PUBLIC SERVICES MEET PRIVATE LAW

Michael I. Krauss

06-33


GEORGE MASON UNIVERSITY LAW AND ECONOMICS RESEARCH PAPER SERIES

This paper can be downloaded without charge from the Social Science Research Network at http://ssrn.com/abstract_id=920041
PROLOGUE................................................................................................................................................................2

I. INTRODUCTION..................................................................................................................................................3

II. FPSD AND TORT DOCTRINE ..........................................................................................................................8
   A. DUTY .................................................................................................................................................................8
      (1) Government’s Duty to Rescue .......................................................................................................................11
      (2) Tortfeasor’s Lack of Duty to Government ..................................................................................................12
      (3) Subrogatory Theory of Duty ......................................................................................................................14
   B. PROXIMATE CAUSATION ................................................................................................................................17
   C. DAMAGES ........................................................................................................................................................18

III. FPSD AND POLICY ........................................................................................................................................25
   A. THE RED HERRING CALLED DETERRENCE .......................................................................................................26
   B. POLICY REASONS WHY PUBLIC SERVICES ARE SUPPLIED BY GOVERNMENTS .................................................31
   C. JUDICIAL POLICY MAKING ...........................................................................................................................36

IV. GENERAL CRITICISMS OF THE FREE PUBLIC SERVICES DOCTRINE: FLAWED ASSUMPTIONS AND COMPARISONS ...............................................................................................................38
   A. WHAT’S INCORPORATION GOT TO DO WITH IT? ..............................................................................................38
   B. FLAWED DISTRIBUTIONAL CLAIMS ..................................................................................................................45
   C. FLAWED ALLOCATIVE CLAIM ..........................................................................................................................47
   D. VOLUNTARY PRODUCTS LIABILITY "INSURANCE" VS. INVOLUNTARY PUBLIC SERVICES "INSURANCE" ................................................................................................................................................49

V. CONCLUSION.......................................................................................................................................................52

---

1 Professor of Law, George Mason University; http://classweb.gmu.edu/mkrauss/ Thanks are due to Tracy Robinson, J.D., for stimulating comments that prompted this paper. Thanks also to Craig Lerner, Walter Olson, Dan Polsby, George Priest, Ron Rotunda, Michael Wells and the Hon. Danny J. Boggs for their constructive comments, and to participants in workshops at Case Western, Cornell, George Mason, the University of Tennessee and the University of Toronto law schools. Anne Loomis provided superb research help.
Here is a too-easy torts final exam question:

An aircraft, negligently maintained by its operator, crashes on takeoff. The operator and sole passenger is killed. In addition, the plane strikes and causes $250,000 of damage to a zoo that is a local tourist attraction). For which of the following is the operator's estate liable in tort?

- The amounts claimed by eligible persons for the "Wrongful Death" of the passenger;
- The damage to the zoo;
- The cost of a babysitter hired by the sister of the passenger, to care for the sister's toddler while the sister attends the passenger's funeral;
- The loss (represented by the time value of money for the period between the untimely accident and the passenger's actuarial life span) to the insurance company that paid the proceeds of the passenger's life insurance policy to its designated beneficiaries;
- The cost of overtime pay by the County to the police officers it directed to control traffic around the crash scene;
- The interest costs borne by the factory worker who had to borrow money after being laid off when the factory that had employed him shut down. The factory had shut down because it could no longer afford to pay increased property taxes, which the city had imposed to compensate for the loss of other tax revenue resulting from the decline in tourism that followed the closure of the zoo.
If you answered that the negligent aircraft operator is liable for all these damages, stop. Return to the classroom. Do not collect your Law degree – for clearly, you missed the "duty," "causation" and "damages" segments of your Torts course.²

I. INTRODUCTION

On October 30, 1998, New Orleans became the first city in the nation to file suit against the firearm industry.³ Chicago followed two weeks later.⁴ Within a year, twenty-nine cities and counties had sued over forty gun manufacturers, dealers and trade associations. Most of these plaintiffs contend that the defendants' firearms are "defective and unreasonably dangerous" products as then manufactured and marketed. The governments demanded damages for harms allegedly caused by those defective and unreasonably dangerous products. So far, so good: this claim, however persuasive, at least respects the basic principles of product liability law.⁵ It alleges that the manufacturers acted wrongfully,⁶ and it demands compensation for harm proximately caused by this wrongdoing.

Alas, the prima facie validity of the firearm suits ends here, for governments are not claiming that their property was destroyed or damaged by exploding, defective guns. Rather, the gist of these suits is a demand for recovery of costs that plaintiffs incurred to treat uninsured gunshot victims in city hospitals; to pay for police and 911 employees' overtime; to compensate for

² Only the first two types of damage are recoverable in tort. The third type of damage is excluded if the sister is not named in the state's Wrongful Death Statute.
⁴ Chicago v. Beretta U.S.A. Corp., et al., No. 98-CH-015596 (Cook County Circuit Court, Chancery Div.).
⁶ This article accepts, without discussing or in any way relying on, the position that product liability is based on wrongful behavior, even though most courts purport to base it on strict liability. See, e.g., William C. Powers, Jr., The Persistence of Fault in Products Liability, 61 TEX. L. REV. 777, 779 (1983) ("[T]he concept of fault is embedded in the structure of strict products liability law itself.").
lost tax revenue as property values dropped in violence-infested neighborhoods; and the like. As has been documented elsewhere, these suits have been almost universally unsuccessful, for they rebuff three conditions of a valid tort suit: they fail to prove breach of a duty of care, they fail to establish proximate causation and they invoke non-cognizable damages.

Some who would hold firearms manufacturers liable for expenses incurred by governments after the criminal use of guns take issue with the claim that the government services for which compensation is claimed are "free", and therefore ineligible for tort recovery. They argue that government services should not "subsidize" tortfeasors, and that proper accounting requires tortfeasors to "internalize" social costs of their alleged misbehavior. They would do away with what they term the "free public services doctrine" ("FPSD"), which one author described as holding that “a governmental entity may not recover from a tortfeasor the costs of public services occasioned by the tortfeasor’s wrong.” Why should taxpayers pay to direct traffic after a collision caused by a drunk driver? Why should the drunk (and his insurance company) not be charged the cost of the public ambulance used to transport victims to the

---

7 The suit by Bridgeport, Connecticut adds a claim that gun manufacturers have violated federally protected civil rights because shootings take place in “predominantly minority neighborhoods.” Eighty percent of homicide victims in Bridgeport are in fact members of “minority groups.” Bridgeport does not mention that 90 percent of homicide defendants are also minority group members.

8 One suit has thus far survived summary judgment. The court in City of Cincinnati v. Beretta U.S.A. Corp. held that “a public-nuisance action can be maintained for injuries caused by a product if the facts establish that the design, manufacturing, marketing, or sale of the product unreasonably interferes with a right common to the general public. 768 N.E.2d 1136, 1142 (Ohio 2002). The case has not yet gone back to the trial court.


11 Lytton, supra note 10, at 727.

12 Id.
hospital, or the fire engine used to douse the flames created by the drunk's car's collision with a
gas pump? Why should the drunk be able to "externalize" all this harm?

It is obvious to advocates of cost recoupm ent suits against gun manufacturers that the
stakes in the FPSD debate are high. One critic has recently edited a collection of articles on
“Suing the Gun Industry,” in which he again asserts that FPSD is a “confusion” that should be
excised from the common law of tort. On the other side of the political spectrum, proponents
of federal “tort reform” have sought to specifically immunize gun manufacturers from
recoupm ent suits. Of course such legislation, if enacted, would imply that the recoupm ent suits
might have been valid in common law in the statute's absence.

This article contends that both camps would benefit from a thorough understanding of the
Free Public Services Doctrine’s place within the common law of tort. According to an FPSD
critic, for instance, only ten states and a few federal courts follow FPSD. But as the Prologue's
"exam question" suggests, FPSD is in reality an illustration of universal and fundamental

---

13 See, e.g., Kelly J. Winding, Miscellaneous, PITTSBURGH POST-GAZETTE, August 11, 1999, at E7 (reporting that
the Pittsburgh city council voted to adopt an ordinance permitting service companies and borough officials to recoup
fire, police, and emergency services from reckless people who cause accidents, including drunk drivers); Keith
an attorney argued at a conference that Los Angeles should charge drunk drivers for the time and expense of their
cases, so that the city can recoup some of its costs).

14 Timothy D. Lytton, Suing the Gun Industry: A Battle at the Crossroads of Gun Control and Mass Torts 14-15
(Timothy Lytton ed. 2005).

prohibit civil liability actions from being brought or continued against manufacturers, distributors, dealers, or
importers of firearms or ammunition for damages resulting from the misuse of their products by others”).

16 A statute that is comprehensive indicates a legislative intent that the statute totally supersedes and replaces the
common law dealing with the subject matter. NORMAN J. SINGER, SUTHERLAND STATUTES AND STATUTORY
CONSTRUCTION § 50:5 (6th ed. 2005); see also Isbrandtsen Co. v. Johnson, 343 U.S. 779, 789 (1952) (holding that a
comprehensive statute describing course of conduct, parties, things affected, limitations, and exceptions excludes all
aspects of the common law not specified by Congress in the statute).

17 Lytton cites cases for the following states: Alaska, California, Florida, Louisiana, Massachusetts, New Jersey,
New York, Pennsylvania, Virginia, and Wisconsin. Lytton, supra note 10, at 728-29 n.2. He also discusses what he
deems the “mixed” acceptance of the doctrine in federal courts.
common law tort concepts: duty, proximate cause and damages. Wherever these elements remain requirements for common law liability, public service cost recoupment should be denied.\(^\text{18}\)

Abolishing FPSD could result in government recovery of the cost of many services it currently provides – from firefighting costs due to careless smokers to special education required by children born with preventable medical problems.\(^\text{19}\) As this article shows, FPSD’s opponents unjustifiably confine their recoupment demands to expenditures made where the target defendant is a corporation. Their proposed modification of the free public services doctrine is, this article contends, in reality a means to further their agenda of "regulation by litigation."\(^\text{20}\)

FPSD’s opponents find the justifications offered in defense of the doctrine to be weak and circular.\(^\text{21}\) They challenge FPSD as unfair\(^\text{22}\) and inefficient\(^\text{23}\), and claim that FPSD springs from "judicial activism" that distorts common law and usurps legislatures’ policy-making

---

\(^{18}\) This is why the list of jurisdictions that do not accept FPSD is far more extensive than the list of jurisdictions that actually mention the doctrine by name. For example, proximate cause was invoked in Georgia in *Torres v. Putnam County*, 541 S.E.2d 133, 136 & n.4 (Ga. Ct. App. 2000) (dismissing suit against defendants for the cost of sending county building inspector, sheriff, and deputy sheriff to inspect defendants’ land for zoning violations). *See also* City of Gary v. Smith & Wesson, 801 N.E.2d 1222 (Ind. 2003); 2003 Ind. LEXIS 1096, *n*40 (noting that the doctrines of remoteness and proximate cause may apply to the city’s public nuisance claim against a firearm manufacturer). Lytton discusses why he believes proximate cause analysis is often different from the free public services doctrine at in his article, *supra* note 10, at 748-49.

\(^{19}\) For an example of the expense of special education, see BARRY WERTH, DAMAGES 159 (Berkley Books 1988) (estimating cost of special education for brain-damaged child as $47,748 a year for 16 years).


\(^{21}\) Galligan approves of recoupment suits against firearms and tobacco manufacturers because they will "equalize the relative strength of the parties. The suit is one powerful entity – a governmental entity – against another, a large entity or group of entities. [I]t is large versus large." *Supra*, note 10. at 1049

\(^{22}\) *Id.* at 759.

\(^{23}\) *Id.* at 765.
prerogatives. If these critics are correct, trial attorneys and judicial and economic conservatives should unite to condemn FPSD.  

Contrary to this view, however, this article argues that the free public services doctrine does not distort tort law. FPSD is in fact an embodiment of the common law of torts; it is *ridding* tort of FPSD that would be legislating from the bench. Abolishing FPSD inside the common law would require defiling fundamental tort doctrines. Deploying governmental rescue services to mitigate the effects of misbehavior does not constitute “damages” proximately caused by that misbehavior. No one owes a duty to governments to refrain from utilizing government services, except conceivably to refrain from maliciously calling upon them. Therefore any alleged overuse is not damage proximately caused by wrongdoing.

