

The Free Rider as a Basis for Government Intervention

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The "free rider problem," arising from the fact that an individual may be able to obtain the benefits of a good without contributing to the cost, is discussed in a number of different contexts. In the case of a "public good" where the provider cannot exclude, a good which others provide for themselves will also be provided to the free rider. In the public good view of charity, for example, each donor is said to have an incentive to hold down his own contribution and free ride on the redistribution from other members of the non-poor group. Thus, the free rider in the case of charity and other public goods is commonly taken to provide a rationale for state intervention.

A similar situation exists in the case of a common property resource, as when oil is pumped from a pool beneath the land of several owners. It is in the interests of all producers to hold down output but in the interest of the single producer to expand output if other producers hold back. The resulting "Tragedy of the Commons" is taken to be an example of "market failure" and, consequently, a basis for government intervention.

The "free rider problem" also arises in the case of the cartel. A group of competitive producers, for example, may be able to gain through collusion by restricting output and increasing price. The ability to collude, however, is undercut by the incentive each member has to "chisel" or free ride. Thus, government sanctions are sought to *restrain* free rider activity in the case of cartels in agriculture, labor unions, transportation, occupational licensure and other areas.

A common feature of each of the cases just cited is the absence of property rights. When property rights are not clearly defined and enforced, the individual motivated by self-interest has an economic incentive to free ride at the expense of others in the group who attempt to promote self-interest through group behavior. The free rider incentive, however, is not the only factor motivating individual behavior. This paper demonstrates why "free

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riders" do not provide a rationale for government intervention in the cases of charity (and other alleged public goods) and common property resources.

The effect of the free rider in the case of cartels is shown to be fundamentally different from that of the free rider of common property resources and public goods theory. In each of the latter cases, the free rider incentive works against decentralized market efficiency. In contrast, in the case of collusive behavior to restrict competition, the free rider serves a *beneficial role* acting as an impediment to anti-competitive behavior. When not restricted by legal means, the free rider performs an important role in impeding collusion and maintaining competition. This difference is typically ignored and "free riders" are generally described as a "problem."

Free Riders: The Conventional and Opposing Views

The "free rider problem," as suggested above, is widely discussed in a number of different contexts, e.g., public goods, common property resources, and cartels. Buchanan presents the conventional description of the free rider problem in the case of the "public good":

It may prove almost impossible...to secure agreement among a large number of persons, and to enforce such agreements as are made. The reason for this lies in the "free rider" position in which each individual finds himself. While he may recognize that similar independent behavior on the part of everyone produces undesirable results, it is not to his own interest to enter voluntarily into an agreement since, for him, optimal results can be attained by allowing others to supply the public good to the maximum extent while he enjoys a "free ride"; that is, secures the benefits without contributing to the costs. Even if an individual should enter into such a cost-sharing agreement, he will have a strong incentive to break his own contract, to chisel on the agreed terms.¹

The free rider is generally described in a similar manner regardless of whether the attempted agreement is consistent with free-market competition. Hirshleifer, for example, after discussing the free rider in the case of the public good, productive externality, and cartel, concludes:

In each case, the economic agent motivated by self-interest is tempted to be a *free rider* upon others who are subordinating self-interest to the group interest. The paradox is that all lose when all pursue their sole self-interest, and yet each has no guarantee that his or her restraint will be matched by the restraint of others. The essence of the free-rider problems is that private costs must be incurred for group benefits.²

While, in a narrow sense, there is a "free rider problem" associated with all private collusive activity, the implication is not that usually drawn, viz. that government action is warranted "to overcome the free rider problem." Instead, the "free rider" plays an important role in minimizing non-competitive behavior. A later section discusses several important cases of beneficial free rider activity.

