

IS THERE A 'LIBERTARIAN' JUSTIFICATION OF THE WELFARE STATE? A CRITIQUE OF JAMES P. STERBA

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Introduction

JAMES P. STERBA, A PHILOSOPHER OF SOME REPUTE (he has been president of the Central Division of the American Philosophical Association and of several other important philosophical organizations), published a text on moral philosophy some years back that contained a chapter dealing with libertarianism.¹ Sterba boldly claims to show that, contrary to what libertarians believe, the presumptions of libertarian political philosophers themselves provide justification for a right of the poor to a welfare minimum, to be provided by the rich and enforced by the state. Libertarian political philosophers such as John Hospers and Douglas Rasmussen responded to earlier versions of Sterba's argument, recognizing its importance, but with the publication of this later text, Sterba believed he had successfully answered them. More recently, however, Tibor Machan and Jan Narveson critiqued Sterba's argument. Sterba has since replied to them also (along with a socialist critic), again concluding that his demonstration that libertarian arguments themselves justify a right of the poor to welfare remains intact.² However,

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¹ James P. Sterba, *Contemporary Social and Political Philosophy* (Wadsworth Publishing Company, 1995): chapter 3.

² For the early libertarian responses to Sterba see John Hospers, *Libertarianism* (Nash, 1971), chapter 7, and Douglas Rasmussen, "Individual Rights and Human Flourishing," *Public Affairs Quarterly* 3 no. 1 (1989): 89-103. For the more recent libertarian critiques, see

contrary to this belief, I shall demonstrate that a proper application of Sterba's own arguments and presumptions shows that a welfare right is *not* justified. I will, however, make few references to the other libertarian critics of Sterba because my analysis and critique of Sterba's core argument is not derivative of theirs.

Section 1 lays out, as accurately, neutrally, and clearly as possible, Sterba's characterization of the most important libertarian perspectives, and his argument for why those perspectives actually support a right to welfare for those who, *by his definition*, constitute the poor. At the end of that section I give a philosophic characterization of Sterba's view and note the reliance of his argument on a known misapplication of that approach. Section 2 clarifies and critiques certain background presumptions and definitions central to Sterba's argument, and also elaborates on Sterba's extension of his argument to distant peoples and future generations, noting important errors and misunderstandings.

Section 3 comes to close grips with Sterba's basic conflicting rights scenario, within which his argument is embedded. The essence of his conclusion is that a right of the poor to welfare trumps that of the non-poor to use their 'surplus' wealth for 'luxury' consumption. The artificial and abstract character of the setting of his argument, from which the convincing power of his argument stems, is made clear. I then show a major qualifying implication of one of Sterba's key assumptions, which neither he nor his prior critics seem to have recognized. My primary critique of Sterba's argument begins in Section 4, however. Since Sterba is arguing against libertarianism, I place his conflicting rights scenario in a libertarian institutional setting, where the issue is whether those institutions should be altered by legally imposing a welfare right. The argument starts, however, by considering, in philosophic abstraction, events that were approximated historically, beginning with the emergence of a much more libertarian society from medieval stagnation. It then discusses the effects of those developments over time on the wellbeing of individuals in all segments of the income frequency distribution.

This analysis demonstrates that Sterba has completely mischaracterized the state of the poor in his conflicting rights scenario, such that his definition

Tibor Machan, "Does Libertarianism Imply a Welfare State?" *Res Publica* 3 (1997): 131-148, and Jan Narveson, "Sterba's Program of Philosophical Reconciliation," *Journal of Social Philosophy* 30 (1999): 401-410. Sterba's response to Machan and Narveson is in James P. Sterba, "From Liberty to Welfare: An Update," *Social Theory and Practice* 26 no. 3 (2000): 465-478.

could only apply to a small subset of the actual poor. I show clearly that, in a setting in which economic development has not proceeded very much, the effects of imposing Sterba's welfare minimum would be such that his own mode of argument would fail to justify doing so. Extending this analysis to a more developed libertarian society in Section 5, I discuss who the poor and unemployed would normally be, and what employment and other options for avoiding poverty would and do exist. In this setting also the effects on present and future generations of legally imposing a welfare right would logically be such that doing so would not pass Sterba's own test. Last, my argument is reinforced by historical and empirical observations on the effects of the US' War on Poverty.

1. Libertarianism, Rights Conflict, and Welfare

Sterba begins by distinguishing two branches of libertarian political philosophy. In the first are Spencerians (followers of Herbert Spencer), to whom he imputes a belief that liberty is basic, with all other rights deriving from the right to liberty. In this framework, according to Sterba, various Spencerian writers define liberty as either being unconstrained in doing what one wants (the *want* interpretation) or as not being constrained in doing what one is *able* to do (the *ability* interpretation). The second branch refers to Lockeans, who take a set of individual rights as basic and define liberty as the absence of constraint by others in the exercise of these rights (the *rights* interpretation of liberty).³ Oddly, though Lockean perspectives have generally dominated the libertarian movement, Sterba spends most of the chapter dealing with the Spencerian view, and deals with the Lockeans only briefly and summarily.

Sterba characterizes the Spencerian ideal as requiring that each person should have the maximum liberty commensurate with others having the same. In this Spencerian perspective the right to life is simply the right not to be killed unjustly. The right to property is the right to acquire goods and resources through initial acquisitions or by voluntary agreement (exchange) with prior owners. Sterba goes on to say that the interpretation of these rights is the same for Lockean libertarians. Neither Spencerians nor Lockeans, Sterba correctly notes, accept the existence of a right to any guaranteed social minimum of goods and resources to be provided by others and enforced by the state.

³ Sterba, *Contemporary Social and Political Philosophy*, pp. 29-30.

