

# FREEDOM AND THE OPTIMAL STATE

## A Perspective on Social Power

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### 1. Introduction

For more than two thousand years a central matter of discussion within the field of social philosophy has been the question of the proper degree of state intervention into the freedom of the individuals. There is a vast spectrum of opinions in this matter. David Friedman has, among others in more recent time, maintained that the government has no right whatsoever to engage in such an intervention, thus depriving it of any conceivable *raison d'être*.<sup>1</sup> Others, such as Robert Nozick and the libertarians, favours the nightwatchman-state, or "the minimal state" whose sole purpose is to protect individual rights,<sup>2</sup> whereas mercantilists, social-statists and leninists have propagated for a state vested with an even greater power.

Plato writes: "Exaggeration in freedom, on the part of the individual as well as the state, could not turn into anything but a slavery, which goes beyond all limits".<sup>3</sup> This "the most cruel of nature's paradoxes"<sup>4</sup> contains in my opinion a very powerful argument in favour of a limited state, since the effects on individual utility must be considered equally disastrous regardless of whether all freedom is in the hands of the state or the individuals; in the first case because state becomes *total*, at which point the individuals are devoid of freedom, in the latter because of the absence of a body in possession of the *authority* and the "monopoly of the legitimate employment of physical force"<sup>5</sup> which is necessary in order to preserve individual rights.

The concept of "freedom" cannot however be treated as a synonym to the concept of "liberty" or "rights". When state protect "a right", such as the right to possess property, this does not mean that the individuals are thereby guaranteed the possession of a certain amount or kind of property. It means instead that the state take on the responsibility to protect the citizens against those who violates the property right. But in order to actually gain property, we need a positive freedom of action, which is dependent upon our ability to produce, buy and barter the property.<sup>6</sup>

In the constitutional phase, i.e. when anarchy is being succeeded by a social system in which property is protected by the state,<sup>7</sup> we have, in order to gain such protection, to transfer resources from the single individuals to the

state, so that its representatives, whom I call *statesmen*, will get access to a sufficient amount of positive freedom by which they will be able to create and/or maintain the instruments of protection, i.e. the law, the judicial system, the policeforce and the national defence.

It should be noted, that what the state thus guarantees, is protection, i.e. negative freedom, or liberty. This protection must however be produced, and production can only come about through a resource transfer, a transfer of *power*, or positive freedom, from the individuals.<sup>8</sup>

A social system in which this transfer of power has taken place, has established a certain amount of *social stability*, i.e. a predictable and peaceful order, leading to the possibility of a more efficient use of *individual freedom*, or individual power, since the cost for the individual to protect his property and to act on the market (in society) in order to gain property is diminished.

By accepting the law, as long as it protects the rights of the individuals (and does nothing more), a higher individual utility is reached than what would be the case in an anarchy. James Buchanan express this as follows:

"Law-abiding on the part of the individual is the cost that he pays as a part of the overall legal-social contract between himself and others in the community, treated as a unit. In a private, personal utility sense, any limits on individual behavior are 'bads'. But rational persons accept such limits in exchange or trade for the 'goods' which law-abiding on the part of others represents. This behavior on the part of others creates 'goods' because of the predictable order, security or stability that it generates in the individuals choice set. --- A legal structure confers benefits that stem from the order that is introduced. --- These benefits are achievable only at the cost of limiting individual freedom. --- This benefit-cost framework suggests that there is some optimal or efficient amount of law for any person, some level of generalized behavioral restriction that is preferred to alternative levels."<sup>9</sup>

At this point arises the very interesting question concerning what is really the "optimal amount of law". I intend here to put forth a method for determining the proper size of the state starting from the point of view of individual utility, where this utility is thought to be maximized when the state is most efficiently protecting individual rights and thus becomes optimal, i.e. not too big, not too small. This I will do by using some instruments of microeconomic and public-choice theory. My purpose is to try to formulate a general hypothesis regarding the role of the state in the social system, and to find a way of determining the position of optimum in the individual freedom (individual power) - social stability (state power) continuum. The minimal state concept will be used here

only as the object of investigation. This is done mainly because I find such a state easiest to define. My hypothesis is however applicable to other states or other utopias. The model put forth here is unable to provide any justification for a specific amount of government; hence it is neutral as a descriptive technique. Its possible normative strength can not be found in the relation between its parts, but in the definition of these parts, or *relata*, such as optimum. This strength, moreover, is not generated within the model, but by social scientists making use of it, and my usage is only one of the many possible. It is, however, the one which I, being a libertarian, finds most attractive and accurate.

## **2. The optimal state**

We have this far made it clear that the individuals have to buy stability-resources (political power, social power) and pay for them with freedom-resources (individual power) - i.e. buy public goods with private goods - to secure for themselves a better protection for their private resources. As a consequence the statesmen will gain control over substantial power-resources. Since they, as well as all other individuals, is regarded here as being rational egoists who act in order to promote their own utility,<sup>10</sup> their tendency would be to increase the stability of the society, or "the amount of law", beyond Buchanan's optimal point, because an increased stability will make their positions safer. For "in all political power is inherent a tendency to enlarge its domain of influence as much as possible. The want to control everything, to leave no space untouched, where things may happen without the intervention of the authorities, such is the object that everyone in possession of power seek to attain".<sup>11</sup> "Thus politicians ... never seek office as a means of carrying out particular policies; their only goal is to reap the rewards of holding office *per se*. They treat policies purely as means to the attainment of their private ends, which they can reach only by being elected."<sup>12</sup>

In order to increase stability, the statesmen have to expand their control over the individuals, thereby enlarging their domain of influence making it more total. The question now arises which is the possible amount of totalitarianism in the system without the dissatisfaction among the citizens, due to their diminishing freedom, getting so great that negative repercussions on stability evolves, or, following Plato, how great a slavery the citizens can endure without them making a revolution. It is clear that revolution sooner or later will occur if the totalitarian tendency is preserved. I will later try to give an answer to this question. At this point I wish only to establish the fact that if the state becomes

too total, negative effects on *both* stability and freedom will occur; the result being a revolution.

If, on the other hand, the power of the state becomes too minute, this will also have negative effects, as stability decreases and freedom increases too much. The result is, at the extreme, an anarchy. And if we want neither a revolution nor an anarchy, we have to stay within "the limits of liberty", one limit being that in which stability is maximized, the other that in which freedom reaches its optimum. I will name any position *totalitarian* in which efforts to raise the stability of the social system is in vain and any position where such efforts are efficient *authoritarian*.<sup>13</sup>

In the constitutional phase, stability is created through the establishment of a state, a government. Since stability is vital for the existence of a social system, every such system must be regarded as a *hegemony*, i.e. a system in which *someone* - the state - possess a commonly accepted monopoly on at least some kind of power necessary for stability. A society without a state is called a *polyarchy*. Under this system *no one* possess such a monopoly.<sup>14</sup> Thus no social system (defined as a society *with* a state) can ever be a polyarchy; hence all lasting social systems must be either totalitarian or authoritarian hegemonies.

