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## Government without Taxation

In 2011, the average American worked until April 12 to pay the various taxes that are imposed on him: federal income tax, sales taxes, Social Security, property taxes, state income taxes, and more. In other words, the average American spends more than 25 percent of the year toiling for government policies and services that he does not necessarily want or use. And in fact, he likely finds many of those policies and services abhorrent. Yet, despite his judgment, he is forced to support them financially. “The man who produces,” wrote Ayn Rand, “while others dispose of his product, is a slave.”<sup>1</sup> Indeed, oppressive taxation was one of the most important complaints America’s Founding Fathers voiced against King George III.

We are often told that death and taxes are two inevitable facts of life. While death is a fact of nature, and therefore inescapable, taxes are another issue. It is possible—and moral—to fund government through voluntary means. But before we examine how government can exist without taxation, let us first consider a few facts about the federal income tax.

The federal income tax began as a relatively simple means for raising revenue; it has turned into a labyrinth of seventy-five thousand pages and more than seven hundred different forms. Much of the complexity results from “social engineering”—creating tax incentives for the types of activities that Congress finds acceptable and tax penalties for activities that Congress does not like. For example, tax deductions for the interest on home mortgages encourage Americans to buy homes. Adding to the complexity are tax benefits for special interests. As an example, tax credits for investments in alternative energy encourage Americans to invest money as Congress thinks best. Maneuvering through the tax code costs taxpayers more than \$265 billion in tax preparation costs each year.<sup>2</sup> In addition, about six billion hours are wasted each year compiling documentation and completing forms—that is the equivalent of three million full-time workers.<sup>3</sup> And even the most diligent and well-intentioned efforts can result in an audit from the most feared and despised federal agency—the Internal Revenue Service.

In response to the increasingly incomprehensible tax code, many have suggested abolishing the current income tax system and replacing it with a flat tax or a national sales tax. While such proposals would likely make taxation less complex and greatly reduce compliance costs, they ignore one important moral fact: taxation is theft.

If your neighbor broke into your home and stole money to pay for his health care, he would be guilty of theft. If an employer withheld wages from an employee in order to pay for his daughter’s braces, he would be guilty of theft. Indeed, if a private citizen takes money from another individual by force for any purpose, he is guilty of theft. Neither the status nor the moral nature of an action changes simply because government is doing the taking. In a capitalist society, the initiation of force in any form—including taxation—is prohibited. In a capitalist society, government financing is obtained through voluntary means. How then, does a government in a capitalist society raise the funds that it requires for its legitimate functions? If payment for government services is voluntary, why would anyone volunteer? Don’t we need taxation to ensure that everyone pays his “fair share” to support government? After all, government is

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1. Ayn Rand, “Man’s Rights,” in *The Virtue of Selfishness*, p. 94 (see Part 1, n.1).

2. Andrew Chamberlain, “Economist Gary Becker on Tax Compliance Costs,” Tax Foundation, April 18, 2006, accessed July 25, 2011, <http://www.taxfoundation.org/blog/show/1442.html>.

3. Charles Riley, “Americans Spend 6.1 Billion Hours on Their Taxes,” CNN.com, January 5, 2011, accessed July 25, 2011, [http://money.cnn.com/2011/01/05/pf/taxes/IRS\\_tax\\_study/index.htm](http://money.cnn.com/2011/01/05/pf/taxes/IRS_tax_study/index.htm).

necessary to protect individual rights, and all individuals benefit from government. These are legitimate questions, and the answers may surprise you.

Taxation, by its very nature, denies an individual his property, forcing him to dispose of it contrary to his own choices for purposes chosen by others. While few would dispute this point, many believe that taxation is a “necessary evil,” for without such coercive measures, government would not receive the funding that it requires. While a completely voluntary system of paying for government has never been attempted, we can observe evidence that clearly demonstrates that individuals *will* voluntarily pay for government.

We see, on a daily basis, individuals voluntarily purchasing the values that they require to sustain and enjoy their lives. From food to cell phones, from housing to vacations, from clothing to flat screen televisions, we witness individuals voluntarily paying for the products and services that they want and need. Individuals make these purchases for their own benefit, to further their own lives (or that of their family, friends, and others that they value). Each individual chooses what is important to his life and pursues those values without coercion or government mandates. The free and independent judgment of individuals—each acting in the pursuit of his self-interest—has not resulted in a shortage of food or clothing or automobiles or “gadgets” or any of the values that humans want and need. Quite the contrary. Americans live in a culture of unprecedented abundance.

