Comment on Gordon Tullock

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What is a commentator on a paper written by an illustrious political-economist-legal theorist to do when he agrees with virtually everything in the manuscript? And not only agrees, but finds himself enthusiastically in support?

Well, there are only two things which can be done. First, nitpick. Find something, anything, no matter how small and inconsequential, with which he can disagree, and then pick this nit for all he is worth.

Second, take the ball and run further with it. That is, apply the argument made in the paper to examples other than the ones utilized by the author. Hopefully, even more challenging ones.

What, after all, is the alternative to this plan? The only one that springs to mind is to reiterate everything Professor Tullock said in his paper (1992), embellish it, say how wonderful and important it is. In a word, attempt to steal his paper, and claim at as one's own. This course of action is tempting, but out of consideration for the reader, who would be bored to tears with all the reiteration, and also for my own benefit (who wants to be justly accused of plagiarism?), I'll stick to the above mentioned course of action.

So, first, what are the nits?

There are two. On p. 13 Tullock states:

"It is of course true that if you have political power to take money away from the people who are wealthier than you are, and instead of giving it to yourself you give it to the poor, then in a mild way you are being <u>charitable</u>." (Emphasis added by present author.)

Since Tullock is such a stickler for linguistic accuracy (and rightly so), we may hold him to the same standard. On this ground, we object that the person who steals money from A and gives it to B is not engaging in charity, but rather in theft.

Charity implies that the donor give of his own rightfully held property. If the money is forcibly taken (e.g., compulsory taxation[1]) from an innocent Peter to give to an equally innocent Paul, the latter ceases to be innocent, and becomes an accessory to theft.

What of the possible objection that the use of political power does not constitute theft? It must be rejected; the democratic process cannot justify otherwise illicit activities. If it could, whatever Hitler did would be permissable, since he rose to power by use of this method. Or consider the case of two holdup men who accost a single victim. The victim objects that this is theft, and the perpetrators, being of a philosophical bent, are willing to discuss the issue with him. They offer to hold a plebescite, and ask, Who favors the robbery of this man? The two gangsters raise their hands. Then, just to be thorough, they call for a show of hands opposed to the plunder, and the victim signals his disapproval. Whereupon the criminals correctly conclude that their actions are justified (for further argument along these lines, see Spooner, 1966; Rothbard, 1973, 1982; Benson, 19xx).

The second nit arises in footnote 12, page 14, where Tullock refers to "foreign aid" programs, eschewing the more proper terminology, government to government transfers of funds. The latter, as Peter Bauer (1957, 1981, 1982, 1984) never tires of reminding us, is a non pejorative phrase which does not imply that wishes or motives automatically become translated into accomplishments. That is to say, "foreign aid" suggests that these transfers of funds actually help their ostensible beneficiaries. But this is to reckon without the 3 Ms: Mercedes, Monuments and Machine guns, the uses to which most of these monies are dedicated. Whatever the intentions, the result of "foreign aid," contrary to the usual leftish shibboleths, is thus to solidify the power of the local dictator.

Having engaged in a spot of nit picking, I now attempt to apply to lesson he has taught us to other examples. He argues, quite convincingly, that a whole host of people (liberals, socialists, lefties, do-gooders, what-have-you) are engaged in a bit of intellectual inconsistency: they favor egalitarianism, but, inexplicably, apply this philosophy only within national boundaries, not outside of them.

The problem with criticizing people of this ilk is that it is like shooting fish in a barrel. Left-liberal-pinkoism is dead from the neck up. Did Tullock not do such a magnificent job on them, and were they not so puffed up with intellectual pretensions, that is, so deserving of a good thrashing, one could almost criticize this author for "stooping to conquer."

