Peter Boettke’s New Comparative Political Economy as Libertarian Scholarship

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Abstract
This paper attempts to survey and partially resolve a debate amidst factions within the broader tradition of libertarian political economy. While natural rights theorists and Public Choice economists are often at odds concerning the proper way to analyze the role of government in society, each framework can be used in conjunction with one another. Personal accounts are presented to demonstrate how these frameworks may be complements to one another for students interested in promoting a progressive research agenda focused upon social change towards a free society. The research and mentorship of Peter Boettke is presented as an ideal example of such successful applications.

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I. Introduction: Libertarian Political Economy
Since the recent financial crises, free market theory and libertarian political philosophy have received more public attention than in previous years. There seems to be a growing form of social anxiety amongst those who are dissatisfied with government but lack the knowledge and/or the means to affect social change. I do not mean to imply that these popular movements are the most sophisticated or the strongest arguments for liberty today. I only mention them because they share a common basic worldview in favor of personal liberty and skeptical of government largess. I also want to draw attention to the fact that their anxiety seems to stem, not so much from the content of their ideology, but rather from their inability to bring about the social changes prescribed therein.

Where they are found, free markets and personal liberty tend to promote peace and prosperity (Gwartney and Lawson, 2009). On this

* I wish to thank Ed Stringham for helpful comments. Responsibility for all remaining errors is mine.
margin — as advocates for voluntary interactions and skeptics of government power — these rabble-rousers are amongst some sophisticated and scholarly company. Several founding fathers, Nobel Prize winners, and some of the most renowned political economists practicing today share this basic understanding of individual liberty and its important role in economic processes. But this paper is not meant to distinguish the high-quality arguments for the free society from the low-quality ones. This paper is instead an attempt to comment upon a particular disagreement between factions within the high-quality camp. Can the scholarly perspectives of libertarian political economy be fitted together into a consistent framework so as to bridge the gap between theory and practice? I argue yes.

Free market and libertarian theory is a long and rich tradition of scholarship. Scholars have pulled inspiration from as far back as Aristotle [1984] and Plato (Bloom, 1968). The formal components of free market economics and its complementary laissez-faire political philosophy were best elaborated during the Scottish enlightenment by scholars such as Smith (1776), Hume (1739), Mill (1848), and Locke (1690). More recently these perspectives were reintroduced into common parlance by the progressive research programs of Nobel laureates F. A. Hayek (1948), Milton Friedman (1953), and James Buchanan (Buchanan and Tullock, 1965). Given this long and intense intellectual history of what I will loosely title “classical liberalism,” it is no surprise that disagreements and factions abound.

One such debate exists between advocates of natural rights on the one hand and Public Choice utilitarian scholars on the other. For the purposes of this paper I define natural rights theory as that body of thought which accepts the legitimate existence of human and proprietary rights as naturally occurring. This perspective holds that there is such a thing as *natural law*. The natural law may be at odds with or in line with public policies and legislations created by human beings – man-made laws (Murphy, 2008). Natural rights theorists are skeptical of public policies that claim to advance social welfare while at the same time violating the presumed natural, human, and property rights of individuals. Regulations, taxations, subsidies, and social safety nets in this view are essentially coercive redistributions of wealth.

Public Choice utilitarianism, on the other hand, is a school of thought concerned with the existence of collective action problems (Olson, 1971), common pool problems (Ostrom, 1990), the
processes of collective decision-making, and the incentive compatibilities and incompatibilities contained therein (Schelling, 1960). Public Choice theorists are often utilitarian (Bentham, 1789; Mill, 1863). They first admit and presume that we live in a world where collective or political actions are necessary. Then they seek to understand how those collective action processes function. As a result, the school of Public Choice has been able to recognize that some public policy regimes produce more stable and efficient outcomes than others. Public Choice scholars are utilitarian in so far as they favor the former over the latter. This willingness to presume the needed role of the state and the acceptance of second-best public policy solutions can sit at odds with theorists who favor a purely natural rights perspective.