{Figure 1 approx. here}

If freedom and stability are negatively correlated when we travel from original anarchy into a constitutional phase, into authoritarian government, i.e. that freedom is decreasing when stability is increasing (created), but positively if we travel further from this state towards a totalitarian system, i.e. that both stability and freedom are decreasing, we can infer that this development graphically may be depicted as a parabola, and that, along its perimeter, there has to be a point such that any movement away from it will result in a diminishing individual utility.<sup>15</sup>

How then is the concept of utility to be defined? Let us suppose that our whole existence and the objects and individuals around us can be divided only into those useful to us because of their contribution to the promotion of either freedom or stability.<sup>16</sup> All production thus can be defined as *production of (subjective) utility*. In theory we now can choose between producing (utility of) either freedom or stability, or different combinations at different rates of exchange. This choosing is partly determined by the prizes on the produced "goods". Due to the law of diminishing returns it is however impossible to

produce only freedom or stability, since great efficiency losses will occur in both cases. The practically possible production is depicted by the parabola, which is called the *transformation curve* (tc). Let us here assume, that it is impossible to produce anything but items which at least someone considers useful at least to some extent at least at some time - which implies that the perception of utility should be considered as an individual, not a social, capability.<sup>17</sup>

The prize-relation between stability and freedom may graphically be depicted as a *budgetline* (bl). With regard only to the prize on the "goods", any production is possible which falls on or below bl. Because of the efficiency losses however, the practically possible production falls on or below tc. If we now let tc fall tangent to bl, we reach in the point of tangency a situation in which the production is carried out in a manner such that no resources are being wasted. Production then has become *technically (or objectively) efficient*.

The pointedness of tc is varying with the changes in the rate of exchange between freedom and stability. A more pointed curve falls tangent to bl in a position relatively more advantageous to stability, while a less pointed curve falls tangent in a position more advantageous to freedom. The pointedness thus depends on the appraisal of freedom and stability relative to each other.

The inclination of bl is correlated to the prize-relation between freedom and stability. When prize on one or both of these "products" is getting lower, bl moves away from origo, because the product(s) now can be produced in a greater amount than before.

On our presumption that everything existing is either stability- or freedom-(utility)resources, follows however that a changed prize on stability is strictly dependent on a changed supply of freedom and vice versa. If we conceive this situation as a matter of distributing existing resources only, i.e. as a zero-sum game, an increased supply of stability has to come about at the expense of a diminishing supply of freedom, and this is *ceteris paribus* followed by a higher prize. The prize on stability will simultaneously decrease, since more stability is being made available. Hence prize on freedom will rise if prize on stability falls, and vice versa. When such a changing of prize takes place, while the total amount of (available) resources is constant, the point of tangency should move along a curve which is concave relative to origo. This curve shows, for a given amount of resources, the total prize on every technically efficient combination possible of freedom and stability.

The question now arises if utility really is maximized in the tangency point. In order to find that out, let us suppose that utility (U) may be defined as the sum of (the utility of) freedom (F) and stability (S), as it is expressed by tc:  $U=F+S$ . In figure 2 a curve with this shape is shown. This we call the

*utilitycurve* (uc). We find that its maximum point is reached in a position to the right of tc's maximum. The *optimal* position hence occurs in that point along tc at which a vertical line drawn from the maximum-point (vertex) of uc intersects tc.<sup>18</sup>

If we now wish to make an investigation of a given social system, in order to determine which tc that might characterize the system in question, we can proceed along three different paths, leading to the development of three different tc's. These tc's may however incidentally (and ideally) have identical shapes despite of them being constructed out of different assumptions. Two of these will be dealt with here, and the third somewhat later.

A tc built on the grounds of perfect information, e.g. about real threats against the system, about which type of state is really advantageous to the individuals, and/or about which resource-consumption on stability that really is needed in order to reach and maintain that state, is called the *objective* tc ( $tc_o$ ). The problem however is, that we do not and will not ever possess such perfect information. Hence we have to presume that each and every tc is more or less subjectively generated and built on such things as wrong or irrelevant perceptions, wishful thinking, pessimism, optimism etc. What we can do is to, for every individual (i), establish on the one hand the looks of his *subjective* tc, which shows his personal judgment of the present (actual) situation (a),  $tc_{ai}$ , on the other a tc in which his personal ideal optimum (o) is depicted,  $tc_{oi}$ . If  $tc_{ai} \neq tc_{oi}$ , the difference also can be shown by using indifference-curves (ic). These curves show in each point how much social stability the individual is willing to trade for the gaining of one (utility) unit of freedom, and vice versa. The farther away from origo these curves are positioned, the higher access to resources is needed to be able to reach them. The individual hence would choose that ic which is placed as far away from origo as he consider it possible to reach, e.g. in the actual situation that ic ( $ic_{ai}$ ) which fall tangent to  $tc_{ai}$ .<sup>19</sup>

{Figure 2 approx. here}

The inclination of the ic's is dependent upon the individual's subjective marginal evaluation of (the utility of) freedom and stability respectively. If his marginal utility of freedom is low, i.e. when expecting to get only a small benefit from an increased freedom, his ic's will be less inclined than otherwise. It seems to be the case, that any individual in possession of relatively small resources (assets), considers himself gaining less from stability than an individual with greater assets.<sup>20</sup> Buchanan writes that "it seems reasonable to suggest that

persons in possession of relatively large quantities of private assets, the relatively rich, would place relatively higher values on the general application of behavioral restrictions".<sup>21</sup> Downs maintains that

"rational men are not interested in policies per se, but in their own utility incomes. If their present utility incomes are very low in their own eyes, they may believe that almost any change likely to be made will raise their incomes. In this case, it is rational for them to vote against the incumbents [of political power] i.e. for change in general. On the other hand, men who are benefiting from the incumbents' policies may feel that change is likely to harm rather than help them. True, the opposition might introduce new policies which would raise their utility incomes. But their incomes are so high already that they may rationally vote for the incumbents, i.e. against change in general."<sup>22</sup>

The poorer individual hence would be inclined to support a policy aimed at allocating greater resources for the changing of the social system in a direction which will give him more resources, rather than supporting the preservation of a system in which the statesmen have no such aspirations. The rich individual on the other hand, is already in possession of a freedom so great that a diminished stability will not result in an even greater access to freedom, at least not to an extent he will consider worth while (i.e his marginal utility of freedom is small). Therefore his ic's becomes less inclined than those of the poor. Since the statesmen can be said to personally gain more from stability than the individuals in common, their ic's should be very flat. They will most likely choose ic's like  $ic_a$ , and the citizens more inclined ones, like  $ic_b$  in figure two. But if the resources of the citizens then increase, their ic's will also become more flat, since their respective utility of stability thereby increases.

An individual with an ic like  $ic_{ai}$  in figure three thus maintains that the best situation is the one where optimum is located in  $opt_{ai}$ . His  $tc_{oi}$  also will be less pointed than his  $tc_{ai}$ , and his  $ic_{oi}$  less inclined since stability in optimum becomes more valuable to him as a means to maintain his optimal tc,  $tc_{oi}$ .