What makes that abundance possible is the protection of our rights and the freedom to act on our own judgment (though that freedom is being curtailed each year). The protection of our rights is the only legitimate and moral purpose of government. And, just as individuals voluntarily purchase the values that their lives require, they will (and do) voluntarily pay for the protection of their rights. As Ayn Rand wrote, “Since the proper services of a government—the police, the armed forces, the law courts—are demonstrably needed by individual citizens and affect their interests directly, the citizens would (and should) be willing to pay for such services, as they pay for insurance.”<sup>4</sup> Government, when limited to its proper purpose, is a value.

Just as individuals do not need to be compelled to purchase values such as automobiles, computers, and movie tickets, they would not need to be compelled to pay for the value offered by a proper government—the protection of their rights. Just as self-interest motivates individuals to buy the values they want and need, self-interest would motivate individuals to pay for the service that makes the pursuit of those values possible in a social setting—the protection of their rights. To argue otherwise is to declare that individuals do not recognize the crucial value offered by a government limited to its proper purpose. It is to argue that individuals must be compelled to take actions that are beneficial and vital to their well-being. This is not true in regard to values such as housing, clothing, and lawn mowers, nor is it true in regard to a rights-protecting government. But how would the federal government raise the trillions of dollars it currently spends? What would happen if citizens did not donate enough to fund the government? To answer this, let us look at government spending.

It is important to understand that a government limited to its proper functions—the police, the courts, and the military—would require a mere fraction of the funding that it currently receives and requires. Limited to the protection of individual rights, government would be much smaller than it is today. When government is limited to its proper purpose, raising the money required for government to fulfill its proper functions is eminently practical. (By historical standards, as a percentage of gross domestic product, government spending in a capitalist society would be approximately 10 percent of what it is today.)

Many of the objections to the idea that government could exist without taxation arise largely because government has grown far beyond its proper purpose. Most taxpayers are rightly incensed when they hear of the many ways government wastes their money. Taxpayers understandably decry \$600 toilet seats, programs that pay farmers to *not* grow crops, and welfare fraud. They correctly conclude that nobody would voluntarily support such wasteful spending. However, voluntary financing of government would

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4. Ayn Rand, “Government Financing in a Free Society,” in *The Virtue of Selfishness*, p. 116.

help end irresponsible government spending. Consider just a few of the consequences of government limited to its proper functions:

- With public schools abolished, you are not forced to pay for the education of children who are not your own. Nor are you compelled to pay for the teaching of ideas that you find immoral. If you wish to provide voluntary assistance to educate others, you are free to do so.
- With “entitlement” programs abolished, you are not forced to provide charity. If you wish to donate to charities, you are free to do so.
- If you do not want to pay for a “bridge to nowhere,” you are not forced to do so. If you think that such projects are worthwhile, you are free to invest in them.
- You are not forced to provide subsidies to companies seeking sources of alternative energy. If you want to encourage such activities, you are free to invest in those companies.
- You are not compelled to send aid to foreign nations. If you wish to help those in other countries, you are free to do so.

With government limited to its proper purpose, all services except the police, the courts, and the military are provided by private companies. You are free to spend, invest, and donate your money as you deem best. If you believe that a business or non-profit organization is wasting your money, you are free to withdraw your support. In a capitalist society, if government officials insist on wasting your money, you are also free to withhold your financial support. Try doing that today.

But does this mean that individuals would actually voluntarily support government? Even today, we can find abundant evidence that individuals will, in fact, provide funding for government through voluntary means. We can see that individuals already voluntarily pay for the protection of their rights, whether it is from criminals, to resolve disputes, or to protect them from foreign threats.