Public Goods. The free rider is most often discussed in the case of public goods, where the effect is alleged to be too little production. Public goods, by definition, are characterized both by non-rivalness in consumption and by the fact that the seller cannot exclude non-payers. Thus, if a pure public good is provided to a group, a member can receive the benefits without contributing to its cost. The usual implication is that government intervention is warranted to overcome this free rider problem. Many goods and services once considered public goods (e.g., fire prevention and garbage service) meet neither condition of the public goods model.³ If there is a choice between equal and selective access, the proprietor can exclude and there is no free rider "problem." It is increasingly being realized that public goods theory cannot be used to justify the financing and production of the broad range of collectively provided goods. Goldin writes:

But so many examples have been analyzed, and found wanting, that the time has come to make the opposing argument: the pure theory of public goods is an elegant theory without significant application. . . . This study suggests that there are *no* goods or services which are *inherently* public goods or externalities; that there is *always* a choice between equal and selective access; and that there is *generally* an additional cost to serve additional persons.⁴

Seldon, after analyzing government expenditures, estimates that no more than one-third of current government expenditures pose a free rider problem and recognizes that pricing mechanisms are being developed for some goods traditionally considered to be jointly consumed.⁵ Thus, it seems clear that the current method of providing most public services is not rooted in a "free rider" problem. Moreover, as Seldon emphasizes, it is ironic that externalities associated with *not charging* for goods have received little attention even by many economists. There is an inherent evaluation problem associated with an equal access system of distribution. When an economic good is provided at no cost to the user, the user has no incentive to economize but rather has an incentive to use the good or service as though it were a free good. Moreover, there will appear to be a shortage so long as the marginal value of the good or service is positive.

The free rider concept of public goods theory has also been widely misused in the case of charity. A free rider problem is alleged to arise in the following way. Once a donation is provided to a poor person, it benefits not just the donor but everyone with charitable instincts. Each potential donor is said to have an incentive to hold down his contribution and to "free ride" on the redistribution from other members of the non-poor group. Consequently, each potential donor might agree to contribute only on the condition that other potential donors also contribute. Thus, the free rider problem has been taken to provide a rationale for state intervention to achieve "Pareto optimal redistribution."⁶

It seems clear, however, that charity generally does not meet the non-exclusion condition of the public good. If Smith privately makes a donation

to a poor person so that Jones and other potential donors are unaware of the gift, the free rider problem does not arise. Thus, since there is no inherent reason why charitable acts need be publicized, non-exclusion is not inherent in charity. Indeed, many philanthropists have gone to great lengths to keep their acts from being known. It might be contended that even if charitable acts are not publicized by the donor, acts of charity will be obvious in the behavior of the recipients. Living standards, however, are likely to be mainly determined by "permanent income" which is not readily observable. Moreover, living standards vary widely between individuals of comparable salary levels due to differences in savings levels, purchasing behavior, etc. Thus, living standards may be ostensibly similar for individuals with quite different incomes.

If exclusion is feasible in the case of charity, the free rider problem does not arise. However, even when exclusion is *not* feasible, it still does not follow that the public goods model applies to charity since the free rider problem associated with charity involves a paradox. The theory of public goods suggests "that people are honest only to the extent that they have economic incentives for being so."⁷ Charity, however, assumes that utility functions are interdependent where the utility of the charitable individual is influenced by the welfare of the "poor". The paradox involves the use of the public goods model, which assumes that individuals are motivated by a narrow concept of self-interest, to analyze charitable behavior based on altruistic motives. Stated differently, the public goods approach to charity assumes that the group is large enough so that the individual's choice calculus is affected.⁸ Altruism, on the other hand, implies that the charitable individual continues to be motivated by good will toward the recipient regardless of group size and irrespective of whether other people benefit gratuitously from his actions.