This debate hits particularly close to home for me because I have had the privilege of taking formal course work with some of the most interesting and engaging figures within each camp – Walter Block as a natural rights theorist (Block, 1976) and Gordon Tullock, one of the founding fathers of Public Choice (Buchanan and Tullock, 1965). As a result of this faction and the order in which I was personally exposed to it, my intellectual development was a bumpy ride. Upon first exposure to each theoretical framework I tried my best to fully embrace the perspective at hand. But this proved difficult when the consecutive frameworks were explicitly at odds with one another.

These conflicts may appear as minor disagreements to casual observers, but when practicing within the broader tradition of libertarian political economy, they are more puzzling because both share a common ground regarding the role of liberty, and both perspectives often lead to similar conclusions regarding the role of government. However, the conclusions of each perspective are often reached by oppositional reasoning. Also, the conclusions regarding the specific role of government in specific cases of public policy are not identical and often contradictory across frameworks. And lastly, many writers within each camp disagree and debate against the alternative framework.¹

¹ The theoretical frameworks of Public Choice are laid out in Tullock (1966) and Buchanan (1999). One can easily first see the tension between Public Choice and natural rights within the motivating question asked by Tullock (1966, p.4), “[w]hat is the mechanism which leads the scientist ‘by an invisible hand to promote an end which was no part of his intention?’” – in contrast to deductive apriorism. Block
Both theoretical frameworks have their benefits and flaws. Natural rights theory has a remarkable ability to help thinkers identify the governmental versus voluntary causes of social phenomena. An easy-to-follow natural rights research agenda might look something like the following: Begin with a social problem, and then ask if the public services tied to that phenomena could be provided by a process more in line with natural rights? Finally, compare and contrast the incentive structures and performance outcomes of the hypothetical natural rights system with the status quo.\textsuperscript{2} Unfortunately, the natural rights framework may require a warning label – “may be unclear how to implement.” In other words, if there are significantly preferable incentives and outcomes within the natural rights system, the question often remains of how we move from here to there.

Public Choice utilitarianism carries a similarly replicable set up, yet it also fails to deliver a blueprint for effective social change. Begin with a social problem – given the course of current events, high government deficits seem as good an example as any. Then presume that the agents of the governmental institutions that are involved in the process of deficit spending are motivated by the same behavioral assumptions as other individuals in society – rational self-interest. Such is the outline of Buchanan and Wagner (1977). If the incentive arrangements and decision processes that come to light account for the social problem in question, then one begins to recognize how public policy might be rearranged to fix the initial problem. Unfortunately, these forms of constrained government and constructivist policy fixes can be very difficult if not impossible to plan effectively.

Both perspectives are great ways to learn the implications and methods of the economic way of thinking. They both expose incentives and processes that would otherwise go unnoticed. Scholars practicing within each respective camp are wedded to their frameworks and often skeptical of the other perspectives. As an alternative to this exclusivity, I argue for a form of cafeteria-style libertarian political economy in which motivated researchers may select the useful and compatible portions of each perspective, leave

\textsuperscript{2} For an easy to follow yet successful application of this framework, see Rothbard (1980).
aside those parts that suffer theoretical inconsistencies, and fill in any remaining gaps with additional methods and theories. I invite readers to consider that a research program inspired by the best qualities of both frameworks would look something like the research agenda of “the new comparative political economy” as laid out in Boettke et al. (2005). If this observation is correct, then there is good reason to look closely at and arguably applaud professor Peter Boettke’s efforts and successes to teach and foster this method of research through his influence on the curriculum at George Mason University (GMU) and the projects he leads at The Mercatus Center.3

Simply put, I view Boettke’s approach as a sort of middle ground between natural rights à la Walter Block and Public Choice à la Gordon Tullock. The remainder of this paper is admittedly organized in a non-conventional way. In Sections II and III, I provide personal accounts of my own educational experiences taking course work under Walter Block and Gordon Tullock, respectively. These narratives are presented in order to show readers how these thinkers generally understand and explain the social world around them. I use personal narratives because this setup also allows readers to better understand the tensions that arise between these perspectives. In addition, I believe that my perspective as a student progressing through my own intellectual development may help others to recognize how these oppositional perspectives can be harmonized. Section IV presents Peter Boettke’s research and teaching efforts as an arbitrage between these frameworks. Kirznerian entrepreneurs can turn Tullockian collective action traps into Ostromian institutional diversity. These solutions in turn look remarkably akin to the quasi-science fiction technological solutions often hypothesized by Walter Block. Markets are incredibly robust. One need only look as far as Boettke’s own research (Boettke, 1993, 2001) or the research of his recently successful students (Coyne, 2008; Leeson, 2009) to find successful applications of this perspective at work. Section V offers concluding remarks.