To establish that such a right actually exists, Sterba begins by postulating a situation of conflict between those he terms the rich, who have more than enough for their basic needs, and those he terms the poor, *who have less than enough even though they have tried all peaceful means available to obtain the needed resources*. The libertarian view of such a conflict, says Sterba, is that the rich should be free to use their excess resources for luxury consumption without interference from the poor. While it would be nice if they shared with the poor, they cannot justly be compelled to do so, and no liberty of the poor is at stake. Sterba's response is to assert that the poor have a right to take what they need from the surplus possessions of the rich without interference from the rich. *He then asserts that Spencerians cannot deny the existence of such a right because it is stated not as a positive right to something, but as a negative right of noninterference*. Further, he argues that Spencerians must not only admit that such a liberty exists, but that it conflicts with the liberty of the rich, such that choosing to recognize and institute one liberty requires rejecting the other.

The question then becomes one of whether there exist principles on which it is possible to establish one of these conflicting rights to be morally superior, such that it deserves universal acceptance, legislative enactment, and government enforcement. Sterba sees two such principles. The first is a version of the principle that "ought" implies "can." His argument is that a moral imperative concerning what a person "ought" to do should not be presumed to hold unless a person "can" do it *without too great a sacrifice*. The idea, he says, is to link the moral with the reasonable. In this regard, according to Sterba, it is clear that the poor *could* forgo their liberty not to be interfered with as they take what is necessary to supply their basic needs from the surplus goods of the rich, but *it would be unreasonable to ask them to do so since they would consequently suffer physical or mental impairment or even death*.⁴ In contrast, it *would* be reasonable to ask the rich to sacrifice their liberty and some of their surplus goods to supply the basic needs of the poor.

By this logic Sterba apparently believes he has established the existence of a moral obligation on the part of the rich to sacrifice their liberty and surplus wealth to the poor. Sterba then applies a second argument termed *the conflict resolution principle*, which says that if any action is morally required of a person it is reasonable to ask or *require* (he means *force*, but avoids saying so) them to do it.⁵ It therefore follows, according to Sterba, that the Spencerians'

⁴ Sterba, *Contemporary Social and Political Philosophy*, pp. 34, 36, 40.

⁵ This curious 'principle' is not self-evident. Moreover, there is good evidence that forcibly redistributing income acts to *generate* rather than resolve social conflict. See James

own concept of liberty (lack of constraint by others in the exercise of one's rights, the right not to be killed unjustly, non-aggression, etc.) *actually favors the liberty of the poor over the rich*, and provides justification for establishment of a governmentally enforced welfare minimum.

If one of the alternative and conflicting sets of rights is to be judged reasonable, then, by any neutral assessment, the rich must sacrifice the right to satisfy some of their luxury needs so that the poor can meet their basic needs. Sterba is very careful to note again that *the right of the poor to welfare is conditional upon the willingness of the poor to take advantage of whatever opportunities are available to them to engage in productive work*, so that failure to do so would normally cancel the obligation of the rich to provide for them.⁶ Sterba also notes that the poor may in some cases be too physically debilitated to take what they need from the rich, and argues that the rich in such cases would still be acting to stop others (apparently some subset of the non-poor sympathizing with the poor) from taking part of their (the rich's) surplus goods to provide for the poor. This resistance is unjust, he argues, for the same reasons it is unjust for the rich to stop the poor from taking their surplus wealth.

Sterba believes that his hypothetical conflicting rights example and application of the "ought" implies "can" and conflict-resolution principles not only suffice to destroy Spencerian objections to welfare rights, but those of Lockean libertarians also. Accordingly, his discussion of the Lockean position is brief. Lockeans, remember, are characterized by Sterba as those who take a set of rights as basic and define liberty as being unconstrained by others in doing what one has a right to do. Sterba agrees that killing a person in self-defense during a life-threatening attack does *not* violate the attacker's right not to be killed unjustly. The right to self-defense is basic. But if the rich interfere with and prevent the poor from merely taking from them what they need to survive, this right is violated since the rich will by such acts be causing the poor to die.

In this situation the two principles support a right to welfare because they select between two alternate and mutually exclusive interpretations of property rights. In the first interpretation property rights are unlimited. The right to property is *not* conditional upon whether others have enough for their needs. In the second interpretation property rights are limited. Initial

Rolph Edwards, "Compulsory Income Redistribution and Social Conflict," *International Journal of Economics and Management Sciences* 1 no. 8 (2012): 49-55.

⁶ Sterba, *Contemporary Social and Political Philosophy*, pp. 37, 39.

acquisition and voluntary exchange confer title on goods, with the exception of those necessary to provide for the basic needs of the poor. But recognition of unconditional property rights would justify the killing of the poor (or at least causing them to be debilitated) by the rich in the legitimate exercise of their rights. In addition, the “ought” implies “can” principle establishes that the property rights structure favoring the poor is more reasonable because the poor, in being subjected to the unlimited property rights principle, would be making an excessive and unreasonable sacrifice. The conflict-resolution principle then establishes the justice of legally requiring a welfare minimum. So despite what Lockean libertarians claim, Sterba triumphantly asserts, the right to life and the right to property endorsed by them actually support a right of the poor to welfare!⁷

An important and somewhat unusual aspect of Sterba’s central argument against both Spencerians and Lockeans should be made clear. Rights-based arguments and utilitarian or consequentialist arguments are usually (though not universally) thought to be anathema to one another. Sterba’s argument, however, is essentially a utilitarian justification of an advocated rights structure. His argument contrasting the relative ‘sacrifices’ of poor and rich under his conflicting rights scenario involves an implicit interpersonal utility comparison that is used to justify the imposition of compulsory governmental income redistribution. I will show, however, by contrast with the logical and historic effects of the libertarian rights structure, that *proper consideration of the consequences of compulsory redistribution does not justify legal imposition of a welfare right.*

2. Basic Needs, Future Generations, and Distant Peoples

Before attempting a detailed critique of Sterba’s core arguments, it is important to clarify what he means by basic needs, and just who constitute the rich and the poor. Sterba specifically defines basic needs as those that must be satisfied in order not to endanger a person’s physical or mental wellbeing. He believes (incorrectly) that this specifies in a fairly determinate way the minimum of goods and resources each person has a right to receive.⁸ Sterba modifies this by asserting that the basic minimum must be legally specified in terms of the cost (I believe he means monetary cost, though the point is unclear) of providing the basic minimum, and that this will vary to some extent across societies and time. In particular he asserts that a higher

⁷ Sterba, *Contemporary Social and Political Philosophy*, p. 41.

