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libertarianism

Libertarians favour coordination by voluntary decentralized mechanisms such as private property and trade. In response to economic arguments for government intervention in the market, they point to the existence in the real world of private solutions to many problems of market failure and the ubiquity of market failure in political markets. Libertarians differ among themselves in the degree to which they rely on rights-based or consequentialist arguments and on how far they take their conclusions, ranging from classical liberals, who wish only to drastically reduce government, to anarcho-capitalists who would replace all useful government functions with private alternatives.

Libertarians, in current American usage and in this essay, are those who prefer to organize the world through the decentralized mechanisms of private property, trade, and voluntary cooperation rather than through government. Their position is thus a modern variant of the liberalism of the 19th century. Libertarians are likely to be critical of eminent domain, government regulation of business, paternalistic social policies, income redistribution, laws banning ‘victimless crimes’ such as drug use, gambling, and prostitution, and much else. Since there are good arguments for government as well as good arguments against, only a minority of libertarians carry their position all the way to anarchism. Most accept some level of taxation to pay for the production of public goods such as national defence. Some accept government production or subsidy of things well short of pure public goods, such as schooling.

The term "libertarian" is also sometimes applied to left anarchists, usually outside of the United States; its original meaning seems to have been believers in free will. The current American usage is largely a response to the shift in the meaning of 'liberal' over the first half of the 20th century. Since believers in what used to be called liberalism could no longer use that term without confusion, many adopted 'libertarian' as a substitute.

One reason for libertarians to support a less than perfectly libertarian society is the belief that, in terms of individual liberty, it is the best we can do. A second is the belief that, while liberty is important, it is not the only thing that is important. Support by many libertarians for government funding of some public goods – scientific research and public health are examples – is based not on the idea that their production makes us freer but that it makes us better off in other ways.

In this article I sketch the general arguments for a libertarian position, discuss libertarian views on particular issues, and finally consider different forms of libertarianism and the internal disagreements that define them.

Why liberty is right

Libertarian conclusions may be supported either by showing that restraints on individual liberty are wrong or by showing that they lead to undesirable consequences. The former approach is often put in terms of individual rights. Each person has a right to control his own body, a right violated by laws against using drugs, by a military draft, and by many other government acts. Each person has a right to control his legitimately acquired property, a right violated by taxation, regulation, price controls, … .

Putting the argument in this form raises an obvious question: how to justify such claims. Libertarians offer a variety of answers, ranging from Objectivists, who believe that individual rights can be logically deduced from the nature of man, to intuitionists, who induce them by trying to generalize their moral intuitions (Rand, 1964; Den Uyl and Rasmussen, 1991; Rothbard, 1978; Lester, 2000; Nozick, 1974; Boaz, 1997; 1998).
It also raises questions about how rights are acquired and how far they extend. Almost nobody argues that my right to control my body includes the right to punch you in the nose. Whether it includes the right to make noise on my property that keeps you awake or burn coal in my fireplace whose smoke makes you cough is less clear.

Robert Bork, in the article (Bork, 1971) explaining why he was not a libertarian, argued that my disutility from knowing that you are doing something I disapprove of is just as real an externality as my disutility from breathing your smoke, hence that there is no rights-based case for individual freedom as libertarians understand it. If we treat everything I do that affects others without their consent as a trespass liable to be enjoined, we are left with no self-regarding actions and no liberty – the exception swallows the rule. A response from the standpoint of moral philosophy depends on some way of deriving rights that distinguishes between those sources of disutility to me that do and those that do not violate my rights – hitting me over the head versus living your life in a way I disapprove of.

The economic response starts by observing that the enforcement cost of a rule giving me control over my own body is low, since I already control my body. The enforcement cost of giving you control over my body is substantial. Hence the latter alternative is an inefficient definition of property rights, at least unless my use of my body clearly imposes substantial and measurable costs on you that cannot be dealt with by voluntary transactions along Coasean lines. Although your disutility from knowing that I am reading pornography may be just as real as your disutility from breathing my smoke, it is considerably harder to demonstrate to a court, so a liability rule awarding you damages for the disutility you suffer from my reading pornography is likely to result in inefficient outcomes and substantial litigation costs. Alternatively, a property rule giving you rather than me a property right in my behaviour – requiring me, before doing anything, to get permission from everyone who objects – imposes transaction costs due to the hold-out problem sufficient to guarantee that nobody ever does anything, which is unlikely to be the efficient outcome. Following out this line of argument provides a defence of libertarian conclusions on consequentialist grounds.