This article defends FPSD by describing four flaws that undermine the anti-FPSD thesis. Part II details FPSD critics' most blatant failing, a defective analysis of current law. This faulty analysis leads FPSD’s critics to suggest a reform that would in fact render tort law incoherent. Part III discusses FPSD critics’ failure to acknowledge why government services are "free." This Part also rebuts two of the critics' claims: that FPSD under-deters corporations from committing negligent acts, and that FPSD is an instance of judicial activism. Part IV broaches an issue that permeates the FPSD critique: a pervasive distrust of corporations. The Conclusion summarizes

---

24 *Id.* at 740.
25 Thus, prank false-alarm phone calls to the fire department would arguably be fraudulent and tortious under common law. Courts have allowed suits by emergency workers injured in accidents on the way to answer emergency calls that are later found to be false alarms. *See, e.g.*, Duncan v. Rzonca, 478 N.E.2d 603 (Ill. App. Ct. 1985) (city police officer injured on way to answer silent robbery alarm at bank set off by negligently supervised child); Daas v. Pearson, 319 N.Y.S.2d 537 (N.Y. Spec. Term 1971) (city police officer injured on way to answer intentional false alarm). There is no obvious reason why municipalities could not similarly recover from plaintiffs for damage to city vehicles involved in such accidents. Further, many municipalities make it a crime to falsely summon emergency workers. Such statutes may be used to aid in determining the standard of care required of citizens. *E.g.*, *Daas*, 319 N.Y.S.2d at 540-41.
the claim that FPSD must be retained as an essential component of the common law of tort, unless and until tort is superseded by public ordering. 26

II. FPSD AND TORT DOCTRINE

Tort liability for negligence requires that a plaintiff allege, and produce persuasive evidence of: (a) the defendant’s duty to the plaintiff; (b) the defendant's breach of this duty; (c) the proximate and legal causation of the plaintiff’s loss from this breach; and (d) the cognizable damages arising from this loss. 27 A compelling case can be made that tortfeasors do not owe any legal duty to the providers of government services. Likewise, the discharge of government services does not constitute proximately caused compensable damages. FPSD, it turns out, does little more than give a name to an instantiation of basic doctrines of tort.

A. Duty

In County of San Luis Obispo v. Abalone Alliance, 28 the California Court of Appeal explained the common law doctrine of duty in this way:

Whether intentional or negligent, a tort “involves a violation of a legal duty, imposed by statute, contract or otherwise, owed by the defendant to the person injured. Without such a duty, any injury is ‘damnum absque injuria’ -- injury without wrong.” . . . 29

---

29 Id. at 855 (citations omitted).
The California court in *Abalone* was commenting on legal duty generally, not in specific relation to FPSD. But "duty analysis" is "duty analysis", and applies fully even when used to deny tortfeasor liability for a byproduct of a free public rescue service. This has classically been the case under the “firefighter’s rule.” Dating back to 1892, the firefighter’s rule precludes recovery in tort from a negligent landowner by a rescue worker injured while attending to the emergency created by the landowner's negligence. The original rationale for this rule against recovery was arguably based on property law, but today the firefighter’s rule is often seen as one of the surviving instances of the doctrine of assumption of risk. Like FPSD, the firefighter’s rule is said to bar recovery due to the lack of any duty owed to the firefighter by the person who negligently caused the blaze. To the contrary, the proximate cause of the firefighter's injury was the firefighter's own voluntarily decision to do her job.

The similarity between the firefighter's rule and FPSD can be seen in *Mayor & Council of Morgan City v. Jesse J. Fontenot, Inc.*, where both played a role. Two corporations were allegedly responsible for an explosion and ensuing fire at a fuel plant in Morgan City, Louisiana. The city sued both corporations to recoup the cost of fighting the fire. In affirming the lower court’s denial of recovery, the Louisiana Court of Appeal stated: “We deem it unreasonable to hold that an owner owes it to firefighters not to let his building catch fire. To the contrary: it is the firefighters' duty to the property owners (and neighbors) to save them from their

---

30. The court did, however, discuss the doctrine at 850-51. After discussing *Flagstaff and Air Florida*, the court held that "a government entity may not, as the County seeks to do in this case, recover the costs of law enforcement absent authorizing legislation." Thereafter, the court determined that there was no statute authorizing such recovery. *Id.* at 851-53.


32. *Id.*

33. *Id.* at 2034. Courts originally considered firemen’s liability under the traditional categories of entrants upon land - invitees, licensees, and trespassers. Firefighters were licensees, not subject to the more strenuous duties owed to invitees.

34. *Id.* at 2035.

negligence.”³⁶ The court continued: “By assuming the responsibility of providing for such ‘rescue’ services, the City has placed itself in a situation analogous to that of the professional rescuer.”³⁷

As Fontenot demonstrates, government's duty to provide rescue services without later suing for compensation, and negligent citizens' lack of duty to refrain from non-maliciously using government services, are two sides of the same coin. Professors Lytton and Galligan dispute the relevance of this duty analysis to FPSD, however. Galligan writes,

"The argument that public entities exist to provide public services is a confusing response. So what? Public services traceable to a defendant's torts ought to be recoverable in order to encourage efficient investments in safety.”³⁸

Lytton, writing in a Louisiana journal, excoriates Fontenot as question-begging:

According to the court, the government cannot recover the costs of public service expenditures from tortfeasors because tortfeasors owe the government no duty of care to prevent such losses. Tortfeasors owe no duty because the government, like a professional rescuer, assumes the risk of losses incurred while providing services to tort victims. The government can be said to assume the risk because such losses are inherent in the government’s duty to provide public services. That is, the government is under a duty to provide public services free of charge. Thus, the government cannot recover the costs of public services from tortfeasors because they are under a duty to provide such services free of charge. The Fontenot court’s duty analysis ultimately amounts to a restatement, rather than a justification, of the free public services doctrine: the government cannot recover public service costs from tortfeasors because it is under a duty not to.³⁹

---

³⁶ Id. at 687 (quoting Thompson v. Warehouse Corp. of America, 337 So. 2d 572, 573 (La. App. 1976)) (emphasis added).
³⁷ Id. at 688.
³⁸ Galligan, supra note 10, at 1045-6
³⁹ Id. at 754.
It is of course correct to assert that common law courts normally repeat fundamental rules rather than offer independent philosophical groundings for them. This is known as applying established precedent. Applying pre-existing rules is only “question-begging” in the sense that the Rule of Law is question-begging – the invocation of a precedent assumes the legitimacy of a legal rule instead of constantly re-establishing it.  

Consider the substantive question, then. The common law precludes recovery for free public service expenses; but why is this the case? Are governments precluded from recovering because their expenses were in fulfillment of their own duty to provide rescue services? Is recovery precluded because the tortfeasor owes no duty to the government providing the service? Is this a distinction without a difference? Are these two ways of phrasing the same idea?

(1) Government’s Duty to Rescue

In 1987, FPSD opponent David McIntyre discussed the importance of "duty" in FPSD. In McIntyre’s opinion, the “primary rationale” behind the general rule against municipal cost recovery is the assertion of a self-imposed “pre-existing duty of government to act.” Courts have held that recovery of the costs of rescue from a negligent corporation whose tort led to an increase in such costs is precluded because government fulfilled a “governmental function” by providing rescue services. In effect, governments assign themselves "duties to rescue" according

---

40 Indeed, Lytton presents his own question-begging argument: governments should recoup public services from corporations because . . . well, because Lytton thinks they should.
41 See McIntyre, supra note 10.
42 Id. at 1009. Courts have held that there is no positive constitutional right to government-supplied rescue services. Governments are free to decline to provide such services. See, e.g., Archie v. City of Racine, 847 F.2d 1211 (7th Cir. 1988) (holding city’s failure to send an emergency squad to a resident in physical distress who called for help does not violate the Fourteenth Amendment’s guarantees of Equal Protection and Due Process); Youngberg v. Romeo, 457 U.S. 307, 317 (1982) (stating, “As a general matter, the State is under no constitutional duty to provide substantive services for those within its border.”).
to the services they have established. It is a government’s statutory self-imposition of this responsibility, not the tortfeasor’s common law duty to his direct victim, that is the legal source of costs incurred by the state. Such was the holding in *City of Cincinnati v. Beretta U.S.A. Corp.*, 43 where the Ohio Court of Appeals agreed with the trial court’s conclusion that “the city may not recover for expenditures for ordinary public services which [sic] it has the duty to provide.” 44 Similarly, in 2001 the Connecticut Supreme Court upheld a 1999 ruling dismissing the City of Bridgeport’s suit against firearm manufacturers, because the city, having provided public services as part of its normal civic function, lacked “any statutory authorization to initiate . . . claims” of liability against the firearms industry. 45

(2) Tortfeasor’s Lack of Duty to Government

Courts have likewise rejected government attempts to recover the cost of public service occasioned by a tortfeasor’s negligence on the grounds that the tortfeasor owed no pre-existing legal duty to government. In *Fontenot*, the city spent $38,000 on fire and police services to extinguish the fire. 46 The court denied the city recovery for the cost of these services, declaring that any duty Fontenot, Inc. owed in handling its flammable chemicals “does not include within the ambit of its protection the risk that public … funds will be expended to fight a fire . . . .” 47 The defendant airline in *District of Columbia v. Air Florida, Inc.*, a case examined below,

---

43 *Cincinnati v. Beretta U.S.A. Corp.*, 2000 Ohio App. LEXIS 3601, at *1 (Oh. Ct. App. 2000), *reversed and remanded*, 768 N.E.2d 1136. The Ohio Supreme Court, on remand, confirmed that as a general rule “a municipality cannot reasonably expect to recover the costs of services whenever a tortfeasor causes harm to the public . . . .” 768 N.E.2d at 1149.
47 Id. at 688.
successfully made a similar argument at trial: it did not owe a “duty of due care to protect the
District [of Columbia] from the expense of providing emergency services.”

A duty to government was arguably breached in *New York v. Long Island Lighting Co.* where a county court nonetheless dismissed a state’s action to recover labor and equipment costs incurred to divert traffic from a road onto which the defendant’s power lines had (allegedly negligently) fallen. The state’s own property had been obstructed as a result of the allegedly wrongful behavior, making the government's tort case stronger than for the firearm suits. Notwithstanding this distinction, the court dismissed the recoupment suit on these grounds:

“The plaintiff may not recover damages for undertaking its duty to ensure the safety of the traveling public . . . . Plaintiffs performed the very tasks intended by the Legislature. They exercised . . . functions, powers and duties relating to traffic regulation and control.”

The source of the plaintiff’s expenditures was its voluntarily assumed statutory duty to ensure the flow of traffic, not the damage to its own property by the defendant.

In *County of San Luis Obispo v. Abalone Alliance*, a county sued to recover money spent for police overtime and related costs arising from protest groups’ occupation of a construction site for a nuclear power plant. The defendants intentionally (though not maliciously) committed acts of trespass that they in fact hoped would result in the expenditure of police resources; yet even they were not held liable for those expenditures. *A fortiori* must this be the case when a public expenditure is neither foreseen or desired. Hiking alone on the Appalachian Trail in the wintertime may be foolhardy, and even a dereliction of one's duty to

---

50 *Long Island Lighting*, 493 N.Y.S.2d at 256.
51 *Id.* at 257.
53 *Id.* at 857.
one's dependents and employer, but it is assuredly not a legal breach of any common law duty to the Park Service's mountain rescue squad.

