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Free Riders and Collective Action Revisited

— ◆ —

RICHARD L. STROUP

The free-rider problem associated with public goods was recognized by David Hume, even before the time of Adam Smith's writings. Each citizen who can enjoy the benefit of a public good has an incentive to try to lay the whole burden of provision on others, whenever the exclusion of nonpayers is very costly or impossible. Hume recommended in 1739 that government provide the goods in question, such as bridges (Musgrave 1985). Two and a half centuries later, economists typically recommend a similar solution (Arrow 1970; Atkinson and Stiglitz 1980; Auerbach and Feldstein 1985; Cornes and Sandler 1986; Nicholson 1989; Samuelson 1954).

The public-provision prescription is seldom questioned, although today's economists and policy analysts, having been exposed to public-choice logic and empirical analysis, do recognize that government is an imperfect institution. Government provision of public goods, it is conceded, will not be free of problems (Shleifer 1998). For example, the rational ignorance of voters is widely recognized, and so too is the disproportionate influence of organized special-interest groups. Lobbyists and their campaign contributions are the facets of the problem that receive the most attention.

Even though problems associated with the imperfection of government are commonly recognized, it is seldom noted explicitly that the root of those problems is precisely the same as that of the free-rider problem associated with private production of public goods. The formation and successful control of a government program in the public interest, for any reasonable definition of that nebulous term, are themselves public goods. Who will pay the price in time, effort, and other lobbying costs to originate a program and to

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control it in the interest of the general public? Does efficiency in serving the public have a constituency? Adam Smith pointed out long ago that no individual can be expected to seek the public interest. Markets work to exhaust the gains from trade and cooperation because each individual has an interest in finding and capturing any and all such gains. Of course, when free riders can enjoy a public good without payment or trade, production and the potential gains from it may never occur. Efforts to originate government programs and to control them in the public interest are no different. As Gordon Tullock (1971) put it, “The public decision-making process is a procedure for generating a public good; and the persons involved in it, whether they are the voters, judges, legislators, or civil servants, all can be expected to treat it as any other public good” (917).

Tullock recognized the point very clearly.¹ He perceived the likelihood of shirking, in the form of spending too little time and effort in researching the issue subject to public decision and in the form of utilizing the decision maker’s own preferences rather than the interest of the public in general. For these reasons, public decisions will not necessarily promote the well-being of the general public. Indeed, a program justified in the name of producing a public good may in fact be utilized by special interests to help only themselves, harming the public in the process. Analyses of programs gone awry are common, but the free-rider problem that surely causes many of these problems is seldom mentioned. Tullock’s observations, though published in a prominent economics journal, seem not to have made a large impression on policy-relevant discussions by economists since that time. The problem of free riding seems to this day to be discussed almost entirely in the context of *market* failure.

One constructive use of Tullock’s basic insight can be in systematic side-by-side comparisons of the incentive problems built into private provision of public goods, on the one hand, and those built into every case of public provision of any good (and of public regulation), on the other. This is the sort of comparison called for by James Buchanan (1987), by Kenneth Shepsle and Barry Weingast (1984), and by Neil Komesar (1994). A careful and realistic evaluation of the incentives facing participants in the public policy process—that is, of the free-rider problem inherent in all politically directed public activity—would be useful in comparing alternative institutions whether the *output* of the public policy were a public good or not, and in determining whether a change in policy might provide a superior result.

Public Provision of Public Goods: Solving the Free-rider Problem or Expanding It?

Economists who discuss public goods and the free-rider problem use many examples. Among the most common are national defense, public health measures such as mosquito abatement, and roads and bridges (Varian 1984, 253; Atkinson and Stiglitz

1. Tullock’s article spurred my efforts in the present article to push the analysis further and to make it somewhat more concrete.

1980, 486–87; Nicholson 1989, 727). Each is subject to the most common problem cited: the lack of any producer's ability to exclude beneficiaries in a low-cost fashion, a condition that generates the free-rider problem, resulting in an expectation that the good will be underprovided. The standard solutions offered are government provision of the good, through purchase or production, or government subsidization of its private provision. Each, however, introduces many free-rider problems of its own.

