



Episode 316: Who Will Build the Roads?

Guest: Bob Murphy

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WOODS: It was inevitable, right? The roads had to come up as a subject. I think I've talked to Walter about this a little bit on the show at one point—Water Block, of course. But at one point or another, the subject had to come up. It may as well be today.

You sent me a post over on Reddit. Apparently there is an anti-libertarian Reddit forum. Maybe there are a hundred of them, for all I know, but somebody posted something about his experience with private roads. It's a laundry list of complaints about private roads and followed by his conclusion, which is: given all these terrible aspects of private roads, you've got to be kidding me, being a libertarian proposing that this could be your actual solution to the road issue. So when you sent that to me, I thought all right, well, you know what? Let's make a show out of it.

Let's start with a big picture. Give me the big picture of the issue of roads and this particular person. He's writing under a pseudonym. So we're not being disrespectful when we don't use his name. It's not that we're trying not to mention it. We have no idea who he is, right?

MURPHY: Right, exactly, yeah, and just the background on it: the only reason I thought it was worthwhile sending it to you is that I saw a prominent, progressive blogger—economist—tweet this out to his fans, sort of haughty, like ha, ha, this guy really blew up these libertarian idiots, and that got a bunch of likes and so forth—favorites—whatever it is on Twitter. And so that's what made me click on it to say, oh, a stunning refutation of our views on roads, and as I was saying to you before the show here, Tom, if you can suffer the sarcasm and the snark, this is actually a good firsthand account of how the private sector can provide roads, and so it's astonishing to me, and we can sit there and comb through it, and we'll get to it, I suppose, the thing where we bend over backwards and say, oh, I guess he kind of has a point here, but even there it's pretty easy just to show, well, no, that's actually a strike against the government and not against private markets.

WOODS: Let me make sure everybody knows that you can click on and view this post on the show notes page. I will put it up at TomWoods.com/316 so you can read along for yourselves. This guy has had some experience, apparently, in logging and forestry and timber, etc. And so that's where he's had experience in this area.

MURPHY: Right, so the way he starts his rant, or whatever you want to call it here on Reddit, is he says, look, it's become sort of inside joke among libertarians dealing with the road question such that they don't even bother talking about it anymore. They just think it's a laugh line and they move on, but actually, this is a serious issue, and there's lots of problems with the private provision of roads, and I know from firsthand experience because I spent some years in the logging industry, and there's all sorts of privately owned roads that timber companies maintain in order to get to the forest and get it out to the mills and so forth. And so his angle is to condemn libertarians for having this joke about who would build the roads. He's making it sound like the libertarians are ignorant of the fact that the private sector maintains all sorts of roads right now and it's the libertarians' fault. And so right away I just want to be clear it's not a straw man: when we joke about who would build the roads, I have literally have had relatives when they hear my views say to me, and they are not saying it to be combative, they are genuinely asking me: but Bob, if there were no taxes and no government, who would build the roads? They mean that sincerely. So this isn't a straw man for us to deal with that issue on basic terms. And then certainly we can go in and out and look at the guy's specific complaints, but I think right there that's a slam dunk case to say, look, we're no longer arguing about will there be roads or not as many statist imply would be the outcome. Now we're just arguing about are the roads under a private market provision approach better or worse than the ones that the state is currently providing. This guy is conceding that the private sector certainly can produce roads.

WOODS: All right, so that's half the battle, as you say, it's showing that this isn't just some theoretical thing that you and I are spinning for fun, and that you don't have to go back to 19th-century toll roads to see examples of private roads, that you can actually see a great many of them existing right now. If you can get that concession, well, then really you are bickering over details after that. Then it's a question of what are these roads like? Are they better or worse? Are they more expensive? Less expensive? You can ask about questions like that.