According to the Bureau of Labor Statistics, there were approximately 1,007,000 private security guards working in the United States in 2010.<sup>5</sup> This is about 100,000 more than the number of police in 2008.<sup>6</sup> According to the Department of Justice, Americans spend more than \$100 billion per year on security alarms, security guards, and other security services, which is twice what is spent by federal, state, and local law enforcement departments combined.<sup>7</sup> Clearly, Americans are voluntarily spending money in order to protect their property and persons. And this money is spent in addition to the taxes paid for the provision of police.

(It should be noted that private security companies are not a form of “competing agencies of retaliatory force,” which is a term used by many Libertarians. Libertarians advocate “competing governments,” which means anarchy. Anarchy is not compatible with freedom.<sup>8</sup> Private security guards must answer to the police when they use force. They must prove that their use of force was objectively justified, and they are subject to criminal penalties if they violate the rights of individuals. In short, they are not competing with the police; they are accountable to the police.)

In addition to private security, individuals also voluntarily provide other financial support to police departments for specific purposes. For example, in Huntington, West Virginia, individuals and businesses donated almost \$200,000 to the police department for the purchase of motorcycles, police dogs, and other

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5. “Occupational Employment and Wages, May 2010,” Bureau of Labor Statistics, accessed February 3, 2011, <http://www.bls.gov/oes/current/oes339032.htm>.

6. “Occupational Outlook Handbook, 2010-1 Edition,” Bureau of Labor Statistics, accessed February 3, 2011, <http://www.bls.gov/oco/ocos160.htm#employ>.

7. “Private Security and Public Law Enforcement,” United States Department of Justice, accessed February 3, 2011, <http://www.cops.usdoj.gov/Default.asp?Item=2034>.

8. See Harry Binswanger’s article “Anarchism Vs. Objectivism” at <http://www.hblist.com/anarchy.htm> for more details.

equipment.<sup>9</sup> In Milwaukee, Wisconsin, private donations in one neighborhood raised \$176,000 to help the police pay for overtime and street cameras, which resulted in a decline in crime in that neighborhood.<sup>10</sup>

Further, other organizations successfully engage in ongoing fundraising for police departments. For example, the 100 Club in Houston raises money to support police officers and to provide financial assistance to the families of officers killed in the line of duty. Since 1953, the 100 Club of Houston has raised more than \$35 million for special equipment, financial aid, and other disbursements to police officers and their families.<sup>11</sup> Other 100 Clubs operate in more than one hundred communities across the nation, and they have raised millions of dollars to support police officers, firefighters, and their families during times of tragedy.

As another example, private, non-profit foundations exist in more than two dozen American cities for the purpose of raising funds to support local police departments. The Houston Police Foundation was founded in 2005 and raised more than \$1 million in its first year. It uses donations by individuals and businesses to “fund special programs, officer safety, training, equipment, and new technology—none of which would be feasible under the City budget.”<sup>12</sup> The New York City Police Foundation was established in 1971 “to promote excellence in the NYPD and improve public safety in New York City.”<sup>13</sup> The organization has invested more than \$100 million in projects for the police department. The Los Angeles Police Foundation has awarded more than \$14 million in grants to that city’s police department.<sup>14</sup>

These examples, and many more like them, demonstrate that individuals do voluntarily pay for the protection of their rights. Whether it is private security or donations to police departments, individuals recognize the need for such protection and pay for it without coercion. But such payments are only a part of the story of how police departments would operate under a proper government.

In a free society, crimes are properly defined as acts of force; thus, the laws enforced by the police would be substantially reduced as compared to today. Voluntary actions that do not constitute an initiation of force, such as gambling, prostitution, and taking drugs, would be legal, and the police would not spend their precious resources monitoring the voluntary actions of consenting adults. By decriminalizing such activities, the money and time required to enforce these unjust laws would be eliminated. For example, a bulletin issued by the Bureau of Justice Statistics found that 37 percent of the felony cases in the nation’s seventy-five most populous counties involved drug charges.<sup>15</sup> Decriminalizing drugs would reduce the burden, and therefore the costs, on both the police and the courts by more than one-third. This would allow the police and courts to focus on those who actually violate the rights of their fellow citizens—rapists, thieves, murderers, and the like. But if we legalize drugs, prostitution, and gambling, aren’t we encouraging such activities? Aren’t we giving them a moral sanction?