_District of Columbia v. Air Florida_, 54 involved a jet that crashed into Washington’s 14th Street Bridge on takeoff from National Airport. The District of Columbia sued the airline to recover expenditures for overtime pay and for equipment used to rescue the injured, recover the bodies of the dead, and raise the wreckage of the plane. 55 Air Florida certainly owed a duty to its passengers, and to persons on the ground, not to negligently injure them or damage their property. Thus, the airline owed a duty to the District of Columbia not to negligently damage the 14th Street Bridge. However, the airline owed no duty to the D.C. Fire Department to refrain from prompting use of its emergency services—rather, it is DCFD that created and assumed the duty (which did not exist at common law) to help Air Florida and others similarly stricken. Recovery is generally permitted for damage to government property arising from a tortfeasor’s negligence, even though recoupment is not allowed for rescue and cleanup efforts. 56 _Air Florida_ followed this pattern; the airline agreed to pay the District for damage to the bridge, 57 but the city’s lawsuit against the airline for recovery of the cost of rescue services was dismissed. 58

(3) Subrogatory Theory of Duty

In an effort to forestall the duty-based assessment of the common law, McIntyre posits an agency theory that bypassed the traditional notion of duty. He writes, “in a disaster situation a duty of reasonable care is owed the public at large which, in essence, is represented by the

---

54 750 F.2d 1077 (D.C. Cir. 1984).
55 Id. at 1079.
56 Lytton discusses the exception for damage to public property at Lytton, _supra_ note 10, at 743. McIntyre discusses the exception at McIntyre, _supra_ note 10, at 1025.
57 750 F.2d at 1079 n.1.
58 The United States District Court (D.C.) dismissed the city’s suit for failure to state a claim upon which relief could be granted, and the Court of Appeals for the D.C. Circuit affirmed. _Id._ at 1078.
government plaintiff in a response cost recovery action.”

Similarly, “there is no reason why a municipality’s financial interests should not be entitled to legal protection, particularly since it is suing on behalf of its taxpayers, to whom the money ultimately belongs.”

Lytton uncritically paraphrases McIntyre's arguments: “Taxpayers lose when they pay to replenish public resources depleted by the tortfeasor, and the public at large loses whenever those resources are no longer available for other purposes. In this regard, government is analogous to a corporation, whose losses ultimately harm shareholders.”

In this view, provision of government services is analogous to insurers' indemnification of insureds, allowing insurers de jure subrogation against the party that injured their insureds in some cases. There are two problems with this argument, however. First, subrogation requires that the party suing stand in the shoes of the actual victim. Subrogation may be invoked only if the direct victim herself has a legal claim against the tortfeasor, which the victim (or the law) can assign to the “insurer” (here, the government). This is a questionable proposition in the case of disaster responses.

Second, if citizens did have individual causes of action against a tortfeasor,
their right to sue must have been assigned to the government. But no rights transfer or statutory subrogation occurred in the municipal cost recovery cases—nor were government plaintiffs merely seeking reimbursement for transfers made to citizens.

One author concedes that the "insurance collective" analogy is unsustainable. Lytton states: “It would be a mistake to view efforts by government entities to recover public service expenditures as subrogation actions,” because no assignment of the public’s rights has been made to government, and because “government entities sue in their own right for their own losses, which are distinguishable from the losses of their citizens.” Likewise, Galligan praises the "tactical brilliance" behind firearms and tobacco recoupment suits, because they allegedly "avoid the difficulties inherent in subrogation claims", including of course issues of contributory and comparative negligence and assumption of risk by the defendant, which all are invokable against a subrogated plaintiff. Unfortunately, without a subrogatory basis for their causes of action, anti-FPSD supporters are left where they started: no duty is owed by a tortfeasor to the fire department to minimize use of its service. In a somewhat astonishing aside, Lytton appears to concede all this. He grants that “[d]uty analysis, if properly developed, might well provide support for the free public services doctrine.” But he concludes that “Courts have failed . . . to

seek reimbursement”); Sundheim v. Philadelphia School District, 166 A.2d 365 (Pa. 1933) (party seeking to enforce subrogation "must point to some equitable right through the persons in whose shoes it stands").

Trevino v. HHL Financial Servs., Inc., 945 P.2d 1345, 1348 (Colo. 1997) ("Subrogation is a contractual or statutory right pursuant to which a portion of an injured plaintiff's rights against the tortfeasor responsible for the injuries are assigned to the subrogee.").

For a similar discussion of the legal flaws in municipal lawsuits against the gun industry, see Michael I. Krauss, *Regulation Masquerading as Judgment: Chaos Masquerading as Tort Law*, 71 Miss. L.J. 631, 640 (2001).

Lytton, *supra* note 10, at 751.

Id. (emphasis added). Lytton does not explain how this can be consistent with his comparison of government as a corporation and citizens as shareholders. Shareholder losses are presumably equal to their proportionate ownership share of the company’s loss.

Galligan, *supra* note 10 at 1023-24

Id. at 754.
offer *thoughtful* duty analysis when it comes to the free public services doctrine." But a gratuitous charge of "thoughtlessness" does not a persuasive argument make.

**B. Proximate Causation**

In the typical municipal case against firearm manufacturers, a third factor, over and above the government’s decision to rescue and the lack of a duty owed to government, precludes government tort recovery. An intervening intentional tort by one or more criminals has typically "broken the chain" of causation. Consistent with this doctrine, courts have found that an intervening crime by a third party precludes proximate causation of plaintiff's harm as a matter of law.\(^72\) In most cases, for example, the criminal use of the firearm by a third party negates the gun-maker's liability even if the latter was in some way negligent. In common law tort, the causal nexus between a plaintiff and a defendant, once created, does not extend across certain intervening events, including deliberate human wrongdoing. These events interrupt the chain of causation that began with the defendant’s wrongdoing.\(^73\) The traditional doctrine of causal intervention is that “the free, deliberate, and informed act or omission of a human being, intended to exploit the situation created by the defendant, negatives any causal connection.”\(^74\)

Courts appear to be particularly willing to find a "break" in the "causal chain" if the intentional tort committed by the third party is a violent crime. For example, in *Stahlecker v.*

---

\(^{71}\) *Id.* at 751. Emphasis added.

\(^{72}\) See, e.g., *Watson v. Kentucky & Indiana Bridge & R. Co.*, 126 S.W. 146 (Ky. 1910), in which a tank car full of gasoline derailed due to defendant’s negligence, resulting in a gas leak. Duerr, a third party, threw a match on the leak, starting a fire that injured the plaintiff and his house. Defendants presented evidence that Duerr, who had been discharged by the defendant that morning, intentionally started the fire. Duerr claimed, however, that he was unaware of the leak and was merely lighting a cigar. The court found that the defendant was entitled to a directed verdict on proximate cause grounds if the jury found that Duerr acted maliciously. *Id.* at 151.


\(^{74}\) HART AND HONORE, *CAUSATION IN THE LAW* 136 (2d ed. 1985) (emphasis omitted).
Ford Motor Co., the court upheld a demurrer for a tire and a car manufacturer in a wrongful death suit where a motorist was murdered after being stranded when one of her car's tires failed. The court held that even if the tire was defective and unreasonably dangerous, it was not the proximate cause of the motorist’s murder by a third party who encountered her alone in an inoperable vehicle, because the criminal act by the murderer negated any causal relationship between the motorist and the manufacturer.

C. Damages

FPSC opponents do not address damages as methodically as they do duty and causation, but they do consider municipalities to be directly damaged when they deploy emergency services in response to negligent (corporate) tortfeasors. Indeed, the claim seems to be that government damages are more intensely suffered than are private damages, because when government is a tort victim, we are all victims:

Viewing the government as a tort victim undermines the idea that somehow public services are free, as the doctrine suggests. The costs of suppressing negligently started fires or cleaning up oil spills or rescuing airline crash victims are losses to society as a whole; they drain resources away from other private or government activities. . . . Allowing government to sue for these losses in tort shows them to be real costs that someone must bear, not merely free services. If the tortfeasors whose conduct occasions these costs do not bear them, then all of us will.

75 667 N.W.2d 244 (Neb. 2003).
76 Id. at 258.
77 Id.
78 Lytton does note that economic damage arguments frequently do appear “alongside” FPSD dicta. See Lytton, supra note 10, at 749. This curious inversion allows Lytton to mask the fact that the economic damages rule is "part of" FPSD, not "alongside" it. Lytton commits the same mistake apropos proximate causation, opining that because of the proximate causation requirement, “[e]ven in the absence of the free public services doctrine, most types of law enforcement expenditures would remain unrecoverable.” Id. at 770. What this misses is that FPSD exists in part because of proximate causation, not apart from it.
79 Id. at 779.
Under this view, government damages are a straightforward proposition; one dollar spent by a city fire department to save the property of a negligent defendant constitutes a dollar’s worth of “damage” to the city. After all, that dollar was not “free”; it has been “drained away” from other governmental activities.

There are two problems here. One is that negligently caused economic loss without accompanying physical harm or damage to the plaintiff is generally not recoverable. Another difficulty was suggested by an economic expert witness for the defendant oil company in the mammoth *Amoco Cadiz* case. There, the Seventh Circuit had to consider whether FPSD could protect Amoco from costs incurred by the French government to clean up an oil spill Amoco had (allegedly negligently) caused off the coast of Brittany. The question was whether some of the claimed damages existed at all:

One could say . . . that there is a difference between proprietary and strictly governmental operations because the proprietary arms of the government have other things to do. If the workers of the Electricity Board were not repairing the lines damaged by the plane, they could be constructing new lines; if the staff of the phone company were not tracing a freeloader’s calls, they could be hooking up new phones. But if the sailors of the French Navy were not skimming oil [from the *Cadiz* spill], what would they be doing? Invading some neighbor? On this view governmental operations are different because the opportunity costs of their employees and equipment are zero. If they were not being used in the cleanup, they would have no productive use at all.

---

81 *Id.* at 1313-14. In the end, the Seventh Circuit did not find this argument terribly persuasive, stating in dicta that the French government most likely took the probability of such events into account when it decided how many ships to build and how many sailors were required to staff them. *Id.* at 1314.
Some commentators have countered that the opportunity cost of dousing a particular fire is *de minimis*, and that governments are truly harmed only when they must supply emergency services above and beyond a “normal” base level. McIntyre took this position, advocating liability “only for extraordinary or excessive costs. Common accidents would not trigger liability because such accidents are within the zone of risk anticipated by response services.”

Erich Rolf Luschei also defended this view in a 1986 article advocating user charges for tortfeasors who negligently cause “excessive use of the government service.”

Luschei explained that limiting recoupment suits to excessive use “serves two purposes. First, it permits ‘subsidy,’ or cost spreading, for ‘ordinary’ levels of public services. Second, it eliminates the government’s costs of litigation by limiting the right of action.”

We may feel entitled to some use of public services through the payment of our taxes, but excessive use should incur tort liability to the state.

Under an “excessive expenditure” theory, “ordinary” government rescue costs such as police and firefighter salaries, or the purchase and maintenance of "standard" equipment, would be non-recoverable damages. Presumably, some standard level of service for each taxpayer -- perhaps one call each to police and fire departments each year? -- would be permitted without the government attempting to recoup expenses. Above the standard level of service, however, if wrongdoing underlay the expenditure, costs could be recouped by the government agency, through either a flat-rate "user fee," an individualized tax bill based on the actual cost of the

---

82 McIntyre, *supra* note 10, at 1017. Because “disasters” conceivably could be caused by individuals as well as corporations, McIntyre did not advocate limiting disaster response recovery lawsuits to corporate tortfeasors. For his definition of “disasters,” see McIntyre, *supra* note 10, at 1001, n.10.


84 Id.

85 Id. at 974, n.15.
service, or a common law tort suit to recoup "excess" expenditures.\textsuperscript{86} Alternatively, government rescue services might be financed much as water service is billed, by individually calculating fees based on the level of protection required (pumper? tanker? long hose?) \textit{ex ante} for a particular property rather than through indirect financing methods such as property tax.\textsuperscript{87} One proposal for funding fire protection makes fees a function of a formula that includes the property value, size of the property, number of occupants, and the \textit{ex ante} probability of fire.\textsuperscript{88} In such a system, collective loss-spreading is reduced but deterrence (see below) enhanced through the granting of discounts off the "tax" bill for the installation of protective systems like smoke detectors and sprinklers.\textsuperscript{89}

This of course has everything to do with insurance and nothing to do with tort— for under this plan, actuarially correct \textit{ex ante} risk, not \textit{ex post} corrective justice, determines the "premium" (not the "award") to be paid by each “insured” (not each "defendant") to the municipal government.\textsuperscript{90} Such proposals do bear a resemblance to some anarcho-capitalistic visions for abolishing government; private fire insurance carriers originally fought fires \textit{and} contractually

\textsuperscript{86} Such legal action need not be tort-based. Liability might result from abnormal use of a government service, under public ordering, i.e., whether fault-based or not. Thus, a system of fees could be instituted, such as that used in the mid-1990s at Yosemite National Park to recover the cost of search-and-rescue missions for hikers and climbers. In 1996 the Park billed two rock climbers found guilty by a U.S. magistrate of “creating a hazardous condition” for the cost of their rescue: $13,325. Christopher Reynolds, \textit{Much Talk, Little Action on Charging for Rescues}, L.A. TIMES, Dec. 20, 1998, at L2.