MURPHY: Right, and so what's kind of annoying me was he was making it sound like it was the libertarians' fault for questioning whether the market could produce roads at all, and of course, that wasn't the reason we say who would build the roads. It's not like Murray Rothbard just out of the blue entertains this notion to knock it out of the park. The reason we make that joke, who will build the roads, is that so many people say to us: who would build the roads? That's why it's a joke. So, yeah, besides the annoyance of him trying to spin it that it's our fault that we get asked that question all the time, you're right: it's half the battle right there because I think for most people—and especially with things like private provision of law or things like that—it's more of a conceptual issue. They understand how some raw, well-defined commodity could be easily be produced by private competing businesses much more efficiently and humanely than by a monopoly state. It's just with certain types of network goods or things that it seems like you need the whole system in one fell swoop. Otherwise, it doesn't work. That's what for a lot of people provides a conceptual stumbling block, and so you're right. The fact that he's conceding right now there are extensive networks of privately built and owned and

“regulated” roads in the current United States right there, I think for a lot of people would make them say, oh, so maybe this Rothbardian idea isn’t so utopian after all.

WOODS: Let’s talk about some of the specifics here. Toward the very end he says that the whole thing is laughable that private industry could take care of all our transportation needs, and he says that one of the reasons that it’s laughable is how expensive it is, and that would be especially difficult if you don’t have eminent domain. So, yeah, if you don’t have the power to just tell people to cough up their property, gosh, things are a lot harder. Bob, I don’t know how the private sector builds shopping malls or buildings of any sort or really anything, because after all, it would be a heck of a lot cheaper if they just had the power to force everybody to evacuate the existing buildings.

MURPHY: Right, and it is funny how there is the selective concern over individual property rights. A lot of progressive leftists are just shocked at the idea that the Keystone Pipeline—if that were to be built—why, the government would just come in and give the rights to private industry to build a pipeline through somebody’s land, but the guy didn’t want that, and that horrifies them. But yet, when it comes to building an interstate highway, all of a sudden, oh, it’s these rubes out there—these libertarians who insist that, oh, if I own my land that means bulldozers can’t come through and kick me out and make me move. So, again, I don’t know this particular guy. Maybe he’s very consistent on this point. But certainly, in general when people bring up eminent domain, it depends on what the issue is whether they are for it or against it I’ve noticed a lot.

But back to this particular issue. You’re right. One of his main objections, and that’s the thing, again, I have been reading this guy’s whole rant here, and there’s very little that even *prima facie* is an argument. It’s mostly saying, yes, the private sector maintains thousands of miles of roads right now, and here’s how it works. But as far as why would we think that is a worse system than the state—to me, he has two main arguments. One of them was, like you say, that they are expensive. And he’s got some vulgarity in there and so forth saying, oh, you wouldn’t believe how expensive these things are, and even major corporations—the big timber logging companies—have trouble financing them. Okay, but again, by just giving the government the power or the authority or the responsibility of building something doesn’t all of a sudden make it cheaper. No, on the contrary, it makes it many times more expensive, and we know empirically that that happens. We also can theoretically explain why when political officials are in charge of dispersing funds to do something, the costs get escalated well above what happened in the private sector analog. But beyond that, again, just how does the government pay for the roads? Well, right now the interstates and so forth—they are financed by primarily the federal gasoline tax, 18.4 cents a gallon. And there’s the Interstate Highway Fund, which was broke at least as of going last August. There was a big conflict, and there was a debate over, gee, should we let the states charge tolls on the roads because right now the rule has been individual states could charge tolls instead of toll booths and what have you. They wanted to build more lanes. But as far as the original infrastructure, like with Eisenhower and all that

stuff, they were not allowed to charge tolls on it because in theory—in other words, they would be like the federal government building something with federal dollars, letting the states use it, and then double dipping, and so that wasn't allowed. So the point is there is billions of dollars, literally, that have already been taken from taxpayers that are getting put into maintaining the existing structure. So the question is not how could the private sector build a really expensive thing. The issue is, yeah, roads can be expensive, and do you think that the state or private businesses are more likely to contain costs and to build roads in an efficient manner?