The production of goods and services, whether in the private sector or by the government, is a complex undertaking. In meeting the demand for a good, a starting point is to define specifically the quantity and the qualities of the good to be provided.

Decisions on What to Produce and How to Produce It

Consider national defense. What is the proper type and level of national defense? What sort of fleet should the navy build and support, and how large should it be? Where should the ships and their support be based in order to provide the best defense for a given expenditure? Similar questions must be answered about the air force and its airplanes and about the army and its forces.

Each of these decisions has intensely important ramifications for military suppliers and for departments within the military bureaucracy. The interest of each of these groups is likely to be well represented in the decision process, both directly and in lobbying. Members of Congress and relevant members of the current administration will be strongly lobbied on behalf of each supplier group and probably by each bureaucratic department.²

Who, on the other hand, will persistently lobby for the diffuse interest of the general public by, for example, identifying and then lobbying for the most cost-effective set of resources, or deployment of those resources, to deter potential foreign aggressors? Citizens who are employed by defense contractors or who live in an area where a defense contract is locally important may become active when their specific issue is being debated. For them, economic benefits for themselves and their localities will loom large, whereas the search for cost-effectiveness will surely be secondary. Certainly the firms, the chambers of commerce, and other organized interests will lobby intensively, often with large budgets to do so, as the narrow issues of specific interest to them are being considered.

Most citizens and most groups, however, are not apt to be involved when a specific defense procurement or deployment issue is settled. Each may well recognize that the many decisions on defense procurement and deployment are important; but for each person, the cost of learning about the issue and becoming involved is borne privately by the citizen, whereas the payoff for making better decisions in the service

2. The rent-seeking literature points out the costs to society of competition among special interests to control various aspects of public policy. See Rowley, Tollison, and Tullock 1988.

of cost-effectiveness is spread among the general public. The classic free-rider problem presents itself very strongly, even with respect to decisions about the *goals* of public provision of national defense.

The same problem appears in complex decisions on government provision of mosquito abatement. Which wetlands should be treated? Should aerial spraying of mosquitos be utilized? Which chemical pesticides are acceptable to reduce mosquito populations? Which is best in each situation? Again, those with income directly at stake or with strong views on these questions will probably be heard. But by whom will the general public's diffuse interests be strongly and persistently represented? Each ordinary citizen is likely to act as a free rider when the level and description of government provision of a public good is being decided. And such decisions are only the beginning of the government provision process.

Control of the Production Process

A large literature in economics shows that in the private sector, where minimizing the cost of producing anything (of a chosen quantity and description) is necessary to maximize the profits of a firm, organizing for cost-minimizing production nonetheless remains a complicated process. Thrainn Eggertsson, in his review and extension of this literature, lists the following activities that typically must be undertaken in the production of a good in a modern economy; each is applicable to production or regulation by the government as well:

1. The search for information about the distribution of price and quality of commodities and labor inputs, and the search for potential buyers and sellers and for relevant information about their behavior and circumstances [Who might be the least-cost provider of each good and service needed?]
2. The bargaining that is needed to find the true position of buyers and sellers when prices are endogenous [What prices can actually be negotiated on behalf of the public?]
3. The making of contracts [What specifications and stipulations should be included to reduce future performance problems while controlling costs?]
4. The monitoring of contractual partners to see whether they abide by the terms of the contract [Are all parties to the contract complying with its terms?]
5. The enforcement of a contract and the collection of damages when partners fail to observe their contractual obligations [When should contract problems be renegotiated? When should they be taken to court instead? How should these matters be handled, once decisions are made?]