\textsuperscript{87} Such proposals are popular with anarcho-capitalists who believe that services such as fire protection are private rather than public goods. See, e.g., \textsc{Robert W. Poole, Jr.}, \textit{Cutting Back City Hall} 62 (Universe Books 1980).

\textsuperscript{88} This proposal was suggested by William Pollack to encourage spending to shift from fire suppression to fire prevention, and a form of it was adopted by Inglewood, California in 1978. \textit{Id.} at 62-63. As mentioned in \textsc{Poole, supra} note 87, private fire insurers originally both fought fires and paid for damages.

\textsuperscript{89} \textit{Id.}

\textsuperscript{90} Corrective justice posits that resources are transferred from one party to another in the tort system in order to compensate for damage wrongly inflicted by the first party on the second party. See, e.g., \textsc{Ernest J. Weinrib, The Idea of Private Law} 56-83 (1995). \textit{See also} Heidi \textsc{Li Feldman, Harm and Money: Against the Insurance Theory of Tort Compensation}, 75 \textsc{Tex. L. Rev.} 1567 (1997).
compensated their clients (with subrogation rights against fire-setters) for fire damages they did not succeed in preventing. But none of this involves wrongdoing – none of this sounds in tort.

In fact, municipal tort recoupment suits are seen as means to replenish government treasuries. Overtime costs, outlays for the acquisition of specialized equipment or supplies purchased for a specific rescue have been claimed. In City of Bridgeton v. B.P. Oil, Inc., discussed below, the court noted that the city was claiming a common law right to sue for “excessive use of its fire department.” D.C., in Air Florida, asked for “extraordinary expenses” borne by the District and occasioned by the airline crash. In the litigation following the accident at Three Mile Island, the Third Circuit provisionally declined to ratify the District court’s ruling that deployment of emergency personnel by local communities was unrecoverable under FPSD. The District court had granted summary judgment because “[t]he type of damages claimed is similar to that produced by other man-made catastrophes such as fires, explosions, collapsing structures and the like,” but the Third Circuit held that the issue of whether a “nuclear incident” is an exceptional hazard not subject to ordinary government services was a new question to be resolved at trial.

91 POOLE, supra note 87. Ironically, proposals like Pollack’s would transform firefighters into monopoly insurers, turning on its head the anarcho-capitalist dream.
93 See, e.g., City of Bridgeton, 369 A.2d at 50; and Fontenot, 460 So. 2d at 686. According to McIntyre, Air Florida involved rental by the District of Columbia of cranes to lift plane wreckage from the Potomac River. McIntyre, supra note 10, at 1005 n.27.
94 Part of the costs Pennsylvania sued to recover in Three Mile Island related litigation was for emergency supplies. In Re TMI, 710 F.2d 117, 121 (3d Cir. 1983).
95 369 A.2d at 54 (emphasis added).
96 750 F.2d 1077, at 1079 (D.C. Cir. 1984).
98 Id. at 121.
99 Id. The issue was never resolved. The parties settled the case without another trial. McIntyre, supra note 10 at
On the other hand, many have noted the anomaly of governments seeking common law reimbursement from some for services long provided without charge to others. In the gun lawsuit filed by Boston,\textsuperscript{100} the court summarized cases applying FPSD in these words:

Fires, fuel spills and ruptured gas mains are all frequent happenings which, while every effort is made to prevent them, can be expected to occur. Train derailments and airplane crashes are more unusual, but not so rare that a municipality can never expect to have to respond to such an emergency. . . . [S]uch contingencies are part of the normal and expected costs of municipal existence, and absent legislation providing otherwise are costs to be allocated to the municipality’s residents through taxes. In addition, in those cases there is no evidence that the specific defendants had engaged in a repeated course of conduct causing recurring costs to the municipality.\textsuperscript{101}

In recent years, cash-strapped, high-end communities have struggled to discourage excessive use of public services. These efforts have not usually taken the form of recoupment suits. In 1986 the Ventura County, California fire department weighed whether to fine parents up to $10,000 for wildfires caused by their children.\textsuperscript{102} A former chief of the Ventura fire department explained the rationale: “It was felt that it was not fair to the average taxpayer to bear the brunt of suppression costs of fires that were set either deliberately or by gross negligence.\textsuperscript{103} Apparently extinguishing such fires, for the fire department, was “over and above our normal service.\textsuperscript{104} Objecting with what reads as a classic defense of FPSD, the father of a suspected child arsonist told a reporter: “I feel it’s the [fire] department’s civic duty [and not mine] to take care

\begin{footnotesize}
\textsuperscript{101} Id.
\textsuperscript{102} Mack Reed, Parents of Fire Starters Smoldering Over the Bill, L.A. TIMES, July 12, 1996, at B1.
\textsuperscript{103} Id. at B1.
\textsuperscript{104} Id.
\end{footnotesize}
Of course, on basic tort principles a (negligent or intentional) fire-setter is liable for property she destroys – the issue in Ventura was whether a parent who was not liable for his child under California common law should nonetheless be liable for cleanup costs, as opposed to the property actually burned. Crucial to the case, however, was the fact that the county's suit was authorized by state legislation that superseded common law.  

Many communities impose regulatory fees for those who “overuse” rescue services. Debates over such fees probe the nature of government service and of community self-help. For example, to cut down on abuse of the “911” emergency telephone system, the Los Angeles City Council imposed fees on anyone who called the city fire department for routine medical treatment in 1991. A newspaper report noted that “paramedics say some of the most demanding [911] callers are wage-earning citizens who complain that they are taxpayers who have a right to city ambulance service.” Fairfax County, Virginia in 2004 enacted fees of $300 to $550 for residents requiring the use of emergency ambulance service. Not all citizens thought the new fees were fair; one complained, “[w]e pay the highest taxes in the [Washington, D.C.] area; we shouldn’t have to pay for emergency ambulance service.”

Often quasi-criminal legislation recoups costs associated with antisocial behavior. Faced with thousands of calls for police to check out burglar alarms, in recent years numerous municipalities have issued citations to citizens whose security systems repeatedly sound false

---

105 Id.
106 Id. California’s Health & Safety Code § 13009 authorizes actions by government agencies to recover the costs of fire suppression and emergency services connected to fighting negligently or illegally set fires.
108 Id.
109 Jim McElhatton, Fairfax to Levy Ambulance Fee, WASH. TIMES, May 25, 2004, at B2. The fees would vary based on the level of emergency services required. Additionally, citizens would be charged $7.50 per mile. Lisa Rein, Fairfax Jobs for Retarded Renewed, WASH. POST, May 25, 2004, at B1. Clearly this was an effort to fund municipal services through employees' health insurance plans – it is highly doubtful that the county would pursue an uninsured taxpayer personally for ambulance services. Medical insurance is "invisible" (paid for nominally by employers in whole or in part), while taxes are often all-too "visible" come election time.
110 Letters to the Editor, WASH. POST, June 24, 2004, at T4 (Fairfax Extra section).
alarms. Virginia law allows localities to charge for expenses associated with emergency responses to DUI violations and similar traffic offenses. A companion statute allows Virginia localities to recover expenses incurred in an emergency response to a terrorism hoax. Of course, fines are also user fees in some cases: traffic tickets may be seen as a charge for the approximate cost of rescuing those involved in private misuse of the public highways. The key characteristic of all these measures is that they are enacted legislatively. They are state regulations of its relationships with citizens, i.e., manifestations of public ordering. None of these fines or fees is seen as a common law tort liability. Public debate over user fees shows that these questions are, at their core, concerned with the fundamental nature of the polity. Many taxpayers do not view city rescue expenditures as “damage” to a “victim,” but rather as outlays incurred as a matter of public policy, to be "funded" in a fair manner, to be determined after public debate. Of such public affairs the common law is not made.

III. FPSD and Policy

Despite this article's efforts to portray tort as "non-instrumental", i.e., as a mechanism of corrective justice without any overarching social goal, the reader may not be persuaded. Such is the pull of "policy studies" today that many are sure that every legal rule must conceal a hidden or explicit policy judgment, i.e., that public and private law compartments are far from

---

114 See, e.g., Krauss, Tort Law and Private Ordering, supra note 26; Krauss, Regulation Masquerading as Judgment: Chaos Masquerading as Tort, supra note 66 (comparing private ordering and public ordering).
115 The malicious terrorist phone call comes closest to being a tort – but the plaintiff would have to be the intended victim, who could sue for intentional infliction of emotional distress.
watertight. This essay's view, controversial but widely held, is that tort's sole purpose is "to be tort," to establish liability when and only when duty, breach, causation and cognizable damages are present. As we have seen, this vision of tort buttresses FPSD. But the defense of FPSD need not rely on this foundational argument. Even assuming their relevance, we can dismiss the "policy arguments" that allegedly undergird the criticism of the Free Public Services Doctrine, at least as it pertains to corporate defendants.

A. The Red Herring Called Deterrence

The case against FPSD typically holds that free public services generate an "externality:" "too much" of the behavior the public service serves to remedy. "Internalizing" this "externality" will result in optimal deterrence. Taxes, fees and fines won't accomplish this adequately, it is said, so tort law must take up the slack. In particular, critics claim that corporations create a need for substantial public services, but won't "pay their way" unless we abrogate FPSD. Luschei maintains that "[c]harging tortfeasors for the cost of emergency services may reduce the frequency and severity of tortious behavior." Galligan writes that suits by governments against tortfeasors play a "key role" in providing "efficient deterrence, as legal economists use that term." McIntyre argues that "tortfeasor liability for the cost of disaster response services would more accurately reflect the true cost of accidents than does the present system of localized taxpayer subsidies."

As regards the corporations that (we will see) critics particularly target, note that corporate tortfeasors cannot typically direct damage onto municipal services. Corporations bear full liability as tortfeasors for harm they negligently or intentionally cause to persons and

116. See, e.g., WEINRIB, THE IDEA OF PRIVATE LAW, supra note 90, PASSIM.
117. Luschei, supra note 83, at 972.
118. Galligan, supra note 10, at 1020.
119. McIntyre, supra note 10, at 1015.
property, including of course government property. In addition, a corporation internalizes harm inflicted on its own property and business model. Corporate tortfeasors can rarely be confident that their negligence will require the deployment of, say, the municipal fire department, without damaging nearby businesses or the company’s own storage facility, for both of which the corporation is presumably already adequately deterred.\textsuperscript{120}

The deterrence argument must be that tort law \textit{under}deters corporate tortfeasors because a fraction of the social cost of their (wrongful) behavior is borne by the public weal. Note however that this claim applies to every negligent action, by a corporation or an individual, that has been perpetrated since the common law of tort evolved. For example, negligent behavior results in liability only for \textit{proximately} caused harm, thereby “externalizing” \textit{remote} "but-for" costs. The deterrence argument might therefore entail the disappearance of the notion of proximate causation, as economic analysts like Guido Calabresi have in fact advocated.\textsuperscript{121} Tort law’s "economic loss" doctrine may also be a culprit from this perspective. The driver who negligently causes an accident on the George Washington Bridge during New York's rush hour does not owe compensation to the thousands of commuters who lose pay because their arrival at work is delayed, or to the employers who lose profit because their workers are delayed, or to the police departments that incur overtime expenditures redirecting traffic. Without this revolution in Tort, there might be “too many” breakdowns on the George Washington Bridge during rush hour.

As noted, deterrence-based arguments like these are simply not persuasive to those who ground tort law on notions of corrective justice, and for whom proximate causation properly

\textsuperscript{120} And of course corporate reputation would invariably be affected by wrongdoing, to the direct detriment of the corporate tortfeasor, absent any tort award.

encapsulates the corrective demand. Even for economic theories of tort based on "Kaldor-Hicks" wealth maximization and deterrence, the argument against FPSD is vulnerable. But in any case, FPSD critics do not advance this argument – for they do not advocate the general abolition of proximate causation, the economic loss doctrine, and duty analysis. They appear to care only, and peculiarly, about corporate negligence provoking one kind of remote economic harm, rescue services. For that narrow subset of remote results of wrongdoing the deterrence argument is quite simply unavailable to them, if they wish to be coherent.