Every individual has his own tc. Its pointedness depends on his apprehension of the degree of freedom (or stability) that he finds most useful. A very important tc is the one of the *median individual* in a group, i.e. that individual whose tc has a pointedness such that half of the rest of the individuals in the group have more pointed and the other half less pointed tc's. We call this tc  $tc_m$ . If all individuals were to choose between  $tc_m$  and any other tc, the majority would choose  $tc_m$ .<sup>23</sup>  $Tc_m$  therefore might be considered as the optimal (subjective) tc, at least from the statesman's point of view, as will be shown later.

{Figure 3 approx. here}

### **3. Beyond the optimal state**

Having this far dealt with the question concerning how optimum might be established, we shall now turn to the study of different non-optimal situations and their relations to optimum. In figure two we see that the situation prevailing in a. does not include a lower stability than in optimum.

We find furthermore that utility in a. is the same as in b. The difference is that a. favours the state and b. the individuals. From an efficiency (objective) point of view b. however, in this particular case, causes greater efficiency losses than a. These losses are measured as the vertical distance between tc and bl.

Since the main interest among the statesmen is to further stability, they would, if given the opportunity to choose between a. and optimum, choose a. thus accepting minor efficiency losses in return for a higher stability and a reduced freedom. And since the median individual is indifferent between a. and b. when it comes to utility, due to the fact that b. represents the highest amount of freedom that gives him the same utility as a.,<sup>24</sup> the statesmen's strife towards a. will meet little resistance, at least in short run. It is however obvious that a movement beyond the vertex of tc will result in the decreasing of both stability, freedom and utility. To be able to reach their objectives the statesmen now has to take measures which necessarily will give rise to popular dissatisfaction. This may well lead to an increasing degree of "crimes against the state" - e.g. tax-crimes - which will rise even more the farther away one comes from vertex. The freedom of the individuals ultimately becomes so circumscribed that they will consider themselves unable to live their lives as they wish without breaking the chains of the state. They will make resistance, and the state will answer violently. In this interval, where stability is greater than or equal to the optimal, and freedom, stability and utility all covariates positively, the state may be called *repressive-totalitarian*, since the ambition of the statesmen is entirely opposed to what would be favourable to the people.

In tc's vertex a maximum stability is reached. In the interval between optimum and vertex a positive correlation between freedom and utility still exists, whereas correlation with stability now has turned negative. With increased utility here follows a decreased stability. But since the aim of the statesmen always is to decrease freedom, now at the expense of utility, a system in this interval still must be regarded as totalitarian, but the actual consequences are not that overtly negative as is the case under the repressive-

totalitarian state, since stability here *de facto* is increasing. An illuminating example of this situation is provided by Sweden during the fifties and sixties, when the statesmen interfered in individual freedom with the alleged motive of thereby creating welfare and equality. Regardless of whether this was their real motive or not, the policy won great support. The people was willing to give up part of its freedom and transfer it to the statesmen so that they would give the people security and welfare, things which the individuals were considered otherwise unable to provide for themselves, at least in a desirable quantity. The individuals put a claim on the state that it should not only protect but actually provide their resources (or at least part of them). This view, however, is contradictory from a libertarian point of view, since the state can not do one thing without renouncing the other. In order for the state to be able to give someone a resource, it must be taken from somebody else. the state itself can not produce anything but stability. This contradiction makes such a state immoral according to libertarian ethics. But as long as the adherence to this view is profitable for the interest of the statesmen, which it will always be, and as long as the individuals are fooled into the belief that it is also beneficial to them, which it will never be according to this theory, the sphere in which the state exerts power will increase beyond the point at which a decreased freedom is no longer promoting stability. Such a state will always run the risk of turning repressive. But since some positive effects occurs after all, and the individuals consider them favourable, the statesmen do not have to go as far as to repression; it is sufficient for them to behave as guardians of the citizens, or subjects as they now properly should be called. And the subjects approve willingly:

"[They] are ready supporters of schemes which promise them this or the other benefit of State-agency, and ready believers of those who tell them that such benefits can be given and ought to be given. They listen with eager faith to all builders of political air-castles, ... and every additional tax-supported appliance for their welfare raises hopes of further ones. Indeed the more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them, and nothing by them. Each generation is made less familiar with the attainment of desired ends by individual action, and more familiar with the attainment of them by governmental agencies; until, eventually, governmental agencies come to be thought of as the only available agencies."<sup>25</sup> "Moreover, every additional State-interference strengthens the tacit assumption that it is the duty of the State to deal with all evils and secure all benefits."<sup>26</sup>

When the situation described here by Spencer is reached, we have

submitted ourselves to a *paternalistic-totalitarian* state.

In the next interval, that between b. and optimum, every reduction of freedom leads to an increase in both stability and utility (and vice versa). The aim of the statesmen is the same, but the development is here entirely positive and ends up in the optimal position. A state which acts in this interval never reaches the totalitarian domain. Here the individuals do not demand that state should provide, but instead protect their resources. As long as state is reducing freedom with the purpose to improve this protection, and as long as such an improvement really takes place, thereto without efficiency losses, this development occurs under an *authoritarian* state.

In figure two it is implied that the limits of the social system, "the limits of liberty" as Buchanan puts it, would be a. and b. A position to the left of a. hence is called revolutionary and to the right of b. an anarchy. Both these situations appear within polyarchy, i.e. in a society without a state or in a social system where the state has lost its ability to exert power. Polyarchy may generally be defined as a situation where the quantity of stability is less than what is necessary for the proper functioning of the state. A revolution occurs when the power vested in the statesmen is taken from them by force, because they have tried to increase stability far too much, by using force, which has resulted in absurd losses of efficiency and utility. In anarchy, on the other hand, polyarchy originates due to the dissolution of the state and the statesmen's ceasing to act as statesmen, whereby no one will be responsible for the upholding of social stability.

When a revolution turns out successful, the utility of the people *increases*, since the purpose with the revolution is to create a less total or even an authoritarian state. When anarchy arise, however, the utility of the people *decreases*, because the dissolved state is not - immediately - succeeded by a new one. It seems however highly improbable that an anarchy will ever appear among men, since a prerequisite would be that all men are equal in everything, intelligence, physical ability, wealth, skills and industriousness so as to avoid the possibility that one individual possessing these assets will use the power they contain against those who lack them or possess them in a lesser quantity. Revolutions are, on the other hand, unfortunately only too common, and mostly fails to increase utility.

The idea about original anarchy, "the state of nature" as Locke puts it,<sup>27</sup> can however be used as a theoretical basis for a description of the development in the constitutional phase, when governmental power is thought to origin. Firstly we can establish the fact that not even a polyarchic anarchy may entirely lack stability resources and -production. The difference as compared with

hegemony is that here, in the absence of a state, the individual himself has to be responsible for his own social stability to the best of his ability. The prize on stability therefore becomes very high, and  $bl$  becomes extremely flat. In a situation where there is actually no need for resource-protection, i.e. when an ideal utopian anarchy really prevails - a situation even more improbable to ever occur than the one mentioned above -  $bl$  becomes identical with the abscissa. If we, contrary to what would be expected, would want to build for ourselves a state out of this complete anarchic euphoria, we have to start from the point - if any - where  $tc$  intersects the abscissa and work ourselves up from anarchy towards the authoritarian state along  $tc$ . It is impossible to start at origo, since origo depicts the total absence of resources. In every society there however exists at least freedom-resources. Characteristic for the complete anarchy is that *only* freedom-resources exists, and thereto in an infinite quantity, since  $bl$  is identical with the abscissa. But in reality human existence is characterized by scarcity, and, since men are not angels, nor eachothers equals in everything, there will always be a need for protecting the resources. In the constitutional phase one therefore has to proceed from a point along  $tc$  above its intersection with the abscissa, and, through what Buchanan might call a constitutional shift<sup>28</sup> enter into the authoritarian state.

