

BRIEFLY NOTED

Say and the Sun King's 'Charity'

BY PIERRE LEMIEUX

When Louis XIV was urged to devote more of the French treasury to charitable causes, the Sun King reportedly replied that royalty dispenses charity through its own lavish spending. That idea is completely wrong, as economist Jean-Baptiste Say would explain a century later. Say, who pub-

lished the first edition of his *Traité d'économie politique* in 1803, had trouble with authoritarian figures, and vice versa: Napoléon blocked the publication of the second edition of the *Traité*, which was printed only after his fall. Autocrats typically don't like economists.

Say was an admirer of Adam Smith and was often called the French Adam Smith. On many topics—notably utility and value—his economic analysis was ahead of Smith's.

Circulating money? / Let's focus on Louis XIV and the idea that government expenditures are beneficial per se—even if the money is spent on gilded ornaments, or perhaps gilded ballrooms—because they fund economic activity. In the second and later editions of the *Traité*, Say reported that Madame de Maintenon, Louis's second wife, urged the king to give more to charity and was answered that "royalty dispenses charity by its profuse expenditures." Even if the story is apocryphal (Lavallée 1866), this general idea was obviously circulating during and after Louis XIV's time, prompting Say to write:

There has been long a prevalent notion that the values, paid by the community for the public service, return to it again in some shape or other; in the vulgar phrase, that what

government and its agents receive, is refunded again by their expenditure. This is a gross fallacy.

He was dismayed that as esteemed an intellectual as Voltaire echoed this fallacy. The several sumptuous buildings and palaces of Louis XIV, Voltaire wrote, "had served to circulate money in the whole kingdom." Say took this as "a decisive proof of the utter ignorance of the most celebrated French writers of his day upon these matters." He acknowledged that a few French intellectuals were skeptical of the idea, but they were unable to argue persuasively against it because, admitted the Marquis de Vauban, they did not understand economics enough.

Two values, one return / Say did understand economics enough, and demonstrated that "the taxes paid to the government by the subject are not refunded by its expenditure." To understand his argument, consider real goods (and services) under the veil of money. The taxpayer, he explained, had to produce real goods to earn the money to pay the direct or indirect taxes he was subject to. With the collected money, the king hired architects and construction workers and purchased materials to build his palaces, not to mention hiring domestic personnel and purchasing food and wine, etc. So, real resources—labor and materials—were taken from the control of taxpayers and reallocated to the production of goods for the convenience and pleasure of the

king, his family, and his court. The same reasoning applies if the king instead spent on his armies to wage wars.

Through his spending, the king was not returning the money he had taken from the taxpayers. His suppliers had to work and use resources to produce what the king wanted, and they were paid for that; the payment did not go to the taxpayers generally. So, the government received two values: one from the taxpayers (revenue) and the other from its suppliers (goods and services), but it returned only one—expenditures—which went to the suppliers. Writes Say, "The government returns but one, where he receives two."

Some might argue that, by paying the vendors, the king ultimately returned the money to the taxpayers by making it circulate in the kingdom. But money is just a means to exchange or redistribute real goods and resources. The king's expenditure was not a gift that juiced the economy in a sort of Keynesian way. The money had first been taken from taxpayers—most of whom, incidentally, were from the poor classes—who would have made the money circulate, too, had they been allowed to purchase goods and services for themselves. The conventional 17th-century wisdom that Say was refuting had something in common with 20th-century Keynesian economics, which suggests—at least in its less sophisticated versions—that government expenditures can, by circulating money, create more than they destroy.

In many ways, Say was anti-Keynesian before John Maynard Keynes. Say's Law—"It is production which opens a demand for products" or, more simply, supply creates its own demand—comes from the *Traité*. This law does not mean, of course, that a producer can produce anything and buyers will show up at his cash register. Rather, it means that one works to be able to consume, so the total value of everything produced is necessarily consumed; there can't be general over-production, barring short-term adjustments (*The Economist* 2017). Say was among the classical economists directly criticized by Keynes (1936).