⁸ Sterba, *Contemporary Social and Political Philosophy*, pp. 15-17.

minimum is needed in developed societies because the cost of satisfying basic needs in those nations is higher than it is in underdeveloped nations.

This perspective on the nature of basic needs helps clarify one of the odd features of Sterba's discussion: Sterba *never once* mentions anyone but the rich and the poor, as if no other persons exist, and from his perspective *they don't*. Those with less than enough for their basic needs though they have exploited all of their productive opportunities are poor, and those with more than enough, even just one more piece of bread than enough—even one more crumb—are rich. Now one might think there is a third group implied by Sterba's argument, consisting of those with less than the basic minimum of goods who have *not* tried every peaceful and productive option available to acquire the needed resources. Yet by the fact that he never mentions such persons it seems clear that Sterba believes this to be an empty set. That it is not, I show in section 6 below. In recognition of the existence of many degrees of income and wealth, however, I shall hereafter term all those with more than what Sterba would regard as the necessary minimum income and wealth required to supply their basic needs the "non-poor."

It is also important to point out that for Sterba, the poor whom current non-poor persons must be required to subsidize are not restricted to those in the hypothetical nation or society under analysis, but include *all* such who exist in the *entire world*, and who may exist at any time in the future. First, income and resource transfers must be made from the current industrialized nations to the underdeveloped nations. Sterba remarks that raising living standards in poor nations will involve substantial increases in their energy and natural resource consumption. Hence a substantial *decrease* in the consumption of resources and energy will be required in the *developed* nations in order to avoid environmental catastrophe from ozone depletion and global warming.⁹ In addition, the only way to guarantee the energy and resources necessary for the satisfaction of basic needs of future generations, Sterba says, is to set aside resources that would otherwise be used to satisfy the luxury consumption of present generations.

A few comments on these definitions and assumptions are in order. First, defining basic needs as those that must be met to keep a person's physical *and mental* wellbeing from being endangered makes the whole concept indeterminate and non-operational. We can measure the minimum caloric intake required for physical health of the average individual, but who

⁹ Sterba, *Contemporary Social and Political Philosophy*, p. 18. For contradictory evidence see Indur M. Goklany, *The Improving State of the World* (Cato Institute, 2007), and Julian L. Simon, ed., *The State of Humanity* (Blackwell, 1995).

knows what it takes to make them happy and well-adjusted too? Worse, just as the required minimum caloric intake varies (by rather large magnitudes) from person to person with body size and physiology, so also may the requirements for “mental” wellbeing. Indeed, mental health may vary systematically with people’s *ex-post* income and wealth. The non-poor (from lower-middle class to the truly rich) may to varying degrees be those who value wealth more and therefore pursue it more vigorously, *and hence would suffer commensurately if deprived of it*. Did not some people throw themselves out of high office windows when they lost a large fraction of their wealth during the stock market crash of 1929? The poor, in contrast, may with some frequency be those who value leisure pursuits more and income and wealth less.

I postulate that a simple regression line faithfully representing that relationship would have a slope of about unity, though random factors of birth and life events certainly would yield significant variation of particular observational outcomes around that line. *If basic needs for mental wellbeing vary positively with income in such a manner, as they surely do, Sterba’s whole concept of using a basic needs minimum to rank the relative rights of poor and non-poor fails.*¹⁰ It rests on interpersonal utility comparisons (of gains and losses of subjective wellbeing, or as he puts it, “sacrifices”) and an assumed uniformity of human valuations that are difficult to defend.

In any practical case the basic needs minimum would have to be defined as much as possible in simple physical and physiological terms, and stated in terms of the monetary cost of supplying those needs under the particular conditions of the nation or society under discussion.¹¹ The best one can say about Sterba’s claim that the cost of supplying basic needs is systematically higher in developed nations is that it is innocent of any grasp of economics. In the relevant opportunity cost sense, the increases in productivity (output per unit of productive input—particularly labor—per unit of time) occurring over time that are the source of rising living standards and ‘development,’ *by definition* mean that the amount of leisure time that

¹⁰ Though Sterba does not seem guilty of this, the common rhetoric of the anti-capitalist left, in which the rich are universally excoriated for being ‘greedy,’ itself constitutes an unwitting tacit admission that a positive relationship exists between the *ex-ante* personal valuations of income and the magnitudes of incomes obtained *ex-post* by persons across the population.

¹¹ During the 1940s the US government developed the modern definition of poverty as a total family income equal to three times the cost of an adequate diet. This is a fairly good, though not perfect, definition of absolute poverty.

must be foregone (through work) in order to provide a person with any given level of real income and wealth is being progressively reduced. The 'cost' of supplying basic needs in developed societies is *lower*, not higher, than in less developed nations.