II. Walter Block: Natural Rights as a Framework for Learning the Economic Way of Thinking

3 Beaulier and Hall (2009) is one such scholarly attempt to quantify the outcomes of such efforts.
During my junior year as a business major at Loyola University New Orleans, I enrolled in Law and Economics, taught by professor Walter Block. For those readers familiar with Block’s theoretical positions, unique personality, and rhetorical teaching style, I doubt I need to say much more. That course was interesting, creatively challenging, and a lot of fun. During the semester students were expected to survey a variety of legal perspectives: public goods theory, social contract theory, utilitarianism, legal positivism, and several others. Students learned to apply the economic way of thinking in order to understand the effects of legal policies.

As a libertarian theorist and free market economist, Block put his strongest case in support of a legal system based upon private property rights and Lockean homesteading theory. John Locke’s (1690) perspective on homesteading argued that the first person to apply their labor to un-owned property became the owner of said property – provided that there is as much and as good of the resource still available for others to homestead.

Block’s legal perspective was straightforward – private property rights should serve as the foundation for resolving civil disputes, and criminal prohibitions should only be applied to intentional violations of property rights: murder, rape, force, and fraud (Block and Whitehead, 2003). Block’s normative support for a property-based legal system rested upon what Murray Rothbard (1973, pp.23–26) coined the non-aggression axiom – voluntary actions between consenting adults are legitimate so long as they do not infringe upon the rights of others. Secondly, private property rights systems earn their consequentialist support with reference to their economic outcomes. When property rights are clearly delineated and enforced, capital resources tend to flow to their most highly valued uses. Prices coordinate resources between suppliers and demanders. When resources are dear, high prices signal and incline producers to make more (Hayek, 1945), and vice versa. In general, markets work well.

It is worth repeating again: Block’s framework is interesting, fun, and arguably effective at resolving legal problems in a variety of cases. Pollution (Block, 1977), traffic (Block, 2009), immigration (Block and Callahan, 2003) and several other social problems could be analyzed by simply asking two questions: how are decisions currently made by publically provided institutions, and how could these services be privatized?
So, what happens when property rights are absent, weak, and/or poorly defined? Such was the starting point for the research program of Nobel laureate Ronald Coase (Boettke, 1998). The Coase theorem explains that when transaction costs are zero, the initial allocation of property rights does not affect technological efficiency so long as disputants are allowed to freely bargain and compensate one another (Coase, 1960). As many readers already know, Block was unconvinced that Coase’s perspective held much merit (Barnett, Block and Callahan, 2005). He considers it a direct affront to the moral foundations of a private property–based society.

Take the following example. One criticism of societies with legal systems based purely upon private property rights has been the issue of enclosures. If everyone is left to do with their own property what ever they want, then what happens if someone purchases all of the land around my house and refuses to let me pass through their property? Again, Block does not hold much confidence in the typical Coasean response. We should first ask, what is the rational motivation for enclosing someone else’s property? If this motivation is pecuniary, then the willingness to expend energy and resources in order to enclose someone would likely be proportionate to the willingness of the enclosee to evade being enclosed. In such a case the Coase theorem goes far, but the obvious exceptions that remain are cases of vengeance or malice. At best the problem of enclosures seems rare. Secondly, a Coasean might argue that so long as transaction costs are zero, the agents involved could bargain for an efficient solution. If the costs to prevent, avoid, or ameliorate the damage done to the enclosee are lower than the benefits, then some solution will be found. If the transaction costs to bargaining are high, then the current policy framework might be as efficient as we can hope for.