Was Versailles worth it? / Say emphasized that government expenditures are only justified if they produce “for the community” (the French text says “for the nation”) an advantage greater than what taxpayers had to sacrifice. This would be the second return from government. But every instance “where the benefit is not equivalent to the loss” is “an instance of folly, or of criminality, in the government.” Economists of the era were not well equipped to compare what was later called “social costs” and “social benefits,” especially when those who pay the costs are not exactly those who get the benefits. Mind you, today’s economists are not better equipped when they ignore that interpersonal utility comparisons are scientifically impossible, and that if everybody gets benefits from what is called a “public good,” the net benefit must persist after one has paid his tax contribution to finance it (de Jasay 1989).

Public goods are arguably what Say instinctively had in mind for justifiable government interventions. But he observed how, “not content with squandering the substance of the people in folly and absurdity,” governments instead frequently use their revenues to bring “down upon the nation calamities innumerable.” This remark looks more like public choice economics than an early mirage of public goods. Say noted ironically that, for a high cost of construction and “constant repairs,” the Versailles palace did produce the services of “splendid promenade of the gardens”—and centuries’ worth of visits and museum services, we may add. Whether Versailles reaches the level of a public good as defined in today’s mainstream economics (Samuelson 1955) is debatable, though: The property is easily excludable, and it benefits all the French (or all the world?) only in the sense that this part of history is preserved and accessible. But, Say emphasized, whether the cost imposed on the taxpayers who financed it was less than the benefits created would have been the question to ask. That the palace helped circulate money stolen from the poor remains an irrelevant fallacy.

As for Voltaire, he may have entertained a confused notion of positive externality when he added to the circulating-money justification the idea that the king’s buildings also served “to advance all the arts that are used in architecture.” Contrary to a public good, a positive externality doesn’t benefit everyone, and the taxpayers who were forced to pay for the advancement of architecture through Louis XIV’s palace construction would have likely benefited much more from improving their own housing conditions, and perhaps indirectly assisted other architectural arts too.

In short, government spending does not return taxes to taxpayers merely by putting the money back into circulation. It substitutes the state’s command over scarce resources for the taxpayers’ command over them. The justification of government spending must rest on the superior net value (at least *ex ante*) of the resulting public services for each taxpayer (Buchanan & Tullock 1962). R

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Can ‘Golden Straitjackets’ Deliver Good Environmental News?

◆ BY JODY LIPFORD AND BRUCE YANDLE

Writing in *Regulation* early in the Biden administration, we explored regulatory approaches for reducing carbon emissions and criticized a “Green New Deal” that targeted

100 percent “clean” energy by the year 2030 (Lipford & Yandle 2021). We suggested that there were lower-cost ways of dealing with carbon emissions and provided evidence that growth in gross domestic product could deliver lower carbon emissions.

