http://fff.org

The Calling: The Private and the Public

Author: Steven Horwitz

I am thrilled that I am able to bring "The Calling" to a new home here at The Future of Freedom Foundation, and equally happy to have my friend Sheldon Richman once again as its editor. For this first column in its new home, I want to look at another example of one of my favorite concerns for modern libertarians: the importance of words, language, and rhetoric — in this case, the use of "private" and "public."

Conventionally, we (libertarians and others) distinguish between the "private sector" and the "public sector" in referring broadly to the market and the state respectively. The source of this differentiation is that the market involves privately owned property, while the state's property is said to be under public ownership. Thus the way in which we distinguish the two kinds of ownership spills over into our larger conception of the two sectors.

Whatever the truth and power of this way of framing things, it is misleading about the nature of the market and the state in two important ways. First, is state property really owned by the public? Any meaningful notion of ownership must include some ability to control and direct the use of that property. In fact it is not the public that de facto owns state property. Rather, it is the politicians and bureaucrats who control it. We know that the public's ability to get the political process to do what it wants is limited because of the disconnect between those wants and the self-interest of the political actors. All the problems described by public choice theory suggest that voters and citizens will have a hard time making political actors do things that are not in those actors' interest.

By contrast, the nominally "private property" associated with markets might, in some ways, better be seen as owned by "the public." Who really controls the property and wealth of firms in a competitive market? I would argue it's the public. We determine their fates through our decisions to spend and not spend in a process often termed "consumer sovereignty." Unlike the political process, in the market the ultimate customer is able to affect the behavior of those who legally own the property. Firms must make a profit and must therefore respond to consumer demand. It is all of us, in our capacity as consumers, who determine the ownership of resources in the market. That, arguably, is more public than private.

Second, when we compare how firms in the market and state agencies and departments conduct their business, the public-private distinction seems misguided for other reasons. How much do we really know about what government agencies do compared to what we know about firms in the market, especially large, *publicly traded* corporations like Walmart or Apple? If I want to find out exactly what the CIA or FBI or any number of government agencies do, I will find that their operations are shrouded in secrecy. In other words, they are quite private. Beyond these sorts of agencies, plenty of others operate in relative autonomy, with much that they do mostly shielded from the public. (And we should not neglect the "privately" owned government monopoly that is one of the most secret institutions of all — the Federal Reserve System.)

The Future of Freedom Foundation



http://fff.org

Large corporations, on the other hand, issue all kinds of public reports about their behavior. Yes, some of these are required by law, but not all of them are. And were they not required, in a world of instant information, there would be immense competitive pressure on such firms to produce similar information. Those same information processes let people know what those firms are doing even if the firms themselves don't issue the information. We know far more about Walmart's goals and day-to-day operations than we will ever know about the CIA or FBI or the U.S. military. In these ways, the supposedly "private" sector is far more public than the supposedly "public" sector.

Although I am not suggesting that we try to flip these terms around, I am suggesting that we should be looking for alternatives to the public-private distinction. And I am suggesting that we should be conscious about articulating the ways that governments are not very public and the ways that firms in the market are not very private.

The very public nature of the information about market firms is one factor that enables the public to be the ones controlling the direction of their resources, and the lack of information about the state is a huge part of what enables everyone *but* the public to control its resources. Libertarians might do well to emphasize these points more.