Block is more willing to consider the case of enclosures as a serious problem, but more passionately he is unwilling to abandon homesteading for the sake of so-called efficiency. For Block, Coaseans’ support for legal rulings that do not favor the first mover are an affront to the normative foundations of private property rights. Secondly, block argues that such legal positions are erroneous in so far as they commit interpersonal comparisons of subjective utility.

So how could the individual escape an enclosure? For Block, where there is a will there is a way. The enclosed could build tunnels
or bridges, or any number of creative inventions. Which is to say, he
could rely upon the market to innovate technological and logistical
solutions to this physiological dilemma so long as the innovations to
overcome the enclosure do not in turn violate the property rights of
others.

At this point the discussion gets a bit circular. Isn’t the potential
to be stuck with an ugly bridge over my property just as problematic
as having my property fully enclosed? Not for Block: bridges with
slats or bridges made of glass, heck, invisible bridges could be
invented to solve these problems!

Again, Block’s framework is fun. When one begins to think in
terms of private property rights, it is soon hard to stop. Block’s
framework may seem fanciful to some, but there is an undeniable
pedagogical power to Block’s way of thinking. Students cannot help
but think critically through the processes of profit and loss, supply
and demand, and competition and entrepreneurship while imagining
private solutions to public problems. Students can literally walk down
a city street and think, “How could roads, buses, traffic lights, police,
etc… be provided through voluntary markets? How could companies
price these services? If they succeeded, what sorts of incentives
would private companies face, and how do those incentives compare
to the current services? Which world would I rather live in?”

I owe Walter a great debt because he was the first to inspire me
to become an economist and the first to coauthor a research paper
with me. In our article, “A Legal and Economic Analysis of Graffiti,”
we apply the perspective of private property rights to understand
graffiti as a social problem begun and perpetuated by the existence of
public space (D’Amico and Block, 2007). The Blockean framework
opened my eyes to the power of markets. Market processes produce
diverse arrays of goods and services in society that are satisfy a nearly
infinite spectrum of human needs. Sometimes people just might need
invisible bridges.

III. Gordon Tullock: Public Choice as a Framework for
Learning the Economic Way of Thinking

In my sophomore year of graduate school, I had the privilege of
taking a course titled, “Special Topics in Public Choice Economics,”
taught by none other than one of the founders of the Public Choice
tradition himself – professor Gordon Tullock. During one of the
very first lectures, Tullock attacked Block’s style of reasoning, stating
firmly “invisible bridges are ridiculous!” At first I thought that Tullock was merely being dismissive. With time I came to appreciate Tullock’s analytical perspective. It was at odds with Block’s approach not necessarily because one was correct and the other erroneous, but because of the nature of the different subject matters they each sought to understand.

Block’s research aimed to understand the processes and incentives generated by the existence and interaction of private property rights. In doing so, Walter used the empirical world around him as a basis of comparison to bring to light the harmful effects of government interference. Professor Tullock, on the other hand, sought to investigate the processes and incentives generated by political and collective actions. Where Walter was motivated by basic incentive analysis and rational choice to presume the efficiency of markets, Tullock was motivated by the real existence of political processes throughout the world today. He presumes for the sake of argument and for the sake of motivating a progressive research program that collective action problems exist and must be dealt with (Buchanan and Tullock, 1965).

For example, in class Tullock was fond of asserting that the Mississippi River must be controlled and regulated (dare one say owned) by a single authority lest it be plagued by pollution and negative externalities. The geographic footprint of the river has proved too large for historical property rights to keep up. Users upstream dump waste that harms those downstream. On the one hand, it seemed to me that Block’s perspective was not all for waste. Creative and innovative solutions could and would develop were this behemoth natural resource to be privatized. On the other hand, Tullock has a powerful point that emergent property rights have not sufficed to avoid these pollution externalities, and it is not sufficient to claim that the lacking of such property rights today is purely a consequence of state intervention. Secondly, the social problems created by these forms of externality are in essence no different from the enclosure problems Block is so concerned with. Where Walter is unwilling to admit that the market has failed to provide resolution and finds hypothetical technological solutions as convincing evidence, Tullock is more interested in understanding the forms of incentives and continual social problems that may exist once political processes are imposed to resolve enclosures, externalities, or whatever.
If, for example, a political process was implemented to resolve enclosures, then it would engender a particular set of incentives and subsequent outcomes. Once in place, all those individuals who reap marginal benefits from the political process are now inclined to perpetuate and even exaggerate those political decision making processes. Such is the world we often live in, and such is the reason why Blockean privatization proposals cannot be accomplished instantaneously and without cost. If everyone in society agreed to the Blockean interpretations of the non-aggression axiom, then libertarian political reform would have an easier time going. But instead people are vested in the status quo in intimate and sometimes complicated ways.