‘Liberty’ and ‘rights’ are rhetorically powerful words, so it is not surprising that libertarians are not the only ones who claim them. Competing uses can be clarified by distinguishing between negative rights ("the area within which a man can act unobstructed by others," Berlin, 1969, p. 122) and positive rights. A negative right is a right to be left alone. A positive right is the right to some outcome. The right not to be killed is a negative right, the right to live – implying the right to be provided with what you need to live, such as food – a positive right. Other positive rights sometimes claimed include the right to decent housing, adequate food, medical care and equal treatment.

One problem with positive rights is that they contradict negative rights, including some that many find persuasive. If I have the right to decent housing and medical care, someone else must have the obligation to produce them, which is inconsistent with his right to control his own body. If I have the right to equal treatment, the right not to have an employer or homeowner decide whether to deal with me on the basis of my race or religion, someone else does not have the right of freedom of association, since he is required to deal with me even if he prefers not to. If I have the right not to be hated or despised for my sexual preferences, that means that I have a claim over the inside of your head, that being where your emotions are to be found. Thus the assertion of positive rights can be seen, and by libertarians often is seen, as the claim that some people are to some degree the slaves of others, required to serve them without having consented to do so – the violation of a deeply held negative right.

A second problem with positive rights is that they are more prone to internal inconsistency than negative rights. There is no conflict between my not killing or enslaving you and your not killing or enslaving me. But there is a conflict between my having adequate food, housing and medical care and your having them, if one or another of those goods happens to be in short supply.

Why liberty is useful

Large parts of the consequentialist argument for individual freedom go back to Adam Smith and should be familiar to every economist. Private property, exchange, prices provide a decentralized coordination mechanism that makes it possible for individuals with different objectives, knowledge and abilities to cooperate while pursuing their separate ends. In the limiting case of perfect competition, the result is provably efficient in the usual economic sense – cannot be improved by even a perfectly intelligent central planner with unlimited control over the actions of the planned. (For both the classical and modern versions of the First Efficiency Theorem, see Arrow, 1983, and references therein. For a non-technical sketch of the classical version, see D. Friedman, 1997, ch. 16.)

The fact that this argument is correct, non-obvious, and included in the professional training of any economist is part of the reason why libertarianism is more popular with economists than with most other academics and why even non-libertarian economists tend to be sympathetic to market approaches. To put it differently, one important reason for the rejection of libertarian conclusions by non-economists is the failure to understand price theory – how markets solve the coordination problem.

The case against

Yet not all economists, not even all good economists, are libertarians. The economic counter-argument starts with the facts that real markets are imperfectly competitive and real individuals are limited by, at least, imperfect information, transaction costs, and limited calculating ability. Once we drop the assumptions of the ideal model we are faced with the possibility of market failure, situations where individual rationality fails to lead to group rationality and hence where it is possible for restrictions on the actions of each to produce a better outcome for all. Familiar examples include the underproduction of public goods, the overproduction of negative externalities, and potentially beneficial transactions blocked by adverse selection.

These are real problems, but not always insoluble ones. A market failure results in an outcome inferior, for all concerned, to some alternative outcome. A sufficiently ingenious entrepreneur may be able to create that alternative and collect a share of the net benefit as his reward; a market failure is also a profit opportunity. Radio broadcasts are a pure public good produced privately. So are the services that Google provides to its users. Other forms of market failure may be dealt with by the development of systems of private norms (Ellickson, 1991; Posner, 2000). Where market failure exists we can expect private arrangements to produce imperfect outcomes, but less imperfect than casual consideration might suggest. (For an interesting example of a real world solution to a theoretically intractable market failure, see Cheung, 1973.)