Rather than "piling on," I shall borrow a leaf from Tullock. He takes to task the interventionists for logical inconsistences concerning their opinions on income distribution. I shall attempt to do the same with regard to views on the same subject as articulated by people who share his own Neo-classical predispositions. Specifically, I shall call into question the analytic framework of some rather bigger fish, intellectually speaking: David Friedman and Richard Posner, critically comparing their views with that of the Austrian School. These writers, too, are guilty of a certain inconsistency with regard to income distribution, although it is rather different than that of those criticized by Tullock.

There is a certain delicacy occurring here, reminiscent, almost, of the Victorian reluctance to deal with "limbs."[2] As shown by Tullock, our friends on the left side of the aisle are very coy about following up on the logical implications of their basic premises. They preach egalitarianism, but stop at national boundaries. They cannot see, or will not admit, that it applies everywhere.

So it is with the Chicagoite-Neoclassical-Public Choicers. They, too, suffer a bifurcation between their basic ideological premises and what they can see, or are willing to admit[3]. If they based their policy recommendations on their methodological beliefs, they would become socialists. But they do not. On the other hand, if they were logical, and remained steadfast in their opposition to income redistribution, they would have to jettison their Neoclassical premises.

Specifically, these two scholars adhere to the fallacious doctrine of diminishing marginal utility (DMU) in the psychological sense, to interpersonal comparisons of utility, and to the view that the state should act so as to increase economic welfare. These views lead directly to the noxious doctrines of the left. But then they shrink as would Dracula from the cross from the logical implications of this thesis, to wit, that income redistribution is wealth enhancing (equivalent, analogously, to the view that wealth redistribution should be limited to national boundaries).

There are two sense in which MU is held to be diminishing, the Austrian and the Neo-classical. In the former, as with all things praxeological (Mises, 1963; Rothbard, 1970; Hoppe, 1987), the laws of marginal utility are seen as apodictic, necessarily true, following from the laws of logic[4]. By its very nature, this theory does not imply the existence of interpersonal comparisons of utility. In the latter case, the law of downward sloping MU is seen as psychological and contingent; as well, while it does not logically imply interpersonal comparisons of utility, that is, one could conceivably accept the premise and not the conclusion, all Neo-classical economists have embraced the latter perspective as well.

Suppose a man has five gallons of water. He uses them for different purposes, which he ranks as follows:

1. drinking
2. cooking
3. showering
4. washing his car
5. watering the lawn

Assume, now, that for some reason he is forced to give up one of these gallons. He will necessarily give up the one applied to the last purpose; that is, he will stop watering his lawn. Similarly, as he loses more and more water, he will, sequentially, stop washing his car, showering, cooking, and drinking, in that order.

If did not make these choices, the ranking as listed above would have to be altered. Indeed, the only way we can tell that the above listing is indeed his true ranking, is from the fact that he acts in this manner. The ranking does not exist apart from his actions; on the contrary, it is merely a manifestation of his actions. DMU in this context means no more than that. It is necessarily "diminishing." And it is an ordinal concept, not a cardinal one. No utils are implied, much less interpersonal comparisons thereof.

In contrast, the Neo-classical notion is a cardinal and psychological one. It asks of the subject how many utils worth of satisfaction will you derive from having one additional unit of the good? It purports to measure them in a "total utility" curve, and even, preposterously, adds, subtracts, multiplies and divides utility. In indifference curve "analysis," utils are divided by prices. Adding insult to injury, the theory interpersonally compares the utilities of different persons, and even contemplates with equanimity the logical monstrosity of "social welfare," and "community indifference curves."

Although the marginal utility curve is usually depicted in its downward sloping sections, it can even, at least initially, slope upwards[5]. This would indicate a "warming up" effect; yes, you enjoy that first cup of coffee (beer, cigarette, chess match, tennis game, whatever) but the second one gives you more pleasure than the first, and the third even more still. In only with the fourth, say, that the incremental benefit starts to decline.