Thus, it cannot be demonstrated that there is a free rider "problem" associated with voluntary charity even where exclusion is not possible. The conclusion that a less-than-optimal amount of charity would be undertaken due to the free rider problem assumes that individual contributions depend upon similar demonstrations of good will on the part of others rather than the condition of the income recipient. An altruistic individual, in making charitable contributions, however, would be expected to "place himself in others' shoes" and consider the economic condition of the recipient. So long as donor Smith is motivated by altruism, his contribution will be based upon the plight of charity recipients regardless of whether other potential donors benefit from his action. Smith's contribution will, of course, be influenced by the level of others' contributions. Furthermore, to the extent that Smith is motivated by benevolence, he will not "shirk his responsibilities" when other people reduce their charitable contributions. In summary, a free rider "problem" does not arise in the case of charitable contributions and public goods theory cannot be used to justify redistribution.⁹

Common Property Resources. Common property resources are those to which many people have access but for which no one has property rights. The pursuit of self-interest under these conditions may well lead to a free rider problem and resource abuse. It will not be in the interest of the individual motivated by a narrow conception of self-interest to restrain resource use as long as other people do not do so. The problem arises because of the absence of property rights. As long as resources are privately owned and property rights are effectively enforced, the free rider problem associated with common property resources does not arise. Littering by the private property owner on his own property, for example, is an incongruity. Thus, one solution to the free rider problem in this case is to clearly define and adequately enforce property rights.¹⁰

The significance of this approach hinges upon the feasibility of defining and enforcing property rights. It is often difficult to define property rights in the case of natural resources such as air and water. However, there are many other resources, such as parks and grazing areas on public lands, which are common property as a result of political decisions rather than difficulties in defining and enforcing property rights.

The free rider incentive arises when resources are publicly owned and, more generally, when people act together. However, even when the free rider incentive is present, it is unlikely that it will be the only factor affecting an individual's actions.

For example, there may be incentives for individuals to act in accordance with good will, Christian charity, Kantian duty, civic pride, or any number of other reasons for individuals to contribute their full share toward private provision of public goods. And, one's contributing need not necessarily rest on the assumption that similar demonstrations of "conscientiousness" will be forthcoming from others. It is far from being necessarily true that anyone will be concerned with such externalities. If a person is not concerned with these externalities, he will contribute whether or not others benefit gratuitously from his actions.¹¹

Buchanan stresses the relevance of group size in the motivation of the individual to "free ride". In a small-group situation, the individual recognizes that his action will affect the action of others and is less likely "to act in ways other than those which allow his particular action to be universalized, regardless of the specific consequences."¹² The member of the small club, for example, is more likely to "place himself in others' shoes" in deciding whether to perform his share of necessary club duties. However, in a large-group setting, while recognizing that similar independent behavior on the part of everyone produces undesirable results, the individual is likely to allow others to supply the good while he enjoys a "free ride". Thus, the free rider result arises only when the size of the group is critically large. However, there is no way to say how large a group must be before the individual's choice calculus is affected.

Variations in custom, tradition, and ethical standards can shift the critical limits between small-group and large-group behavior.¹³ Civic pride or good will may, for example, cause people to keep public buildings, parks, and other collectively provided goods clean. The incentive to free ride in this case is also affected by group size. If a group of fishermen or patrons of a public park or office building is small in number, an individual member of the group is more likely to take the welfare of other members of the group into account. For a given group, regardless of size, the significance of the free rider depends upon the relative strength of the free rider incentive versus other incentives which motivate individual behavior.

In summary, the presence of a free rider in the case of public goods, common property resources, and other externalities does not imply that there is a free rider problem which warrants government action. After surveying a number of recent papers presenting a variety of ways of overcoming the free rider problem in the case of the public good, McMillan concludes: "The free-rider problem is a statement of the incompleteness of the standard theory rather than a description of the world."¹⁴ Moreover, it is increasingly being recognized in the conventional approach to welfare economics that one cannot identify cases of market failure. This conclusion follows from the assumption of individual wealth-maximizing behavior. The market acts to internalize benefits whenever the costs of doing so outweigh the benefits. Consequently, externalities will not be taken into account and free riders will exist in this conventional neoclassical approach only where there are transaction costs. However, when such costs are included in the constraints on individual and government behavior, it cannot be shown that there are deviations from an attainable optimum.¹⁵ In other words, once we realize that externalities will not be taken into account only if there are transaction costs, and once we include such costs in the analysis, then it cannot be shown that there are deviations from an attainable optimum. In this case, any apparent inefficiencies remaining must, save for ignorance, be smaller than the transaction costs of their removal. The conclusion is that one cannot demonstrate conceptually (or empirically) that there is a free rider (or externality) problem. Any such assertion necessitates an *assumption* that government can do better. "That this assumption is valid cannot be proved analytically and it follows that market failure is an essentially normative judgment."¹⁶