A second objection to the argument for laissez-faire is that efficiency as defined in economics in the sense of Marshall or Hicks–Kaldor (D. Friedman, 1997, ch. 15) is inadequate as a normative criterion, so that a less efficient outcome may be preferable to a more efficient one. What is maximized by the market is value defined by willingness to pay, measured in dollars not utiles, so a transfer from rich to poor might decrease value measured in dollars but increase total utility.

This utilitarian argument for redistribution can be seen as a special case of the argument from market failure. Declining marginal utility is not merely a conjecture of philosophers; it is observed, in the form of risk aversion, in individual choices under uncertainty. In a perfect market, individuals would buy insurance against the risk of being born poor up to the point where the marginal utility costs of any resulting disincentives or transactions costs just balanced the marginal utility gain of transferring income from states of the world where they were rich to ones where they were poor. Thus the outcome of a perfect market would mirror the welfare programme that would be proposed by a utilitarian. It is merely our inconvenient inability to negotiate and sign insurance contracts prior to being born that prevents the market from solving the problem. The argument for utilitarianism in Harsanyi, 1955 – that it is what individuals would choose if they were designing a society behind a veil of ignorance with an equal probability of living any of its lives – makes it possible to view redistribution of income either as a way of increasing total utility or as a correction for market failure.

Other objections to market outcomes come from egalitarians who see equality as good in itself and from those who put substantial weight on values unrelated to individual humans achieving their objectives. If what really matters is the preservation of endangered species, whether or not of any value to human beings, there is no guarantee that the market to achieve it. The same is true if what really matters is behaving according to God’s will, producing great art and literature, or doing justice whatever the consequences.

A libertarian response

It follows that one can imagine outcomes that improve, in one sense or another, on the outcome of pure laissez-faire. It does not follow that one can construct institutions that predictably produce such outcomes.

Consider the case of market failure. It exists because actions taken by A sometimes have effects on B. If A is free to ignore those effects he may make the pair on net worse off by taking actions that increase his welfare by less than they decrease B’s or failing to take actions that would increase B's welfare by more than they decrease A's. A well-designed legal structure can sometimes make it in A's interest to take account of those effects, whether through property rules, liability rules, or bargaining between the parties. But sometimes, for reasons explored by Coase (1960) and others (D. Friedman, 2000, pp. 39–45), no legal structure can be constructed that makes it in the interest of all parties to make the efficient choices.

All this is true in private markets. But it is true far more often in the political markets that control the political institutions that are proposed as a solution to market failure in private markets.

Consider the naive model of democracy – politicians doing good because if they do not they will lose the next election. In order for it to work, individual voters have to acquire the information needed to know what politicians are doing and whether it is good. No politician campaigns on the slogan 'I'm the bad guy'. No farm bill is labelled 'An act to make farmers richer and city folk poorer'.

If I correctly identify the better candidate, vote for him, and – improbably – my vote proves decisive, the benefit is shared with everyone in the polity. The cost is borne by me alone. Time and energy spent acquiring the information necessary for informed voting produce something very close to a pure public good. Public goods are underproduced; one with a public of many millions is likely to be very badly underproduced. The implication is rational ignorance, voters failing to acquire the information they need to judge politicians because its value to them is less than its cost. That eliminates the simple argument for why politicians will find it in their political interest to act as we would wish them to.

A similar problem arises with a more sophisticated model in which political outcomes are driven by interest group pressure. The more an interest group stands to gain by passing or blocking a piece of legislation, the more it will offer politicians in order to support or oppose it. If that were the only relevant factor, the market for legislation would produce something close to an efficient outcome. If a bill produced net benefits, its supporters would spend more supporting it than its opponents spent to block it, and the bill would be likely to pass.

It is not the only relevant factor. An interest group lobbying for legislation is producing a public good for its members and faces an internal public good problem in doing so, since members that refuse to contribute will still benefit if the bill passes. Some interest groups are much better able than others to solve their internal public good problem. A concentrated interest group such as the auto industry – a handful of firms and one union – can raise a substantial fraction of the benefit it expects from an auto tariff in order to lobby for it. A dispersed interest group such as consumers of automobiles and producers of export goods, the people that bear most of the burden of such a tariff, can raise a negligible fraction of the cost to lobby against. Hence we would expect the political market to consistently redistribute from dispersed interest groups to concentrated ones, even when the benefit to the latter is much smaller than the cost to the former – as demonstrated by the continued existence of tariffs nearly two centuries after Ricardo demonstrated that they are, under most circumstances, injurious to the nation that imposes them.