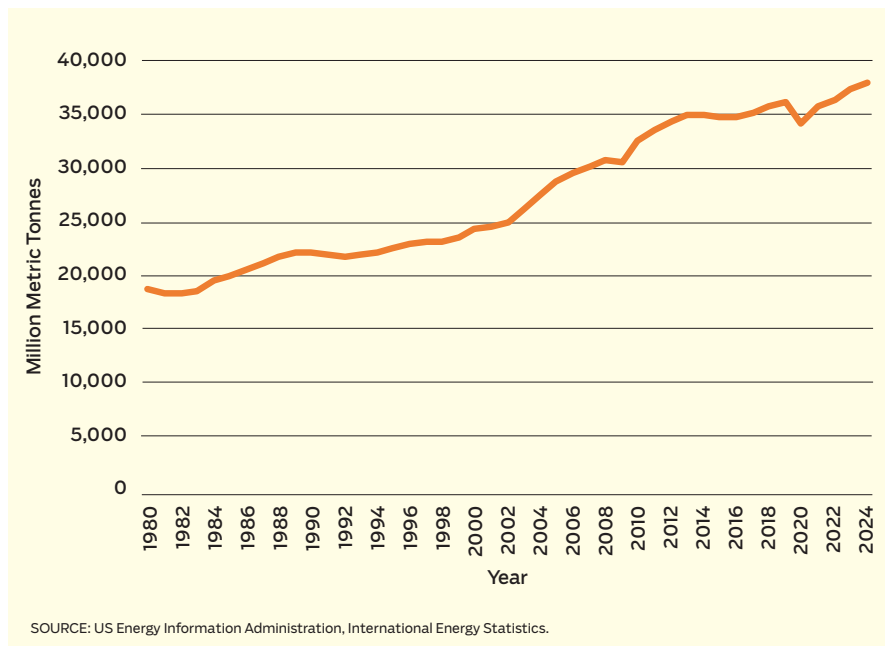
Since then, the energy world and

important assessments of climate change have shifted significantly. Recently, the United Nations’ Intergovernmental Panel on Climate Change (IPCC) revised its worst-case forecasts for climate change (known as Representative Concentration Pathway 8.5), suggesting that combined market and regulatory forces had worked together to produce a less bleak outcome (Wall-Y 2026). The IPCC reassessment implies that progress in dealing with increased energy scar-

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Figure 1
World Carbon Dioxide Emissions



city and related environmental concerns ultimately may be determined by energy efficiency, which is how much energy is required to produce another unit of real GDP. Less energy consumed will result in lower carbon emissions.

Our earlier work reported Environmental Kuznets Curves (EKC) for a sample of 13 developed and developing countries for carbon emissions from 1950 through 2019. Shaped like an inverted bowl, the EKC showed that carbon emissions expanded at lower levels of GDP per capita, but then, for some developed countries, total emissions peaked and moved downward. Once these GDP-per-capita thresholds were passed, higher income became consistent with cleaner air. But there is a lot going on here, and the decline in carbon emissions did not hold for the developing countries in our sample or even for all the developed countries.

We recognize that, at any moment, global environmental quality is the result of market and regulatory forces, and income growth can be driving both markets and regulation. We also know that unless we examine global data, we cannot

determine if reduced carbon emissions in the developed world will simply be replaced with imports, inducing higher emissions elsewhere. This said, based on our ongoing research, we are convinced that market forces may have become the major driver in curbing carbon emissions. Forced efficiency generated by global competition is the key.

Golden straitjacket / Dating back to the 1990s, GDP-enhancing globalization brought competition and cost-sensitivity to countries that chose to do what journalist Thomas L. Friedman, in his 1999 bestseller *The Lexus and the Olive Tree*, called the free-trade “golden straitjacket.” Indeed, the period from 1985 to 1995 saw the greatest reduction in global trade barriers and resulting trade expansion in world history. Countries worldwide moved to flexible exchange rates and generally sought to increase foreign trade.

Following a surge of growth beginning in 1985, the value of merchandise trade, measured by an index based on the average of exports and imports where 2015 is equal to 100, rose from 64

in 2005 to 158 in 2025, or 4.6 percent annually. Nations that wanted access to the world’s goods had no choice but to be constrained by competitive market forces. Other disruptions played a role, too. We believe that post-9/11 disrupted energy markets and COVID shutdowns inspired energy conversions that reduced the energy content per unit of GDP for leading industrial nations. In addition, Russia’s 2022 Ukraine invasion disrupted energy flows to Europe, raised world prices, and inspired significant changes in energy consumption. This year, the Iran war has yielded yet another energy supply breakdown that raises serious questions about regulation and other policies that might reduce the burden of higher-cost energy. Countries across the world are responding to higher and more volatile energy prices. Recently, the *Wall Street Journal* reported improved energy efficiency for China, the United States, the Euro area, and the world since 2000 (Douglas & Dulaney 2026).

These fundamental changes and concerns suggest it is time to refresh our data and consider what they tell us. In this article, using data maintained by the US Department of Energy, we update our 2021 piece using the same sample of countries to see if there is any meaningful change in the shape of the carbon emission-GDP per capita relationship. Assuming that higher and less certain energy prices have accelerated the search for more efficient energy use and recognizing that increased energy efficiency can lead to environmental gains, we next report the results of a close examination of the energy-GDP relationship that accounts for marked gains in energy efficiency. With this more optimistic view of energy consumption, carbon emissions, and climate change, we briefly speculate on the most appropriate policy response for a world that has changed dramatically.

Reviewing the EKC / Despite the IPCC’s retraction of its worst-case climate change scenario, the panel remains concerned about climate change, and for

good reason: World carbon emissions continue to rise, as shown in Figure 1.