Jan Narveson criticized Sterba on this point, and in his reply to Narveson, Sterba clarified his claim by arguing that, in developed nations, goods necessary for supplying basic needs are processed further to provide non-basic satisfactions in order to increase demand from the rich, thus making the cost of the necessary bundle of those goods greater than it would be in less developed nations.¹² Unfortunately this argument simply clarifies the extent of Sterba's misunderstanding. Quality improvement of goods in the United States is estimated to occur at roughly a one percent compound annual rate on average. However, when the Bureau of Labor Statistics computes productivity growth (growth in output per unit of input per unit of time), *no account of this quality creep is taken*. Hence the quality improvement occurs *in addition to* the time (opportunity) cost reduction generated by productivity growth. Not only is the (work-time) cost of supplying basic needs *lower* in developed nations than in underdeveloped ones, *it gets lower while the quality of those goods improves*.¹³

Sterba's claim that rich nations must redistribute to poor ones I pass by here without comment. As a mere extension of his primary argument, my refutation of that argument below will suffice. And his claim that those of us in high-income nations must reduce present resource use in order to ensure the provision of basic needs for future generations is also mistaken. The amount of resources available depends on human knowledge concerning what things can be used to satisfy human ends and how to get to them, far more than it does on the quantity in the earth's crust (the universe and its resources, after all, are infinite). Since the industrial revolution such knowledge has accumulated. Indeed, it has accumulated so fast that, despite accelerating rates of extraction of such resources, each generation has left the following one with a *larger* base of known, economically extractable reserves than it started with, and the real unit prices of most natural mineral and metal resources have continuously fallen as their availability has increased.¹⁴ I will

¹² See Sterba, "From Liberty to Welfare: An Update," pp. 476-477.

¹³ See W. Michael Cox and Richard Alm, "Time Well Spent: The Declining Real Cost of Living in America," *Federal Reserve Bank of Dallas 1997 Annual Report* (Institutionally published).

¹⁴ See Ronald Bailey, ed., *The True State of the Planet* (the Competitive Enterprise Institute, 1995), and Bjorn Lomborg, *The Skeptical Environmentalist* (Cambridge University

show below that consideration of the wellbeing of future generations is precisely one of the main factors that cause Sterba's argument for a right to welfare for the current poor (to be provided through compulsory income redistribution from the current non-poor) to fail.

3. Aggression, Work, and Property Rights Conflict

The force of Sterba's argument stems from the basic conflict situation he constructs, which consists of an amazing and highly abstract set of conditions, carefully designed to put libertarians on the defensive. Everyone is either poor or non-poor (rich, in his terminology). The poor not only have less than they need to be in perfect health despite having taken every opportunity available to obtain such resources, but are faced with further deterioration in their condition—including death for some—if they do not gain additional resources quickly. The non-poor, in contrast, have more than is sufficient for their basic needs. Nothing is said about how the existing goods and assets came to be, or how they came to be *acquired* (i.e. 'distributed'), as if all that is irrelevant.

Sterba also presumes that employment options will always be inadequate, leaving many otherwise able and willing people unable to obtain resources sufficient to provide for their basic needs. No explanation is given for this presumption; indeed, no reference at all to labor markets is made. A related abstraction is from legal and political institutions. The only hints that any such things exist occur in statements such as that the non-poor 'possess' their assets and income, which might imply an existing set of property rights or might not, since the point of the scenario is to consider what the rationally appropriate structure of rights is and what consequent legal rights *should be*. In this abstract context it is imagined that the poor go and attempt to take what they need from the surplus goods in the possession—whatever that means in the absence of any stated legal property rights structure—of the non-poor.

Now one might initially think that such acts would involve aggression. By careful phraseology, however, Sterba leads us to visualize the poor doing no such thing, at least in the sense of using *force* to take what they need. It is as if they walk into the house of a non-poor person and take up residence in a spare bedroom, take spare clothes from the closet, food from the

Press, 1998), particularly chapters 11 and 12. Note also the complete failure of the predictions of natural resource depletion over specified time periods by the Club of Rome in its 1972 report, *The Limits to Growth*, and by *The Global 2000 Report* released by the Council on Environmental Quality of the US Department of State in 1980.

refrigerator, or money from the occupant's wallet. If the non-poor person interferes in *any* way, whether forcefully or even by using passive resistance (say by barring the door when the poor person comes), then *he* (or she) *is the aggressor*, particularly since, by presumption, if the resistance is successful the poor person will then either die or, at the very least, suffer mental or physical impairment. So the non-poor person who acts to protect his/her property in any way is the aggressor, since, after all, whether the goods should be his/her property in light of the presumed greater need (or rights sacrifice, as Sterba puts it) of the poor person is precisely what is at issue.

Does the non-poor person have *any* moral recourse in Sterba's conflict scenario? Yes, though Sterba seems not to have noticed it. He can simply ask the poor person whether he/she has taken advantage of all available opportunities to earn the needed goods, and if the poor person says yes, then prove him or her wrong by offering one. That is, the non-poor person could require the poor person to work for what he or she gets, and *nothing* in Sterba's argument requires that the wage be anything more than the minimum consistent with acquisition of basic needs. If the poor person refuses, the non-poor person is by Sterba's own argument released from any obligation. Even more simply and less costly, the non-poor person could just list options available and ask the poor person whether he/she has tried them. The first negative response elicited would, by Sterba's own reasoning, release the non-poor person from any obligation to yield goods or resources. On the existence of such options, see section 6 below.

4. Libertarian versus Pre-libertarian Institutions

To analyze the matter and clarify issues further, let us consider Sterba's arguments for conflict between the rights of poor and non-poor in an overt libertarian institutional setting. The issue then becomes whether those institutions should be modified by establishing a legal welfare minimum. To begin with, however, let us postulate a pre-libertarian, pre-industrial society, perhaps based on communal or semi-communal subsistence farming with markets that are small and highly regulated, if they exist at all. Professional occupations and skilled trades are hereditary and legal barriers to entry exist. In this static society *nearly everyone* (except perhaps a small aristocracy) *lives only a little above the subsistence level*. People are smaller than modern man on average, are less healthy and have significantly shorter life spans.¹⁵ Yet systematic

¹⁵ See Robert W. Fogel, "Catching Up With The Economy," *The American Economic Review* 89 no. 1 (March 1999): 1-21, and D. Gale Johnson, "Population, Food, and Knowledge," *The American Economic Review* 90 no. 1 (March 2000): 1-14.

starvation and population decline does *not* occur except at random and transient intervals when bad weather reduces crop yields, or after population growth exceeds food production for a significant period. Something like this has been the normal state of mankind through much of its known history.

