is that in the production, not of most goods, but of certain goods, the transaction cost associated with a free market (unanimous rule) solution may be very high. If so, court costs often go up to settle these problems. The production of a country's military is one such good, the production of roads is arguably another.

Obviously common decency is the prime force decreasing transaction cost in society. Although a good point that courts are by no means the most important deterrent to stealing, we are talking

about *relative* increases and decreases in transaction costs with different forms of organization.

Why will virtually noone vote for a libertarian (unanimous rule/market) solution in the production of all goods? Answer: Possibly ignorance or vested interests. But also, because in the production of certain goods (e.g. roads and the military), people would rather lose some property to the coercion of a democracy, rather than lose even more property to the greater coercion of unanimous rule/market production of goods. The transaction costs are simply too high to privately produce a national military and arguably a road system.

In both cases, some people easily benefit at other peoples expense (a transaction cost), violating unanimous rule market assumptions. So the transaction costs of settling these problems by negotiation or through the courts is deemed too high by citizens. So citizens choose a somewhat coercive democratic solution over an even more coercive libertarian solution.

That's one of the reasons free people still utilize democracies!

by [Michael Golding](#) on Wed, 01/18/2006 - 14:40 | [reply](#)

military

FYI if military is an issue, we're talking about a no-government anarcho-capitalist society. About half of libertarians believe in a minimalist government that does military and a few other things.

Here's my theory: if something is good, there's a possible way to get it without forcing anyone that works better than using force.

Here's my theory of how to change our society:

A) figure out good ways to get things without government

B) suggest them, argue for them, people see it works better, vote for it (or for leaders who advocate it), and government power gets reduced a bit and replaced with something better

-- Elliot Temple

[Now Blogging Again](#)

by [Elliot Temple](#) on Wed, 01/18/2006 - 20:57 | [reply](#)

Stop Being Forceful!

Here's my theory of how to change our society:

B) suggest them (good ways to get things without government), argue for them, vote for it (or for leaders who advocate it).....

Elliot

So let's say you think the government is taking your money and property involuntarily and you suggest and have a vote on your

idea that you believe will lead to less coercion (force in taking

property). But what if a substantial minority (as it turns out) correctly believes that the government's forceful collection of money to fund something is actually good, because it believes the free market solution (for example production of roads or the military) is inefficient and so takes even more of everyone's property than governmental production.

Although you are not aware of it, the minority, in this case, actually has more knowledge than you. (Believe it or not, you could be wrong!) The majority would change its mind if it truly understood the minority position, but the majority is simply mistaken when the vote is taken.

If you honor the majority opinion, you are certainly utilizing force against the minority, because your solution takes their property. (Remember, you and the majority hypothetically have less knowledge than the minority which understands that the government is in net more efficient in producing a hypothetical good)

You are fallible, Elliot, and you simply may not understand the reasoning of the minority. So sometimes you will be wrong about an improvement you suggest and the majority may agree with you. If we follow your suggestion, you Elliot, will then use force on the minority by taking their property.

If we don't follow your suggestion to take away government production of a good, then we are left with the coercive elements of the government producing a good (majority coercing minority.) Either way Elliot, you are advocating the use of force. The private market can be forceful if inefficient, and the government can be forceful if inefficient. Inefficiency takes people's property either way.

Wouldn't your argument be more logical if you were looking for the solution that did not take away as much of people's money, whether or not the government or the private market produces a hypothetical good. As has been pointed out repeatedly, government production of the military (and arguably roads) increases, not decreases our freedom, by protecting our property. Unless your hatred is really of the government, why must the government not be involved given our state of knowledge, if the government increases our freedom?

So by advocating eliminating government in the production of a good, you may be effectively advocating the increased use of force against people's property. The issue is not whether we must find solutions that eliminate government, but rather whether it is more efficient (or at least whether people would prefer) to have the government or the private market produce a good. If less of people's property is involuntarily taken when the government produces the good, why must you be such a tyrant, and impose the free market on everyone, though people prefer democratic production? Wouldn't your argument make more sense if you said the following

"Here's my theory of how to change society:

A. Figure out good ways to get things without government (and I would add 'or with government')

B. Suggest them, argue for them, people see it (sic) works better, vote for it, or for leaders who advocate it, and government power gets reduced (and I would add 'or government production strengthens economic well-being and therefore frees citizens from loss of property), and (the old system) is replace with something better.

Isn't my formulation more complete, unless you simply have an ideological hatred of government, independent of whether it helps or hinders the freedom of its citizens?

by a reader on Thu, 01/19/2006 - 02:01 | [reply](#)