When we estimated EKC by country, the results for developed countries showed that they were already past peak carbon, or at least mostly so. France, Germany, Japan, the United Kingdom, and the United States are increasing output while emitting less carbon. Canada and Italy are closer calls, but a look at their carbon emissions over time shows declines since 2018 and 2003, respectively.

There is cause for optimism among developing countries too, albeit tempered. Our EKC estimates indicated that Brazil, China, India, Mexico, and South Africa would increase carbon along with output, but in fact Mexico and South Africa emitted less carbon in 2024 than in 2019. The case of Russia was not as encouraging; although its carbon emissions are not as high as they were immediately after the fall of the Soviet Union, they have risen, if unevenly, since 2009.

Growing energy efficiency / But what of market forces and the golden strait-jacket? It is here that the cause for optimism is great and the news is good. The

US Energy Information Administration tracks energy intensity across countries and for the world. Energy intensity is measured as thousand BTUs per dollar of 2015 GDP, adjusted for Purchasing Power Parity (PPP). It may be thought of as the inverse of energy efficiency. As shown in Figure 2, energy intensity for the world is down, and down dramatically.

When we continued our country-by-country analysis, we found that this trend was not isolated to developed countries—or put differently, reductions in energy intensity in developed countries are not simply offsetting increases in energy intensity by developing countries. To the contrary, reductions in energy intensity are found in all 13 countries in our sample. True enough, the reductions in developing countries have usually come later than for developed countries, but they have come nonetheless. Market forces are at work. Global competition matters. And as a result, producers across the globe are finding ways to generate more output with less energy.

But how big are the beneficial consequences of reduced energy intensity? How good is the environmental news?

To find an answer to these questions, we calculated energy consumption from 1980 to 2024 using the actual values of world GDP but assuming 1980's energy intensity. Figure 3 shows the results of this counterfactual analysis alongside actual energy consumption, and the implications are staggering.

Without the reductions in energy intensity (or gains in energy efficiency), world energy consumption would have been sharply higher over the past 45 years. By 2024, energy consumption would have been higher by a factor of more than 2.3, or more than 800 quadrillion BTUs.

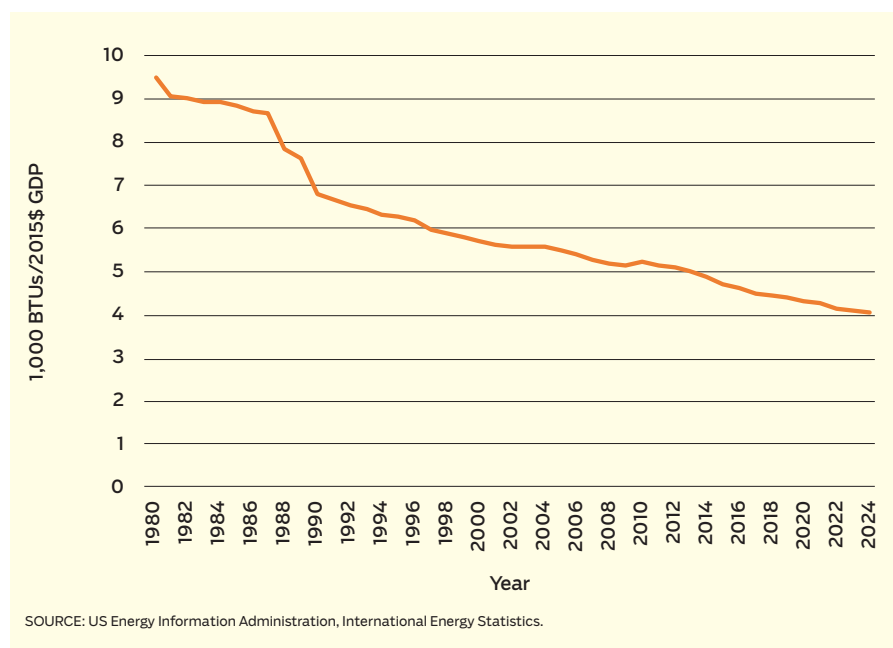
Since carbon intensity, defined as the ratio of carbon emissions to energy consumption, has been relatively constant for fossil fuels across time, the implications for carbon emissions are equally staggering.

