

WHY PR. BLOCK IS NOT ENTIRELY RIGHT AND PR. TULLOCK IS COMPLETELY WRONG: THE CASE FOR ROAD PRIVATIZATION

LAURENT A.H. CARNIS^{*}

THE ROLE OF THE PRIVATE SECTOR in the production of road services has been extensively studied and has generated substantial theoretical and empirical work (Block 2006; Carnis 2006; Roth 2006). There is debate as to the modalities of privatisation (Block 2006; Carnis 2003; Hoppe 1991) and the functioning of a market system for the providing of road services (Carnis 2001; Roth 1996; Block 1979). Further issues include dealing with such obstacles to the functioning of a free market as opportunistic behaviour, the possible emergence of a natural monopoly, and negative external effects (Roth 1996; Klein 1990; Block 1983a).

Can roads be the subject of market production and management? Block's reply to this question would most certainly be yes (Block 2006), but Tullock's position is more ambivalent in that he advocates private production for road networks in cases of competition between many managers, as this avoids income going to a private monopoly (Tullock 1996). Thus he does not seem convinced of the value of a private alternative for local and urban networks for which competition possibilities are more limited.

The functioning of a private road system was the subject of an exchange between Block and Tullock some years ago (Block & Block 1996; Block 1996; Tullock 1996). The debate focused more particularly on the hypothetical consequences of a monopolised road infrastructure cutting a country in two, with, in addition, the impossibility of crossing the highway in

*Laurent Carnis (laurent.carnis@inrets.fr) is a researcher working at the French national institute for transport and safety research. The views expressed in this article are those of the author alone. The usual caveats apply.

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question. In Tullock's view this case would call into question the possibility and viability of a completely privatised road system.

This paper re-examines this exchange and comes to the conclusion that the hypothesised situation in no way justifies calling the private system into question and, by extension, demanding public intervention. It also puts forward an analysis intended to be both pragmatic and realistic, attributes that sometimes seem to be lacking in Block's study.

Re-examination of the Debate

Block has expressed the problem as follows:

Suppose there to be a system of private roads and highways. Suppose, that a single firm were to own a highway stretching from Boston to Los Angeles. One objection to such a state of affairs is that it would effectively cut off the northern and the southern parts of the United States from one another.... The main highway bisecting the country cannot used to cut off one section from the other. [Block & Block, 1996, 355]

Block demonstrates easily and convincingly that there are solutions to the problem, such as overcoming the obstacle by building overpasses or underpasses. He points out, too, that this kind of conflict can be anticipated and resolution strategies implemented. He also displays real imagination regarding the characteristics of the overpass in the interests of avoiding negative external effects for the owner of the road: the passage of light, water, etc. (Block & Block 1996). Nonetheless, the imagination he evinces as to possible solutions is marked by a lack of realism regarding current technical means of developing these kinds of infrastructures. Future technical advances could doubtless make it possible cope with these considerations, but to my knowledge this kind of overpass does not exist at present; and the problem raised demands a solution now.

The Block-Tullock debate also raises issues in terms of the defining of property rights. Block re-examines the *ad coelum* principle, which asserts that the proprietor of a given piece of land has rights extending both underground and overhead, and rejects it in favour of Locke's and Rothbard's position on property rights: ownership depends on initial acquisition of the resource by one's own work (homesteading) and by the production and exchange of legitimately acquired goods (Rothbard 1982, part 2). From the theoretical point of view the coherency of the Locke-Rothbard approach is clearly superior and disposes of the stumbling block the *ad coelum* principle would have represented.

Thus, one is left with the initial principles of self-ownership and original appropriation, homesteading. They pass the universalization test—they hold for everyone equally—and they can at the same time assure the survival of mankind. They and only they are therefore non-hypothetically or absolutely true ethical rules and human rights. [Hoppe 1998, xvii]

Another Point of View

Nonetheless, let us return to the situation of a monopolistic infrastructure that cuts a country or a region in two. And let us also suppose that the construction of overpasses or underpasses is technically impossible because of the quality of the subsoil or some physical blockage relating to the infrastructure: in other words, that there exists the *technical* impossibility of bypassing the infrastructure without the agreement of its owner.¹ Once again Tullock's argument could be put forward. But do we have the right to draw the same conclusions from it? This paper shows that the argument does not call the possibility of a private solution into question, and this for four reasons.