WOODS: Yeah, I think what he's kind of suggesting is, I wish the kinds of roads that I need to use for my profession could be subsidized. Then they would seem cheaper to me. But that's kind of a selfish, self-centered way to think about social problems. I think we need to think in terms of the needs of all of society. When something is expensive, what that actually means conceptually is that the resources needed to produce it are very, very urgently demanded in other lines. There are other uses for those resources, and you'd better really be able to prove and demonstrate that the purposes for which you intend to use them are of very great importance. That's all it means for something to be expensive. So those resources necessary to make those roads don't suddenly become less urgently needed elsewhere simply because the government is directing the construction. It's the same fundamental problem of scarcity that we face either way.

MURPHY: I don't often disagree with you, Tom, but here I think you're giving him too much credit.

WOODS: All right, on that I'll concede. You can disagree.

MURPHY: Yeah, I think you made his point coherent. I think he's just lamenting and saying I cannot possibly imagine—in other words—just these little gravel roads that go from the forest down to the mill—if that costs as much money as I've seen with my own eyes that it costs, and I've seen the sums involved, and I know it was really difficult for my firm to get the financing to just make that crappy road that's good enough just to have a logging truck go over. I can't even imagine how could they possibly pay for these beautiful interstate highways that I use when I go on a long road trip. It's just, no. No private business has that much money. I think that's what his point was that he just can't conceive of large companies being able to handle the volume of spending that he knows the U.S. federal government can handle, which if that is point—you and I have to fill in the gaps here because he didn't really spell it out. But if that is his point—and I have seen people say all the time—talk about international space exploration into outer space—things like that. Oh, should we send a colony on Mars? That sort of thing. A lot of people just say point blank, up front—well, clearly the government has to do that because private business couldn't afford it, and so everything you said, of course, is perfectly true, Tom, but I am saying I think to these people it's—they are not even getting the level of sophistication you are attributing to them.

I think they just don't realize that the private sector is capable of raising billions of dollars for specific projects. And the other thing, too, is to see how it's more manageable. It's not like there'd be one company that would be in charge of financing and constructing every single road in the current geography of the United States. That's not what would happen. It would be distributed and decentralized so that perhaps the big shopping mall in a certain town would be the one that would underwrite the construction of all the little connecting roads for a few square miles around it because it would just run the numbers and realize it would be easier if we just own this and maybe we have some ads occasionally—or keep it “free” so people aren't having to pay tolls every three blocks in order to ease the flow of traffic into and out of our shopping mall. We can charge our vendors more for renting space here because they know it's easy for customers to get in and out. There's various models that would happen. Or large—what would be like our current interstate system. Surely, one company might own a few of those types of things, but it's not that there'd be one giant company that would have to finance hundreds of billions of dollars to just pave every single road surface in the country.

WOODS: Well, also on that—in that regard—he has a snarky little aside where he says, “I have never heard a libertarian explain how the cost would be managed in their ideal world. Remember, no large corporations exist without government in libertopia—ha, ha, I know.” So in other words he's saying that apparently he thinks our argument is that businesses only become big with the help of government, but although there is a wing of libertarianism that argues that, that is not by any means the mainstream view. I have never denied that you would have pretty big companies in a libertarian world. But also, when he's talking about the roads that are used by the logging industry and complaining that he wishes they could be of better quality and so forth, again, it's a failure to think economically here because when he says that he wishes that the roads could be more luxurious than they are, what he's really saying is he wishes that resources could be siphoned off from some other present use and diverted to his industry. So he's got to be specific here. I want him to tell us what current use do these resources have that in his judgment—his completely non-arbitrary judgment, of course—is less urgently needed than what he needs them for.

MURPHY: (laughs) Right, well, he probably would tell you if you gave him another a shot on Reddit.