So far, this is some ways afield of the subject under discussion, income redistribution. We now approach more closely, at least for those who oppose such policy measures, and yet adhere to the Neo-classical version of DMU. This can be seen more clearly when we consider the marginal utility not of any one good, but of all of them, specifically wealth, or income or money. The point is that (given that we accept the notion that all utility functions are equal; and have a burning desire that economic welfare should be maximized in the cardinal sense) if there is indeed DMU, then the rich man's marginal utility is likely to be far lower than that of the poor man. This implies, in turn, that economic welfare can be enhanced through forced transfers of income from rich to poor.

Let us put the foregoing in the form of a syllogistic argument. The Neo-classicals hold the following propositions:

1. Cardinal marginal utility is downward sloping

2. Interpersonal comparisons of utility are valid

3. Good public policy consists of programs which enhance economic welfare or utility

and yet

4. Income redistribution is <u>not</u> a proper role for government.

It is this last statement, the conclusion implied by the other premises, that constitutes the inconsistency. Had they accepted it, they could only have been characterized as left-liberals, of similar vintage to those criticized by Tullock. But they do not.

Now, let us summarize by contrasting the Neoclassical argument with these the Austrian counterparts:

5. Cardinal MU is a snare and a delusion; there are no such things as utils. There is only ordinal utility, and this diminishes. We know this with apodictic certainty, since acting man, when forced to give up one unit of a good, will relinquish the one attached to his least important use.

6. Interpersonal comparisons of utility are invalid

7. Good public policy consists of programs which do nothing to decrease economic welfare or utility, as determined by the free choices of individuals with their own rightfully owned property

and therefore

8. Income redistribution is <u>not</u> a proper role for government.

With this introduction to the subject, let us now analyze in some detail the views of Posner and Friedman. Let us see how these two economists, who tend to be ideologically opposed to income redistribution, try to squirm their way out of the unwelcome conclusion of premise 4.

Posner (1986, p. 434) jumps right into this trap:

"Would the adoption of policies designed to move the society closer to equality increase economic welfare? The principle of diminishing marginal utility of money may tempt one to conclude that a transfer from a more to a less affluent person is likely to increase the sum of the two persons' utilities: A loss of a dollar hurts the millionaire less than the gain of a dollar pleases the pauper. Unquestionably, this is true."

And not only that. He makes bold enough to draw the MU curves of two different individuals on the same diagram, implying not only cardinality but also inter comparability (p. 435, figure 16.2):

(Figure 1 goes here.)

As can be seen, Posner is contemplating the forced transfer of $10,000 from the person who earns $70,000 to the person who earns $30,000, which would bring them, respectively, to the $60,000 and $40,000 levels. He notes that since the area between these two points under A's MU curve is higher than for B, there would be a net increase of utility of the difference between the total and the shaded areas, equal to the unshaded area. Unhappily, forgetfully, inexplicably, inexcusably, Posner neglects to mention how many extra utils worth of benefit will be thereby attained; perhaps this is because he fails to demarcate his Y axis numerically. That being the case, I will make good this lacunae and hereby unilaterally announce that the amount of benefit gained by this transfer is 200 utils. (Who can say me nay on this?)

Despite the clear implications of his analysis that forced income redistribution would indeed be welfare maximizing, Posner is far too wily to remain enmeshed in this trap. First, he announces his intention to escape (p. 434):

"But to generalize from this extreme example, and conclude that redistributing substantial wealth from higher- to lower-income people is bound to increase total utility, would be perilous even on the unrealistic premise that redistribution is costless."

But why is this so extreme? Surely, there are more extreme cases in the world than that between two people whose utility curves intersect at $70,000 and $30,000 per year, respectively. As Tullock never tires of reminding us, there's a big world out there. It is populated, in small part, by people who earn well in excess of $1 million per year, and then there are those, most of the people in the world, as it happens, for whom a salary of $30,000 per year would be an undreamed of impossibility. A much more reasonable depiction of the situation would therefore be as follows:

(Figure 2 goes here.)