Negligent defendants typically don't dispute that they are liable for physical damage to governmental property, and for costs incurred to protect property (public and private) from physical damage. Such was the situation in Amoco Cadiz. The Seventh Circuit noted: “The bulk of the expenses were incurred [by France] in protecting and restoring public property. Amoco concedes that France is entitled to compensation for such costs. . . .” The primary dispute in Amoco Cadiz was whether France padded its bill by failing to adequately “separate the costs of protecting proprietary interests from other expenses. . . .” Similarly, in Air Florida the D.C. government’s suit to recover public service expenditures was ultimately unsuccessful, but the airline quickly conceded liability for $70,000 in damage done to DC's 14th Street Bridge. In the seminal FPSD case City of Briegeton v B.P. Oil, Inc., the New Jersey Superior

---

122 See Weinrib, THE IDEA OF PRIVATE LAW, supra note 90; (1995); Michael I. Krauss, Tort Law and Private Ordering, supra note 26, at 625-27. Galligan replies, with candor for his revolutionary goals, that "corrective justice...is not reflective of our post-millennium reality." Galligan, supra note 10, at 1030.
124 See, e.g., W. Bishop, Economic Loss in Tort, 2 OXFORD J. LEGAL STUD. 1 (1982) (defending tort law’s refusal to grant damages for “economic loss” on deterrence grounds).
125 In re Oil Spill by Amoco Cadiz, 954 F.2d 1279 (7th Cir. 1992).
126 id. at 1310-11.
127 id. at 1310.
Court denied recovery for fire department costs to contain a spill on defendants' land, but noted that "if the city were the owner of adjacent land damaged by escaping oil, it, like all landowners, may recover damages caused by the escape."\textsuperscript{130}

Looming in the background of this very partial deterrence argument is a seeming bias against corporations. For example, Lytton argues that "there is no relation between the tax rates of … corporations and the costs of the public services that their activities occasion," resulting in underinvestment in safety.\textsuperscript{131} That corporate tax rates have no intrinsic relation to public service consumption is incontrovertible. But there is an equally weak link between tax rates of \textit{individuals} and the cost of the public services these individuals’ activities occasion. Do we know whether individuals "subsidize" corporations on this account or \textit{vice versa}, or whether, as seems to me more likely, some individuals and corporations "subsidize" other individuals and corporations? One wonders why, for example, those opposed to FPSD do not channel their concern with deterrence by addressing the possibility that large numbers of \textit{individuals} (for instance, those who decline to evacuate their homes in the face of an approaching hurricane) systematically underinvest in safety because they expect government to bail them out. If deterrence is a primary rationale for abolishing FPSD, should individuals also be required to pay for emergency services they use?

As compared with individuals, corporations arguably have a greater desire to take extra care to guard against public service expenditures due to their negligence, because corporations are more solvent than individuals, because they (unlike most individuals) have goodwill that

\textsuperscript{130} City of Bridgeton v B.P.Oil, Inc., 369 A.2d 49. at 55.
\textsuperscript{131} Lytton, \textit{supra} note 10, at 766.
cannot be adequately protected by insurance, and because they are more likely to self-insure even for physical damages proximately caused by their negligence. Insurance surely dulls incentives, but even insured-against harms damage corporate goodwill. Corporations feel pressure to avoid the negative publicity that no doubt results from disasters such as the Air Florida crash, the Cadiz oil spill, or the Three Mile Island incident. Individuals’ incentives to behave non-negligently are arguably much more dulled by insurance (or by "free" rescue services) than are corporations’. Even if damage from a corporate disaster has been somehow largely confined to expenditures made by government for rescue, containment, and cleanup, citizens will harbor negative feelings toward the corporation for using up these communities' scarce resources. These feelings often get translated into hefty punitive damages awards for physical damages caused, which surely deter and quite possibly over-deter, and to which corporations are almost uniquely vulnerable. Indeed, protection of goodwill is one reason why corporations (though rarely individuals) frequently reimburse victims for damages they are not

---

132 See Joseph R. Dancy, Electronic Media, Due Diligence, and the New Industrial Revolution, 53 Consumer Fin. L. Q. 72, 80 (1999) (stating that if a company has “a traditional insurance program like [most] companies, chances are the company has little or no coverage for...serious damage caused to its goodwill...”).


135 For example, after the Exxon Valdez disaster off the coast of Alaska in 1989, consumer advocate Ralph Nader and several environmental groups called for a boycott of the company. Philip Shabecoff, Six Groups Urge Boycott of Exxon, N.Y. Times, May 3, 1989, at A17.

136 In an era of global communication, anger about large industrial accidents need not only be confined to communities located near the site of the disaster. For example, after a pesticide plant leaked deadly chemicals in Bhopal, India in 1994 killing more than 2,000, name recognition among Americans of Union Carbide, the majority shareholder of the plant, increased greatly, as did negative feelings toward the company. Stuart Jackson, Union Carbide’s Good Name Takes a Beating, Business Week, Dec.31, 1984-Jan. 7, 1985, at 40.

137 For example, Exxon was ordered to pay $4.5 billion in punitive damages for the 1989 spill resulting from the grounding of the Valdez off the coast of Alaska. Susan Beck, $1.3 Bil. in Fees Awarded in Exxon Valdez Litigation, Legal Intelligencer, March 9, 2004, at 5. Over-deterrence in such a case might be declining to ship oil in the first place.
obliged to pay in tort, as well as for damages suffered by third parties through no fault of the corporation at all.\textsuperscript{138}

It is reckless to assume, \textit{sans} data, that corporations (alone among tortfeasors) have insufficient incentive to prevent or limit the scope of disasters. Unless a corporation is fly-by-night or insolvent -- in which case the abolition of FPSD would not affect anything -- it will be sensitive to reputational loss as well as to court-ordered payments. Complex empirical studies could determine whether the current net incentive is in some sense “optimal” and, if it is somehow “suboptimal,” whether this “suboptimality” is the result of bankruptcy law, damages rules, insurance rules, agency problems resulting from limited liability, or from some other feature of American law. The selective use of deterrence rationale to justify abrogating FPSD, and for corporations only, is unpersuasive.

\textbf{B. Policy Reasons Why Public Services Are Supplied by Governments}

There is one policy question sometimes hinted at by critics of FPSD, but which they fail to substantially address: \textit{should} governments supply public services at zero marginal cost to users, whether the user be an individual or a corporation?

\textsuperscript{138} Although the law was unclear as to whether manufacturers were liable for injuries caused by criminal product-tampering, in 1991 Johnson & Johnson settled with the families of the seven Chicago-area residents who died nine years earlier after taking Tylenol that had been laced with cyanide. Although few of the terms of settlement were made public, they included college education funds for the eight children whose parents had died in the tragedy. P. Davis Szymczak, \textit{Settlement Reached in Tylenol Suit}, CHI. TRIBUNE, May 14, 1991, at 1.

In the well-known case of \textit{Bolton v. Stone}, a woman sued a neighboring cricket club after being hit and injured while standing outside her home by a ball that had strayed from the playing field. 1951 App. Cas. 850. One of the judges appeared surprised that, although legal liability did not lie in tort because the accident was held to be unforeseeable, the defendant club “offer[ed] no more consolation to his victim than the reflection that a social being is not immune from social risks. . . .” \textit{Id}. 
The answer to this question is a function of one's view of the proper role of government. For an extreme communitarian, all losses are “our losses,” so they should perhaps all be borne by “us.” The New Zealand plan, abolishing much of tort law to pay for accidents from the public fisc, reflects such a view. Alternatively perhaps government should be a subrogated insurer, a clearinghouse for corrective justice transfers but an ultimate bearer of no losses itself whenever tortfeasors are solvent. But should government be doing something that, say, State Farm Insurance Co. can do? These are important questions for political philosophy, and tangentially for tort theory. Surely such questions should be the fulcrum of a critique of FPSD. Alas, critics of FPSD have not felt the need to address them.

Protection provided by government in times of adversity surely spreads costs. Corporations are not the only beneficiaries of this protection. Corporations are, after all, in essence nexi of contracts among individuals. Corporate employees, officers and shareholders may all be comforted knowing that government will be there to provide public services when needed by a corporation, which will not be billed for them afterward. If "free" public protection was extended only to individuals, this modification of tort law would be equivalent to a tax on the corporate form. FPSD critics fail to show why such a tax is needed, i.e., why

---

139 In the mid-1960s, the government of New Zealand commissioned a study of the country's workers' compensation system. The Royal Commission was simply to make suggestions with respect to workers'compensation but instead ended up recommending abolition of the tort system across the board. Following the Royal Commission study, in 1974, New Zealand enacted a no-fault accident compensation system to replace tort remedies for accidents resulting in personal injuries. See Miller, The Future of New Zealand's Accident Compensation Scheme, 11 U. HAW. L. REV. 1, 4 (1989) (describing the compensation scheme in New Zealand).


141 Lytton seems to want to make a public example of corporations experiencing disasters. He admits that “[e]liminating the doctrine would encourage litigation -- well publicized in the case of industrial accidents -- that portrays these losses as costs for which someone must take responsibility.” Lytton, supra note 10 at 780.

142 In addition to those already mentioned, note that Galligan's "public torts" are directed at manufacturers. Galligan, supra note 10, at 1023. McIntyre focuses on large-scale disasters not typically caused by individuals. McIntyre, supra note 10, at 1003.
current corporate taxes are "too low." Why are they not "just right", or even, perhaps, "too high"?

Emergency services, often originally provided by private enterprise,\(^{143}\) have evolved to become proprietary government functions for reasons that can be understood economically and philosophically. Economically, government services sometimes have characteristics of public goods that cannot be provided privately.\(^{144}\) The production of emergency services arguably generates pervasive benefits for which private providers may be unable to charge. Like national security, the availability of emergency services may benefit everyone in the community, whether each individual pays for them or not. Providing such goods for some necessarily means providing them for all.\(^{145}\) Economists refer to this kind of benefit as a "neighborhood effect." Unless producers of public goods can extract payments from every user of a service, each member of the community has an incentive to "free-ride" on the willingness of others to pay for them. No private producer will step in to satisfy a general demand for such services because no producer can extract profits from free-riding consumers. Spread across a community, the twin problems of neighborhood effects and free-riding can result in market failure – an unsatisfied demand for a beneficial good.\(^{146}\)

Philosophically, through the political process, we have generally resolved that public funding of some services is just. Modern notions of individual autonomy suggest that it is

\(^{143}\) DAVID BEITO, FROM MUTUAL AID TO THE WELFARE STATE: FRATERNAL SOCIETIES AND SOCIAL SERVICES, 1890-1967 (2000). In the seventeenth century, firefighting was connected to fire insurance and was therefore privately provided. See Harry M. Johnson, The History of British and American Fire Marks, J. OF RISK & INSURANCE, Vol. 39 (No. 3) 405, 406 (1972). The earliest public firefighting company in England was not formed until 1866. Id. at 407. In colonial America, collective, mutual-assistance firefighting companies predated private insurance. Private companies insuring against, as well as fighting and reimbursing volunteer companies who fought fires on the property of their insurance customers, arose in the mid-1700s. Id. at 414-17.

\(^{144}\) See generally R. NOZICK, ANARCHY, STATE AND UTOPIA (1974).


inappropriate to allow the market to determine who receives vital services like police and fire protection. Market distribution of such services would arguably favor the wealthy and well-organized at the expense of the poor and helpless. The moral sensibilities of most recoil at the suggestion that the poor should only receive sub-standard or unresponsive police or fire protection because they are “not willing” to pay for more.