6. The protection of property rights against third-party encroachment [When should the rights of suppliers and those regulated be respected? How should they be protected, and at whose cost?] (Eggertsson 1990, 15)

The successful performance of each of these activities requires thoughtful and diligent action, good judgment, and intelligent responses to the recognition of mistakes and altered conditions. How will each unit of a bureau be organized to allow each decision maker the latitude to operate intelligently in changing circumstances, while reducing the ability to shirk or to act opportunistically under pressure on behalf of external interests or of the bureaucratic unit's own narrow concerns or even venal interests?³

Entrepreneurship is a key to efficiency in a world where technology and relative prices change rapidly. Private firms are constantly adjusting their own organizations to handle changing problems and opportunities. For them the carrot is profit; the stick is failure to survive under competition. Feedback to them from the product market tends to be constant. Each buyer has a personal stake in monitoring the product in order to seek better products and to avoid paying for inferior goods. For managers of publicly traded corporations, there is constant feedback from the stock market as well, concerning both current practices and decisions about the future of the corporation. In the capital market, each investor providing capital to a firm or holding its stock has an incentive to monitor that firm's policies (or to pay a specialized investment advisor to do so) in order to buy a larger stake if the firm's prospects brighten or to bail out by selling ownership rights if adverse events are detected. In the public sector, however, there is no such personal incentive for efficient decision making and typically no such monitoring and feedback. Each voter has a voice, but exit from tax payment is usually difficult or costly, even if the taxpayer studies and disapproves of the government agency's policies or its products.

Who will oversee the efficiency of day-to-day and year-to-year operation of each unit of government in the public interest? Ultimately, voters are in charge. But the individual as a voter, unlike the same individual as a buyer of a product or a share of corporate stock, can seldom benefit *personally* from obtaining better knowledge and applying it more diligently. The individual buyer in a market can easily exercise an option such as selling stock or buying a different product, employing information gathered on the details of how a product will work or how a private corporation is being managed.

3. Niskanen (1971) has shown that in certain circumstances the bureaucratic unit may, due to a monopoly of cost information, be able to put the legislature, at budget time, on an all-or-none demand curve so as to maximize the unit's budget. Today that case is generally thought to be an extreme one, even by Niskanen (see Blais and Dion 1991); but the tendency, and some ability to indulge it, may still exist.

The same individual as voter has a more serious problem. Rational voter ignorance is a well-known and well-documented phenomenon. Voters tend to be free riders on the vigilance of others on any issue that is not of unusually concentrated personal interest to them. And there is no capital market that constantly assesses a government program's current performance or the plans for the future. Instead there is constant pressure from special interests, tending to mold each program and its operation to serve their narrow interests.

Some of these problems can be diminished by partially "privatizing" provision, using tax finance and low-bid private sources of supply, or by localizing the provision of goods, so that citizens can more easily choose to "vote with their feet" (Tiebout 1956) in search of better government outcomes. Neither of these tactics eliminates the free-rider problem in the public sector, but together they can reduce it by introducing competition enforced by the possibility that, periodically at least, buyers can exit.

Control of Regulators as a Public Good

We have seen how, when a bureau or a government program is established and given access to the public purse through the budget process, control of the program in the public interest is a public good and subject to the free-rider problem. When the bureau is also given broad regulatory powers, control can be even more difficult. In addition to setting the specific program goals and the general methods of achieving those goals within a budget, regulators are often able to utilize methods that increase costs to others but do not force the spending of the bureau's own funds.

We can expect narrow bureaucratic interests, backed by specific constituencies and afflicted by "tunnel vision,"⁴ to attempt to expand their activities well beyond those desired by the broader public. The bureaucrats and their clients see and value the benefits of their program, but do not see, or have no reason to value, the alternative goals given up to gain incremental advantages to their own program. Regulators who can order costly measures to be undertaken, without the check of a budget, will also utilize costly methods, failing to economize except to enhance their own program. No check on cost is present, other than political pressure. Competition of the sort that eliminates waste seldom exists in government. Further, the presence of bureaucratic rule, or "red tape," which is needed because the zeal of an owner or a residual claimant is not present to force cost control, further reduces the ability of bureau leaders to streamline procedures and reduce costs. And as noted previously, because the control and monitoring of government action in the public

4. "Tunnel vision" is the term utilized by U.S. Supreme Court Justice Stephen Breyer (1995) to explain why each regulatory agency tends to go well beyond any social optimum in its activities. It does not experience the opportunity costs of its actions, and it avoids many ordinary constraints in the exercise of regulatory powers granted by the legislative branch. For examples of how tunnel vision affects government programs and program costs in the context of potential risks from toxic chemicals, see Stroup and Meiners 2000.

interest are themselves public goods, the potential controllers and monitors—voters and their elected representatives—tend to free ride rather than to zealously protect the public interest.