Our analysis would be incomplete if we did not highlight renewable energy. As shown in Figure 4, the consumption of renewable energy has risen sharply, especially since the early 2000s. As a share of total energy consumption, renewables now comprise 7 percent, which is much higher than the 3 percent share in 1980. Again, market forces are at play. The prices of solar, wind, and bioenergy have fallen sharply in the last decade because of technological advances that make renewables increasingly competitive with traditional fossil fuels. In our own country, the United States, the demand for renewable energy has been bolstered by subsidies, tax credits, and old-time command-and-control regulations—but markets are having their say, too.

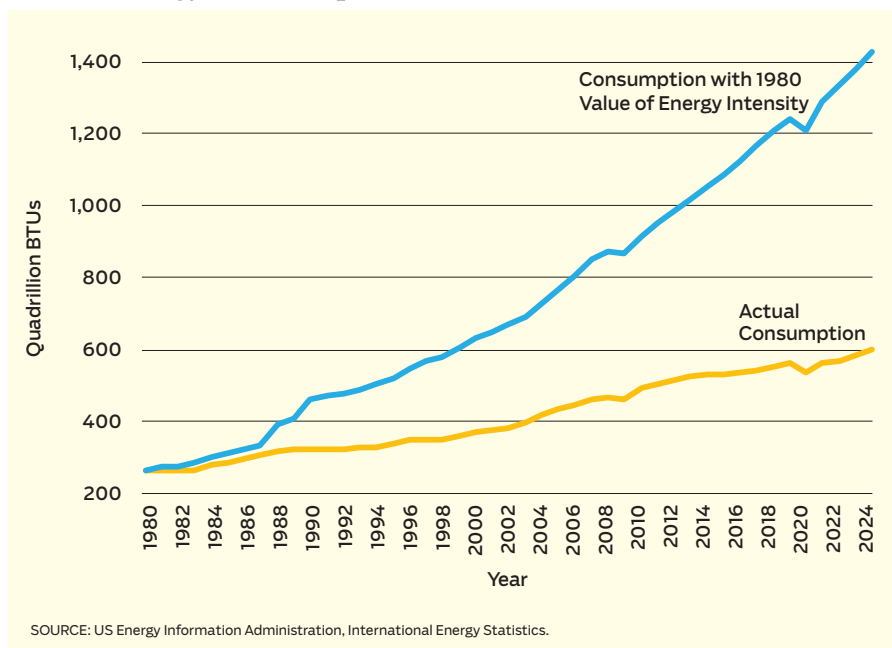
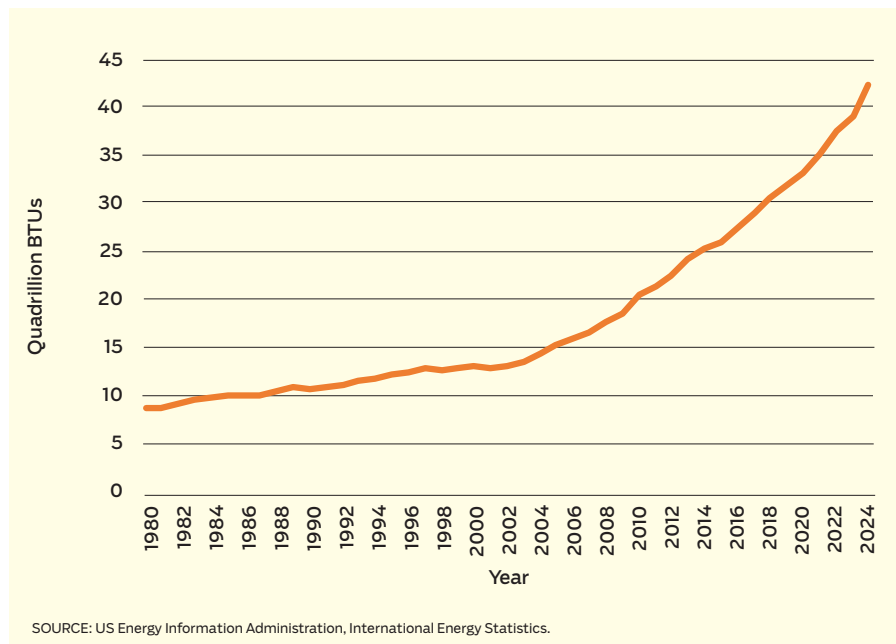
Final thoughts / What does the future hold? We do not have a crystal ball and doubt that anyone else does either. What we can say with confidence is that market forces are delivering more goods with less energy and commensurate carbon emissions.