Next, a more libertarian political system and legal structure starts to be instituted, whether suddenly or over time out of frustration with the long failure of statist institutions to improve the condition of ordinary persons, and from a desire for freedom, the rule of law, and limits on arbitrary political power. Communal fields are parceled out and the new private owners are allowed to either keep what they produce or sell as much as they want to willing buyers in open markets. Legal barriers to entry in skilled fields, professions, occupations and lines of business are abolished. Patents and copyrights are granted and protected in the law.¹⁶ The government not only protects physical property, but also prevents or prosecutes fraud and physical aggression. Adults are forcibly restricted, in essence, to engaging in mutually voluntary interactions and transactions in which both parties want what they are trading *for* more than what they are trading *away* and are mutually benefited. Taxes may be imposed to finance the few necessary government functions, but they are low. The state sector declines from its previous size and releases resources to the private sector.¹⁷ No government welfare system exists.

As a result of the altered incentives people now face, many things begin to happen. With the protection of patents and freedom of trade, some intelligent people of mechanical bent invent new products and production equipment. They or others also learn to harness the equipment to new power sources: first water mills and then steam engines. Entrepreneurs then

¹⁶ A referee reminds me that some current libertarian thinkers object to intellectual property rights. This is true. Even Ludwig von Mises noted the controversial character of patent and copyright law in Mises, *Human Action* (3rd revised ed.: Henry Regnery Co., 1963): 661-662. In the same place, however, he admitted that the absence of such law would seriously retard the rate of technological progress.

¹⁷ The size of the British central government relative to the private sector, measured by total government expenditure as a percent of national income, declined throughout Britain's period of greatest adoption of and adherence to classical liberal libertarian principles. From 27.1% in 1811 it declined to 7.4% in 1871. The American federal government started out small and essentially remained that way for 140 years, until the Great Depression. See Thomas A. Garrett and Russell M. Rhine, "On the Size and Growth of Government," *Federal Reserve Bank of St. Louis Review* 88 no. 1 (January/February 2006): 13-30.

establish factories where workers can be voluntarily employed in a centralized location, their tasks divided and (by contractual agreement) monitored and coordinated. Over time the use of interchangeable parts and assembly lines develops. Sophisticated methods of acquiring the financial capital with which to invest in business capital assets also emerge, such as corporate stock sales, which spread ownership and earnings across many people, including even workers and the poor if they wish, stock shares being cheap. The high productivity of such enterprises both reduces the costs per unit of the output and increases the demand for labor. Many previously destitute and unemployed persons are hired.¹⁸ The large outputs produced require mass markets, so the products are things the common man needs, such as (to begin with) inexpensive textiles (clothes).

Similar events occur in agriculture. Under the incentives of private ownership experiments occur in new crop types and new methods of farming that could not occur under the stunted incentives of communal or semi-communal agriculture. For reasons of the profit motive, fertilizers, insecticides, herbicides, and improved equipment are invented and introduced over time, raising agricultural productivity and lowering food costs just as rapidly as productivity growth is lowering unit costs in the non-farm sector. But that means a progressively smaller fraction of the work force can be employed in agriculture and still feed both themselves and the rest of the population better, perhaps even exporting to other nations. Accordingly, less efficient farmers (or their children as they grow up) leave agriculture and are drawn into the expanding service and manufacturing sectors, where incomes are increasing more rapidly.¹⁹

It is true that there are downsides to this libertarian socioeconomic transformation. Problems associated with development are not hard to find. Factories emit air and water pollutants, though if libertarian property rights are seriously instituted, tort and other common-law remedies would minimize such emissions. Moreover, though factories emit wastes, productivity growth has two offsetting effects on such emissions. While increasing the total number of units of output produced per unit of time, it also *reduces* the wastes

¹⁸ According to Mises, *Human Action*, p. 619, the growth of the factory system increased the demand for labor so rapidly that it virtually emptied the poor houses, workhouses and prisons in England.

¹⁹ For clear illustration of this transformation away from the predominantly agricultural employment of the labor force and toward manufacturing and service sector employment in the United States since 1840, see Council of Economic Advisers, *The Economic Report of the President* (US Government Printing Office, May 1991): 114, Chart 4-1.

and emissions *per unit produced*. Consequently, the rate of growth of industrial emissions is much smaller than the rate of real output growth.

Indeed, because of that fact, and because capitalist producers continuously seek cleaner-burning fuels and more efficient boilers and furnaces to reduce their costs, emissions eventually start declining naturally, without regulation, and air quality starts improving.²⁰ Nevertheless, the conversion of fuels into energy and raw materials into products is never perfectly complete, so some wastes and emissions always occur, and such externalities have negative effects on the health of some persons.

As the labor force shifts progressively from farm to non-farm employment, urbanization increases. Diseases spread more easily in crowded urban populations.²¹ Yet the same forces of entrepreneurship and economic growth that generate such problems as side effects tend, through supply, demand, and relative price changes, to direct resources to their solution. The inventors and industrialists produce iron pipe, sewage treatment and water purification technologies, eliminating municipal pollution and disease problems that have existed for millennia. The automobile, created and sold by businessmen for profit motives, eventually replaces the horse as the primary urban transportation technology, thus removing dead horses and horse manure from city streets, along with the flies and disease they generate. The innovation of electrical and natural gas heating and cooking by profit-seeking entrepreneurs eliminates wood and coal smoke from the home, making them enormously cleaner and healthier than they had ever been before in human history. Improved medicines and medical techniques, invented by medical professionals who realize that to do good for themselves they have to alleviate the suffering of their customers, severely reduce the incidence of infectious diseases.²² Entrepreneurial dairy farmers, competing for customers in the market, introduce milk pasteurization to kill the bacteria in raw milk that cause tuberculosis and other diseases. Examples could be multiplied endlessly.