Why, then, should we give up freedom and submit ourselves to authoritarian government at all? Why should we assume that utility under such a state is higher than in anarchy? The answer is that society under the authoritarian state must be more dynamic than a polyarchic anarchy. Due to the strenghtening of the resource-protection, the single individuals get better possibilities to produce new resources in a greater quantity, so that  $bl$  will shift farther away from origo. When this happens, the total amount of (available) resources is increasing and thus freedom, measured in absolute figures, may also increase to a position to the right of the point of departure, "the original position" in "the state of nature" - anarchy. This is illustrated in figure four.

We see here the possibility that an increase in the access of resources may lead to the establishment of a repressive-totalitarian state if these resources are used only for the production of stability. Line  $a$ . in the figure starts from optimum in a poorer system but will eventually end up in repression. But this risk is hardly a reason for not undertaking the constitutional shift in the first place, as will be shown later.

{Figure 4 approx. here}

The answer to a repression is revolution. It can be presumed that each revolution, in spite of the fact that it, as said above, if successful ends up in a

higher utility as compared with repression, initially will result in a decreased production of and access to both freedom- and stability-resources, whereby  $bl$  moves closer to  $origo$ . Since that state which ultimately will arise out of the ruins of the revolution if anything can not be regarded as repressive, but rather may be considered to be paternalistic-totalitarian, the result will be an increased freedom, e.g. the point where  $a$  intersects  $tc_2$  in figure four. As compared with "the state of nature" we have not lost anything, neither by undertaking the constitutional shift, nor with the revolution. It certainly is obvious that freedom is lesser in this point than that where  $b$  intersects  $tc_3$ , but utility still is higher in both these positions than in "the state of nature", and as long as this is the case, any state is justified.

Let us again study figure two. We see, that  $tc$  is rather pointed so that it, under the prevailing prizerelation between freedom and stability, falls tangent to  $bl$  in a point at which more than 50 percent of the resources are used for the production of stability. If we, for the sake of simplicity, equals expenditure for stability with tax-payments, we may contemplate if a state really can remain authoritarian in such a situation. It would rather at first glance seem more totalitarian than authoritarian. But an authoritarian state is, as a matter of fact, possible even here. In a situation of external threats against the social system above which the state maintains hegemony, the state has of course to consume a greater part of the resources in order to meet and neutralize them. As an example we may take the state of Israel, whose great expenditures on defence does not seem to originate out of a strive on the part of the statesmen to control the people with the army in a manner appropriate for a totalitarian state. Their aim instead seems to be to protect the country against external threats, thus promoting internal freedom. But this does not mean that all expenditures on defence are always justifiable, because if the army is mainly used for coercion, while no external threats exists or, worse, in spite of such threats, then the army is used in a totalitarian, not an authoritarian, manner.

If, on the other hand, the state and the individuals succeed in eliminating all or most of the existing internal and external threats against their lives, freedom and property, there would be no reason to keep neither a policeforce nor an army. The state expenditures may thus be diminished, whereby  $tc$  becomes less pointed and falls tangent to  $bl$  in a position where the need for granting resources for stability becomes lesser. A system which consumes little stability resources is also characterized by greater tolerance and flexibility. Such a tolerant system may, as shown in figure five, be optimally or more than optimally stable in a greater interval of freedom than what would be possible for a more intolerant system with a more pointed  $tc$ . It may even be the case that

the interval (a.) which in the more tolerant system would be considered repressive, includes the whole possible range of hegemony (b.) in another more intolerant system. The degree of tolerance is dependent on how well the statesmen succeed in their totalitarian efforts (if they succeed well, tolerance is small), or, in an authoritarian system, on the type of threats which the system faces. In situations such as war, tolerance thus has to be smaller even if the system still remains authoritarian, due to such necessary restrictions, e.g. in freedom of speech, which the situation requires.

{Figure 5 approx. here}

Decisive for  $tc$ 's pointedness is, as earlier mentioned, the individual's subjective apprehension of his utility in each given rate of substitution between freedom and stability. If a majority of individuals generally place a higher value on stability than on freedom, they are willing to assign a greater part of their resources on state expenditures, whereby  $tc_m$  becomes more pointed. If, on the other hand, they consider that the reverse will more successfully further their utility,  $tc_m$  will take on a less pointed shape. Here we obviously faces the possibility that the statesmen will succeed in talking them into what a libertarian would call an illusion of the benefit of an extensive state from a welfare point of view, or as a protection against alleged threats from e.g. "capitalists", "imperialists" and other malefactors, whereby the individuals are fooled into supporting the statesmen's objectives. The statesmen, however, has to increase the resource-consumption of the state in order not to affect efficiency in too large an extent.  $Tc$  thus has to become more pointed, and  $b$  in figure three has to be as small as possible, e.g. like  $a$ .

The people should however only listen to the statesmen's siren strains under an authoritarian state, since that is the only state under which the efforts of the statesmen is also favourable for utility. But it is indeed difficult to know when optimum is reached, and since the individuals must be regarded as always more or less having the disposition to adjust their way of thinking towards authorities, such as statesmen, when at the same time these statesmen possess a substantial amount of power to influence, if not by gentle means then ultimately by force, the expectations for the survival of an authoritarian state seem rather unfavourable.<sup>29</sup>

Russel D. Roberts shows<sup>30</sup> how those who make the greatest gains from the totalitarian power of the state, which in his example are "the poor", but in our case the statesmen, when the sphere of power of the state becomes greater,

gradually will gain control over an increasing amount of personal power as well, so that the point at which those who benefit the most from the authoritarian power of the state, i.e. the rest of the people, or, with Roberts, "the altruists", gets the highest utility, is transgressed to the benefit of the statesmen - and to those who have either accepted or,  *nolens volens* , has to be their wards - as may well be the case with the poor under certain conditions. This development reaches a position in which "the political support" is maximized. Roberts assumes that "government stays in power by maximizing" the following "political support function":  $P = P(U_D, U_I)$ , where  $U_D$  in our terms would be the people's utility of stability and  $U_I$  the statesmen's utility of stability. This maximizing takes place in the vertex of  $tc_m$ .

Let us now assume, that the power of the statesmen is positively and linearly correlated with stability in the interval vertex - b. in figure 6a, and that consequently their power is greatest in vertex. If we now, through a linear function, graphically depicting this correlation, connect optimum, vertex and b. in figure 6a with respectively vertex, b. and a. in figure 6c, which shows Roberts' political support function, we may compare the optimal distribution of freedom and stability with the distribution of the utility of stability between the people and the statesmen as it appears in Roberts' figure. Since stability is an expression for that which Roberts call "political support" - because a maximal social stability must be considered to rest at least partly on such a support - we find that the maximizing of stability which takes place in vertex in figure 6a, and the simultaneous decreasing of the people's utility to b. in figure 6c, is consistent with Robert's argument.