Midway through graduate school I was experiencing a form of identity crisis. Tullock’s framework seemed a useful tool kit to understand the world around me – political warts and all. Yet Block’s vision of the free society was a world I might rather live in – where private property rights are clearly defined, perfectly enforced, and functionally effective. How could I engage and accommodate the concerns and insights raised by Tullock while at the same time promote the sort of free and prosperous society that I saw as just?

IV. Pete Boettke: The Third Way of the New Comparative Political Economy

The previous two sections of this paper were written to identify the tension between Block and Tullock in order to highlight the talent and dedication of Peter Boettke as successfully arbitraging between these frameworks. I see Boettke as a sort of middle ground between Block and Tullock. This is not the only way; it’s probably not even the best way to understand or comprehend the research or mentorship of Boettke; it is merely one way that bears relevance for not only myself but several of my fellow young colleagues (Ed Stringham, Jennifer Dirmeyer, Emily Schaeffer, Nicholas Snow, and hopefully more to come) who have similarly studied under this set of scholars.

Block’s assertions are framed as responses to traditional market failure arguments: markets fail (because of enclosures, externalities or whatever); therefore government is needed to correct for these failures. The Block logic is a reaction to the first portion of this chain of reasoning. For Block, market failure theory never gets off the ground, because markets don’t fail! Markets are private property
rights, and markets are innovation. On the other hand, Tullock and the Public Choice tradition react to the latter portion of market failure logic. We should not be so quick to embrace government solutions to market failures because governments also fail.

Arnold Kling (2007) has described the GMU approach as the unique perspective that recognizes that governments and markets both fail. But one should not be confused or distracted by the simplicity or common speak packaging within which this insight comes. Most students and faculty at GMU share a similar appreciation for markets and a similar skepticism about state power, but that is not to say that this common ground does all the heavy analytical lifting. These scholars interact within a heterogeneous mixture of sophisticated research methods, each uniquely tooled to address different aspects of the social problems that plague our day – Austrians, Public Choice theorists, experimentalists, neuroeconomics, cultural economists, etc.

Here is where professor Boettke’s personal mentorship makes all of the difference. “Be intellectually promiscuous!” Pete would thunder at his students in their first semester. Boettke encouraged students to try on different sets of analytical eyeglasses in order to make sense out of the world. Only by comparing and contrasting the insights garnered by each perspective will a research project bear confident conclusions and results. For Boettke, a theory is only as good as the answers it produces – answers to real social problems, or as he would say, “the proof of the pudding is in the eating!” Over time, it became clear to me that resolving the tension between Block and Tullock was not so much a matter of determining who was right and who was wrong. It was instead a long process of using each perspective in order to get a fuller accounting of the costs and benefits of both market and government institutions.

The forms of centralized decision-making as they exist in political processes cannot escape the real behavioral dilemmas of knowledge problems and incentive problems. By looking at the world with Blockean eyeglasses, one cannot help but see the amazing functionality of the free market. But the good qualities of markets are not convincing by faith alone to audiences and arguments deeply concerned with the so-called unequal, unjust, or insufficient outcomes of market processes. While Block (2004, 2006) has attempted to address the implementation problems of natural rights,
such proposals are often difficult to get off the ground once one realizes the strength of special interests that favor the status quo.

