

Abstract

The most general attribute that distinguishes government from other organizations is its coercive role, circumscribing the activities of all of its citizens and the other inhabitants of its territories. Laws and their enforcement require members of the public to behave in certain way and preclude them from engaging in actions that some of them would otherwise undertake. Explicitly in a democracy and implicitly in any government that operates under some sort of social contract, this means that the governed must have chosen voluntarily to be subjected to coercion that prevents them from behaving as they would otherwise choose to do. Such a paradoxical arrangement nevertheless can constitute rational behavior on the part of the public. The theory of the state, in essence, entails resolution of this paradox. It will be shown that welfare economics deals with an entirely parallel issue. Indeed, the policy measures that welfare theory suggests are particular examples of coercive public sector acts that it would serve the interests of the public to support and accept voluntarily. The logic of the analysis applies to issues as varied as taxation, finance of national defense, counter-cyclical measures and programs to counteract congestion problems in road traffic and urban dwellings, among many others.

Keywords

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