

are based on the way people actually do things in their best interests. If you try to imagine something happening in the market based on crazy behavior, like people buying Booster Buttons for \$100 apiece or the band's only offering five of them for sale, you have a lousy argument.

**Sam:** We just have to wait and see what happens when we start selling, don't we? We can't predict it exactly or control what happens.

**Mom:** That's right. The market consists of interaction between buyers and sellers, so things sort themselves out naturally. As prices go up, buyers buy less; if they are lower, larger quantities are demanded. On the other hand, sellers like to sell at a high price, so they supply more at higher prices, less at lower prices. They can only do that to the extent that the buyers will buy, though! So somewhere in the middle is where prices actually end up as a result of that interaction.

As long as nobody like Mr. Hack or the gov-

ernment interferes, the price you end up with is fair and the supply of goods pretty much matches the customers' wants. Economists make graphs about this called supply and demand curves. You can make one for Miss Snick, if you want to, but remember that graphs are only drawings. A supply and demand graph describes market interactions about as well as a stick figure describes a person, yet the graph can be useful for explaining markets to a novice.

**Sam:** You mean the way a stick figure describes humans to a space alien?

**Mom:** Yes. Are you all set now?

**Sam:** Yeah, Mom. Are you going to put up the \$200 to buy the buttons from Wholesale Badges?

**Mom:** WHAT?? □

*Next month, in the third and final installment of "Mom's Monopoly," Sam and his mother discuss competition and antitrust.*

# Caveat Emptor

by Walter Block

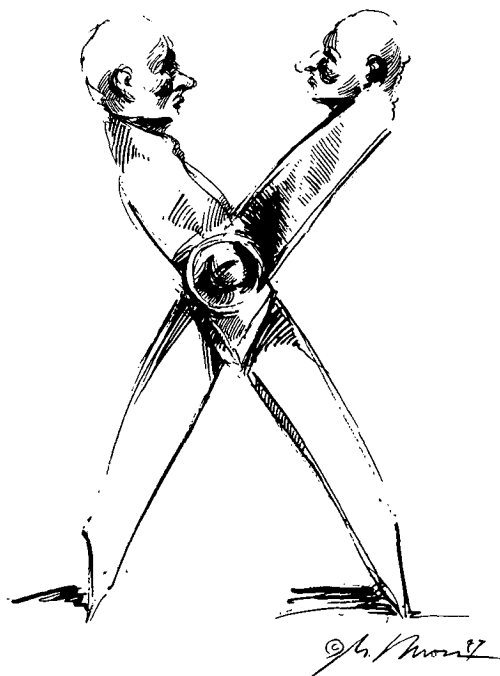
**I**n Peterborough, Ontario, 21-year-old Christopher Green died after being crushed by an 800-pound Coca-Cola dispenser. The young man was trying to steal a Coke by tipping the machine toward him, and had asked his friends to push from behind.

However, in a travesty of justice as bizarre as the actual event, instead of Coca-Cola's suing Mr. Green's estate for damage to its property, his family has sued Coca-Cola for

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negligence. In it they complain that the soft drink manufacturer "ought to have known that it was a common and reasonably foreseeable practice among young people to obtain free drinks from the defendant's dispensing machines by tilting the machines forward."

Nor is this merely a nuisance case. James Drum, technical vice-president for Coca-Cola Ltd., thinks enough of it to have replied that the industry is studying ways to bolt down the dispensing machines. "We're working on it as diligently as we can," he said.



Unfortunately, such perversion of the law is by no means confined to central Canada. The British Columbia Court of Appeal has recently upheld a lower court ruling against a helicopter skiing company for delivering two men to the slopes of a lodge in the Purcell Mountains. Soon after, the two skiers died in an avalanche.

The heli-skiing company was found guilty of negligence, even though the two men were expert skiers and had signed detailed waivers relieving the company of all responsibility.

What is going on here? Has the notion of personal responsibility been banished entirely from the legal scene? What happened to the natural law doctrine of "caveat emptor," under which goods and services were sold on an "as is" basis, and the vendor took no responsibility for accidents, let alone theft on the part of the buyer?