As a result, government programs often impose very high costs on society even when the programs imposing the costs produce little in the way of demonstrable, intended benefits.⁵ In fact, a bureau can go so far as to cause negative results for the overall goal of its own program. One example is the program to enforce the Endangered Species Act.

The Endangered Species Act

Animal species listed as endangered or threatened are generally protected by the U.S. Fish and Wildlife Service (FWS) under the Endangered Species Act (ESA). The ESA as now written and interpreted gives the FWS the responsibility and authority to preserve each listed species and its habitat without regard to cost. Any habitat, public or private, declared to be important to threatened or endangered species is in effect placed under constraints dictated by FWS project biologists, without regard to cost to the land's private or public owner and without compensation to the owner. FWS habitat decisions may be extremely costly to private resource owners or to other agency missions, but the cost is exempt from the deliberations of the congressional budget process. No compensation is paid. Congress, which took the credit for helping to save species when it approved the ESA many years ago, declines to monitor the program's true costs and benefits. Some members say that they had no idea, when they voted for passage, that the costs for landowners would be so great. But few have even attempted to revise the ESA. Most are, understandably, riding free while taking credit wherever they can.

At least three consequences flow from this arrangement. The first, which was (according to the courts) intended by the Congress, is that there is no limit to the land that may be devoted to the biologist's mission to preserve land from any use other than as habitat for a listed species. The second consequence, presumably unintended, is that land, logically treated by the project biologist as having zero price, is substituted for other, on-budget factors of production, such as professional services, that could be utilized to find less costly conservation plans. The cost of other factors of production would be borne by the FWS, whereas land costs are borne by the landowners. In effect, factor prices for the production of habitat protection are severely distorted. Tunnel vision precludes each program leader from seeing and fully valuing the total social cost of the program's elements. The project managers also ride free. Control of the program in the interest of the general public is, as always, a public good.

5. For a concise overview of the high-cost, low-benefit nature of much federal environmental regulation, see Crandall 1992.

The third result, exacerbated by the cost imposed on landowners by the first two, is that prior to being contacted by the FWS, private landowners have an incentive to manage their land in such a way that listed species will not find the land attractive. When no members of the species are present on or near his land, a landowner can avoid bearing the direct costs of the ESA. Landowners can also gain by cooperating with their neighbors to learn and teach techniques for preemptive habitat destruction and even by applying social pressure on those nearby to apply the habitat-modifying techniques. These actions occur even when, as is frequently the case, the species themselves do no harm and would have been welcomed on the land absent the uncompensated financial harm imposed by the ESA.

There is increasing evidence (Stroup 1997; Lueck and Michael 1999) that preemptive habitat destruction is important. Lueck and Michael (1999), for example, find statistically that when a colony of the listed red-cockaded woodpecker is near a forest, costly measures are taken by the landowner to make that forest less attractive to other colonies of red-cockaded woodpeckers. The birds prefer old-growth forests for their nests, so the landowner is more likely to harvest the trees before they reach the normal harvest age.

The unintended negative effect of preemptive habitat destruction by landowners has been noted by close observers of habitat preservation for some time. The effect could be mitigated by putting land-use acquisition on budget for the FWS. That would cause the program biologists and their supervisors to face market prices for land, restoring both the total cost and the true land cost as a factor of production to program decision makers. Less costly and more effective strategies for habitat preservation would be encouraged.

A second unintended negative effect of the ESA program is serious harm to voluntary programs that have been successful over the past several decades. Long before the ESA, wood ducks on the eastern flyway were saved from threatened extinction partly by the voluntary placement of nest boxes by landowners. Eastern bluebirds were saved in a similar way. More recently, the preservation of wetlands habitat in the form of prairie potholes has been effected very economically through the solicitation of landowners' cooperation, again expanding available habitat for important wildlife. These and many other successes would be exceedingly expensive, if not impossible, now in the case of listed species, due to landowners' fear of the uncompensated takings that might easily result under the ESA.