The fact that an activity is legal does not encourage or sanction that activity. We cannot legislate morality, nor should we attempt to do so. Many actions are immoral—such as having an affair and fathering a child while one’s wife is battling breast cancer—but such actions are not and should not be a crime. Legalizing an action simply recognizes the fact that the activity does not violate the rights of other individuals—the activity does not involve the initiation of force. So long as force is not involved,

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9. Bryan Chambers, “Donations Help Police Stay Afloat,” *The Herald Dispatch*, November 30, 2008, accessed February 3, 2011, <http://www.herald-dispatch.com/news/x59589381/Community-donations-help-police-stay-afloat>.

10. “Crime Drops in Area That Used Private Donations to Fund Police,” *Poe News*, accessed February 3, 2011, <http://www.poe-news.com/stories.php?poeurlid=78554>.

11. “History,” The 100 Club, accessed February 3, 2011, <http://www.the100club.org/about.html>.

12. “About Us,” Houston Police Foundation, accessed February 3, 2011, <http://www.houstonpolicefoundation.org/about/about>.

13. “Our Mission,” accessed February 3, 2011, <http://www.nycpolicefoundation.org/NetCommunity/Page.aspx?pid=224>.

14. “About Us,” Los Angeles Police Foundation, accessed February 3, 2011, <http://www.lapolicefoundation.org/about.html>.

15. Tracey Kyckelhahn and Thomas H. Cohen, Ph.D., “Felony Defendants in Large Urban Counties, 2004”, Bureau of Justice Statistics, accessed February 3, 2011, <http://bjs.ojp.usdoj.gov/content/pub/pdf/fdluc04.pdf>.

consenting adults should be free to engage in the voluntary activities of their choosing. This does not mean that we should regard all voluntary, consensual activities as moral. It does mean that we recognize the right to engage in such conduct. Those who engage in immoral activities should be ostracized and boycotted, just as racists, sexists, and homophobes should be ostracized and boycotted.<sup>16</sup>

Prohibition, implemented after a Constitutional Amendment was ratified in 1919, provides a compelling example of the evils that result when voluntary activities are banned by government. During Prohibition consumption of alcohol actually increased.<sup>17</sup> Deaths due to alcohol poisoning increased from 1,064 in 1920 to 4,154 in 1925.<sup>18</sup> Crime skyrocketed during Prohibition, and the federal prison population increased 366 percent.<sup>19</sup> Murders increased 78 percent. These trends were reversed upon the repeal of Prohibition—which required another Constitutional Amendment ratified in 1933; afterwards the murder rate steadily declined to pre-Prohibition levels.<sup>20</sup> Clearly, Prohibition was impractical. It was impractical because it was immoral; Prohibition criminalized voluntary activities that violated nobody’s rights. What caused Prohibition’s crime wave? Economist Mark Thornton explains:

Criminal groups organize around the steady source of income provided by laws against victimless crimes such as consuming alcohol or drugs, gambling, and prostitution. In the process of providing goods and services, those criminal organizations resort to real crimes in defense of sales territories, brand names, and labor contracts. That is true of extensive crime syndicates (the Mafia) as well as street gangs, a criminal element that first surfaced during Prohibition.<sup>21</sup>

Does this sound familiar? Does this sound like the failed “war on drugs”? Prohibition—whether of alcohol or of drugs—simply increases costs to the willing consumers, leads to increased crime, fills our prisons, and diverts the police from activities that truly violate individual rights.

In any free or semi-free country, criminals are a small percentage of the population. While the conviction and punishment of criminals is important, resolving contractual disputes is a much larger and significant aspect of the court system. Long-term interactions between individuals depend upon the cooperation of those involved, and such relationships are typically codified in a contract—a written agreement identifying the responsibilities of each party. Economist Richard Salsman writes that “contracts permit long-range business planning essential to a forward-looking, wealth-building system.”<sup>22</sup> A breach of a contract can have significant consequences on the other parties to the contract.

A breach of contract is a form of force—it is the intentional (or negligent) withholding of property or services. For example, if Mike agrees to buy Bob’s car, and after receiving the money, Bob refuses to hand over the keys, Bob has deprived Mike of what is rightfully his. Absent the courts, Mike would have to enforce contracts and resolve disputes on his own. He would become judge, jury, and executioner. Consider the simple dispute above: when Bob refuses to give Mike the keys, Mike pulls out a gun and demands what is rightfully his. Bob responds by pulling out a gun. The result is not likely to be a happy ending. To avoid such anarchy and protect their rights, citizens delegate the resolution of disputes to the government. And they willingly pay for that service.