WOODS: Right, but again, we would see the completely arbitrary nature of this. We would all like whatever it is that we work with now to be of higher quality. The reason it isn't is that we can't command the resources. The reason we can't command the resources is that they are being commanded by people who have much greater consumer demand behind them and can command those resources. I would love to be able to have the services of 10 personal assistants during the day. But because labor is more urgently needed elsewhere, I can't command that labor, and that's okay. I don't sit around saying, well, therefore labor markets don't work, or we can't have private labor markets, we have to collectivize labor or something. I just recognize this is the nature of scarcity in the world.

MURPHY: Right, exactly, and that is what's so ironic about this lament, and when people say, oh, that's just too expensive, private business couldn't possibly handle that: again, resources don't magically multiply just because the government is in charge of it. Like you said, there's this fundamental fact of scarcity, and if you want to divert more labor hours and concrete and steel and paint and what have you, construction equipment, into building roads, well, that means those resources aren't available for something else. And it's precisely the decentralized, private sector with property rights where you don't have the equivalent of eminent domain that ensures the best possible allocation of those resources. Because not only this guy writing on Reddit, but neither Tom Woods nor Bob Murphy knows exactly where these resources ought to go. That's what you have the profit-and-loss system for.

His other main complaint, again, we've been both—Tom, you and I have been scouring this thing trying to figure out what's the argument to attack here, is that he suggests the logging roads are very dangerous, and so it horrifies him to think they would do the same sort of thing to the general public as these libertarian nut jobs want. And so maybe you've seen it too. On Facebook, people occasionally send around these extreme videos that are really scary; they mount a camera on a logging truck that's going up some really death-defying, cliffhanging road that's just hugging the side of a mountain or something that's very narrow. So I am sure that very precarious roads in the logging industry do exist, but again, look at the context there. It's because there are certain really accessible sites, and then they have to get the trucks from there down to the mill or wherever they're going ultimately, and yes, there is a cost-benefit tradeoff, and so the question is: this particular guy didn't die, obviously, and he didn't relate any personal grisly tales. I went and looked. I could not find any apples-to-apples comparison about deaths per motorist on logging roads versus the general public, because clearly many thousands of people die on government-owned roads. That's one of Walter Block's main points: that if private business had the deaths of its customers that governments have on government-owned roads, there would be a national outcry. There would be commissions and so forth looking into this, and there'd be all sorts of penalties being imposed on these awful businesses that are killing their customers like crazy, but nobody thinks that when there is poorly designed public roads that allow a drunk driver to kill a bunch of people because the speed limits aren't what they should be or because the off-ramp isn't designed properly or they didn't put the right signage at a certain intersection. And lots of people are dying there, but yet the politicians don't get around to fixing that.

All those problems with public management—I'm just using *public*, of course; really we mean state management—are systematic things; statistics for how many people die on government-owned roads are appalling. But anyway, I found this report on logging deaths in Washington state from 1998 to 2008, right. For an 11-year period there or a 10-year span, they break it down, and so far as I can tell, in terms of people who clearly died because of an accident that occurred while driving on a road—and it doesn't even specify a logging road; this could be that they at this point have gotten onto the interstate—was a total of 10. So one per year in the state of Washington. So again, we don't know how many total drivers there were, and so

proportionally maybe that's a big number. I don't know. I couldn't find statistics to that effect. But again, the idea that the strike against it is, oh, my gosh, this is clearly way too dangerous, so we wouldn't foist this on the general public, *prima facie* it's not at all obvious that's the case. And it's not as if private businesses, when they were building something to be the analog of the interstate, would have something that would be a gravel road on the side of a mountain. The reason those gravel roads are on a side of a mountain is if you have to get logs from an inaccessible point somewhere else, you're not going to build a four-lane, smooth highway.

WOODS: Right, it seems a little strange to take this outlying example and try to suggest that, well, I guess Interstate 70 in Kansas would be a gravel road under these money-grubbing libertarians if they had their way.