If things continue along the present legal path, there will scarcely remain anyone in business to produce a football helmet, hockey skate, soccer ball, teeter-totter, motorcycle, swing set, sailboat, lawn mower, meat grinder, or any other equipment which might conceiv-

ably be involved in a mishap.

It is difficult to explain this movement away from "caveat emptor." But one possibility might be the influence of a new movement in law and economics which is concerned with measurement and information. In this perspective, it is of the utmost importance to reduce information costs of all kinds, but particularly those associated with risk.

Great emphasis is placed on the fact that Coca-Cola may be presumed to know more about the accident possibilities of its dispensers than would the general public, and that the helicopter company has greater information about possible avalanches than would even tourists who are expert skiers. In like manner, the manufacturers of sporting equipment and consumer machinery are assumed to be far more knowledgeable about their products than are the ultimate users.

If this is the case then, according to economists who should know better, information costs may be reduced by holding the producer responsible for any mishaps, not the consumer.

The problem with this view is that costs are subjective. Costs are the alternatives forgone through any act of choice. As such, only the individual economic actor is in a position to know what opportunities are given up when an option is selected.

Consider the helicopter case. It is wrong to assume that despite an explicit agreement between the two parties absolving the helicopter company of responsibility, that the skier is ignorant of the true costs of the risk. All we have to go on is a voluntary contract between the company and the vacationer. From this we can deduce that in the minds of both parties the agreement was worthwhile. As it turned out, of course, tragedy struck. But it does not follow that, in the future, information costs can be reduced, and the public good promoted, by setting aside contracts which incorporate the knowledge of both consenting parties.

What is needed in law circles is a healthy dose of common sense, with a pinch of respect for commercial contracts between consenting adults. □

# Vanishing Voluntarism

by James L. Payne

**T**he Planned Parenthood organization recently ran an unusual billboard advertisement in the cars of the Washington, D.C., Metro that says a lot about what is happening to voluntary groups in this era of big government. The ad shows an Asian woman and her child, with this caption: "It took a generation to give her a choice. And one Administration to take it away."

The organization was protesting about a funding problem. The Planned Parenthood Federation of America has been receiving about \$20 million yearly from the federal government to carry out birth control programs abroad. Recent regulations of the Reagan Administration (concerning abortion funding) led to a cutoff of money for foreign programs. Hence the Metro ad. But unlike the usual appeals of private organizations, it doesn't ask the public for a dime.

"White House extremists have targeted Planned Parenthood's international program for destruction," it continues. "Congress can stop them. Call your representatives now. Tell them: if the extremists win, the whole world loses. Help us fight back."

Planned Parenthood may, in fact, be a fine organization doing an important job. That isn't the issue. The question is whether, as its own Annual Report claims, it is a "voluntary" agency. Inspection of its finances shows that it gets nearly 40 per cent of its funding from fed-

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eral, state, and local governments. Its international program, as just noted, is dependent on the whim of government regulation. Even its fund-raising orientation has shifted. When it comes time to "fight back," it does not seek voluntary donations, but organizes a political campaign to force taxpayers to fund its programs.

How does this loss of independence come about? "We were approached by the government," one embarrassed PPFA staffer told me. Looking around at other organizations, it seems this is the typical pattern. In their eagerness to do good, politicians and administrators seek out healthy, appealing voluntary activities and turn them into government "programs."

Take, for example, the ACTION agency. This governmental unit administers "The Domestic Volunteer Service Act of 1973." In what sense, one wonders, are we talking about "voluntary" action? A government agency, funded by tax money, is administering an Act of Congress, a law backed by the enforcement powers of the United States Government.

Well, you say, at least the workers in the program are volunteers in the sense that they don't get paid. Guess again. The "volunteers" in most of the programs are paid a wage, politely called a "stipend," which typically runs to \$2.20 per hour (tax free), along with other benefits.

Just how far we have strayed from the ideals of voluntarism was sharply demonstrated a few years ago when Senator Jesse Helms' Agricultural Subcommittee on Nutrition held hearings on "Private Sector Initiatives to Feed