Here, we are contemplating the forced extraction not of $10,000, but of a measly $1000. We take this amount from a man who earns $70,000, and give it to a denizen of an impoverished underdeveloped country in Africa or South America. Based on our intimate knowledge of such matters, we "calculate" the value of this $1000 to the rich man at only 2.5 utils[6]; in contrast, the worth to the poor man of this $1000 is, as it happens, 3002.5 utils. Subtracting the former from the latter we arrive at a truly gargantuan 3000 utils as the net benefit. That ain't hay!

In the face of these daunting objections to his attempt to escape the implications of his premises, how does Posner manage his Houdini act? There are three strands in his argument. One concerns "the costs of redistributing income. If substantial ... they could equal or exceed any gains in total utility from the redistribution" (p. 436). But this seems problematic, since we don't know, and have no way at all of measuring, the gains in utility. There is no rate of exchange between utility and money.

Another strand has to do with

> "... the possibility that wealthier people's marginal utility curves are on average higher than poorer people's... It seems at least as plausible ... to assume that income and the marginal utility thereof are positively correlated -- that the people who work hard to make money and succeed in making it are on average those who value money

the most, having given up other things such as leisure to get it" (p. 436).

But this will not do, for Posner himself informs us, "... the shape and height of people's marginal utility curves are unknown, and probably unknowable" (p. 436). The problem is, if these curves are "unknowable," of what value can be served by speculation as to their height. This discussion is almost reminiscent of the one engaged in by medieval scholars as to how many angels can dance at the point of a pin.

Here we have a riddle wrapped in an enigma enclosed in a mystery: the status of the cardinal utility curve. And out of this quagmire magician Posner pulls a rabbit, in the form of an assumption which renders more likely his favorite public policy. That is, he assumes that rich people are intrinsically more able to enjoy what income they have (their MU curves lie to he right of those of the poor). Well, why not. Whatever works. But this seems highly arbitrary to non Neo-classicals, such as the present writer. Why not make the more usual assumption that the rich are jaded with easy living, and do not really appreciate their baubles? The poor, in this alternative vision, are the salt of the earth. Their ears are close to the ground. They, and they alone, are in a position to really enjoy the good things of the earth. This assumption is as likely and as reasonable as the one made by Posner.

There is one complication, however. We have so far interpreted Posner as engaged in a bit of broken field running, the point of which was to fend off the argument that downward MU implies a case for income redistribution. And this is indeed consistent with the facts. But he also seems perfectly willing, even anxious, to countenance income redistribution on entirely different grounds. He states:

"Although it might seem that since the affluent gain from reducing poverty the alleviation of poverty can be left to private charity, and that in any event altruism would not provide an argument for public intervention, the altruist faces a free rider problem (sic). A in our example will derive welfare from the increase in B's income whether or not A is the source of the increase. Naturally A would like to buy this increase in his welfare at the lowest possible price, so he will have an incentive to hang back in giving to charity in the hope that others will give. It might seem that regardless of what others give his contribution will add to the total amount of resources devoted to an end he values. But this is not certain. His contribution may lead others to cut back their contributions, since now a smaller contribution on their part will (in combination with A's contribution, which is new) buy the same reduction in poverty. So A will get less than a dollar benefit for every dollar he contributes, and this will lead to a lower contribution" (p. 440).

There are several problems here. First, it has not been demonstrated that there are any altruists[7]. If there are, it is also necessary for Posner's argument that altruists benefit from the contribution of others to their intended recipients, and not merely from their own. Most serious is the failure to include the misogynists in this analysis. For suppose we accept the Posner view. This means that there will be less than the optimal amount of charity -- from the perspective of the altruists. Obviously, there will be too much charitable giving from the point of view of the misogynists (who lose utility when the poor are made better off.)[8] Taking both sides into account gives us no reason to suppose that private donations are not optimal, on the assumption, that is, that either altruism or misogyny can be demonstrated (see Rothbard, 1977).