A similar conclusion also follows from a recognition of the subjective nature of costs.¹⁷ Much government intervention has been justified on the grounds that transaction costs of reaching agreement can be reduced by government activity. Since costs which motivate individual choice are subjective, however, there is no legitimate way to determine the net gain or loss of government activity in a "comparative institutions approach."¹⁸ Thus, the conventional approach of attempting to isolate cases of "market failure" on the basis of a value-free, case-by-case comparison of costs and benefits is doomed to failure.

The Beneficial Free Rider

The policy implications of the free rider incentive hinge on the nature of the particular group involved. In the case of a charitable, religious, educational or other voluntary organization deemed to be broadly beneficial, the free ride incentive is harmful in the sense that it decreases the effectiveness of the organization. However, the free rider in voluntary associations does not warrant government intervention since coercion to force nonparticipants to conform to a group's policy is inconsistent with the very nature of voluntary association.

If the activity of a group is not beneficial from the standpoint of the public-at-large, the implications of the free rider are quite different. In the case of groups formed to restrict competition, the free rider incentive causes "chiseling".¹⁹ Consequently, by making anti-competitive activity less likely, the free rider serves a salutary role in terms of the decentralized market norm.

The "invisible hand" associated with self-interest has different implications for the individual and the group. Individual self-interest will generally lead the individual to act in a manner consistent with competitive markets and in the general interest of society. The selfishness of a closed group, or the desire of its members to become a closed group, however, is likely to be in opposition to the true common interest of the members of society. Thus, the free rider incentive which discourages cooperation with the group is often consistent with the general interest of the public at large.

In transport, agriculture, labor and other sectors of the economy, the formation of groups to restrict competition is promoted as an instrument of policy. Groups in these and other areas have gained power largely through the assistance government has provided to suppress the free rider incentive, i.e., that manifestation of individual selfishness which would have kept anti-competitive behavior in check. The following examples illustrate how the free rider, if not suppressed by government, provides an important antidote to political pressure groups.

Political Pressure Groups

Agriculture. Consider the government-enforced tobacco production cartel in the United States. Product prices are supported above the competitive level through a quota program which assigns production allotments to individual producers. The price support program operates under sanctions of the federal government because of the "free rider problem." Government sanctions are said to be necessary because the free rider would otherwise prevent the formation of an effective voluntary cartel.²⁰

This result can be generalized. Producers of any product have an incentive to act in concert to restrict production and increase price. In the absence of government sanctions, however, the free rider typically makes voluntary collusion impractical. Each producer has an economic incentive to "chisel,"

i.e., to agree along with other producers to restrict production and, if they do so, to increase his own production. Thus, the free rider rather than posing a "problem" plays a key role in maintaining effective competition. The incentive of the individual producer to "free ride" in this case supports the "invisible hand" which harmonizes the selfish acts of the individual and the spontaneous forces of the market.

Labor. The free rider argument is also used to support compulsory unionism. Non-union workers in a given bargaining union are said to be free riders because they receive benefits without paying any of the union's costs.²¹ Although the conventional wisdom assumes that union activities benefit all members, anyone who must pay more in costs than is received in benefits cannot be classified as a free rider.²² Moreover, if the decentralized market economy is taken as the norm, the free rider argument of compulsory unionism (as demonstrated below) has no validity.