Changing the ESA to avoid uncompensated takings would eliminate both of these unintended negative effects. However, environmental groups oppose such a change, perhaps because the current arrangement is a powerful tool for another purpose: to stop the use of certain tracts of land for timber harvest, development, or even intensive agriculture. The free-rider problem severely reduces the incentive of most voters and elected politicians to carefully monitor the actual results of the ESA program and to demand changes that would make it more effective and minimize its cost.

State Forest Management

When the benefits of the good produced in the public sector are concentrated on a few beneficiaries and thus have less of the character of a public good, the beneficiaries have a strong incentive to monitor the program. Such close monitoring occurs, for example, in state land programs that are intended to make money for the state's school system.

State land programs that sell timber have been shown to operate much more economically than the U.S. Forest Service program, which is supposed to produce benefits of many kinds for the general public in the national forests. Donald Leal (1996) has shown that the several state programs he examined make money, while the Forest Service timber-sale programs on similar sites nearby operate at a substantial loss. Leal also demonstrated that in Montana, which conducts environmental audits on both state and federal timber lands, the state forest management was environmentally sounder as well.

State programs that are ordered simply to make money for the schools are easier to monitor than their federal counterparts. One need only check: did they make money or not? And watching them are specific interest groups that capture the benefits when the state programs operate more efficiently. The gains they make are concentrated on an organized beneficiary, the government school system. The good the state forest programs produce, in other words, has less of the public-good aspect than the federal program, whose proceeds go into the federal treasury. It may seem ironic that government provision of goods that are less collectively enjoyed and more like private goods should logically be better monitored and thus more efficient, but Leal's evidence is consistent with that logic.

Public Goods and Public Bads: The Potential for Harms beyond Resource Waste

The fact that control of a government program in the public interest is a public good implies that groups with far narrower interests may gain control. The actions of such groups not only cause resource waste (from the general public's viewpoint) in the presence of voter shirking because of free riding in the political and bureaucratic processes; but control by those with narrow agendas may indeed cause positive harm. That outcome can easily be produced by regulatory agencies, as illustrated by the case of the FWS and the ESA. Similar outcomes may result from public goods provision.

The classic public good is national defense, as provided by a large standing army. It is intended to protect citizens against threats from hostile foreign nations. But it may be used in ways that increase, rather than reduce, the likelihood of citizens' dying at the hands of hostile foreign nationals. One of the controversial questions surrounding the Vietnam War is whether tens of thousands of Americans would have died at

the hands of foreigners if the large standing military force had not been available for quick deployment to serve the aims of the administration sending them. More recently, one wonders whether the likelihood of terrorist attacks in the United States might be increased by certain deployments of the U.S. military abroad. If military forces were smaller, that particular risk would be reduced. Without far more study than we will ever give to the question, most citizen-voters, including this writer, cannot know whether a larger standing army would increase or decrease the risks of harm at the hands of foreigners. In the light of Tullock's basic insight, who would be expected to answer this question on behalf of the general public (if a credible answer is even possible) and then to lobby strongly—perhaps against the interests of military suppliers—for adoption of the policy that best serves the general public?

Production of public goods to reduce natural risks can also result in increased risk, when free riding with regard to control of the program leaves decisions in the hands of narrowly interested parties. Mosquito abatement is a case in point. Is a reduction of mosquito populations worth the risk of extensive aerial spraying of the sort that is so controversial in California? Is it worth disturbing a wetlands ecology? Few citizens have sufficient knowledge to vote intelligently on the issue, even if given a chance in a referendum. Public provision of mosquito abatement, however, unlike private abatement, generally means that the official decision maker is not personally liable if that official's program damages affected citizens. The standard of care is likely to differ as a result of public provision.⁶ Again, fighting one danger by establishing public provision of a good may worsen other dangers. The free-rider problem among voters, and the poor oversight that results, makes public provision of "protection" from a specific risk potentially dangerous.⁷

Implications of the Free-rider Problem for Public Policy and Voluntary Action

The free-rider problem and its resulting reductions in the efficiency and effectiveness of government actions have important implications. Better understanding of these matters could lead to improvement in institutional choice by society generally as well as by individuals as they choose which institutions to support voluntarily.