This understanding appears to underlay the New Jersey Superior Court’s eloquent opinion in *City of Bridgeton v. B.P. Oil*.\(^{147}\) Granting defendants’ motion to dismiss a lawsuit by which a city sought reimbursement for salaries it paid to contain an oil spill, the court declared: “It has been stated that ‘It cannot be a tort for government to govern.’ Neither is government a saleable commodity.”\(^{148}\) Calling attention to the fact that fire protection had once been a private function, the court affirmed that it was assuredly a government duty now.\(^{149}\) The reason behind the transformation was explained the following way:

Governments, to paraphrase the Declaration of Independence, have been instituted among men to do for the public good those things which the people agree are best left to the public sector. Since our country was founded there has developed a widening horizon of public activity. True, certain activities have developed in areas from which revenue has been derived, such as turnpikes, water or power supply, or postal services. Nevertheless, there remains an area where the people as a whole absorb the cost of such services -- for example the prevention and detection of crime. No one expects the rendering of a bill (other than a tax bill) if a policeman apprehends a thief. The services of fire fighters are within this ambit and may not be billed as a public utility. . . .

[A] municipal corporation may not recover as damages the costs of its governmental operations which [sic] it was created to perform. . . . Thus, if the

---


\(^{148}\) *Id.* *City of Bridgeton*, 369 A.2d at 54 (quoting Amelchenko v. Freehold, 42 N.J. 542, 550 (1964)).

\(^{149}\) *Id.*
city were the owner of adjacent land damaged by escaping oil, it, like all landowners, may recover damages caused by this escape. It cannot, however, recover costs incurred in fire protection or extinguishment. That is the very purpose of government for which it was created.\footnote{Id. at 54-55.}


The Ninth Circuit conceded as much in *City of Flagstaff v. Atcheson, Topeka & Santa Fe Railway*\footnote{City of Flagstaff v. Atcheson, Topeka & Santa Fe Railway, 719 F.2d 322 (9th Cir. 1983).} when it held that “the cost of public services for protection from a fire or safety hazards is to be borne by the public as a whole. . . .”\footnote{Id. at 323.} The court concluded:

> Even if we were satisfied [which we are not] that we had the information to choose the more "efficient cost avoider" in this case . . . an added factor counsels deference to the legislature. Here governmental entities themselves currently bear the cost in question, and they have taken no action to shift it elsewhere. If the government has chosen to bear the cost for reasons of economic efficiency, or even as a subsidy to the citizens and their business, the decision implicates fiscal policy; the legislature and its public deliberative processes, rather than the court, is the appropriate forum to address such fiscal concerns.\footnote{Id. at 323-24.}

Cases like *Bridgeton* and *Flagstaff* reflect courts' crucial insight into the differences between private and public law. Services the collectivity has chosen to provide are publicly
funded goods until this is otherwise decided in the political arena. Government can fund activities in various ways: by instituting user fees, by establishing funding lotteries, or by imposing taxes, including taxes on corporations if it is thought that they are not paying their "fair share." Criminals can be charged for the police work leading to their arrest;\(^\text{155}\) convicts can be charged a "hotel bill."\(^\text{156}\) Public ordering aside, courts must not shift public costs \textit{as a common law function}. To follow FPSD opponents' prescription would be to make an end-run around the political process and to engage in exactly the judicial regulation, and the usurpation of tort law, that Lytton, for one, purports to condemn.\(^\text{157}\)

\textbf{C. Judicial Policy Making}

It is in labeling the free public services doctrine "judicial policy making" that FPSD opponents make their ultimate egregious error. Lytton calls FPSD a "judicial invention,"\(^\text{158}\) but in fact courts that invoke the doctrine see it as emblematic of judicial restriction.\(^\text{159}\) To cure the defects he sees in FPSD, Lytton concludes that "[s]imply overruling [FPSD] . . . would be justified, easy, and well within the legitimate powers of the courts."\(^\text{160}\) Lytton thus promotes abandoning a common law rule intimately linked to the distinction between private and public


\(^{156}\) See, e.g., Marla A. Goldberg, \textit{Suspect Denies Slaying Bruno}, \textit{THE REPUBLICAN} (Springfield, MA), Dec. 28, 2005, at A1 (stating that two men convicted in federal court of interstate travel in aid of a racketeering venture were ordered to pay about $31,000 to cover prison costs); \textit{Mafia Boss Ordered to Pay Prison Costs}, \textit{MIAMI HERALD}, Sep. 11, 2005, at A3 ("A federal judge Friday ordered the former head of the New England Mafia to reimburse the government almost $120,000 for the cost of his eight years in prison.").

\(^{157}\) The goal of the common law is corrective justice, or righting wrongs between the parties at bar, not distributive justice, or ensuring that the community’s resources are distributed in a just manner given political considerations. See Ernest J. Weinrib, \textit{THE IDEA OF PRIVATE LAW}, \textit{ supra} note 90, at 204-231.

\(^{158}\) Lytton, \textit{ supra} note 10, at 780.

\(^{159}\) See, e.g., City of Bridgeton v. B.P. Oil, Inc., 369 A.2d 49, 54 (N.J. Super. 1976) ("It has been stated that ‘It cannot be a tort for government to govern.’").

\(^{160}\) Lytton, \textit{ supra} note 10, at 780.
How can this be done by a “restrained” court? Similarly, Wendy Wagner has argued that gun litigation is a way of overcoming "stubborn information problems" and reaping "regulatory benefits" not obtainable through the legislative process. It is difficult to see what this has to do with judicial restraint, the Rule of Law, or tort.

This wolf-in-sheep's clothing approach (judicial activism under the guise of judicial restraint) may in fact characterize much of Professor Lytton's scholarship. Lytton has made radical, tort-transforming arguments in support of suits against the firearms industry:

"The military strategist Karl von Clausewitz asserted that war is a continuation of politics by other means. The same might be said of gun litigation . . .

"[C]ourts should play a secondary role in policy-making that complements the regulatory efforts of legislatures and administrative agencies . . . [subject to] more focused legislative responses to litigation, where legislatures disagree with the policy implications of particular judicial decisions

"[but the] legislature should do so in a restrained way, one that respects the preeminence of courts in shaping tort doctrine and preserves the regulatory benefits of tort litigation

"[M]ore focused responses promote the integrity of tort doctrine, respect the separation of powers, and preserve a regulatory role for the courts.

---

161 See Krauss, Tort Law and Private Ordering, supra note 26, at 653-54.
162 In fact, Lytton dislikes the free public services doctrine so much that he is apparently indifferent as to just which party -- the courts or the legislature -- should take the lead in ending it. He argues at one point that judges should abolish the doctrine (leaving the legislature free to reestablish it by statute if desired) and at another that the doctrine “should be replaced with a statutory scheme that generally allows government to sue in tort for public service expenditures subject to specific exceptions.” Lytton, supra note 10, at 780.
164 LYTTON, SUING THE GUN INDUSTRY, supra note 14, at 152.
165 Id. at 153.
166 Id. at 170.
167 Id. at 170.
IV. GENERAL CRITICISMS OF THE FREE PUBLIC SERVICES DOCTRINE: FLAWED ASSUMPTIONS AND COMPARISONS

This article has heretofore chipped away at the arguments employed by the critics of FPSD. It is now time to pass from the defense to the offense. FPSD criticism, it turns out, is biased, inefficient, and unprincipled.

A. What's Incorporation Got To Do With It?

Dean Prosser described FPSD thus: “The state can never sue in tort in its political or governmental capacity, although as the owner of property it may resort to the same tort actions as any individual proprietor to recover for injuries to the property or to recover the property itself.”168 So FPSD is not, on its face, confined to damages caused by corporate tortfeasors.

Yet in the introduction to his argument against FPSD Lytton affirms that “[t]he [free public services] doctrine shields industrial tortfeasors from liability for cleanup costs, passing these costs on to the public. It constitutes a tort subsidy to industry and functions as an insurance scheme for industrial accidents.”169 He elsewhere pronounces that, “[i]n many instances, the doctrine lets industrial tortfeasors off the hook for forest fires, oil spills, and airline crashes and makes taxpayers pay the cleanup costs,”170 and that FPSD is an “undesirable tort subsidy to careless industries.”171 He flatly charges courts that have applied the doctrine with “pro-industry

168 PROSSER & KEETON, TORTS § 2, p.7 (5th ed. 1984). Prosser is describing an underlying rule of tort, although he does not explicitly label it as “the free public services doctrine.” Prosser notes that the rule governs municipal corporations as well as states. Id. at n.7. Lytton’s refusal to recognize this underlying rule is what leads him to conclude that only ten states recognize the doctrine – other states simply decline to use the label. See, e.g., County of Champaign v. Anthony, 337 N.E.2d 87, 88 (III. App. Ct. 1975) (quoting Prosser in affirming dismissal of county’s lawsuit against criminal defendant for cost of protecting witness who testified against him at trial).
169 Lytton, supra note 10, at 730 (emphasis added).
170 Id. at 759 (emphasis added).
171 Id. at 781 (emphasis added).
Relying on these arguments, a recent New Jersey decision refused to apply FPSD to reject a city's suit against a gun manufacturer because of the "unfairness" of allowing corporate tortfeasors to use public services the same way that private citizens do.\textsuperscript{173}

Anti-FPSD citations refer overwhelmingly to corporate defendants, be they chemical companies,\textsuperscript{174} railroads\textsuperscript{175} or firearm manufacturers\textsuperscript{176} Yet one might ask, what's incorporation got to do with this problem? Much government assistance targets \textit{individual} victims who have either negligently caused their own peril, or who have been injured by other culpable individuals. From Coast Guard rescue of careless boaters to welfare benefits for single mothers to helicopter

\textsuperscript{172} Id. at 759 (emphasis added).
\textsuperscript{174} E.g., in note 2 Lytton cites to: \textit{Kodiak Island Borough v. Exxon Corp.}, 991 P.2d 757 (Alaska 1999) (reversing summary judgment for defendant oil company in suit by cities to recover costs for cleanup of Exxon Valdez oil spill); \textit{Mayor & Council of Morgan City v. Jesse J. Fontenot, Inc.}, 460 So. 2d 685 (La. Ct. App. 1984) (upholding judgment for city for property damage resulting from chemical fire, but denying recovery for costs to city of fighting the fire); \textit{City of Bridge顿 v. B.P. Oil, Inc.}, 369 A.2d 49 (N.J. Super. 1976) (affirming denial of recovery for costs incurred by municipal fire department in containing oil spill); and \textit{City of Pittsburgh v. Equitable Gas Co.}, 512 A.2d 83 (Pa. Commonw. Ct. 1986) (affirming dismissal of city suit to recover costs of deploying police to the scene of gas pipeline explosion). In note 3 Lytton cites to \textit{In re Oil Spill by the Amoco Cadiz}, 954 F.2d 1279 (7th Cir. 1992) (upholding liability of oil and shipbuilding companies for oil spill at sea).
\textsuperscript{175} In note 2, Lytton cites \textit{Town of Howard v. Soo Line R.R.}, 217 N.W.2d 329 (Wis. 1974) (reversing summary judgment to plaintiff town for recovery of fire-fighting costs resulting from railroad negligence). In note 3 he cites: \textit{City of Flagstaff v. Atchison, Topeka & Santa Fe Ry. Co.}, 719 F.2d 322 (9th Cir. 1983) (affirming summary judgment for railroad in suit by city for recovery of emergency costs expended following derailment); \textit{Allentown Volunteer Fire Dep't v. Soo Line R.R.}, 372 F. Supp. 422 (E.D. Wis. 1974) (dismissing fire department’s suit to recover costs of fighting fires caused by defendant railroad); \textit{United States v. Denver & Rio Grande W. R.R.}, 547 F.2d 1101 (10th Cir. 1977) (allowing recovery for firefighting costs and damage to federal land negligently caused by defendant railroad, but disallowing recovery for overhead of firefighting program); \textit{United States v. Chesapeake & OHio Ry. Co.}, 130 F.2d 308 (4th Cir. 1942) (reversing dismissal of suit against negligent railroad to recover costs for fire suppression in national forest); and \textit{United States v. Ill. Terminal R.R.}, 501 F. Supp. 18 (E.D. Mo. 1980) (denying railroad’s motion to dismiss suit by government to recover costs for removal of abandoned bridge piers).
hoistings of those who don’t evacuate, government rescue is at least as much a response to individual misfortune as to corporate tort.