It is interesting to contrast this analysis with that of David Friedman, who also rejects redistributionism through coercive taxes, but accepts the Neo-classical views on utility. This author (1989, p. 189) starts off by conceding the DMU of money:

"We expect, as a general rule, that the more money you have the less an additional dollar is worth to you, and therefore that, on average, a dollar represents more happiness for someone with very little money than for someone with a lot of money."

He notes the conclusion drawn from this by most utilitarians (p. 189:

"... income redistribution is a good thing. Taxing the rich and giving the money to the poor may be an economic worsening, due to collection costs and disincentives, and yet a utilitarian improvement."

He gives two reasons for not accepting this conclusion, however. One, "since the poor are, as a rule, politically weak, they are at least as likely to be the victims of governmental income transfers as they are to be the beneficiaries" (p. 189).

And two,

"... the struggle among groups trying to make themselves beneficiaries rather than victims is likely to be an expensive one, making practically all of us, rich and poor, worse off in a society that permits such redistribution than in one that does not" (pp. 189-190).

The issue is clear. Redistributing money from rich to poor has some debits: collection costs, disincentive effects, the risk that the poor will be victimized not benefitted by the transfer, and the wastes of "rent seeking." On the other hand, for the utilitarians, there are some clear credits: the difference in utility derived from the marginal dollar between the rich and poor person.

The problem is, there is no way, even in principle, to determine whether the debits are larger than the credits, or vice versa. The Chicagoans, members in good standing of the Logical Positivist School, have always emphasized the importance of hypothesis testing, and falsifiability. Where are these concepts now that we need them?

To quote Friedman in a somewhat different context (p. 170),

"... arguments about fundamental moral principles do not provide answers to enough important questions. In particular, they provide no answer, and no way of getting an answer, to a whole range of questions...".

This would seem to apply, in spades, in the present context. How, then, are we to determine the utility of courses of action such as forced income redistribution which help some and hurt others. In a word, how do we make interpersonal comparisons of utility.

David Friedman is not without an answer to even this daunting question. He replies (p. 187):

"In summing individual values in order to decide whether some change is an improvement or a worsening, we count a one-dollar gain to one person as just cancelling a one-dollar loss to another. We act as if a dollar (or whatever a dollar can buy) were worth the same amount of happiness to everyone."

This is nice and neat. No one could object on Ockam's Razor grounds. But how ever much simplicity might be necessary for truth, it is hardly sufficient. How do we know that "all God's chillun" are equal in this regard. Posner has given us some (unconvincing) arguments to the contrary. Further, how far is Friedman willing to generalize? If all humans are equally capable of enjoying utility, does this apply to all mammals? Why not? How can one tell?

And thus we arrive back at egalitarianism, the subject of Tullock's criticism. We find it undergirding a viewpoint usually associated with the right, not the left. Perhaps these are not polar opposites, but have a more complex relationship with one another.

1. Was there ever any other kind of taxation. This is a redundancy, but a helpful one, in that most people forget that taxes are not voluntary payments; there is no "market" in politics; "rent seeking" is really a (thinly) disguised form of theft.

2. According to legend, they would go so far as to cover up table legs with cloth, lest they lead to lewd thoughts.

3. There is even a similarity with regard to the truth value of the premises vis a vis the conclusions.

In the case of the left, the basic (egalitarian) premises are wrong; thus the refusal to apply them internationally is a step in the right direction. (If one is forced to work with incorrect premises, then one should draw the fewest logical implications from them as possible.) The right, on the other hand,

4. And yet also with application to the world; e.g., these claims fall within the realm of the synthetic apriori.

5. Actually, in this view, there should be no telling with the shape of this curve. That is, it could resemble a sine curve, continually rising and falling. Who is to tell, with human enjoyment?

6. This is rounded off, for simplicity, from a number with five digits on the right side of the decimal point.

7. People could give money to others not out of a desire to help them, but in order to reduce their own feelings of guilt.

8. Misogynists, too, have no way of demonstrating, or revealing, that they really have these tastes. But if Posner can posit altruists, we can posit misogynists.

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