1. Economic logic

It can be reasonably argued that in a market economy the owner of such an infrastructure is an entrepreneur whose aim is monetary benefit and/or psychic revenue. If such an owner's primary goal is financial return on his investment, it seems unlikely that he would refuse to create ingress and egress facilities for his infrastructure, or to be the owner of overpasses or underpasses linking the highways traversing it (whose use would require payment of a toll), or to demand a licence fee in return for authorising connections to his infrastructure for other networks managed by other entrepreneurs. In practice, freeway concession-holders use the spaces adjoining their network to provide services directly or under subcontracting arrangements, the rationale being to maximise the value of their capital. So in refusing access the owner would, as Block rightly points out, devalue his capital: "A road with no entries and no exists except for terminal points ... would have a far lower capital value than an ordinary limited access highway" (Block & Block 1996). Furthermore, an infrastructure offering little in the

¹That is to say, it is not legally impossible. If the owner agreed to sell part of the physical blockage, an overpass or underpass could be created.

way of services and facilities would at best have a limited clientele, and such a company would doubtless not last for long in a free market economy.²

How to explain this latter approach? It could reflect a wish to benefit psychologically or financially from the disturbances created by the existence of the highway. The income would accrue from payments linked to the splitting of the country or the urge to separate its population groups. This income needs to be compared to that potentially generated by cooperation and the creation of services for connecting the populations. Seen from this angle, then, the purpose is to cut off the populations from each other and the goal is no longer economic but political. Once again, this is a project that sits ill with the functioning and conditions of a free market economy. Historically, unfortunate experiments of this kind actually have been carried out, notably in the form of the Berlin wall and the North Korean border. However, they concern socialist economies and reflect predatory behaviour. The situation—an uncooperative monopoly—reflects hegemonic rather than peace-oriented relationships and has nothing to do with trade as conceived of within a market economy.

2. The implications of the division of labour

The division of labour enables an increase in production factors and, in the long run, in the quantity and quality of the goods and services produced. In this respect the production and management of a road traffic infrastructure are no different than for other goods. Thus any private entrepreneurs who invested in such an activity would be contributing to the process of division of labour within the company. Some private firms would produce the infrastructure, while others looked after its maintenance and safety, and others still took care of financing and operational management. Different combinations of the different tasks could easily be thought up in line with the synergies their association would make possible. Thus the road traffic infrastructure can be seen not only as the outcome of an active process of division of labour, but also as an element fuelling that process. The producers would work at improving the technology and services made available to the users, as part of a market dynamic meaning better quality roads and a range of efficient services that would combine to make up a network adapted to public demand (Carnis 2006). Block also emphasises the anticipatory capacity of the agents concerned in terms of preventing such a situation from coming about.

²The infrastructure might satisfy those users solely interested in getting from A to B in a hurry. Only the functioning of the market could demonstrate the economic viability of such a project.

So how are we to interpret this determination to no longer be part of this division of labour project when such an infrastructure emerges directly from it? How can we imagine an entrepreneur investing such colossal sums in order to do nothing? Moreover, the company as a whole is not defenceless: the lenders of capital, the workers, and the sellers of the land needed for the building of the network can all demand certain assurances as to the infrastructure's purpose and conditions of use. The issue for them is not to anticipate the harmful behaviour of the future owner, but to negotiate certain facilities from their position of strength as possessors of the production factors required for the building of the infrastructure. This negotiating position makes the emergence of this kind of situation much more difficult and much less probable.

Nonetheless, let us suppose that some historical process gives rise to such a situation, with the owner of the infrastructure then adopting a stance of non-cooperation. This kind of situation would, in fact, have limited consequences. It would not hinder the carrying-out of the division of labour in each of the separated regions, with each following its own process in line with its specific characteristics and geographical and human resources. The infrastructure would thus represent only a kind of physical barrier to trade and human cooperation, one to which people would adapt.

Block analysed the blockade argument and came up with a detailed refutation (Block 1998; 1983b). While the blockade hardly seems conceivable and the argument hardly convincing, the existence of the behaviour described foregrounds the cooperation rationale that accompanies the division of labour. Indeed, if uncooperative behaviours were valued by the different members of the company, there is no reason to think that the opposite would prevail in other economic sectors. On the contrary, the uncooperative behaviours would doubtless spread to society as a whole. And this kind of overall non-cooperation signifies a return to a primitive, numerically small, autarkic society (Rothbard 1991). And there is every reason to think that there would in fact be no society, no trade networks, no road users and no road. The construction of such an infrastructure presupposes cooperation and a highly developed division of labour. How then can this type of antisocial behaviour be justified, except in the context of a teleological argument specifically aimed at rejecting private sector activity in the field of road traffic infrastructures?