MURPHY: Yeah, I don't know. I guess it would be like saying, look at the food that the astronauts on the Apollo missions had to eat—

WOODS: (laughs)

MURPHY: You're telling me you want the government to have school lunches? Look at what they're eating up there in orbit. That's crazy.

WOODS: Yeah, but it goes to show that there's a deep double standard at work with so many libertarian critics. The funny thing is, they think we have a double standard, and they're going to set us right. But when you talked about the Walter Block point about fatalities on the roads and the highways in particular, that is a great example of a double standard because our critics treat those fatalities as if they are just some kind of force of nature that has no cause, or that surely we can't bother looking for one. These things are just going to happen. But you're absolutely right: if they were taking place on private roads, it would be the fault of the private road owners—indeed, as this guy is saying here! He doesn't say, well, look, it's a dangerous situation, the routes are dangerous, that's the nature of the thing, there's nothing you can do about it. He blames the private owners. But he never, ever blames the government owners for the same kind of situation.

Let me point out also in here that he talks about security. He goes through all these different factors that make these roads undesirable. He says, "Security: Yep, just like public roads, we have to pay for security to keep riffraff out—another huge cost." How in the world is that an argument against private roads? Did we ever say that private roads wouldn't have to pay for security or that they would be cheap or whatever? That has nothing to do with the argument at all. Why does he think he's answering us there? And he says, "Just like public roads." I know. So they are paying this expense, too. Right.

MURPHY: Yeah, exactly. Again, Walter Block's student could use this as a firsthand account to show that, yeah, Walter's right. Someone might say you couldn't have privately owned roads because without the government police protecting and providing security, you'd be helpless and everybody would be getting pulled over by bandits, and then this guy could say, oh, well,

we actually did have privately provided security. They had to pay for it, of course. It's not like we had people protecting stuff and building gates for free, but we did have security. The great thing to me—I actually learned something from this article. I realized how much the private sector had provided its own network of roads and all the things that would have to go along with it.

WOODS: Let's bring up at least one more point here. "Gates, gates, gates," he says, "I can't tell you how many hours I spent unlocking, locking, and going through multiple and often redundant gates between property owners," and then he says, "The thought of highway-level traffic volumes going through these roads is laughable." Okay, but is this, again, just a question of, highway-level traffic wouldn't be going through a logging road on a route like that? So the comparison is not really a sensible one?

MURPHY: Right, exactly. For example, when I left college, and then during the interim period before I went to grad school, I lived in some sketchy neighborhoods in Chicago and then New York. And certain businesses, they were in high-crime areas, and they would have procedures in place like the employees would work behind bulletproof glass and things like that. They wouldn't take credit cards or personal checks, things like that, because clearly they had been burned in the past, or as they read about what was happening in that neighborhood, that's what they did. So to me, that was beautiful. That was the market responding to the situation at hand and in a wonderful way. You might have thought it would cripple it, but no. The market adapted, and the same thing here; given the situation they face, what can they do? A lot of critics *a priori* might have said, well, gee, in a situation like this, where the police are completely inaccessible and so on, there just wouldn't be a road. Why would some company bother building a road when you couldn't—and they would say, oh, well no, you could have gates and things like that, and that's part of it. And he discusses all these ways of paying for it and how do they have easements and things like that, and look at all the negotiation that needs to take place when a company wants to come in and build a road, and how do they compensate the local landowners and things like that. So again, that's the market at work. If you saw the company come in and hire a bunch of people to build, I don't know, a giant swimming pool or something, I could sit there and say, oh, my gosh, do you know they had to strike up negotiations with all the workers and agree on how much they were going to pay them and so forth and what time they needed to show up for work? That was just a big headache. I don't understand how the private sector could possibly build a swimming pool. Look at all that negotiation that was involved. That's crazy.