Perhaps FPSD opponents believe that courts only invoke FPSD in suits filed by governments against large, financially solvent corporations for recoupment of rescue costs. Such a belief would be untrue. Governmental entities rarely attempt to recoup the cost of services from individual tortfeasors, both because of limits on solvency and because of reluctance to sue one's voters in tort, but this political reality does not affect the content of the underlying tort doctrine. A solvent (i.e., insured) individual’s negligence can certainly result in the expenditure of thousands or even millions of dollars of public rescue services. In 1987 a small Texas town spared no expense to save a child who had fallen down an abandoned well because of negligent parental supervision – and there was no evidence that the parents were unable to pay for her rescue, though no reimbursement was sought.177 Nor is it clear that those who stand behind individual tortfeasors are incapable of indemnifying fire departments when careless smoking sets their homes ablaze. In 2002, a federal forest service employee carelessly burned a letter at a campground in a National Forest, resulting in $52 million in losses; her wealthy government employer could have reimbursed local firefighters under respondeat superior.178 The apocryphal insured motorist who negligently caused an accident on the George Washington Bridge during rush hour may have enough coverage to pay for the huge outlay of state police overtime services to re-route traffic. But of course, motorists are never sued by governments to recoup these

177 The mother and aunt of Jessica McClure, who fell down a well in her aunt’s backyard in Midland, Texas in 1987, were determined by the state human services agency to have been negligently supervising the girl at the time of the accident. Associated Press, Report Criticizes 2 Relatives in Child’s Fall in Texas Well, N.Y. TIMES, Jan. 13, 1988, at A18. If the McClure family did not at the time have sufficient resources to pay for the rescue services received, it certainly did after the event was over. A $1 million trust fund was formed for Jessica’s benefit from donations received from people around the world who learned of her ordeal in the media. Chip Brown, “Baby Jessica” Adapts to Living Normal Life as a First-Grader, L.A. TIMES, Oct. 11, 1992, at A1.
expenses – correctly, because recoupment suits have no basis in tort law. FPSD opponents never explain why tort law should treat corporations differently.

One possible distinction between corporate and individual demands on services is that it would be "inefficient" to encourage small recoupment claims against individuals, and that for this reason only significant corporate wrongdoing should set off an exception to FPSD. But Lytton himself points out that governments have occasionally launched (unsuccessful) tort suits to recoup small sums from corporations. In 1986 Pittsburgh sued Equitable Gas Company for $1,185.70 in public expenditures following a natural gas explosion. In 1987 the Township of Cherry Hill, New Jersey, sued Conti Construction in a vain effort to recover $4,220.80, the estimated cost of police overtime pay to evacuate a neighborhood after a Conti employee negligently ruptured a gas line. In 1984, the State of New York unsuccessfully sued the Long Island Lighting Company for $5,263.18 in expenses incurred to divert traffic from a stretch of road onto which power lines had negligently been allowed to fall. Governments arguably chose to sue corporations, as opposed to individual citizens, for small sums, for political reasons, not for efficiency reasons.

Are these small-scale lawsuits rational? Why would New York State, Pittsburgh, or Cherry Hill take a company to court to recover a small amount of money, surely less money than it costs to file and prosecute the claims? In addition to the obvious “public choice” explanation for this phenomenon, two other possible justifications for these suits come to mind. Perhaps local and state governments have an “all shoplifters will be prosecuted” policy; that is, perhaps

---

179 All three cases discussed here are cited by Lytton, supra note 10 at 729 n.2.
183 Companies can't vote; company money is "new money" brought into government coffers, and replaces individual tax dollars, thereby allowing for a lessened tax load on those who do vote.
they try to take all public-service-incurring tortfeasors to court, no matter the value of the claim, as a deterrent to negligent action causing governmental loss. Alternatively, government entities may be attempting to make an example out of a particular defendant, perhaps because prior unsatisfactory behavior has demonstrated that the company in question is a "bad apple." But neither of these possible justifications can be easily reconciled with the fact that governments' tort lawyers seemingly ignore claims on their resources by individual tortfeasors, many of whom are surely known to be generally bad citizens.

Another argument distinguishing individual from corporate beneficiaries of public services is that the former create problems the state is meant to resolve, while the latter cause exceptional harm that goes beyond the legitimate scope of free public services. McIntyre writes:

[A]s a practical matter it would not be cost-effective for a government entity to entangle itself in an expensive lawsuit for the relatively small costs incurred in responding to minor emergencies such as car crashes and small home fires that are not properly characterized as disasters.184

Under this rationale, corporations are “different” from physical persons, and deserve distinctive tort treatment, essentially because they are not citizens. Judgments from New Jersey and Massachusetts have alluded to an alleged public policy rationale behind spreading the risk of emergency services away from individual persons: “[I]t would be too burdensome to charge all who carelessly cause or fail to prevent fires with the injuries suffered by the expert retained with public funds to deal with those inevitable, although negligently created, occurrences.”185 In essence, this argument is that "efficiency" requires collective sharing of losses caused by individuals, not corporations. This reinforces the impression that those who defend municipal-

184 McIntyre, supra note 10, at 1018 n.102.
cost recovery suits are more concerned with transferring resources from corporations to governments than with the theory of FPSD itself.

This preoccupation with corporate liability leads Lytton to argue that FPSD “unjustifiably favors [corporate] tortfeasors who harm government as compared to those who harm private parties.”\textsuperscript{186} If a corporation negligently damages a private party’s property through, e.g., an oil spill, the corporation will be held liable in tort for the damage caused to that party.\textsuperscript{187} But if the same negligent corporate act “harms” the government by "requiring" it to expend money to deploy emergency equipment and cleanup crews to the private party's home, the corporation is not liable to the government, a result Lytton believes is unfair and irrational.\textsuperscript{188} The mistake here should be obvious, however. The harm the individual suffers in Lytton’s first example is direct, not mediated as is the public service expense in helping clean up the individual's property. Lytton concedes that directly harmed public property will also be indemnified in tort: if the negligent oil spill pollutes City Hall, the city will recover damages from the spiller under current tort law.\textsuperscript{189} No discrimination in favor of corporations is involved here. The "problem" here is not FPSD – it is tort law's proximate causation requirement, and as shown above, it is a non-problem.

Instead of comparing the potential liability of a corporate tortfeasor that has directly harmed a private plaintiff with a corporate tortfeasor that has indirectly “harmed” government, a logical study would compare the fate of a corporate tortfeasor that has indirectly “harmed” government with an individual tortfeasor who has similarly indirectly “harmed” government. Under the anti-FPSD rationale employed by the New Jersey Superior Court in James v. Arms

\begin{flushright}
\textsuperscript{186} Lytton, \textit{supra} note 10, at 759.  \\
\textsuperscript{187} Id.  \\
\textsuperscript{188} At least the corporation would not be liable for the emergency costs. Lytton acknowledges that negligent tortfeasors may be required to repay governments for damage to real or chattel property. \textit{Id.} at 743.  \\
\textsuperscript{189} \textit{Id.} at 743.  
\end{flushright}
a chemical company whose plant explodes due to its negligence should be liable for the costs of deployment of the municipal fire department to extinguish the blaze. Yet a negligent homeowner who requires the services of the same fire department after falling asleep while smoking is not liable for firefighting costs. Yet, to paraphrase the court, given the existence of a "repeated course of conduct on [the part of smokers], requiring [a municipality] to expend substantial governmental funds on a continuous basis," why the disparity?

The cost incurred by a municipality in extinguishing a given fire is not a function of the corporate status of the fire-setter. As noted above, it might not be cost-effective for the government to attempt to recover from every homeowner. But governments regularly devote considerable resources to the profitable collection of small sums of money (such as traffic fines) from individuals. In the aggregate, small, routine rescues of individuals, such as sending out fire trucks for negligently caused automobile accidents, may well absorb the lion’s share of a fire company’s budget. Imagine that a homeowner negligently allows natural gas to leak into his home, resulting in an explosion that causes neighboring houses to catch fire. This homeowner would be liable to his neighbors under current tort doctrine, yet would not be pursued by the

---

191 Lytton states: “Getting rid of the doctrine would allow government entities to recover from tortfeasors the costs of services such as fire suppression, environmental cleanup, and rescue operations.” Lytton, supra note 10, at 768.
192 As Lytton believes that eliminating the free public services doctrine with regard to corporations “would not open the door to unlimited liability or unleash a flood of claims” (id. at 750), he presumably envisions allowing only government suits to recover the costs of the relatively large emergency expenditures typically caused by corporations, rather than the more numerous lesser costs of services provided to negligent individuals. James, 820 A.2d at 48-49.
193 Consider the experience of park rangers in Yosemite National Park. While rescuing mountain climbers is quite costly due to the equipment and training required, the number of such rescues is only about 15 percent of the total number of rescues each year. The vast majority of search and rescue missions are for lost hikers, a comparatively cheap task per rescue. According to a ranger, “Climber rescues are more expensive because of helicopters, but we do spend more money on rescuing hikers.” See Clare Noonan, Rescuing Climbers Raises Questions of Who Should Pay, SAN DIEGO UNION-TRIBUNE, July 21, 2002, at C-7.
195 But see Ryan v. N.Y. Central R.R. Co., 35 N.Y. 210, 211 (1866) (stating that the party negligently causing a fire is liable for damage only to the closest building to which the fire spreads, not all buildings that may be damaged); and Pennsylvania R.R. Co. v. Kerr, 62 Pa. 352 (1870) (holding a railroad may be liable for fire damage directly caused by sparks from a passing train, but that additional damage resulting from the fire spreading from building to building would not be recoverable).
municipality for the costs of extinguishing the blaze. Is this "unfair"? Opponents of FPSD don't seem to think so. Why is there unfairness when the tortfeasor is a corporation?

Stripped of anti-corporate bias, the real question is whether it is unjust that a tortfeasor is held liable for direct but not for mediated damages. Should there be a point at which corporations and individuals should be liable for expenditures by a fire department, perhaps if an unusually large number of firefighters (as compared to the number required to douse an "average" fire) must respond to a call? Should it matter that a government provides these services, as a service (not a subsidy) to all (corporate and individual) legitimate stakeholders in society? An anarcho-capitalistic argument could of course be made for eliminating government services, but FPSD opponents do not seem motivated by anarcho-capitalist theories.

B. Flawed Distributional Claims

FPSD opponents seem to feel that the doctrine unfairly acts as liability insurance for corporations, insurance for which “industry tends to get far more risk reduction and pay

---

196 Negligently caused forest fires may be an exception to this trend in that individuals, as well as companies, are apparently sometimes billed or sued for reimbursement for fire-suppression expenses. Ted Cilwick, Cost of Fighting Fires in Wild Sparks Bills for Reimbursement, L.A. TIMES, Nov. 27, 1990, at A5.

197 Though most agree that the government should provide services to citizens, many feel that these services should not be extended to illegal immigrants. An example of this sentiment is California Proposition 187, passed in 1994. The proposition demanded that the state withhold many social services, including public education and emergency room care, from illegal immigrants. Though the proposition passed by almost a 2-1 margin, federal courts restrained implementation. Gregorio T. By and Through Jose T. v. Wilson, 59 F.3d 1002 (9th Cir. 1995). A recently-passed Georgia law had been compared to California Proposition 187. See Rick Lyman, Georgia Immigration Law Broad, HOUSTON CHRONICLE, May 14, 2006, at A3 (describing the recently-passed law that will take effect on July 1, 2007, and that will deny state benefits, including welfare and Medicaid, to those who cannot prove they are in the country legally).

Lytton calls this system “distributively unfair” and claims -- without referring to data to support his position -- that “citizens are cross-subsidizing [sic] industry.” The alleged subsidization occurs because corporate taxes are not experience-rated: i.e., there is no direct relationship between the taxes paid by corporations and risks created by these corporations.

Lytton does concede, in passing, that corporations are required to finance, through corporate and property taxes, public services from which they are intrinsically unable to benefit - such as public education and welfare benefits. But he dismisses these instances of industry-to-individual “subsidization” as unworthy of his attention, because they are “products of legislative decisions, not tort subsidies created by common law judges.”

Though this type of "subsidy" “may be just as distributively unfair as the free public services doctrine’s cross-subsidization of industry by citizens,” Lytton opines that the legislature’s blessing bestows upon these forced subsidies “a level of democratic legitimacy.”