²⁰ See James Rolph Edwards, "Production, Profits, and the Environment," *The Journal of Private Enterprise* 14 no. 1 (Spring 1999): 1-10. For the empirical evidence, see Indur Goklany, *Clearing the Air: the Real Story of the War on Air Pollution* (Cato Institute, 1999).

²¹ Richard H. Steckel, "Stature and the Standard of Living," *Journal of Economic Literature* 33 no. 4 (December 1995): 1903-1940, extensively discusses the health effects of 19th century American urbanization.

²² Miguel Faria, "Vaccines (Part II): Hygiene, Sanitation, Immunization, and Pestilential Diseases," *The Medical Sentinel* (March/April 2000): 55-61.

On net, the combination of these things—along with improved nutrition from higher food production—dramatically *reduces* the environmental risks and hazards faced by members of the population. Health improves and infant and adult mortality rates fall. The population expands rapidly (though not as rapidly as food supplies) for some decades before leveling off as average real incomes continue to rise. Mean life expectancy rises over time, along with average height and body mass. Since leisure time is a normal good, of which people want more as their incomes rise (that is, it has positive income elasticity of demand), they contract with employers for more of it. Daily and annual work-time declines, and leisure time rises.²³ This is what occurred in Britain (and later in the US) during and following its industrial revolution. Indeed, all of the things I have assumed are realistic, both because they are logical outcomes of the altered incentives of libertarian institutions and because, as a matter of historical record, they actually happened.

In our imaginary country *the whole income distribution* (best visualized as a bell frequency curve of family incomes with a mean and a standard deviation) *shifts to the right as average real income rises*. For any absolute, defined poverty level of income, including any operational variant of Sterba's, increasing fractions of the population become non-poor and *even those still in the diminishing fraction who are poor become progressively better off*. Let us presume, however, that this process has not gone very far before certain non-poor persons with spare time to spend writing begin propagating calls for a compulsory welfare system, using Sterba's arguments. Should those arguments be accepted? Certain points should now be clear. First, the normal state of the vast majority of the poor, even if they may be malnourished and debilitated by modern standards, is *not* one of imminent decline as Sterba assumes, but at worst one of stasis, or equilibrium.

Over a large range of food availability, human physiology adapts body size, height, fat content, and so on, and life continues, until and unless the balance is interrupted by intermittent famines, plagues or wars. As pointed out earlier, that has been the normal state of humanity for thousands of years. As more libertarian ideas and institutions were adopted in the late 17th, 18th, and 19th centuries, conditions steadily improved. Famines disappeared in Britain, and virtually never occurred in America. Both poverty rates and the

²³ See James Rolph Edwards, "The Decline in Work Time and the Increase in Free Time of Manufacturing Employees from 1890 to World War I," *The Journal of Private Enterprise* 26 no. 2 (Spring 2011): 47-59.

numbers of the poor declined due to economic growth. According to Robert W. Fogel, in 1900 only ten percent of Americans had incomes higher than the current official US government poverty line, leaving 90% below.²⁴ By 1966 economic growth had reduced the domestic poverty rate to 14.7%, so that 85.3% of Americans were non-poor. Only *after* that did our welfare state begin.

It is by sophistry and subtle distortion of reality that Sterba leads us to assume that, in such a free society, absent success of the poor in taking ‘surplus’ goods and wealth from the non-poor, the condition of the poor will deteriorate through death from starvation or increased mental or physical debilitation. With few exceptions (discussed below), if poor persons go and try to steal from the non-poor, all they would lose from failure is the potential gains they could have made from the thefts. Any threats of debilitation or death they incur would come from choosing to run the risk of the non-poor forcibly defending their property, and would be matched by the risks they inflict on the non-poor by their invasive actions.

Should we be convinced that the right of the non-poor to use and enjoy their income and wealth at their own discretion is, on the basis of the “ought” implies “can” principle, inferior to the right of the poor to have it for provision of their basic needs? Clearly we should not. First, we simply cannot justifiably presume that the gain in internally felt wellbeing by the poor will exceed the lost wellbeing and satisfaction of the unwilling non-poor, given the positive correlation between personal valuation of wealth and earning of wealth already discussed. More important, in our libertarian society the poor are already surviving and will continue to do so at levels that are far above what had been their norm throughout most of human history. Indeed, *this is so precisely because the productive processes and mutually voluntary exchanges by which the non-poor obtained their surplus income and wealth also made others non-poor, and have even made the remaining poor better off.* Having already benefited the poor through their productive and productivity-enhancing actions, the non-poor have every right to possess, enjoy, invest, or consume what they have earned (or give part of it away to the poor if they feel charitable, as they often do), and the remaining poor have no superior moral claim to demand any part of it.

Of course there will be *some* members of the poor even in a free society who are in a position of imminent decline. In a condition of stable equilibrium between population and food supply, with a stable average real

²⁴ See Robert W. Fogel, *The Fourth Great Awakening and the Future of Egalitarianism* (University of Chicago Press, 2000): 3.

income (think feudal system), personal circumstances and random events will at any given time result in some of the poor making gains and others losses, while most remain the same. In contrast, in a free society with a *rising* mean real income even for the poor, *those moving up will be far more numerous than those in decline*, but there will still be *some* in the latter category. One supposes that it is these people to whom Sterba must be referring in his (restrictive) definition of the poor. Yet clearly those persons constitute a small and unrepresentative minority of the ‘poor’ more generally, some of whom will be crossing the line into non-poverty while others approach that status, with the health of both groups rising. Yet even for that small subset of the poor faced with imminent deterioration of health if they do not receive aid, the situation is still an improvement over the previous condition of similarly destitute persons in stagnant pre-libertarian societies. Opportunities to help themselves and/or obtain voluntary aid from other poor and/or willing non-poor persons are much greater than ever before. This improved situation exists precisely as a result of the productive activities of inventors, entrepreneurs, employers, and working persons generated by freedom and secure property rights.