In recent decades, alternative dispute resolution (ADR), such as arbitration and mediation, have gained popularity as efficient and inexpensive methods for resolving disputes. As the court system has become bogged down with frivolous lawsuits, ADR allows for disputes to be resolved quickly and with less cost. Many contracts now call for ADR as the means for resolving any disputes arising from the contract.

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16. These points pertain to consenting adults. Restrictions on the actions of minors are proper. Minors are not capable of judging the long-term consequences of their choices and actions.

17. Mark Thornton, “Alcohol Prohibition was a Failure,” Cato Institute, July 17, 1991, p. 3, accessed July 10, 2011, <http://www.cato.org/pubs/pas/pa157.pdf>.

18. *Ibid.*, p. 4.

19. *Ibid.*, p. 6.

20. *Ibid.*, pp. 6-7.

21. *Ibid.*, p. 7.

22. Salsman, “What Does Competition Mean Under Capitalism?”

For example, arbitration allows all parties to present their case in an informal setting. The arbiter—often an expert in the particular issues in question—will make a legally binding ruling after considering the facts of the case. Similarly, mediation involves a third-party who tries to find an acceptable compromise between the parties in dispute. Upon acceptance by all parties, that agreement becomes a legally binding contract. Interestingly, many courts, such as some small claims courts, are now requiring mediation prior to trial for cases involving lesser dollar amounts. With both arbitration and mediation, the parties in a dispute agree to abide by the results.

ADR services are available from many different organizations. The Better Business Bureau offers both mediation and arbitration services to its members and consumers. The parties to a dispute can select a mutually acceptable third-party, such as an attorney, a retired judge, or an industry expert, to mediate or arbitrate. Private companies, such as the American Arbitration Association and Judicial Arbitration and Mediation Services, offer ADR services, primarily to businesses. Both companies have offices around the world.

While ADR is usually performed outside the auspices of the courts, the rulings of arbiters and the agreements reached through mediation are legally binding and enforceable in court. As with security guards, private dispute resolution is not competing with government, but rather, it offers an alternative method. In each instance—private security and ADR—those involved are ultimately held accountable by government. ADR is a private means of resolving a disagreement; however, individual rights are ultimately protected by government.

While the police and courts deal with domestic threats to individual rights, the military protects the rights of individuals from foreign threats. And Americans also voluntarily support the military.

Perhaps the best known organization providing support for American troops is the United Services Organization (USO). Founded during World War II, the USO provides care packages, phone cards, and entertainment for American troops stationed abroad. Charities such as the Fisher House Foundation, the Intrepid Fallen Heroes Fund, and National Military Family Association and nearly three hundred other organizations raise millions of dollars to provide equipment, financial aid, education, and other assistance to soldiers and their families. During the Iraq war, numerous charities, such as the Armor 4 Troops Foundation, were established to provide armor and other protective equipment for deployed soldiers. And many businesses have donated equipment to troops stationed overseas. One business, efi Sports Medicine, a San Diego-based exercise equipment manufacturer, donated more than 150 of its Total Gym machines to troops stationed in Iraq and Afghanistan.<sup>23</sup>

Just as a government limited to its proper functions would reduce the burden on the police and the courts, in a capitalist society, the burden on the military would also be reduced. A proper foreign policy would eliminate “peace keeping,” food distribution, and “nation building.” The military would be used to kill and destroy the enemies of America—those who threaten the freedom of Americans. The result would be fewer military expenses and fewer American casualties.<sup>24</sup>

We have seen that Americans willingly donate money or otherwise voluntarily provide financial support for the legitimate functions of government. In addition to direct, voluntary contributions, government can use other methods to raise the funds required to protect our rights, without resorting to coercion or the seizure of private property. The methods discussed below are not necessarily exhaustive, but merely an indication of how government can finance its operations while respecting the rights of individuals.