If the world is to continue this happy trajectory, governments need to let markets work though policies of free trade

Figure 2
World Energy Intensity



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Figure 3**World Energy Consumption: Actual vs. Counterfactual****Figure 4****World Renewable Energy Consumption**

and deregulation. Trade policies such as the Trump administration's tariffs—and retaliation by the countries upon whom those tariffs have been levied—will reduce economic and environmental welfare across the globe. Policies that secure

property rights, and taxes and regulations that are not overly burdensome, will encourage additional gains in energy efficiency and innovations in renewable energy technologies.

If governments understand their

limits, perhaps the IPCC's new worst-case scenario will also be retracted in the future. And in a world where geopolitical threats grab the daily headlines, enhanced energy security will be a welcome benefit as well. R

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The Dangerous 'National Interest'

BY PIERRE LEMIEUX

Politicians, government officials, and foreign policy analysts (especially of the "realist" sort) regularly speak of the "national interest."

The meaning of this expression may seem obvious: It is the public interest when the public considered is composed of the individuals within a "nation" (as opposed to the "global public interest" or a "sub-national public interest"). I take "nation" to mean a society of individuals, not simply their state. But in reality, just as with the "public interest" in general, the "national interest" has little scientific or rationally ascertainable meaning.

Problems / A simple model can help explain. Let an individual's interest

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mean the maximization of his utility as measured by his own ordinal preferences, which does not preclude an individual's utility function including others' welfare as the individual sees it. Imagine a society composed of three individuals with the following higher preferences: The first individual is interested in cars—that is, his major interest in life after his primary needs are met lies in driving and owning automobiles. In a similar way, the second individual is a bibliophile, and the third is a health buff. What is the public interest in this society? Or, if their society is a nation, what is the national interest?

Adding up individual interests does not work. There is no common metric for measuring and trading off the individuals' subjective preferences. Tradeoffs are, of course, necessary because of scarcity: Human desires are nearly infinite compared with resource availability, and satisfying the interest of one individual undermines the interests of others. (Ascetics or hermits are exceptions, but they may still want a monastery or a tent.) It is not the *national* interest if the interests of all citizens do not count equally.

An intuitive response, especially in our zeitgeist, is to let our three individuals vote and the two-thirds majority decides the tradeoffs to be made among the interests of the three individuals. The national interest is then some sort of compromise among the interests of the two individuals in the majority coalition. Among the many problems of this solution, a majority of two can forever exploit the minority of one. Isn't the minority as much a part of the nation as the majority?

Another problem is the Condorcet paradox, known since the 18th century. Even if each voter has transitive preferences (if he prefers *A* to *B* and *B* to *C*, then he prefers *A* to *C*), the outcome of voting can show intransitive collective preferences. It can happen that the majority prefers policy *A* to policy *B*, *B* to *C*, but *C* to *A* (Lemieux 2021). Moreover, different voting systems can produce different

electoral outcomes (Tullock 2002). So, who's the majority?

If our three individuals were identical—if they had the same preferences—it could perhaps be possible to speak of the national interest as a public interest. But human individuals are different from each other. Now, multiply the number of members in society by one million or one hundred million, and it is even more obvious that the public or national interest as an aggregation of all individuals' interests does not exist.

A rational public or national interest cannot be scientifically discerned from the preferences of a majority of individuals or citizens.

Similarly, it makes no sense to speak of “the interest of the United States” (substitute the name of your preferred country if you wish). Even “the interests (plural) of the United States” makes no sense if we mean the interests of all Americans.