The crucial utilitarian (or at least consequentialist) point here is that the right of persons to use and enjoy their earnings at their own discretion is the motivational heart of the very economic process by which, in a free society, both poor and non-poor are made less poor over time. To threaten that right, as welfare liberals and socialists like Sterba want, is to threaten that process. In the case under discussion—where economic development has not proceeded very far, poverty is still massive, and the non-poor are relatively few—institutionalization of Sterba’s coercive welfare minimum would literally require the confiscation and redistribution of *all* surplus income and wealth, making *everyone* poor. Since any surplus earnings or wealth would be confiscated for redistribution, all motivation for productive activities beyond that minimum would be destroyed and the process of economic growth would screech to a halt. In Sterba’s game of interpersonal utility comparison, against the gain in internal felt wellbeing of the current poor by income redistribution, then, would have to be weighed not just the loss in felt wellbeing of the current non-poor, but that lost by all persons in future generations as a consequence. That comparison would *not* weigh in favor of Sterba’s conditional right to property for the non-poor and institutionalized welfare right for the poor.

5. Unemployment and Poverty in a Developed Libertarian Society

Now suppose that the issue of whether or not to institute a compulsory welfare minimum does not arise until our libertarian society is in a more developed state, such that the poor are few and the non-poor are many.

From a libertarian perspective it would seem odd that such an issue would even arise, given that market processes generating economic growth have already reduced poverty severely, and are likely to continue to do so. However, it is precisely under such conditions that the question does arise, because only under such conditions is it even conceptually possible to end poverty by redistributing income without making everyone poor in the process. Yet from the historic fact that welfare states often emerged from relatively free societies, *it does not follow that this retrenchment away from libertarian ideals was justified*, and certainly not in Sterba's terms.

In a truly libertarian society, the modern neo-mercantilist, government-created monopolies (electrical and natural gas utilities, et al.) and occupational entry barriers (state licensing laws, etc.) that we now have would not exist. There would be no minimum wage laws fixing wage rates for low-skilled workers above market clearing levels and generating extra unemployment. Unions certainly would exist, but they would have few members and no legal authority to prevent employers from contracting freely with nonunion workers willing to contract with them. For all these and other reasons employment would be widely available to virtually all who desire it (and are able), and wage rates would adjust reasonably quickly to market clearing values in all labor markets, skilled and unskilled.

Despite all this, some unemployment would exist, in the current official US sense of persons willing, able, and looking for work, but currently unemployed. A market economy is dynamic. At any time some markets for goods or services are expanding and drawing employees while others are contracting and releasing employees. Some persons will always be in transit, then, between jobs. This is known among economists as *frictional* (or search) unemployment, and it normally runs around two or three percent of the labor force. In addition, technical innovations often occur that literally make some people's primary skills outmoded, severely reducing demand for their services (as happened to blacksmiths when the automobile was invented), thus facing such persons with the necessity of finding whole new occupations. Such *structural* unemployment might add another percentage point or two to the natural (or equilibrium) unemployment rate, which is the sum of the normal frictional and structural rates.

In a free society, however, most unemployment of any significant duration—whether frictional or structural—is *voluntary*. Persons released from given jobs (excluding those who have arranged new employment before leaving their old one, which frequently happens) almost always deliberately live off prior savings and spend some time searching out a set of available employment options rather than taking the first found, which might not be the best. Much of this search time is, then, both voluntary and beneficial. For

those in need and in a hurry there are always employment opportunities than can be engaged in quickly. Consider, for example, the existence of dozens of companies with direct marketing franchises, such as Amway, Avon, Mary Kay Cosmetics, or Tupperware. These companies offer self-employment for virtually any adult, quickly, with little initial investment. Earnings then depend almost entirely on how hard one works. Insurance companies often offer similar sales jobs, and a competent sales person in any field can earn a good living.

Many people are loath to take such sales employment, out of distaste for sales or from having a high reservation wage. But being unwilling to work at an available job, whether because one does not like the type of work or finds the wage below one's preferred rate, is precisely what it *means* to be voluntarily unemployed. How many of the 'poor' in the United States have attempted these types of employment, which have flexible hours, allow work from home or apartment, and are compatible with child-care?

Or how about military employment? Classical liberals believe that even a libertarian society needs a military minimally sufficient to inhibit foreign aggressors in accordance with a non-interventionist foreign policy. The law in regard to compensation could be much as currently stands in the US. Enter the military at age eighteen, do twenty years, and retire with a good pension. How many poor in the United States could take advantage of that option? Many. How many do so? Far fewer than should. Anyone of low income who does not take advantage of such options has, by definition, not taken advantage of all available peaceful and productive opportunities to be non-poor, and by Sterba's own principle the non-poor have no moral responsibility to provide for them.

Who would the poor be in our developed libertarian society? In fact many people in market economies experience some transitory poverty as they become young adults, move away from their parents and enter the job market with few skills, hence initially earn rather little. That ends over time as they find an occupational niche, gain experience, on-the-job training, complete their education, build up seniority, and become more productive and valuable in the market. Then there are some tragic cases of persons with subnormal intelligence, autism, or with accidental physical disabilities, who could not work, and might lack families to care for them. Some adults with young children, having been abandoned by irresponsible spouses, would also be in distress and need help. Some others who work would simply bear too many children to support adequately. Most of the chronic (rather than transitory) poor would be poor, as is always true in developed societies, for behavioral reasons, such as laziness, alcoholism, drug abuse and the like. Note, however, that *persons in these latter categories cannot be said by any means to have taken all*

available opportunities not to be poor, and again, by Sterba's own standard, the non-poor have no moral responsibility to subsidize them.