Labor unions are a major anti-competitive force in labor markets. Labor union activity, like that of other government enforced cartels, is a "good" to its members but a public "bad" judged from the standpoint of the competitive norm.²³ If a labor union is effective in raising wages above the level which would prevail in the union's absence, it must devise a rationing system or otherwise restrict employment. Unions may employ noneconomic and personal characteristics such as race, sex, political affiliation, age, education, experience, and personality.²⁴ The workers who retain employment receive a benefit at the expense of excluded workers. Henry Simons wrote:

The masses of the unorganized and unorganizable lose as consumers; they lose by being denied access to higher-wage areas; and they lose by an artificial abundance of labor in the markets where they must sell, i.e., by being forced to compete with workers who should have been drawn off into the higher-wage occupation.²⁵

It is ironic that economic analyses of labor union effects on wages focus on the wages received by workers retaining jobs and fail to take into account the wages of *excluded workers* who are forced into unemployment or into less remunerative employment. Studies of labor cartels which omit the effects of cartelization on the wages of excluded workers misleadingly imply that monopoly power can generally raise wage levels or benefit all workers. Simons' conclusion is as relevant today as it was a generation ago: "Surely we cannot all get rich by restricting production."²⁶

When labor unions are viewed as political pressure groups whose aim is to restrict competition, the policy prescription becomes clear. Labor unions, like other cartels, are internally unstable so that any excess power they have can be traced to government regulation. Therefore, as Reynolds suggests: The most harmful thing that could happen to unions is deregulation of the labor market. Union power beyond the level consistent with free markets would disappear without extensive labor laws and government intervention which support unions.²⁷ Government regulation negates the

effect of free riders who would otherwise reinforce competitive conditions. Simons stresses the significance of this free rider effect: "There is no means, save internal competition, to protect the whole community against organized labor minorities."²⁸

Implications. The effect of coalitions of organized interests (farmers, teachers, autos, steel, textiles, labor, etc.) on the governmental process is increasingly being recognized as a problem of concern. In Hayek's words:

The root of the trouble is . . . that in an unlimited democracy the holders of discretionary powers are forced to use them, whether they wish it or not, to favor particular groups on whose swing-vote their powers depend. . . . So long as it is legitimate for government to use force to effect a redistribution of material benefits . . . there can be no curb on the rapacious instincts of all groups who want more for themselves. Once politics becomes a tug-of-war for shares of the income pie, decent government is impossible. This requires that all use of coercion to assure a certain income to particular groups . . . be outlawed as immoral and strictly anti-social.²⁹

Even though all citizens as consumers gain from a general policy of non-intervention, each citizen as producer stands to gain from particular interventions.³⁰ Except for small groups, however, the existence of common interests will generally not lead to a comprehensive organization of such interests unless government positively assists or tolerates the use of coercion in organizational efforts. The weaker the free rider incentive in organized groups to promote special interests and the greater the group loyalty, the more damaging is the political pressure group.

What is not generally recognized is that the real exploiters in our present society are not egotistic capitalists or entrepreneurs, and in fact not separate individuals, but organizations which derive their power from the moral support of collective action and the feeling of group loyalty. . . . More real injustice is probably done in the name of group loyalty than from any selfish individual motives.³¹

There is a difference in degree, if not in kind, between voluntary organizations and trade associations which are mainly informational in nature and groups whose purpose is to enlist the state to further their economic interests. However, all trade associations have an incentive to use the political process to further the ends of the members. In some cases, such organizations are able to exert a great deal of political pressure despite the "free rider problem."

Conclusions and Implications

Market "failure" and "free rider" problems have traditionally been alleged to provide a basis for government intervention in a number of cases where real-world markets fail to conform to the norm of "perfect" competition. When the same perfect competition model is taken as the norm, the wide-

spread use of government power to confer monopoly privileges to particular groups negates the effect of potentially beneficial free riders and itself *causes* market failure. The free rider who, in the absence of government sanctions, makes cartelization ineffective, has been almost totally neglected in welfare economics. However, this beneficial free rider appears to be far more important from the standpoint of public policy than the widely discussed free riders associated with public goods, common property resources, and other externalities. It is ironic that the widely cited free rider justification for government intervention fails to recognize the role of the state in shackling the beneficial free rider.