In a private market, a producer receives a price that measures the value to consumers of what he produces, pays a cost that measures the cost to the suppliers of his inputs of producing them, and pockets the difference. It is only when special circumstances arise – externalities that cannot be dealt with by the market, information asymmetry, and the like – that his actions impose net costs or benefits on others. In the political market, in contrast, almost all decisions are made by people who bear few of the costs and receive few of the benefits those decisions produce. A legislator who passes an auto tariff imposes net costs of many billions of dollars on those affected, but all that comes out of his pocket is the extra cost of the car he buys. A judge whose precedent establishes a seriously inefficient legal rule might reduce national income by, say, a tenth of a percentage point – a staggering amount of damage for a single human being to do. But not only will he not pay any of the cost, he will never even know he made a mistake.

Consider, for example, *Davis v. Wyeth Laboratories, Inc.*, 399 F.2d 121 (9th Cir. (Idaho) Jan 22, 1968), where the court found Wyeth liable for the failure to adequately warn of the risk of polio vaccination. Their argument hinged on whether, if warned, Davis might reasonably have chosen not to be vaccinated. The court wrote: 'Thus appellant's risk of contracting the disease without immunization was about as great (or small) as his risk of contracting it from the vaccine. Under these circumstances we cannot agree with appellee that the choice to take the vaccine was clear.' They reached this conclusion by comparing the 0.9 in a million chance of getting polio from the vaccination with the 0.9 in a million *annual* rate of adult polio from natural causes. Since vaccination provided protection for many years, possibly a lifetime, the proper comparison was to the risk over many years, not one. The court made a mathematical error of more than an order of magnitude, set a precedent which substantially discouraged the development of new vaccines, caused many, perhaps thousands, of unnecessary deaths, and suffered no penalty for doing so.

Market failure is a real problem. It is a problem in ordinary private markets and a much more severe problem in political markets. That is an argument for shifting decisions, so far as possible, from political to private markets – an argument for, not against, the libertarian position.

A possible response is that decisions should be shifted to public markets only where private markets fail. But some degree of market failure can be alleged for almost any activity. Under legal rules permitting government intervention to correct any alleged market failure, intervention can be expected whenever it is politically profitable.

Libertarians vary in how far they are willing to push the arguments that I have just sketched. Consider the case of national defence, a public good with a very large public. The failure to produce it privately at an adequate level is likely to lead to a drastic reduction in liberty. That is an argument sufficiently strong to convince many, although not all, libertarians to include it in the proper functions of government.

So far I have been dealing with arguments based on market failure, but similar points can be made with regard to other criticisms of market outcomes. It is true that the market takes account of values only to the extent that individuals do; if nobody cares about the survival of the oldest tree in the world or some threatened species of birds, there is no reason to expect the market to preserve it. But the same is true of the political system. It too is driven by the desires of individuals. It just does a much clumsier job of satisfying them.

Indeed, there are some reasons to expect the market to do a better job of serving 'non-economic' values than the political system. Many are things, not that nobody cares about, but only that most people don't, and the market is generally better at providing for small minorities than the political system. A religion followed by a per cent or two of the population has no difficulty getting the market to produce copies of its scriptures. If it is sufficiently unpopular with the majority, it may have problems getting the government to permit them to be printed. A minority in power might be able to do a better job of diverting resources to serve its values, whether religious or environmental, through the political system than through the market. But shifting decisions to the political system for that reason could be a risky gamble.

Another common criticism, but a mistaken one, is that the market ignores the interest of future generations. Future as well as present demand counts. It is worth planting hardwoods today for harvest a century hence as long as the return is at least as great as from alternative investments. Markets allocate resources over time, as Hotelling (1931) showed, in an economically efficient fashion. If it can be predicted that petroleum will be very valuable a century hence, it is profitable to leave it unpumped now so as to sell it then.