Clearly, any consistent application of Sterba's own criteria (being on the knife edge of mental or physical deterioration if aid is not immediately rendered and having already taken all available opportunities) would pare most nominally poor persons away, leaving the genuinely deserving poor a small fraction of the population that could easily be cared for through voluntary charity. Most non-poor persons in a free society are quite benevolent, and voluntary help would be available for the deserving poor, as it was in the United States and Britain all through the 18th and 19th centuries.²⁵ Moreover, as economic growth in a free society continues shifting the income (frequency) distribution to the right relative to any absolute poverty level of income, so that larger and larger fractions of the population become non-poor and progressively smaller fractions remain poor by that standard, the easier it obviously becomes for the non-poor to care for the remaining poor. It also becomes increasingly absurd to deny the capacity of voluntary aid to care for the genuine needy.

What justification remains, then, for imposing Sterba's legal welfare minimum on the non-poor in a developed libertarian society? None at all. It is true that in the developed nation the needs of the poor can be met from only a fraction (large or small) of the excess income and wealth of the non-poor, leaving something for luxury consumption and something for net investment in productive equipment and research and development, so that economic growth may not completely stop. Nevertheless, *ceteris paribus*, the increased marginal tax rates imposed to effect the compulsory transfer from rich to poor, the resource costs of collecting the taxes and administering the transfer, and the disincentive effects of the transfer itself on the productive actions of the poor, will certainly reduce the rate of productivity and output growth, gross and per capita.

It is no accident at all that in 1973, just six years after the Johnson administration's War on Poverty began massively expanding income transfers to the poor, the annual compound rate of productivity growth in the US fell below the historical rate of two percent and remained below it for the next 25 years. Economists refer to this event as The Great Productivity Slowdown. Correlation does not itself prove causation of course, but the causes became known. The primary factors were the massive expansion of government

²⁵ See Marvin Olasky, *The Tragedy of American Compassion* (Regnery Publishing, 1992).

taxation relative to GDP to finance the War on Poverty and the huge increase in federal regulation undertaken at the same time.²⁶

Reduced economic growth resulting from such compulsory income redistribution implies that future real income levels of individuals across the income frequency distribution will be lower than they otherwise would have been without the added taxes and transfers. Again playing Sterba's own interpersonal utility (relative sacrifice) comparison game, against the gains in wellbeing of the current poor, must be compared not just the losses in wellbeing of the current non-poor, but also the consequent losses of *all* persons, poor *and* non-poor, affected in the future. This would not weigh in favor of Sterba's concept of a restricted right of the non-poor to own and consume (or invest, though for obvious reasons he never mentions that option) their surplus earnings.

Nothing speaks louder than history on this point. The number of pathological social phenomena associated with the huge expansion of income transfers (the War on Poverty) in the United States beginning in 1967 is literally striking. Chronic and expanding federal budget deficits after 1969 along with accelerating money growth and inflation through 1981 were intimately connected with the political economy and finance of the welfare state income transfers.²⁷ Increases in family breakup and illegitimate births were tied, at least in part, to the bad behavioral incentives created by the poverty subsidies.²⁸ And worst of all, the official poverty rate, *which had been declining rapidly over the entire postwar period* as economic growth raised mean real income per capita, almost immediately *stopped* falling when Johnson's War on Poverty began, then started drifting *upward* over time. In fact not just the poverty rates but the number of the poor Americans was declining rapidly before the War On Poverty began, and *both* stopped falling and began rising after it started.²⁹

As critics of the welfare state had long predicted in their debates with its advocates, paying people for being poor resulted in more poor people, not

²⁶ See Richard K. Vedder, *Federal Regulation's Impact on the Productivity Slowdown: A Trillion Dollar Drug* (CSAB Policy Study number 131, July 1996).

²⁷ As demonstrated in James Rolph Edwards, "The Financial Pathology of the Post War American Welfare State," *New Perspectives in Political Economy* 5 no. 2 (2009): 81-109.

²⁸ See Michael Tanner, *The End of Welfare* (The Cato Institute, 1996): chapter 3, for discussion and literature citations.

²⁹ For the graphics on this see Tanner, *The End of Welfare*, p. 14, and James Rolph Edwards, "The Costs of Public Income Redistribution and Private charity," *The Journal of Libertarian Studies* 21 no. 2 (Summer 2007): 3-20.

fewer. There are many behavioral channels through which that occurred, but one is crucial in debate with Sterba. Charles Murray has shown that as the welfare subsidies increased, the labor force participation rates of the demographic groups that were the largest recipients of welfare subsidies declined substantially. Many poor people either partially or totally withdrew from the labor force, attracted by the opportunity to have income without work.³⁰ Indeed, even before Murray's book was published, two large studies, the Seattle and the Denver income maintenance experiments, conducted from 1971 to 1978, found that for each dollar of subsidy received, on average the poor reduced their employment enough that their labor earnings fell by eighty cents.³¹ Other researchers discovered that many working people initially living marginally *above* the official poverty line *reduced their work time and earned income so they could qualify for welfare*, ending up with both more income and more leisure. This behavioral response is utterly incompatible with the picture Sterba paints of the poor generally as both on the verge of death or mental debilitation if aid is not immediately rendered, and furthermore, eager to take any productive employment they can in order to obtain the resources they need.

³⁰ Charles Murray, *Losing Ground: American Social Policy, 1950-1980* (Basic Books, 1984).

³¹ See Tanner, *The End of Welfare*, pp. 87-90, for reference to and citation of these and other studies of welfare disincentives.