It is increasingly apparent that "government failure" is no less common than "market failure". That is, real-world governmental institutions never conform to an idealized polity any more than real-world markets conform to the "perfect market". Moreover, as Buchanan suggests, market and governmental alternatives must be examined as they are — "warts and all".³² It is also important to recognize that government intervention not only results in non-market failure within the public sector, it also encourages private firms to protect their interests through methods which produce further distortions in the market.³³ Government tax and regulatory measures, for example, stimulate the formation of cartels and trade associations in order to deal with agencies of government having power to influence these activities.³⁴

The conventional view in analyzing public goods and other externalities is that government should be compared with the market in a "comparative institutions approach." As Brownstein demonstrates, however, this approach cannot be used because the costs involved are inherently subjective and, consequently, cannot be objectively measured.³⁵ In rejecting Pareto optimality as a basis for policy recommendation, Yeager makes a strong plea for a "principles approach" to economic policy rather than attempting to analyze each proposed intervention on a case-by-case basis:

The principled approach to economic policy recognizes that the task of the policy maker is *not* to maximize social welfare, somehow conceived, and *not* to achieve specific patterns of outputs, prices, and incomes. It is concerned, instead, with a framework of institutions and rules within which people can effectively cooperate in pursuing their own diverse ends through decentralized coordination of their activities.³⁶

Yeager's criterion appears sound in assessing interventions to cope with free riders associated with public goods, common property resources, and any other economic condition in which the issue might arise:

We should appraise each proposed intervention...for its likely legal, political, social and ethical repercussions—for its repercussions on the system as a whole.³⁷

NOTES

1. James M. Buchanan, *The Demand and Supply of Public Goods* (Chicago: Rand McNally & Co., 1968), p. 87.
2. Jack Hirshleifer, *Price Theory and Applications*, 2nd ed. (Englewood Cliffs, N. J.: Prentice Hall, 1980), p. 562.
3. Frazier points out that the free rider problem is being overcome by private automatic membership home associations in more than 20,000 residential developments around the country providing private alternatives to municipal services often regarded as public goods. Marc Frazier, "Privatizing the City," *Policy Review* 12 (Spring 1980):91-108.
4. Kenneth D. Goldin, "Equal Access vs. Selective Access: A Critique of Public Goods Theory," *Public Choice* 29 (Spring 1977):53, 55.
5. Arthur Seldon, "Micro-economic Controls—Disciplining by Price," in *The Taming of Government*, IEA Readings 21 (London: Institute of Economic Affairs, 1979), p. 72. Peacock points out that even in the case of the lighthouse, the classic example of a pure public good, if allowance is made for long-run factors such as the influence of technical changes on production methods and costs, the existence of "publicness" in a good can be transitory and not permanent. Alan Peacock, "The Limitations of Public Goods Theory: The Lighthouse Revisited," in *The Economic Analysis of Government and Related Themes* (New York: St. Martin's Press, 1979), chap. 9.
6. See Harold M. Hockman and J. D. Rogers, "Pareto Optimal Redistribution," *American Economic Review* 59 (September 1969):542-57; Richard J. Zeckhauser, "Optimal Mechanisms for Income Transfer," *American Economic Review* 61 (June 1971):324-34; and Lester C. Thurow, "The Income Distribution as a Pure Public Good," *Quarterly Journal of Economics* 85 (May 1971):327-36.
7. Leif Johansen, "The Theory of Public Goods: Misplaced Emphasis?" *Journal of Public Economics* 7 (February 1977):148.
8. The relationship between group size and the free rider incentive is discussed in a later section.
9. See E. C. Pasour, Jr., "Pareto Optimality as a Guide to Income Redistribution," *Public Choice* 36 (1981):75-87.
10. See Richard Stroup and John Baden, "Property Rights and Natural Resource Management," *Literature of Liberty* 2 (October-December 1979):5-44.
11. Karl T. Fielding, "Nonexcludability and Government Financing of Public Goods," *Journal of Libertarian Studies* 3 (Fall 1979):294.
12. Buchanan, "Ethical Rules, Expected Values, and Large Numbers," in *Freedom in Constitutional Contract: Perspectives of a Political Economist* (College Station, Tx.: Texas A & M University Press, 1977), p. 153. Reprinted from *Ethics* 76 (October 1965):1-13.
13. See Buchanan, *Demand and Supply of Public Goods*.
14. John McMillan, "The Free Rider Problem: A Survey," *The Economic Record* 55 (June 1979):95.
15. Carl J. Dahlman, "The Problem of Externality," *Journal of Law and Economics* 12 (1969):141-62.
16. *Ibid.*, p. 143.
17. Buchanan, *Cost and Choice: An Inquiry in Economic Theory* (Chicago: Markham Publishing Co., 1969).
18. Barry P. Brownstein, "Pareto Optimality, External Benefits and Public Goods: A Subjectivist Approach," *Journal of Libertarian Studies* 4, no. 1 (Winter 1980):93-106.
19. "The 'theory of chiseling' on cartel agreements is essentially the 'theory of the free rider' in reverse" (Buchanan, *Demand and Supply of Public Goods*, p. 99).
20. Without marketing quotas for flue-cured tobacco in 1939, for example, farmers increased harvested acreage about forty percent over the level of the previous year (when marketing quotas were in effect) and production increased about fifty percent. R. C. Brooks and J.