Voting and collective choices / In the middle half of the 20th century, the field of welfare economics reached a conclusion consistent with the foregoing, despite its main theorists being generally favorable to collective choices. Welfare economists investigated the conditions for the maximization of “social welfare”—that is, the best use of resources to maximize a society's “aggregate utility.” They discovered that there is no way to do this without assigning weights to the different individuals' utility, weights that are nonscientific and arbitrary. Most ethical theories do imply some weights and tradeoffs (say, “to each according to his needs”), but as long as individuals have different preferences, the application of one ethical theory to society—one “social welfare function” in welfare economics jargon—is no less arbitrary than another. In the terms of Francis Bator (1957), such a function “could be yours, or mine, or Mossadegh's” and “is intrinsically asci-

entific.” (“Mossadegh” likely refers to Mohammad Mosaddegh, the prime minister of Iran in the early 1950s.)

If we ask whether the social welfare function could be derived from elections or referendums, we are back to our previous issues with voting. In 1951, Kenneth Arrow extended and formalized the Condorcet paradox (Arrow 1963 for the second edition). His Impossibility Theorem mathematically showed that collective choices by voting cannot be both rational (in the sense of respecting certain

reasonable conditions including transitivity) and democratic (in the sense of respecting some basic conditions of democracy, such as nondictatorship). This conclusion doesn't

imply that dictatorship is desirable (Arrow himself was politically “progressive”), but rather that a rational public or national interest cannot be scientifically discerned from the preferences of a majority of individuals or citizens.

Arrow's theorem generated academic controversy and a whole new field of study called social choice, which often questions the impossibility of meaningful collective choices. It seems, however, that believers in the aggregation of individual preferences must rely on some philosopher king to explain how a national interest can exist without all nationals recognizing it.

The only sort of interest that can be viewed as common to all individuals is, not surprisingly, a *common* interest based on some shared individual preferences. This formulation avoids the impossible mission of aggregating all individual interests into some public or national interest, two expressions that are at best misleading. In our simple model of three individuals, the common interest was assumed to be the individuals' primary needs (food, shelter, and sex). Since nearly all individuals choose to live in society, we know they do have some common interest or set of interests. In

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a modern, diversified, and prosperous society, the common interest extends beyond primary needs. A “public good” or service that each citizen would find desirable—even with the tax price he must pay—would be a common interest.

Supremacy of the individual / There seems to be only one way to broadly characterize the common interest. Since it is impossible that everybody be a dicta-

The common interest consists in each individual being free to pursue his own interests through voluntary (nonviolent) exchange with others.

tor and rule over all other individuals, the common interest consists in each individual being free to pursue *his* own interests through voluntary (nonviolent) exchange with others. The common interest is to live in a free society, a society where each is equally free to pursue his own happiness. This is the classical liberal ideal (and libertarian ideal if we discount the higher heterogeneity of libertarians as we know them).

In our time, three main attempts have been made to characterize a free society more precisely. Friedrich Hayek emphasized the model of traditional liberal institutions, such as the rule of law, that developed in Europe, mainly in the Anglo-Saxon tradition, and later in overseas offshoots (Hayek 2022). James Buchanan and the school of constitutional political economy search for rules that all members of a society would rationally accept (as if in a unanimous social contract) for guiding their social interactions (Brennan & Buchanan 1985). Anthony de Jasay’s approach would let Humean conventions analogous to successful strategies in game theory—such as keeping promises and recognizing private property and voluntary contracts—reassert their millennial force in a classical-liberal anarchy (de Jasay 2002).

These theories all recognize the presumptive supremacy of individual and private choices over collective and political choices. In a free society, each individual or private group pursues its own interests, and there is no national interest above that. Society is not a private association or corporation that has its own pre-existing goals to impose on others; it is not “team America.” Society is the general context within which individuals and their private groups separately pursue their own goals. In this setup, one may conceive “national” societies as distinct groupings normatively justified by attempts to maintain free societies

and, at the polar opposite, groupings positively explained by successes in the exploitation of man by man.

The liberal ideal of a free society may seem overly abstract; it does not have an immediate, specific answer to many policy questions. But a coherent abstraction offers better guidance than an incoherent concept like the national interest that proposes impossible or exploitative reciprocities such as aggregating individual interests or loving a dictator. The national interest is a dangerous concept. R

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