This argument depends on secure property rights. It breaks down if oil saved or a tree planted today is likely to be expropriated tomorrow, making holding it for future use a poor gamble. The alternative to decisions by the market is decisions by political mechanisms. Property rights in the political marketplace are much less secure than those in the private marketplace. A president who accepts costs today for benefits 10 or 20 years in the future can be reasonably confident that neither he nor his party will receive credit for those benefits. A dictator, unlike an entrepreneur, rarely has the opportunity to collect the benefit from investments expected to pay off in the future by transferring his long-term assets to a successor in exchange for immediate payment. Hence we would expect political institutions to be much more inclined to sacrifice the future to the present than market institutions, a conclusion supported by the evidence of environmental policy in the Soviet Union and Social Security in the United States.

What about income redistribution? Here again, the question is not whether there is an outcome that some would prefer to that produced by the market but whether there are institutions that predictably create such an outcome. The equal distribution of votes gives the poor some advantage on the political marketplace, but it may easily be outweighed by the very unequal distribution of other politically relevant resources. Modern governments are observed to redistribute from rich to poor via welfare, from poor to rich by subsidies for art, music, and – the big one – higher education, paid for mostly by state and local taxes and consumed mostly by people from the upper part of the income distribution. (The median family income of US college freshmen in 2001 was $67,200, compared with a median family income for all households of $42,228 – US Census Bureau, 2003, Tables 284 and 683. See Gwartney and Stroup, 1986, for a discussion of theory and evidence of the consequences of redistributional policies.) Similarly, farm policy provides a subsidy mostly to wealthy farmers and pays for it mainly by a regressive tax in the form of higher food prices.

A second problem with redistribution is rent seeking. In a polity that redistributes, it is in the interest of nearly everyone to spend resources trying to shift the redistribution in his favour, opposing redistribution from him and promoting redistribution to him (Tullock, 1967; D. Friedman, 1973, ch. 38; Krueger, 1974). The resulting deadweight cost might easily outweigh any utility gain from redistribution.

Issues

Libertarians differ in how far they are willing to carry their libertarianism. In the following discussion I present libertarian positions and the arguments for them while recognizing that in many cases the libertarian position is not supported by all who consider themselves libertarians.

The easy cases

Most of the arguments against price control, wage control, rent control, usury laws, and similar restrictions on the terms of market exchange are familiar to any economist. Many libertarians also argue that such restrictions violate individual rights. If I own my body, it is up to me to decide on what terms I will sell my labour to you. If I own my house, it is up to me to decide what terms I am willing to offer to potential tenants and up to them to decide what terms they are willing to accept. Thus many libertarians would reject not only rent and wage control but also legal restrictions on private discrimination in home sales, employment, and the like. (Nozick, 1974, ch. 7, provides an extended discussion and defence of a libertarian view of self-ownership.)

Libertarians taking that position may defend it either in terms of individual rights or by arguing that minorities are worse off in a world where such decisions are controlled by government than in one where they are controlled by private contract. State intervention in the US South during the first half of the 20th century provides an obvious example. A prejudiced majority can do a great deal more harm to the minority it is prejudiced against where decisions are made by the government than where they are made privately.

Free trade is another easy case. If building cars in Detroit costs more than growing grain, putting it on ships, sending them out into the Pacific, and having them come back with Hondas on them, we are better off growing our cars instead of building them. A tariff forces us to use the more expensive technology instead of the less expensive; it protects American auto workers from the competition of American farmers, making Americans on the whole worse off. While economists can construct special circumstances in which a trade restriction might benefit the nation that imposed it, such as infant industries that require temporary protection, the restrictions we observe are not those suggested by such arguments: In the U.S., steel and auto are not infant industries. We observe instead the restrictions predicted by the public choice analysis offered earlier, policies that benefit concentrated interest groups at the expense of dispersed interest groups. (For an explanation of why tariff protection is particularly likely for declining industries such as steel, see D. Friedman, 1997, p. 294.)