{Figure 6 approx. here}

The most interesting and alarming conclusion, however, is that it is seemingly *impossible to maximize simultaneously both utility and political support*. The reason, according to Roberts, "is that at /vertex/ small increases in  $U_I$  leaves  $U_D$  unchanged but make /the statesmen/ unambiguously better off". Since support thus is maximized where stability is greatest, this necessarily must take place due to a misconception on the part of the people, who may have been talked into accepting b. as actually most favourable - or at least not significantly more unfavourable than vertex. But if the statesmen say that optimum really is located in vertex in figure 6a, and a sufficiently large number of individuals believe them, then  $tc_m$  will *actually* move to the left so that optimum really occurs in a position with as great a freedom as in the previous vertex. Now the support will be maximized in a position even farther to

the left of this new optimum, and then the statesmen can continue to "pull the system" farther away towards an ever increasing stability, greater state expenditures and smaller freedom and tolerance.

Finally let us now, as a further elucidation of the beforesaid, study the following scenario, which Daniel E. Ingberman<sup>31</sup> calls "the setter model": "A budget-maximizing bureaucrat called *the setter* makes a proposal. Voters either approve the setter's proposed allocation" of state expenditures, "or an institutionally defined alternative called *the reversion* takes effect. The setter's optimal proposal is the largest level of expenditure that will be approved by a majority *given the reversion* . These equilibrium expenditures will always exceed the competitive benchmark, the most preferred level of the median voter", presuming that "the reversion is /not/ identical to the median voter's ideal point". As we see, what Ingberman says here is entirely consistent with our earlier conclusions.

If we now, with Ingberman, firstly suppose that "the reversion is the status quo", secondly that the statesmen put forth propositions favourable to a certain "median statesman's" optimal  $tc$  ( $tc_{OS}$ ),<sup>32</sup> thirdly that  $tc_{am}$  (the median individuals actual  $tc$ ) correspond to the status quo (i.e. that "the competitive benchmark" is identical to  $tc_{am}$  and that it is derived out of the preferences of *both* statesmen and individuals (i.e. all voters), we can at first conclude that if the choice, given these prerequisites, stand between  $tc_{am}$  and  $tc_{OS}$ , then  $tc_{am}$  will win and status quo will be preserved. But since this is not favourable to the statesmen, they should see to it that both "the proposal" and "the reversion" is placed to the left of  $tc_{am}$  and that the reversion thus is *not* identical to status quo. This also happens, e.g. when two parties compete to win voters. Their proposals must always include "change", otherwise there is no reason for them to compete at all. The only courses of action open for the individual in order to countercheck this inevitable increasing of state power now is either to "vote with the feet", to abstain from voting or maybe create an opinion in favour of  $tc_{am}$  or why not  $tc_{om}$  (the median individual's optimal  $tc$ ), provided that it is less pointed than  $tc_{am}$  (if it is more pointed, there is no reason to abstain from voting).

Each social system may now become the object of a study in order to ascertain the possible actual differences between  $tc_{am}$ ,  $tc_{OS}$  and maybe  $tc_o$ , i.e. the degree of consensus or policy agreement between people and statesmen, both with respect to propositions made before elections as well as e.g. through survey studies among statesmen and "subjects" as to their opinions about such issues as the proper magnitude of state expenditure on defence, police, medical

care, social security, pension etc, and also with regard to the size of the state, the importance of individual freedom etc. The ideal position would be that in which  $tc_o$ ,  $tc_{os}$ ,  $tc_{am}$  and  $tc_{om}$  all are identical and fall tangent to  $bl$  in the efficient point.<sup>33</sup>

With the help of the results of such studies, one may design different  $tc$ 's, and thus establish the actual degree of consensus between the opinions of the statesmen and the individuals concerning these matters. The greater the difference, the greater is the risk that the system will move in a direction away from optimum. If the state is totalitarian, this movement will take place to the benefit of the statesmen. Each choice then will stand between alternatives which are all placed to the left of vertex. It certainly seems as if the development towards such a situation is inherent in and a necessary prerequisite for the existence of any totalitarian state.

## NOTES

1. David Friedman: *The Machinery of Freedom*. New York, 1978, especially pp. 151-178. Cf. also Henri Lepage: *Demain le capitalisme*. Swedish translation (Sw.t.): *I morgon kapitalism*. Avesta, 1981, p 48.

2. Robert Nozick: *Anarchy, state and utopia*. Sw.t.: *Anarki, stat och utopi*. Stockholm, 1976, p 44. In Mises' words: "The only legitimate function of the state is to protect the individual from aggression, i.e. to protect his life and property. Whenever the state transgress this original function, *the state* itself becomes the aggressor". (Robert J. Ringer: *Restoring the american dream*. Sw.t.: *Dags för frihet*. Lund, 1984, p 42) Cf. also e.g. Ludwig Mises: *Liberalismus*. Sw.t.: *Kapitalism och socialism i de liberala idéernas belysning*. Stockholm, 1930, p 55: "According to the view of the liberals, the only object for the state is to protect life, health, freedom and property. Everything which goes beyond this is evil."

3. Republic, VIII, 564.

4. Ringer, op. cit., p 37.

5. Max Weber: *Politik als Beruf*. Sw.t. in *Vetenskap och politik*. Göteborg, 1977, p 41. Weber maintains that it is needed of the state that it "successfully demand" this monopoly. Nozick, in op. cit. p 41, considers it enough that the state "make a claim for the monopoly to decide who may use force and when he may do it". Cf. op. cit. p 141.

6. Cf. Friedrich Hayek: *The Constitution of Liberty*. Sw.t.: *Frihetens grundvalar*. Katrineholm, 1983, p. 32f. Hayek, however, makes no account for how negative freedom is actually created, i.e. through power, positive freedom.

7. "Social contracting ... may take place conceptually at two levels or tiers: at some initial stage of constitutional contract, in which agreement is reached on an assignment of individual rights, and at some postconstitutional stage in which individuals agree on quantities and const shares of jointly consumed goods and services." (James M. Buchanan: *The Limits of Liberty. Between Anarchy and Leviathan*. Chicago, 1975, p 33.) According to Rawls, individuals, befor entering into the constitutional contract, faces a "hypothetical situation of choice" which he calls "the original position", where they choose "their first principles in a view on justice which shall regulate all the following critique and reforming of their institutions" (Nozick, op. cit. p 216). Nozick means that the state comes about due to the influences of "the invisible hand": "An explanation of the invisible hand explains what seems to be the product of someone's intentional plan as something which is not created out of anyone's intentions" (Op. cit. p 36). And, of course, the intention is not to create precisely a *state* ,

but protection for rights through, among other things, constitutional and post-constitutional contracting. I am inclined to regard the contract theory at best as a heuristic tool rather than a historic truth. History, I think, speaks more in favour of Nozick's invisible hand - or Hayek's spontaneous order.