Looking at the world through Tullockean eyeglasses forces social scientists to confront the true face of governance – political interests and civic engagement may serve as obstacles to needed reform. The unconvinced portions of Block’s audience may be moved along by understanding the harsh realities of capture and rent-seeking, but how are these inefficiencies to be overcome? With my Blockean eyeglasses I can see how functional the market can be at performing a particular task. With my Tullockean eyeglasses I can see how politically difficult it will be to implement a Blockean privatization proposal. If only there were a mechanism to discover solutions to these sorts of problems.

If one first accepts Kirzner’s (1973) definition of entrepreneurship as a discovery process and second recognizes that form of discovery as the mechanism that drives the market process (Kirzner, 1992), then it becomes easier to make sense of the course of economic history and the institutional diversity therein (Ostrom, 2005). Different environmental or historical conditions have led to the evolution of different forms of institutions to resolve collective action problems. Each context is uniquely functional to its own case. Thus, the behaviors of individuals within those cases may appear irrational or even illogical, but once those unique contextual characteristics are recognized, understood, and properly accounted those behaviors become more sensible, or what Vernon Smith (2008) has termed contextually rational. The same essential features of entrepreneurial discovery are likely as at play in the realm of institutional innovation as they are in the traditional marketplace for innovative consumer goods and services. Therefore, a similar body of political economy insights concerning the dynamics of interventionism should hold at the institutional level as it does at the micro level of price controls.

At this point we should recognize that the Boettke middle ground between Block and Tullock, or Austrian economics and Public Choice economics (Ikeda, 2002), has a very important contribution beyond traditional Coasean-style reasoning. A Coasean might conclude that with low transactions costs, good institutions should displace bad institutions. This quickly may become an argument in favor of the status quo. If the benefits of policy change are less than the costs of implementing policy change, then what is, is efficient.
But the Austrian emphasis on knowledge and the intricacies of knowledge processes followed by the discoveries and innovations therein should force political scientists to admit that new forms or preferable forms of institutional arrangements are by definition unknown. As Boettke is fond of saying, “we don’t know what we don’t know.” Presuming the efficiency of the status quo because of bureaucratic transaction costs may ensure that we will never know.

Free from such constraints and given the right setting of incentives (perhaps by successfully constraining the inefficiencies of bureaucracy and rent-control through constructed constitutions, by spontaneously ordered self-enforcing constraints, or even by other methods yet unknown) entrepreneurs are alert to those things that are within their interests to be alert to. When those profit opportunities include institutional innovation – so be it.

V. Conclusions

Pete Boettke exposed me to a body of multidisciplinary research that when understood properly alludes to the dynamic and adaptive qualities of free-voluntary human decision-making. With good incentives, entrepreneurs can innovate and contribute to ingeniously creative technological and institutional solutions. We are likely far off from a world with invisible bridges, but the processes of human interaction, when viewed in a variety of cases, expose a remarkable ability for both technologies and institutional forms to functionally adapt and evolve. In addition to working well, markets are robust – they can respond to a wide variety of challenges. Different conditions produce technologies and institutional forms uniquely suited to the challenges at hand. At some level, all forms of social change require real people to use real resources in order to accomplish real goals. Whether in a formal business setting, political office, or informal grouping of civil society, the laws of economics hold true.

I feel grateful to have studied under Peter Boettke. “Just do it! Write the paper!” he would commonly advise his students. “Seek truth as best you can, and on your own terms,” – an empowering message from a powerful figure presented to lowly graduate students. Pete’s mentoring methods have proved successful time and again, leaving me with only one remaining question: what exactly did I do to deserve such dedicated attention from such a talented scholar?

The Boettke research program is an inclusive and welcoming model. Many intellectual traditions fit together in order to empower
the applied political economist with the best tools to do the hard work ahead. What I have tried to take most to heart is the inspirational value of this message. The world is a complicated place, but luckily it is filled with a myriad of brilliant innovators, commentators, and scholars ready to find solutions for problems both big and small. Tyler Cowen is fond of saying that “there is a literature on everything and something wrong in every literature.” In a way, Boettke is the perfect complement to this, for he sees the usefulness is every literature and sees the best in each of his students, and merely links those forms of capital together.

References


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