Many libertarians find paternalism another easy case, since it contradicts the idea that each individual owns his own body and is free to make choices regarding it. As a practical matter, paternalistic regulations substitute for each individual's decisions about his own welfare the decisions of someone else. The regulator may have expert information the individual lacks, but he lacks both the individual's specialized knowledge about his own circumstances and the individual's incentive to act in that individual's interest. Thus professional licensing, justified as a paternalistic protection of the consumer, is in practice used by professions to reduce competition and so benefit themselves at the expense of their customers. (The classic discussion is M. Friedman, 1962, ch. 9). Similar arguments apply to laws against victimless crimes – the War on Drugs, laws against prostitution and gambling. Individuals might make the wrong decisions for themselves; others should be free to warn them against doing so. But the final decision ought to be made by each individual for himself.

A familiar example of the dangers of such regulation in the United States is the Food and Drug Administration (FDA). Letting a dangerous drug onto the market ends the regulator's career. Keeping a drug off the market for a few more years can do enormous damage – arguably an excess mortality on the order of a hundred thousand lives in the case of beta-blockers (Gieringer, 1985. For a webbed discussion, see FDAReview.org.) But damage that appears only in the mortality statistics is very nearly irrelevant, politically speaking. And the connection between over-regulation, higher prices and fewer new drugs is still less visible. (See Peltzman, 1973, for a classic examination of the effect of regulation on quality and rate of introduction of new drugs)

Antitrust

There are legitimate arguments, widely supported by economists, in favour of government intervention against monopolies. Even libertarians are troubled by hypotheticals in which one firm owns the only well in the desert and insists on thirsty travellers giving all they own and indenturing their labour for decades into the future in exchange for a drink. Government regulation of monopoly, however, has its own problems. The regulator needs information he is unlikely to have – cost curves and demand curves – in order to force the firm to follow welfare-maximizing rather than profit-maximizing strategies (D. Friedman, 1997, pp. 238–43.) And it is far from clear why a real-world regulator, driven by political rather than altruistic incentives, would attempt to regulate in the public interest rather than letting himself be captured by the regulated industry, a concentrated interest well positioned to reward politicians with money and regulators with future jobs (Stigler, 1971). An industry that is imperfectly competitive may be imperfectly efficient, but the situation is not improved by giving firms the opportunity to use government regulation, as the US railroad industry used the Interstate Commerce Commission (ICC), to exclude competitors and restrict competition (Kolko, 1977).

Such considerations persuade many libertarians that antitrust, both as a legal doctrine and as a basis for regulation, does more harm than good – that we would be better off putting up with any ills private monopoly may produce, since the cure is likely to be worse than the disease (M. Friedman, 1962, pp. 128–9). Others argue that the state need not prevent monopoly but ought not to support it, and can avoid doing so by refusing to enforce contracts in restraint of trade.

Immigration

The economic arguments for free movement of goods apply to capital and labour as well, implying that immigration produces net benefits for the country that permits it, just as free trade produces net benefits for the country that practises it. Freer immigration also produces what many would consider a desirable redistribution, since its major beneficiaries, the immigrants, are much poorer than those who might be made worse off by their move: workers in the country the immigrants go to, capitalists and landowners in the countries they come from.

This assumes a context of voluntary transactions. Some immigrants may come in order to profit by involuntary transactions, private or political – to commit robbery or collect welfare. And new immigrants, once they become citizens and voters, might use the political mechanism to advantage themselves at the cost of the rest of us. Such arguments help explain why not all libertarians support free immigration – despite empirical evidence that, at least under current circumstances, immigrants pay more in taxes than they collect in benefits (Simon, 1989; 1995).

The flip side to the 'immigrant as welfare recipient' argument is that, while the existence of a welfare state makes the desirability of free immigration less clear, free immigration makes it more difficult to maintain a welfare state. Free movement of people imposes limits on the ability of governments to exploit those they rule, similar to the limits that market competition imposes on the ability of firms to take advantage of their customers (Tiebout, 1956). For libertarians, that is an additional advantage to freer immigration.