Lotteries have long been used by governments to raise revenues. Forty-four states and the District of Columbia have lotteries. According to the North American Association of State and Provincial Lotteries,

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23. “Equipment from Home Boosts Troops Abroad”, Aug 18, 2006, accessed February 3, 2011, [http://clubindustry.com/military/equipment\\_home\\_troops/](http://clubindustry.com/military/equipment_home_troops/).

24. For more information on a proper foreign policy, see Elan Journo, *Winning the Unwinnable War* and Peter Schwartz, *The Foreign Policy of Self-Interest*.



state lotteries generated revenues of nearly \$18 billion (after expenses) in 2010.<sup>25</sup> Lotteries are played voluntarily, and thus represent a non-coercive method for government to raise money. However, lotteries do have their critics.

Opponents of state-run lotteries argue that they are a form of regressive taxation—that the poor are more likely to play lotteries, and that they promote gambling. Whether these claims are true or not is irrelevant—individuals should be free to act on their own judgment, even when others think that their judgment is poor. In a free society, individuals have no restrictions on their actions, so long as they respect the mutual rights of others. Those who want to play the lottery are free to do so.

Another way for government to raise money is by selling land and other property. In a capitalist society, virtually all property would be privately owned. Government would not own parks or forests or museums or large tracts of undeveloped land. Government would only own the few parcels needed to house the police, the courts, and the military. Limited to its proper functions, government would divest itself of all unnecessary property. The federal government is the largest property owner in the nation. Indeed, the federal government owns nearly 30 percent of the land in the United States, including nearly 85 percent of Nevada and nearly 70 percent of Alaska.<sup>26</sup> Selling this land would raise hundreds of billions of dollars, if not trillions. (And we have seen that selling the national parks will not result in fast food chains, strip malls, and condominiums in Yellowstone.) While selling assets is a one-time generation of funds, the money raised would be substantial. And taxpayers would no longer be forced to pay for the maintenance of parks and museums.

Other non-coercive methods could provide ongoing funding. For example, Pennsylvania Correctional Industries (PCI) is a program that employs inmates at fifteen state prisons while they serve their sentences. Inmates produce garments, soaps and degreasers, and forms for the state government. Inmates receive credits for their work, which can be spent at the prison commissary or applied towards fines and restitution. PCI Director Tony Miller told an interviewer that “some inmates, after serving their time and being released, have written letters of thanks for the skills they learned through their PCI jobs that helped them get jobs when they left prison.”<sup>27</sup> For the fiscal year that ended in June 2007, PCI made \$1 million in profit on \$34 million in gross sales. In fiscal 2008-09, the California Prison Industry Authority had sales of \$234.2 million from products such as clothing, textiles, fine-ground optics, and bedding.<sup>28</sup>

Supreme Court Justice Warren Burger was a vocal proponent of “factories with fences,” as he called them. His efforts in the 1980s and 1990s led to the expansion of Federal Prison Industries (FPI), which produces furniture, textiles, electronics, and other items. But don’t these prison factories have an advantage over private companies?

Critics of prison factories argue that this is the case. They argue that prison factories have an unfair competitive advantage over private sector industries because inmates are paid substantially less than private sector workers. But prison factories are less efficient and, not surprisingly, must contend with significantly higher security costs. As Robert Q. Millan, a former member of FPI’s Board of Directors, once said:

As a former banker, I am well aware of the operations of a variety of businesses. In private sector

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25. “Lottery Sales and Profits,” North American Association of State and Provincial Lotteries, accessed February 3, 2011, <http://www.naspl.org/index.cfm?fuseaction=content&menuid=17&pageid=1025>.

26. “How Much Land Does the Federal Government Own?,” AllVoices.com, accessed February 3, 2011, <http://www.allvoices.com/contributed-news/914109>.

27. Kari Andren, “Prison Factories Produce a Range of Items, Including Hope,” *The Pittsburgh Post-Gazette*, August 17, 2008, accessed February 3, 2011, <http://www.post-gazette.com/pg/08230/904703-454.stm>.