- C. Williamson, Jr., *Flue Cured Tobacco Programs 1933-1958*, AE Information Series, no. 66 (Raleigh: Department of Agricultural Economics, North Carolina State University, 1958).
21. See Dan C. Helman, "Making Policy in a Vacuum: The Case of Labor Relations," *Policy Review* 10 (Fall 1979):75-88.
 22. See James T. Bennett and Manuel H. Johnson, "Free Riders in Labor Unions: Artifice or Affliction," *British Journal of Industrial Relations* 17 (July 1979):158-72.
 23. See John Burton, "Are Trade Unions a Public Good/'Bad'?" in *Trade Unions: Public Goods or Public Bads?* IEA Readings 17 (London: Institute of Economic Affairs, 1978), pp. 49-50.
 24. Walter E. Williams, "Government Sanctioned Restraints that Reduce Economic Opportunities for Minorities," *Policy Review* 2 (Fall 1977):17-18.
 25. Henry Simons, "Some Reflections on Syndicalism," *Journal of Labor Research* 2 (Spring 1980):15-16. Reprinted from *Journal of Political Economy* 52 (1944):1-25.
 26. *Ibid.*, p. 15.
 27. Morgan O. Reynolds, "The Intellectual Muddle over Labor Unions," Reprint No. 1 (College Station, Tx.: Center for Education and Research in Free Enterprise, Texas A & M University, 1980), p. 13. Reprinted from *Journal of Social and Political Studies* 4, no. 3.
 28. Simons, "Some Reflections on Syndicalism," p. 2.
 29. F. A. Hayek, *The Political Order of a Free People*, vol. 3 of *Law, Legislation and Liberty* (Chicago: University of Chicago Press, 1979), pp. 139, 150.
 30. S. C. Littlechild, *The Fallacy of the Mixed Economy*, Hobart Paper 80 (London: Institute of Economic Affairs, 1978).
 31. Hayek, *Political Order of a Free People*, p. 96.
 32. Buchanan, "The Achievement and the Limits of Public Choice in Diagnosing Government Failure and in Offering Bases for Constructive Reform" (Paper delivered at International Symposium on "Anatomy of Government Deficiencies," Diessen am Ammersee, Bavaria, July 1, 1980).
 33. Peacock, "On the Anatomy of Collective Failure," *Public Finance* 35 (1980):33-43.
 34. *Ibid.*
 35. Brownstein, "Pareto Optimality, External Benefits and Public Goods."
 36. Leland B. Yeager, "Economics and Principles," *Southern Economic Journal* 42 (April 1976):560.
 37. *Ibid.*, p. 569.