Schooling

The usual argument for government provision or subsidy of schooling is that a democracy requires educated voters and an economy educated workers, hence that money spent educating my children benefits you and your children, hence that leaving education to the free market will result in too little.

The first part of that argument might be true, although it is hard to find evidence to support it. The second is simply bad economics. To the extent that education makes a worker more productive, the additional productivity is reflected in his wages; investing in human capital is no more a public good than investing in physical capital. In both cases the investor may receive less than the full value of his investment due to the distorting effect of taxation – some of my additional productivity goes, not to me, but to the Internal Revenue Service. But subsidizing the investment merely shifts the inefficiency to whoever pays the taxes that fund the subsidy.

There may be indirect externalities to subsidized education – a cure for cancer, say. But not all such externalities are positive. By educating my children I make them better able to use the political system to advantage themselves at the expense of your children. By sending my son to Harvard I give him an opportunity to feel superior to your son, who went to Podunk U. That is a benefit to me and my son, a cost to you and yours, and a negative externality produced by my expenditure on education. As Robert Frank (1986) has persuasively argued, one of the things humans care about and economists ought to take account of is relative status.

This example illustrates a common problem with arguments based on externalities. Those making them usually count only externalities that lead to the conclusion they want –positive if they want to subsidize something, negative if they want to ban it. If an activity produces both positive and negative externalities, as many do, and if we are unable to measure them accurately enough to determine the sign of their sum, we do not know whether we should be encouraging the activity or discouraging – in which case it might be wiser to do neither (D. Friedman, 1971).

Another argument for government involvement in schooling is that, since parents act in their own interest rather than that of their children, they may fail to pay the cost of schooling even when it produces a benefit larger than its cost. But shifting the decision to the political system means shifting it, not to children, but to other adults. Adults routinely make large sacrifices on behalf of their children, much more rarely on behalf of other people's children. So while a parent is not a perfect proxy for his children, he may be the best proxy available – a much better one than either the legislature or the teachers' unions.

Other government activities can be supported, and opposed, with similar arguments. Subsidies for basic research can be defended as producing a public good, rejected on the grounds that enough of the benefits can be privatized to make subsidy unnecessary (Kealey, 1997), that government involvement diverts too many smart people into whatever field is currently in fashion, and that it subverts the scientific enterprise by converting the search for truth into a search for grants.

The relevance of public good theory is less clear for police and courts, government activities traditionally accepted by believers in a minimal government. Law enforcers can choose to pursue criminals who commit crimes against those who have paid for their services and not those who have not; England survived with private thieftakers but without police in the modern sense until well into the 19th century. (Davies, 2002; D. Friedman, 1995. Both argue that there is no clear evidence that failure of the traditional system was the reason why it was eventually replaced.) Courts can refuse to settle disputes among those unwilling to pay for the service, and some – both private arbitrators and government courts – do. Many libertarians accept the conventional arguments for state provision of police and courts, paid for by taxation; others do not (D. Friedman 1973, part 3).

There are a few issues where libertarians disagree among themselves about which side is more libertarian. Intellectual property is one example. Some argue that a book or an invention, as the pure creation of a human mind, deserves strong protection. Others regard all intellectual property as coercive, a restriction on how individuals are permitted to use their own material property. Limited liability for corporations is another such. Many libertarians reject it on the grounds that individuals ought to be liable for their actions. Others see it as a legitimate consequence of freedom of association and contract and observe that, while it is possible for a corporation to impose costs it does not have the resources to compensate for, the same is true for an individual.

Foreign policy provides a particularly divisive example. Opponents of the United States in recent decades have been strikingly unfree societies – Hitler's Germany, Stalin's Russia, Mao's China, Ho Chi Minh's Vietnam – making a policy of overthrowing, or at least containing, them attractive to many libertarians. But such a policy is conducted by a government whose competence and motives libertarians find suspect – and badly done interventionism may well be worse than no interventionism (D. Friedman, 1989, ch. 45). Hence many libertarians favour the non-interventionist policy famously advocated by George Washington – peace and friendship with all, entangling alliances with none.