Like other taxpayers, corporations pay income taxes used in part for transfer payments. Corporations pay property taxes that fund municipal services to individuals. Corporations pay other taxes for which they directly recoup little, such as Social Security and unemployment taxes.
levies. Indeed, corporations are believed to generate, directly and indirectly, so many positive tax externalities that local governments compete to entice them to relocate to their communities. Municipal "tax holidays" are circumstantial corroboration that corporations provide net positive tax externalities \textit{ex ante}.\footnote{See, e.g., Peralte C. Paul, \textit{Big Push Won DaimlerChrysler}, \textit{ATLANTA J. \\& CONST.}, Oct. 20, 2002, at 1F; Peter Behr, \textit{To Lure Jobs, States Surrender Key Tax Returns}, \textit{WASH. POST}, Aug. 20, 1995, at A1; Elizabeth Levitan Spaid, \textit{States in No-Holds-Barred Battle to Attract New Jobs}, \textit{CHRISTIAN SCI. MONITOR}, May 31, 1995, at 3.}

Tellingly, in a footnote Lytton makes an important concession that undermines his argument that FPSD is illegitimate corporate welfare. He writes:

> Empirical data comparing public expenditures occasioned by industry to public expenditures occasioned by individuals is unavailable. Thus, claims of cross-subsidization are admittedly speculative. \textit{Such claims are, however, not unlikely given the relatively higher risk posed by industrial accidents when compared to accidents caused by individuals}.\footnote{See Lytton, supra note 10, at 764 n.177 (emphasis added).}

> It turns out that the “subsidization” claim is based on social costs (the cost of industrial accidents), \textit{but not on social benefits} (the positive neighborhood effects attributable to the corporation) that result from the operation of a company. "Speculating" that FPSD results in a net subsidy to corporations, without looking at the benefits of the corporate form, is academic “junk social science.”\footnote{Under the standard of evidence laid out in \textit{Daubert v. Merrell Dow Pharmaceuticals}, “in order to qualify as ‘scientific knowledge,’ an inference or assertion must be derived by the scientific method.” 509 U.S. 579, 590 (1993). The factors used by a court to determine if evidence is admissible as scientific or technical knowledge include whether the knowledge has been or can be tested, whether the methodology at issue has been subject to peer review and publication, and whether the technique used to acquire the knowledge is generally accepted. \textit{Id.} at 593-94. Lytton’s discussion on subsidization would not pass such a test.}

\section*{C. Flawed Allocative Claim}
The distributive argument for revocation of FPSD is speculative. Not to worry, for FPSD critics are capable of changing tack completely to promote corporate liability for public services as efficient “loss-spreading,” unlike municipal taxation, which constitutes inefficient, compulsory insurance.\textsuperscript{209} Lytton writes:

\textit{[W]hen government passes public service costs on to taxpayers, they are not free to opt out of the insurance scheme. As long as government finances public services, the free public services doctrine will compel taxpayers to participate in a loss-spreading scheme that insures against liability for the cost of public services.}\textsuperscript{210}

There are two problems with this poor imitation of Judge Posner. First, it impliedly excludes corporations from the category of “taxpayers.” As noted, such an exclusion is groundless since there is no data supporting the contention that corporate taxpayers are not similarly or even more acutely impoverished by the coercive “group insurance” of publicly financed services. Secondly, without full fee-for-service privatization of all social services, which FPSD critics neither advocate nor support, some will always pay more, or less, than a “fair share” for public services.\textsuperscript{211} It is of the essence of a tax that its payment be coercive. It can be argued that a corporate citizen that has never suffered an accidental fire, explosion, chemical spill, or other large-scale disaster is "inefficiently" subsidizing paramedic, fire, and police insurance for the small minority of individuals who consume the majority of EMTs', fire departments' and police forces' time – but such an argument would be specious, because it is unclear what "inefficiently" means in this context. Why is payment of “forced insurance” by corporations not "inefficient" to FPSD opponents? They do not provide any theory of efficiency

\textsuperscript{209} Lytton, supra note 10, at 763.
\textsuperscript{210} \textit{Id.} at 764.
\textsuperscript{211} Even privatized and fully competitive insurance markets will result in unequal distribution of costs and benefits \textit{ex post}, though of course not \textit{ex ante} if premiums are actuarially set.
or of politics that would explain why a net payment in one direction, but not in the other, is "inefficient." Nor do they ever discuss the communitarian premises which arguably underly the notion of public services. Communitarian ideals might in fact compel general payment of “natural monopoly” public goods, trumping any efficiency claim. Is it "inefficient" for the majority to pay for police protection of an embattled minority that frequently needs police protection, yet doesn't pay its "fair share"? Without discussion of such issues as "equal protection", "due process" and "republican form of government", arguments against FPSD on grounds of efficient insurance are whistles in the dark.

D. **Voluntary Products Liability "Insurance" vs. Involuntary Public Services "Insurance"**

Noting that “[l]oss spreading elsewhere in the law of torts involves voluntary participation of those in the risk pool,” FPSD opponents contrast the “voluntary” insurance scheme resulting from corporate liability for defective products with the “involuntary” loss-spreading required by payment of public services through taxes. For example, Lytton asserts that under products liability, “the cost of purchasing the insurance is included in the price of the product.” This makes the insurance "voluntary." "By contrast," Lytton claims, "when government passes public service costs on to taxpayers, they are not free to opt out of the insurance scheme."

This comparison misunderstands not only the nature of public services, but also the insurance element of products liability law, which is "voluntary" in a most unusual way.

---

212 See, e.g., Nozick, supra note 137, at 320-23 (noting that allowing individuals in a community to opt out of "equal sharing" of the restrictions and burdens of the community might change the character of the community).
213 Lytton, supra note 10, at 763.
214 Id. at 764.
215 Id.
Consumers may *not* currently give up their rights to sue manufacturers in products liability in exchange for lower prices; they may “opt out” of products liability “insurance” only by refusing to buy the products themselves – a virtual impossibility for some goods and a very inefficient bundling for most others.\(^{216}\) Similarly, producers may opt out of product liability law only by ceasing to produce, not by offering less insurance at a lower price. In addition, when products are purchased, *all* purchasers pay the same “insurance premium” as a component of the product price, regardless of the individual risk created by each consumer's particular use of the product.\(^{217}\) This is the same “coercion” and "cross-subsidization" (sic) that Lytton believes is unjustly generated by FPSD. But the same bundling exists for public services. Taxpayers can decide to fund more or less services through tax dollars, or they can refuse to fund them at all (providing for them in the private market); or they can move to another jurisdiction with different tax preferences; or they can decline to earn income (avoiding income tax) or purchase goods (avoiding sales tax). In neither product liability law nor public finance is there a “clean” insurance market with individually determined and agreed-upon premiums for specific risks. In the end, the “involuntary” nature of FPSD matters if (and only if) public provision of rescue services is itself fundamentally unjust.\(^{218}\)

FPSD opponents declare that the doctrine is an inefficient way to provide insurance, and that “[e]liminating the doctrine would encourage most high-risk entities to purchase private

---


\(^{217}\) Some consumers use their ladders daily, others only once a year. Additionally, some users are risk-averse while others are reckless. *See generally* Richard A. Posner, *Economic Analysis of Law* 88-92 (1972) (discussing relation of liability rules to level of care exercised by consumers).

\(^{218}\) Lytton's argument about corporations not paying their “fair share” for rescue services becomes even less intelligible when one considers that corporations do not actually “pay” taxes. In fact, the cost of corporate taxes is passed on to employees, in the form of lower wages, or corporate shareholders, in the form of lower dividends. *See, e.g.*, Marian Krzyżaniak & Richard A. Musgrave, *The Shifting of the Corporation Income Tax* (1963).
This implies that companies do not currently purchase "enough" insurance, because they expect FPSD to protect them from liability in the event of a negligently-caused disaster. As a matter of fact, insurance coverage is specifically mentioned in several of the cases cited by FPSD opponents. For example, after the oil tanker *Cadiz* ran aground in 1978, Amoco’s insurance company told the French government that it could not on its own handle the cleanup of such a large oil spill, but that the company would reimburse France for “reasonable costs” incurred by France in the cleanup on Amoco’s behalf. Following the terms of an international convention on pollution damage to which France was a party, Amoco paid the maximum recovery amount for such incidents -- 77 million Francs (about $16 million) -- into a fund for the French government to apply toward cleanup costs. The French government, however, thought this sum insufficient and sued (in American courts, *bien sûr*) to obtain additional funds. It is hard to see why it should be assumed that Amoco was “underinsured” when the company made arrangements to pay the statutory maximum allowed for such a disaster. If the statutory maximum was insufficient, that cap -- not tort law’s free public services doctrine -- needs to be changed.

Insurance coverage was also an issue in *Fontenot*. The two corporations involved in the explosion and fire “stipulated liability, not to exceed the limits of liability in the applicable insurance policies.” Although defendants had policies at various coverage levels with five different insurance companies, the city chose to sue only the two firms from which the insureds

---

220 In re Oil Spill by Amoco Cadiz, 954 F.2d 1279, 1310 (7th Cir. 1992).
221 *Id.*
222 *Id.*
223 Morgan City v. Fontenot, 460 So. 2d 685 (La. Ct. App. 1984)
224 *Id.* at 686.
had purchased “excess coverage.”\textsuperscript{225} The court explained the move this way: “Apparently, the limits of liability of the other insurers had been expended in satisfaction of other claims.”\textsuperscript{226} If that was the case, it can hardly be argued that the defendants had inadequate insurance; after all, they had not themselves exhausted the limits of liability on all of their policies. Rather, the city seemed to want to convert the insured's “excess coverage” into social insurance, so long as the money came from an outside insurer and not a local firm.

\textbf{V. Conclusion}

FPSD opponents maintain that the free public services doctrine "does not have particularly deep roots in the common law, dating back only to the 1970s."\textsuperscript{227} As this article has demonstrated, FPSD is in fact an ancient doctrine. What opponents see as “antecedents” to FPSD -- cases involving unsuccessful tort claims against criminals for the cost of their capture and imprisonment,\textsuperscript{228} or failed suits by the federal government to recover economic losses resulting from injury by a tortfeasor to soldiers,\textsuperscript{229} -- are in fact nothing but particular applications of duty, proximate cause and economic harm theories.

This article has situated FPSD as a sound and timeless application of existing common law doctrines. Those who oppose FPSD resort to “policy analysis” motivated by an inchoate and uninformed bias against corporations. Their claim that FPSD “inefficiently externalizes the costs of tortfeasors’ wrongdoing”\textsuperscript{230} fails, as does their assertion that the doctrine is “distributively unfair.”\textsuperscript{231} Their conclusion that “[a]bandoning the doctrine would end an undesirable tort

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{225} Id. at 686-87.
\item \textsuperscript{226} Id. at 687 n.2.
\item \textsuperscript{227} Lytton, \textit{supra} note 10, at 731.
\item \textsuperscript{228} Id. at 733.
\item \textsuperscript{229} Id. at 735.
\item \textsuperscript{230} Id. at 731.
\item \textsuperscript{231} Id. at 764.
\end{enumerate}
\end{footnotesize}
This article also defended FPSD from the unjust accusation that it represents "judicial activism." Critics fail to explain why judges’ application of traditional common law doctrines of duty and proximate causation is "activism," while judicial overthrow of these doctrines on unproven "policy" grounds and in the name of an inchoate "efficiency" would not be activism. In fact, such a dramatic upheaval would be aberrant for the common law. Common law judges examine the issues before them in a case with no pre-conceived ideas about launching policy "reform" efforts when the right case comes along.234

The free public services doctrine is a brick mortared to the walls of the Proximate Causation, Duty and Economic Loss rules. Its critics fail to see the doctrine's intrinsic link to the common law of tort. The failings of their arguments give us reason to applaud, not to condemn, the free public services doctrine.

232 Id. at 780-81.
233 Krauss, Tort Law and Private Ordering, supra note 26, at 625-30. See also WEINRIB, THE IDEA OF PRIVATE LAW, supra note 88, at 3-6 (recognizing that, although economic and other functional approaches to tort law have “an understandable appeal,” such approaches nonetheless offer “not so much a theory of private law as a theory of social goals into which private law may or may not fit. . . . The functionalist is concerned with whether the results of cases promote the postulated goals. Private law, however, is more than the sum of its results.”).