8. Social power is often rightly regarded as the content of a relation between individuals. Thus the important aspect of power is its exertion, not the mere possession. But whereas power can be exerted not only in a social context but also in all kinds of human activity it needs to be stressed that the concept of positive freedom contains both kinds of power, i.e. social as well as non-social power. By way of looking upon the problem of stability and freedom as a matter of the exertion and allocation of power, it is possible to extend the applicability of the theory put forth in this paper to all kinds of interhuman relations in a society. Such a sociological analysis, however, must necessarily also deal not only with power vested in individuals, but also with the power of society itself, which manifests itself not only in individual action but also in norms, traditions and morals. This makes the sociological analysis of power more abstract and difficult than the mainly political science-type theory outlined in this paper - but just as necessary! Furthermore, I think that the discussion of social power is mainly neglected by libertarians. They speak more of negative freedom than of the power-related positive freedom which, as a matter of fact, is what negative freedom is all about. It is not sufficient to say that as long as your property is legally yours, you are free to use it - and the power connected with it - in whichever way you like as long as you do not harm other individuals. This works in Hayek's Great Society or "extended order" but in small groups power becomes more visible and potentially more harmful. There is no libertarian small-group theory of the functioning of such groups and the exchange within them.

9. Buchanan, p. 110f.

10. We recognize this as the homo-economicus-theorem. Cf. e.g. Lepage, op cit. p. 39ff.

11. Mises, op cit, p 70f.

12. Anthony Downs: An Economic Theory of Democracy. New York, 1957, p. 28.

13. This is of course a continuous variable. A state can be more or less authoritarian or totalitarian. - Ziegler here makes a dicotomy between an "autoritärer Herrschaftsstaat" and a "totale/r/ Verwaltungsstaat" (H.O. Ziegler: Autoritärer oder Totaler Staat? Tübingen, 1932, p 15). "Die eigentliche Intention der um die Kategorie des totalen Staates gruppierten Vorstellungswelt geht ... nicht auf die Machtsicherung einer Herrschaftsunabhängigkeit, sondern auf Ausweitung der staatlichen Kompetenz" (Op. cit. p. 23). Democracy is however

not contrary to this total/itarian/ state. "Vom totalen Staat zum eigentlichen 'gegner' /wird/ nicht die 'Demokratie' sonder der 'Liberalismus' erklärt" (Op. cit. p. 7). "Der totale Staat bleibt stehen bei einem ... postulat der Staatsausweitung, deren sich Demokratie wie Diktatur bedienen können" (Op. cit. p. 29f). The authoritarian state, on the other hand, is one which "auf seine politischen Aufgaben konzentrierter und begrenzter /ist/" (Op. cit. p. 15. It may be noted, that Alexander Haig makes a similar distinction, related in e.g. Svenska Dagbladet, April 17, 1981.) - I am aware of the fact that the word "authority" or "authoritarian" in common language is used mainly in a pejorative manner. My usage is more connected with a positive valuation, and since I have not found any better word with which to denote the libertarian power of the state, it should be remembered that the meaning of the word in the context of this paper is *not* that of everyday language.

14. Cf. Robert A. Dahl: Modern Political Analysis. Third edition, 1976, p 83. My definition of polyarchy is more extensive than Dahl's.

15. "When organization increases, democracy begins to decrease. Its development takes the form of a parabola. --- When there is strong organization, we find in reality a lower degree of democracy" (Robert Michels: Zur Soziologie des Parteiwesens in der modernen Demokratie. Sw.t.: Organisationer och demokrati. Uppsala, 1983, p 45).

16. There is certainly always some production which may be considered "objectively" useless, but as long as enough people consider the products useful, they will anyway be produced.

17. Hence we assume that there is no such thing as "social utility". Only individuals can experience utility, and if they do not, no utility exist. Cf. Friedrich Hayek: The road to serfdom. Sw.t.: Vägen till trälldom. Stockholm, 1944, p 74ff).

18. The problem concerning how resources transform into utility is here left unsolved. In the text these words are treated as synonyms.

19. The fact that  $ic$  should fall tangent to  $tc$  and not to  $bl$  follows from the assumption that the individual in this situation wants to establish what quantities of freedom and stability that he actually control or would want to control, and consequently not what is the prize on freedom or what possible efficiencylosses that may occur. (Freedom is always treated as the independent variable, not stability, prize or efficiency.)

20. There is certainly also the possibility for him to consider himself being less well off with a diminished stability, since the risk may increase that he should lose even those (scarce) resources which he actually possess. In that case the individual is more inclined towards guarding his existing resources - which the

state has provided for him - than trying to augment them. This can, however, be considered distinctive only for a paternalistically inclined subject, but hardly for free men. It should be noted that such a disposition among the citizens are completely aligned with the objectives of the statesmen.

21. Buchanan, op cit, p 115.

22. Downs, op cit, p 42.

23. This is a variant of the median voter theorem. Cf. e.g. Gordon Tullock: The vote motive. Sw.t.: Den politiska marknaden. Avesta, 1982, p 32 ff.

24. Cf. Daniel E. Ingberman: "Running against the status quo. Institutions for direct democracy referenda and allocations over time". Public Choice, Vol. 46, No. 1, 1985, p 24f.

25. Herbert Spencer: The man versus the state, Indianapolis, 1981, p 49f.

26. Op cit, p 54.

27. Cf Nozick, op cit, p 26f.

28. Buchanan, op cit, p 30.

29. "Violence therefore never can be annihilated and really abolished: it must still exist and one can only wish and demand, that it may stand on the side of righteousness and be allied with it. --- To coordinate this with justice, so that it may act through power, is the problem of statecraft. --- But this power originates in the crowd, where it associates with ignorance, stupidity and fraudulence. Under such difficult conditions, it is thus the closest problem of statecraft to suppress this in any case physical power, and make it serve under intelligence and spiritual superiority. But if this also would be found not to be coupled with honesty and good intent, then the result, if it turns out successful, will be that the thus consolidated state is built up out of cheaters and cheated" (Artur Schopenhauer: Parerga und Paralipomena. Sw.t.: Om lidandet i världen och sju andra uppsatser ur Parerga och Paralipomena. Stockholm, 1929, p 95ff).

30. "A taxonomy of public provision". Public Choice, Vol 47, No. 1, 1985, pp. 273-279.

31. Ingberman, op cit, p 20. Cf. Thomas Romer and Howard Rosenthal: "Political resource allocation, controlled agendas and the status quo". Public Choice, Vol. 33, No. 1, 1978, pp 27-43.

32. The statesmen also have their views as to where  $t_{cam}$  is located, which is used in a  $t_{cas}$ . This view of theirs is probably most often wrong, in that it places  $t_{cam}$  to the right of its real position, whereby the statesmen falsely would believe that the state is less total than what is really the fact (or than what the median individual thinks it is).

33. Studies within this field have been undertaken, though not within the

framework of my model, e.g. in Sweden by Sören Holmberg. It is presented in his doctoral dissertation "Riksdagen representerar svenska folket" (Parliament represents the Swedish people), Lund, 1974, especially pp. 62-93. His conclusions are pro primo that "consensus of opinion between electors and elected on specific political issues, is correlated with the positions of the parties on the left-right-dimension: the more to the right, the higher the degree of similarity in attitudes between parliamentarians and electors", pro secundo that "all parties in parliament assume a position on the left-right-dimension to the left of that of their respective groups of electors" (p 92f). Is this maybe the work of Schopenhauer's cheaters?