3. Social retaliation measures

Society is founded on cooperation between the individuals that compose it. Cooperation requires, among other things, an elaborate network

of exchanges and presupposes reciprocity and partial satisfaction of the expectations of society's members. Thus exchange implies reciprocal transfer: individual A transfers to individual B a commodity x and in return receives a commodity y. A may cooperate with B to produce x and in return expect another form of cooperation in order to obtain y. In consequence, someone who refuses to cooperate when he himself has benefited from cooperation between others may become the subject of retaliatory measures. A company that fails to satisfy its customers loses its clientele and finds itself driven out the market. An employee who fails to observe his contractual commitments can be fired by his employer. A consumer can refuse to buy a given commodity on the grounds that the manufacturer fails to respect some of his values. Thus individuals have access to *peaceful* means of sanctioning behaviours seen as uncooperative, together with ways and means of rewarding actions they see as meeting their standards. In other words, individuals can refuse to cooperate with the infrastructure owner who refuses his cooperation.

Retaliation can take place before or after the creation of the infrastructure. In the first instance, the providers of capital can refuse to fund a venture that is potentially unprofitable or will foster uncooperative behaviour, while the other providers of production factors—workers, suppliers of technology, etc.—can also refuse to cooperate for the same reasons and because they do not want to be involved in the creation of an infrastructure designed to harm them. Nonetheless, this kind of preventive behaviour requires accurate information on what the owner is planning.

Retaliatory measures can also be implemented once the project has been completed. The owner of the infrastructure depends on others if his needs are to be met in terms of other goods and services. Thus there exists a relationship of interdependence between him and the other members of society, and non-cooperation on his part can lead to uncooperative behaviour by others, in the form of a refusal to supply him with certain goods. Such measures are intended to force him to cooperate—or to suffer the consequences of his non-cooperation, which would thus deprive him of certain satisfactions and cut him off from the possibility of acquiring certain goods he needs. In this case the owner's position of strength becomes one of weakness and his infrastructure can become a prison.

At the same time, certain agents—infrastructure customers, providers of goods and services, etc.—may find it in their interest to cooperate with the owner, for non-cooperation by certain producers can create opportunities for profit others may seize on. And so the retaliatory measures can turn out to be insufficiently effective and to some extent wide of the mark: even though by his own actions the owner has devalued his capital and reduced his range of

choice, the consequences of his uncooperative behaviour may not be unacceptable to him, despite the evident difficulties it causes and at the cost of a certain standard of living.

4. Physical obstacles

Even if such a situation is hardly tenable, even if it poses a number of problems in terms of the division of labour and social cooperation, and despite the likelihood of retaliatory action by others, its existence represents a real obstacle to greater prosperity.

In this case the infrastructure should be considered as a physical obstacle of the same kind as a geological barrier: the sea, a lake or a mountain, for instance. There remains one solution: the use of planes or boats, or the creation of a road network skirting the obstacle at each end rather than going over or under it. This means, then, creating air, sea or road links which, while more costly than simply creating overpasses and underpasses, is the best alternative for meeting the requirements of those concerned. Therefore, so extreme and so improbable a non-cooperation situation, were it able to exist in a free market context, is no different, analytically speaking, from natural barriers hampering the construction of road traffic infrastructures in the Himalayas or the Indonesian archipelago. Other routes and modes of transport will then be designed and used. In no respect do we find here a justification for public intervention or demands that private production be abandoned.

Conclusion

This analysis highlights the difficulties of Tullock's position, which itself reflects, in a way, a desperate effort to justify public management and state intervention in the road sphere, as well as a refusal to accept the private solution as a viable possibility. Block's approach puts forward the elements required by a defence of a private system. The present paper can be seen as complementing Block's efforts, while seeking to be more realistic and pragmatic in defending them. It is not a question of bowing to future solutions tied to technological progress, but of making use of the resources available now. We can also reject a priori the framework in which Tullock sets his monopoly situation, and demonstrate the problems inherent in such a position. To sum up, Tullock's approach appears to be trapped, definitively, in a "dead end"!

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