28. Thomas R. Harris, George G. Goldman, and Shannon Price, “The Economic Impact of the California Prison Industry Authority on the California Economy for FY 2008/09,” p. 3, California Prison Industry Authority, December 2010, accessed October 30, 2011, [http://pia.ca.gov/public\\_affairs/pdfs/CALPIA%20Economic%20Impact%20Study%2008-09.pdf](http://pia.ca.gov/public_affairs/pdfs/CALPIA%20Economic%20Impact%20Study%2008-09.pdf).

business, it is of primary importance to eliminate all inefficiencies possible in order to maximize profit. I could not recommend to my former bank, or any bank, that it make loans to a business that... had the inherent inefficiencies that handicap FPI.<sup>29</sup>

In other words, prison factories do not have a competitive advantage, and in fact, must contend with factors that render them inefficient. That, however, does not make them unviable as a means of supporting the costs of operating prisons.

In 2009, FPI had gross sales of \$885 million. Fifty percent of the money earned by inmates was used to pay fines, restitution, and child support. Without a prison job, these payments would not be possible. During its more than seventy-five year history, FPI has been self-sustaining, and indeed, it has turned over more than \$80 million to the federal treasury. This has eliminated any cost to the taxpayer.

While the primary purpose of prison is punishing criminals, prison factories provide side benefits, such as opportunities for inmates to learn job skills, which reduces recidivism and provides a means for inmates to make restitution to their victims. In addition, prison factories can provide inmates with a means to improve their standard of living while in prison. In this sense, life in prison should be no different than life outside—each individual should be responsible for his own welfare. The only difference is that inmates should be provided with the bare necessities, and any amenities they wish to enjoy while in prison should be purchased with money earned in prison.

While these examples demonstrate that government can be funded without resorting to coercive taxation, what of those who refuse to voluntarily support government? Won't they receive the benefits of government—the protection of their rights—even though they pay nothing? This is the so-called “freeloader problem.”

The fact that some individuals will not voluntarily support government is hardly an argument against government without taxation. If we recognize the sanctity of individual rights, that the initiation of force is immoral, then we cannot force individuals to act contrary to their own judgment, no matter the issue. Morally, each individual has a right to act according to his own judgment, so long as he respects the mutual rights of others. This precludes the use of force, even when that compulsion would be used in an individual's “self-interest.” Each individual has a moral right to choose his values and his means for attaining them, and others have no right to compel him to act otherwise. To compel an individual to act in his “self-interest” is a contradiction.

The number of individuals who will freeload is irrelevant. We have already seen that millions of Americans voluntarily pay to protect their rights and their property. They will continue to do so whether others contribute or not. In other words, individuals pay to protect their rights because it is in *their* self-interest, and this fact does not change simply because others do not recognize that their self-interest includes supporting legitimate government functions. Those with the most to lose—e.g., businesses and the wealthy—will not subject themselves to anarchy merely because a neighbor refuses to contribute to the police department. Further, it is in the self-interest of all citizens to protect the rights of other citizens. A threat to the rights of one individual is a threat to the rights of all. A thief, rapist, or murderer may victimize a “freeloader” today, but he might victimize you tomorrow.

We have previously seen that, when men are free, rational ideas supplant irrational ideas. Just as boycotts and ostracism will motivate a racist to change his ways or suffer economically, individuals can boycott and ostracize those who refuse to voluntarily support government. Consider further the social custom of tipping service providers, such as waiters, valets, and bell boys. Tips are voluntary payments above and beyond the advertised price, and most patrons willingly make these payments. If millions of Americans voluntarily tip their waitress for keeping their coffee cup full, why should we believe that they won't voluntarily pay the police for protecting their life and their property?

As we have seen, funding government through voluntary means is practical. Recognizing the value of protecting their rights, individuals pay for that protection when they hire security services. And they do so

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29. “Factories with Fences,” p. 6, accessed February 3, 2011, [http://www.unicor.gov/information/publications/pdfs/corporate/CATMC1101\\_C.pdf](http://www.unicor.gov/information/publications/pdfs/corporate/CATMC1101_C.pdf).

without the need for coercive taxation, which itself violates the very purpose of government—the protection of individual rights. Which would you prefer: to work for the government until mid-April or to live free and spend your money as you choose? Wouldn't one of your choices be to pay a small amount for the protection of your freedom?

[Click here](#) to order *Individual Rights and Government Wrongs* on Amazon.