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Figure 1

		<u>Individual freedom</u>		
		-	+	
<u>Social</u>		Totalitarian	Authoritarian	
	+	state	state	(Hegemony)
<hr/>				
<u>stability</u>	-	Revolution	Anarchy	(Polyarchy)

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**FIGURE 2**

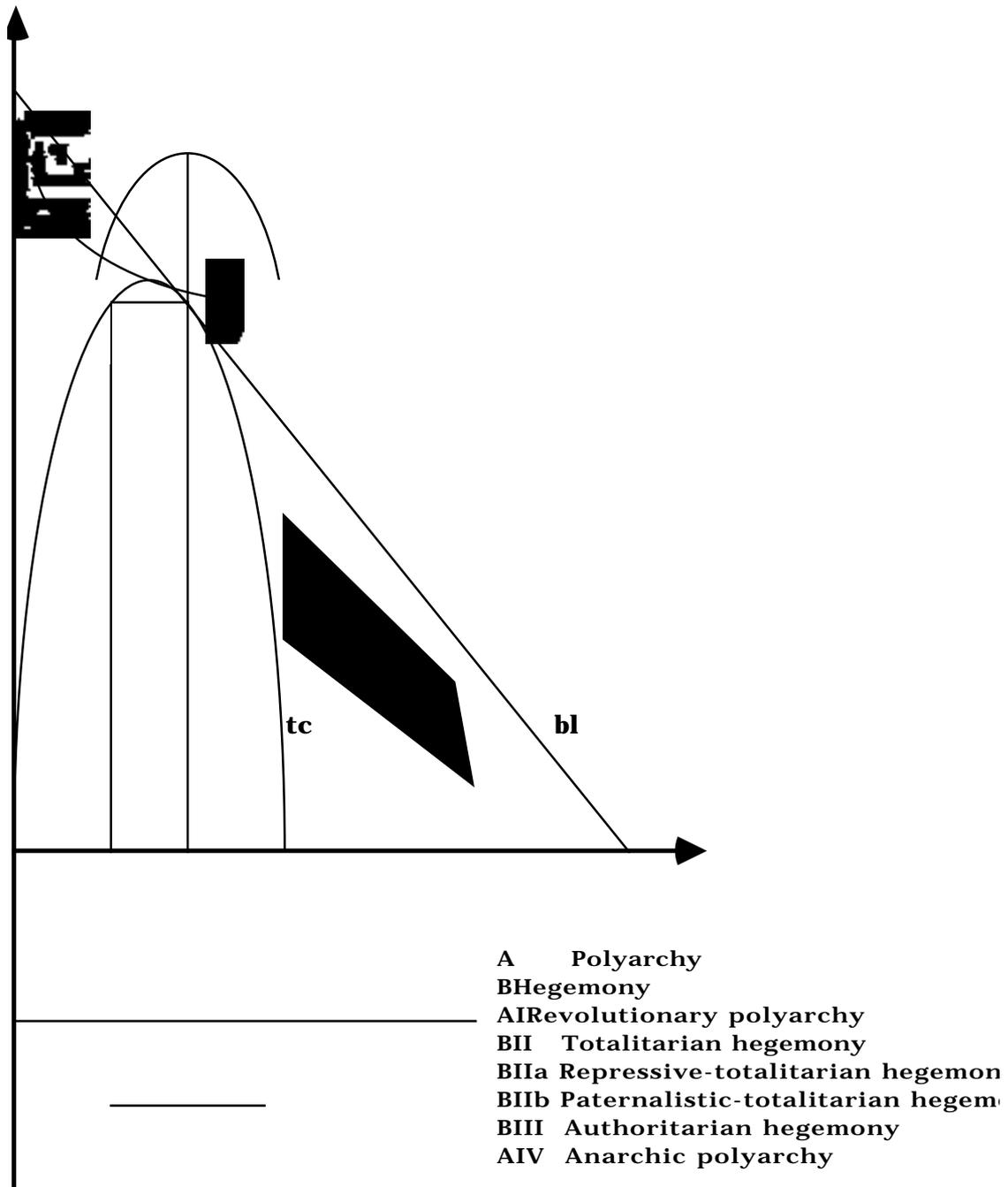


Figure 3

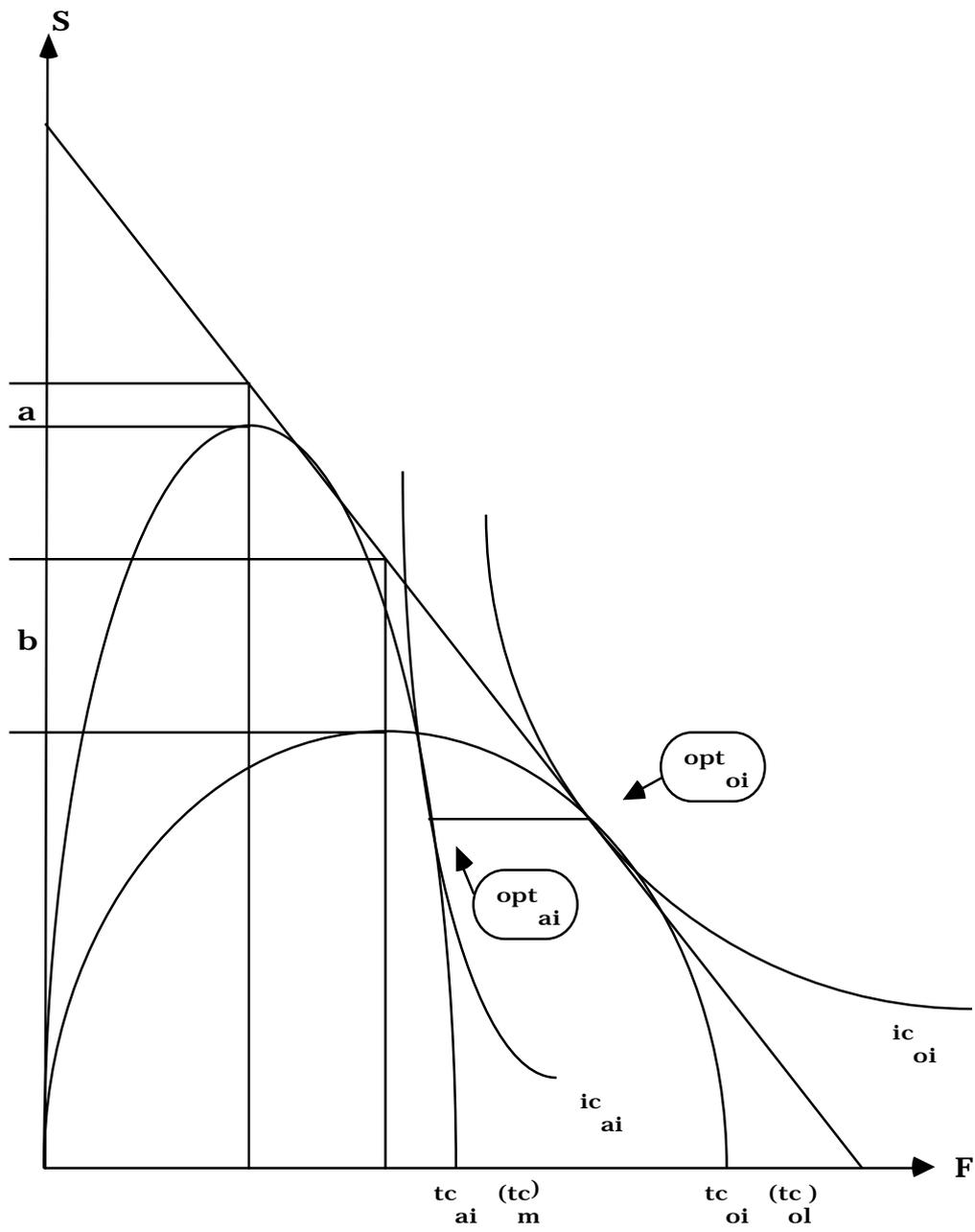


Figure 4

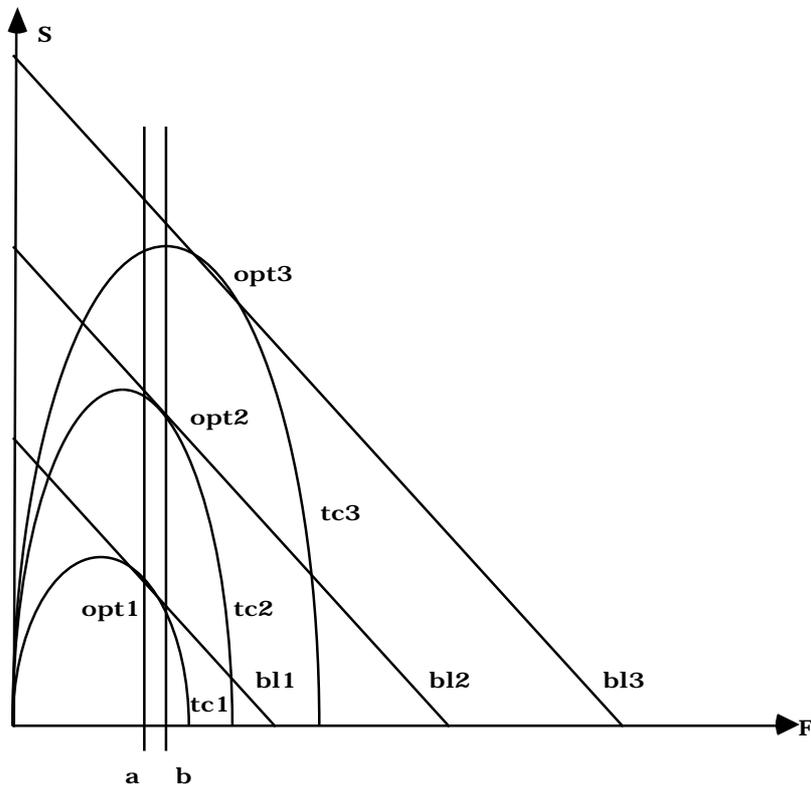


Figure 5

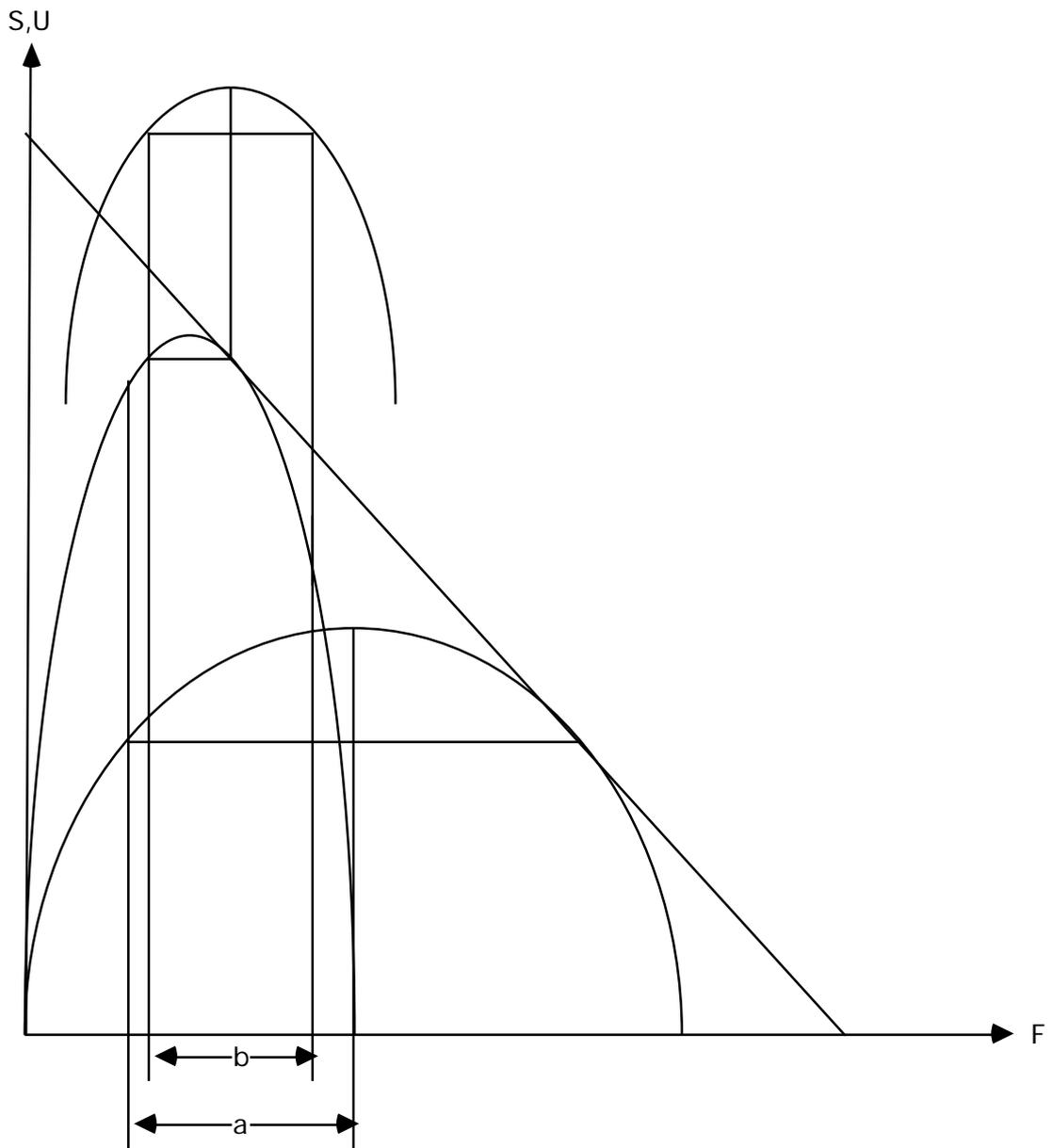


FIGURE 6a-c