6. Precisely this problem helped to generate the Love Canal hazardous-waste problem at Niagara Falls, New York, and led to the creation of the Superfund program. Recognition of potential liability had caused the chemical company to carefully isolate the buried wastes. When the local school board purchased the property, it was explicitly warned of dangers from the waste, but proceeded to utilize "tunnel vision" in managing the land, ignoring the chemicals and, by digging through the containment walls, allowing them to seep out (Zuesse 1981; Stroup 1996, 5–6).

7. *Editor's note:* Nothing better illustrates this truth than the pretense of protection afforded by the regulatory programs of the U.S. Food and Drug Administration. See, for example, Dale H. Gieringer, "The Safety and Efficacy of New Drug Approval," *Cato Journal* 5 (Spring–Summer 1985): 177–201; and Robert Higgs, ed., *Hazardous to Our Health? FDA Regulation of Health Care Products* (Oakland, Calif.: Independent Institute, 1995).

Some goods with public-good aspects are provided by a variety of institutions—private individuals, private clubs, and government agencies. For example, wilderness or habitat for endangered species can be provided by individuals, clubs such as the National Audubon Society or the Sierra Club, and government agencies.

In any case, provision requires individuals who are sufficiently well paid or passionate to work hard or make other sacrifices to bring about the production of the public good. Even government provision requires voluntary private sacrifices. For example, establishing public-sector habitat protection in the first place requires strong lobbying by clubs such as the Audubon Society or the Sierra Club. To maintain such programs, lobbying must continue; otherwise the programs will be defeated or distorted by those seeking other goals from the federal budget and federal lands.

The clubs mentioned in fact spend most of their time and money in lobbying for government provision. Might their efforts be more productively spent organizing and campaigning for individual private landowners to help or, instead, on a campaign seeking help from individuals for the private club's efforts to obtain and administer such lands themselves as owners?

The theory of clubs suggests, and observation confirms, that club decisions tend to be made by like-minded individuals who have been drawn together by shared preferences.⁸ In clubs, decisions about how the good should be defined and managed are made by like-minded individuals rather than by a median voter in a public election, by politically sensitive (and compromising) politicians, or by bureaucrats under political control. In contrast, government provision must, at least formally in a democracy, be "controlled" by voters, few of whom are likely to be as passionate and motivated and therefore as knowledgeable about the good to be provided as are the self-selected, dues-paying members of a club.

Expanding the responsibility for provision to the level of the general public gains tax support from all taxpayers only by trading off the ability to retain the focus and intensity of like-minded club members. Whether the trade-off is worthwhile can be debated. However, there is some empirical evidence, to be discussed later, that suggests voluntary provision is qualitatively different and can be qualitatively superior.

Each institutional approach requires at least partial solution of the free-rider problem to obtain cooperation among enthusiasts. Each requires work and sacrifice. Government efforts may be the most effective means for some individuals and some groups, who are relatively good at lobbying and other forms of political action. For them, formation of a club that amounts to a special-interest lobbying group may yield the highest return on their resources.

Yet even when they successfully elicit government action and the provision of the good is assigned to a bureaucratic unit, continuing provision is not guaranteed. Defense

8. The theory of clubs originated with Buchanan 1965; for a discussion, see Mueller 1989.

of the bureau's budget and control of its actions in the service of specific desired goals are never-ending challenges. Public-sector victories are never bought—only rented. Whether majoritarian interests (and the median voter, who typically is uninformed about provision of the good) prevail or minoritarian special interests (such as those of contracting providers) prevail, the battle is never permanently won, for the courts have consistently held that one legislature cannot bind the next. In the words of one environmental leader, whose specialty is preserving land for wild habitat, "You know what I like? A deed in the courthouse."⁹

The preceding analysis suggests that for an enthusiast seeking to expand the provision of a public good, the same amount of organizational and fund-raising effort might be more successful if applied directly to seeking private provision of that good. The analysis does not indicate that such will necessarily be the case. Depending on the circumstances, the shortfall in payments from some who benefit, and thus the shortfall in provision, caused by the free-rider problem in private provision will be a greater or smaller problem than the reductions in the value (reduced quantity and quality delivered by public provision) that result from the multiple free-rider problems in the public sector. Even with its tax-revenue advantage, however, public provision may still deliver a lesser amount of the good, as the following example illustrates.