WOODS: What do you think is the overall case to make in terms of roads for somebody who is skeptical not out of hostility, but just out of a lack of imagination—somebody who would say, I can understand how you could make the typical consumer good in a free market, because I see how you can earn a profit from it very directly. Somebody purchases the good, you earn a profit, you make more of the good. But with roads, it's going to be somewhat more indirect because although we know there are toll roads, nobody wants to have a toll every ten feet, and

so therefore no road owner in his right mind would set it up that way. How would it be set up? What would be a plausible way of thinking about how this could work?

MURPHY: Well, with all this stuff—with roads as well as more esoteric things about privately produced goods that people typically associate with the state, I just need to remind people that what you need to do is compare the real world in both cases. Don't compare a hypothetical, perfect state provision—from a Paul Samuelson textbook—with what you think would happen in practice with real-world entrepreneurs. So for example, if you're worried and say, oh, man, I don't know with the profit motive behind everything, I bet you you'd have to stop every few miles and pay a toll, and you'd just see all these billboards with the crassest things. Right, and that's exactly what happens when I drive to my parents' house in Florida on I-75 there's a stretch when I get off on the throughway or I forget what they call it—a turnpike. And it's amazing when I go down to the Orlando airport how many tolls I have to pay, literally like every few miles, and then also, I'm just inundated with billboards for strip clubs and all kinds of stuff just going down there. This is the current system. So when people talk about what would happen under the bad profit motive, *that's what happens right now*. Okay, and so the other thing is, people have no idea or non-economists have no idea of just how wasteful it is in major areas when the government charges an inadequate toll.

So in New York City, for example, every workday there is a huge traffic jam from people going into New York City or into Manhattan and then going back home later in the day, and traffic gets backed up, and there's lawyers and accountants and lots of people whose time is extremely valuable, and they're stuck in traffic for hours, when if there weren't all the other cars there, it would be a very quick, 15-minute ride both ways. And that is fundamentally because there is a shortage, that the price charged for the use of those resources is too low, and they do have peak pricing, but it's not peak enough, and the ultimate solution would be if that were all privatized and companies had the ability to build other sorts of ways of getting in and out, then you would not have those huge traffic jams. And so it's just mind-boggling when you sit there and multiply and figure out how much productivity is lost from productive workers being stuck in traffic jams every single day just systematically, institutionally because the government owns these things and doesn't charge the right price for them.

WOODS: And again, this isn't even treated as an issue. I don't see people talking to us about roads acknowledging any of this. They would probably, if I were to ask them, think that traffic jams are just, again, a force of nature because they are a problem occurring on government property. They therefore are a force of nature that have no explanation. That seems to be the general rule.

MURPHY: Or if you press them, Tom, they would say, well, you're right. There are deeper causes. The problem is people are greedy and individualistic, and they want to ride in their own, little personal fiefdom of a car, and they don't want to just take the subway like any other decent-minded person would do.

WOODS: Yeah, that's the usual thing, and the thing is, there are people on the left and the right who from the start have hated the car and for the same reason: because it promotes individual independence. A traditionalist conservative doesn't like that. Stay in your old neighborhood of birth, citizen, and you're going to like it. And then those who want to impose their blueprints on society can't have people driving around wherever they want. So in contrast to both of those, we libertarians strike that beautiful middle ground of liberty here. Well, Bob, I appreciate your time. I wasn't really sure if we'd be able to sustain this for a whole episode. I don't know why, after so much experience I've had talking to you; we could talk about pretty much anything and get 30 minutes out of it. Thanks a lot.

MURPHY: Well, thanks for having me, and yeah, there were a lot of details you and I glossed over, and so I would encourage people just to go Google Walter Block, private roads, and you'll find various essays of in-depth length or full book-length treatments and so forth.

WOODS: Oh, yeah, I'm way ahead of you—tomwoods.com/316 is the show notes page. I've already got Walter's book link there. I've got information about you linked there. The article that we're talking about is linked there—tomwoods.com/316 is the indispensable accompaniment to this episode.