Libertarian: yes/no or more/less

Some libertarians propose a bright line definition of who is a libertarian, often along the lines of 'one who believes in never initiating force against another'. One problem with this is that libertarians do not have an entirely satisfactory account of what determines who owns what – in particular, of how unproduced resources, such as land, become property. Without a clear answer to that question, it is sometimes hard to distinguish the initiation of force from the use of force to defend what you justly own.

A second problem is that the bright line definition, taken literally, eliminates almost everyone, including almost all libertarians. Consider a scenario popularized by the late R.W. Bradford, editor of *Liberty Magazine*. You have carelessly fallen out of a 50th storey window. By good luck, you catch hold of the flagpole of the apartment immediately below you and start trying to climb in the window. The owner of the apartment objects that you are violating his property rights – not only by climbing in his window, but by using his flag pole without his permission. Do you let go and fall to your death? Such arguments suggest that 'libertarian' is more usefully defined as a continuum – more libertarian or less rather than libertarian or not.

An issue which has attracted a good deal of attention within the libertarian movement is whether there ought to be any government at all. One faction, sometimes labeled 'minarchist', supports a government that provides, at least, for courts, police, and national defence. The other – anarchists or anarcho-capitalists – argues that, with suitable institutions, voluntary cooperation in a free market can adequately provide all government services worth providing (D. Friedman, 1989, part 3; Rothbard, 1978).

The latter position can be defended either on the (rights-based) grounds that all other alternatives involve violations of rights or on the (consequentialist) grounds that, just as the free market does a better job than government of building cars and growing food, it could also do a better job of producing laws and defending rights. While the latter claim seems obviously false to many when they first encounter it, it has proved sufficiently persuasive to be adopted by a significant minority of those seriously involved with libertarian ideas and libertarian argument. (Liberty Magazine Editors, 1999.)

Varieties of libertarianism

Does 'individuals have the right not to be coerced' mean that one should never initiate coercion or that one should act to minimize coercion? If rights are best protected by a tax-supported system of police and courts, should one support such taxes as a way of minimizing rights violations or oppose them as a violation of rights? (Nozick, 1974, pp. 28–35, discusses the distinction between rights as side constraints and a 'utilitarianism of rights' and offers arguments for the former.) One answer makes anarchism something close to a moral imperative, the other decides the anarchist/minarchist issue in terms of how well either alternative works.

It is useful for land to be treated as private property. But how does a claimant get ownership? Locke (1689, ch. 5, section 27) famously argued that he did it by mixing his labour with the land – clearing trees, plowing, removing boulders. But that argument included the proviso that there be as much land and as good available for other claimants, since otherwise the first claimants deprive others of the opportunity to claim land themselves. The value of the land is in part site value and in part value due to human effort; how does the owner get a just claim to the former?

Many libertarians avoid these questions by simply accepting existing titles to land. Others argue that such claims are legitimate only if based on a chain of voluntary transfer back to a legitimate appropriation, whether by Lockean mixing of labour with land or some other mechanism. A few, 'geolibertarians' or, more confusingly, 'left libertarians', reject unqualified private ownership of land entirely, arguing for the land tax of Henry George or something similar (Brody, 1983; D. Friedman, 1983; Valentyne and Steiner (2000a; 2000b; George, 1879.)

For a final variant on libertarianism, consider someone who accepts both the utilitarian argument for redistribution from rich to poor and libertarian arguments against government intervention in the market. He might favour a laissez-faire society combined with some very simple system of redistribution – say a flat tax used to finance a modest demogrant. (The best-known proposal along these lines is the negative income tax; M. Friedman, 1962, pp. 191–5. A more recent version is Murray, 2006.) Making the redistribution simple reduces the opportunity for individuals to spend resources trying to shift it in their favour. Putting all redistribution in one form eliminates arguments for other government interventions defended – often implausibly – as helping the poor. While many, perhaps most, libertarians would be reluctant to consider this a fully libertarian position, it provides a possible compromise for those who accept large parts of the consequentialist argument for libertarian policies while remaining unconvinced by libertarian arguments about rights.

David Friedman

See also antitrust enforcement; externalities; Friedman, M.; international migration; laissez-faire, economists and; public choice; public goods; rent seeking; Rothbard, M.

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