When Provision of Religion Became Private

As a case study, consider the provision of religious services. At least from Adam Smith's time forward, some have maintained that the church provides positive benefits to the community, beyond those provided to churchgoers. In this view, people who participate in religion become better neighbors, more upstanding citizens, and more honest trading partners (Olds 1994, 280). Such public-good aspects of religious observance, it has been claimed, justify taxpayer subsidies. Even today, many nations have an established (that is, state-supported) church.

Two centuries ago, when Connecticut and Massachusetts were considering disestablishment (ending the subsidy to each state's established church), the argument was made that without taxpayer support, religion would wither. Kelly Olds found, however, that when disestablishment occurred in Massachusetts and Connecticut and all subsidies were abolished, indicators of religious activity rose rather than fell. The statistical evidence indicates that both church membership and the demand for preachers rose rapidly (Olds 1994, 277). Many churches prospered, and

9. Brent Haglund, executive director of the Sand County Foundation, as quoted by Anderson and Leal (1997, 52).

their methods of finance varied. The services provided undoubtedly changed. Church leaders, after all, now had to appeal more to individual congregations and less to legislators and state voters as a group. Whatever the reason, the provision of church services increased substantially. Church membership in the United States as a whole rose for nearly all of the nineteenth and twentieth centuries (Iannaccone 1998, 1468). Further, the United States, without an established church, has greater church attendance and a greater percentage of citizens proclaiming themselves to be religious than any of the industrialized nations that provide public funding for their religious establishment (Iannaccone, Finke, and Stark 1997).

Evidently, at least in some cases, private provision allows and encourages appeals to more subgroups than does government provision, which is bound by the need for support by the median voter or by the most powerful interest groups. Indeed, public provision may undercut private support for an activity by replacing it, as it seems to do dollar for dollar in the case of support for university education (Becker and Lindsay 1994). In any event, increased public provision of a good is not an unalloyed benefit to the mission supported, and may on balance harm that mission.

Conclusion

Gordon Tullock first emphasized the importance of the free-rider problem in the public sector. Recognizing this problem should alter our expectation that when the private sector provides a good “imperfectly,” citizens have the option to utilize the government in order to achieve an ideal delivery of the good. The public-sector approach is one candidate among several as an institutional means of providing a particular public good. However, the pervasiveness of the free-rider problem in the public sector has several implications:

- Establishing a government program to provide a public good requires voluntary private effort. Keeping the program funded requires continued voluntary private effort.
- Control of a government program in the general public’s interest requires voluntary private effort in competition with the many narrow interests that will seek to control the program.
- When taxpayers fund a program, the product will differ from a privately provided product when the preferences of voters as a whole differ from the preferences of those with the greatest zeal and the strongest interest in the activity. The latter group could control a private effort but must compromise with those having less interest when public provision is utilized.

- Private clubs and other private providers have more freedom to choose their methods, and they have full financial responsibility for the cost, so we can expect them to be more efficient providers.
- In light of the preceding points, one expects that private provision may produce more or better-quality public goods. The evidence conforms to that expectation in specific cases such as provision of religious services.

No human institution works perfectly. When a decision about provision of a specific good in a specific case is to be made, each available institutional alternative should be realistically compared.¹⁰ To look at only one option and point out its weaknesses, and hence to conclude that another option must be superior, is exactly the sort of mistake a student makes by supposing that products ought to be manufactured according to absolute advantage rather than comparative advantage. The same factors that make one sector weak may simultaneously weaken an alternative sector. When an externality involves many people, then market provision may be problematic, but so may be government provision. The understanding that “public decisions are public goods,” first brought to light by Tullock, and the related considerations discussed in this article should be borne in mind as institutional arrangements are compared.

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10. The case for comparative institutional analyses is made in an important book by Neil Komesar (1994). He stresses that analysis should center on comparisons of how concentrated the payoffs are in each case and how many parties are importantly involved.

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