

Moral Alchemy

BY SHELDON RICHMAN



The welfare state is a political-legal environment in which the government goes beyond protecting life, liberty, and property against physical aggression and fraud—the traditional classical-liberal functions—ostensibly to assure a broader conception of welfare, such as health, retirement security, employment security, education, consumer and worker safety, and so on.

We should pay close attention to words. The advocates of expansive activist government have adopted a benign label, “welfare state,” to describe their objective. One could say that the limited, classical-liberal form of governance—confined to the police power, the courts, and defense against external threats—best serves the welfare of its citizens. By protecting each individual’s life, liberty, and property, it creates a setting in which everyone can best pursue his own welfare as he sees it. History demonstrates that it worked to an extent that no one previously could have imagined.

We must not let technical economics obscure the fact that, as Ludwig von Mises of the Austrian school put it, “Economics is not about things and tangible material objects; it is about men, their meanings and actions.” And as Adam Smith pointed out, those who present detailed blueprints for what they erroneously call “society’s resources” in reality presume to rearrange people’s lives as someone would move chess pieces around a chessboard, denying their very humanity by violating their liberty.

Economic proposals necessarily involve prescriptions for how people should be treated by government. For example, a minimum-wage law imposes terms on otherwise freely contracting parties. Social Security

dictates how people will provide for their retirement years. National health insurance would shift medical decisions to a bureaucracy.

Government decides. But as George Washington is reputed to have said: “Government is not reason; it is not eloquence. It is force.” Government has nothing to give that it has not first taken, ultimately by threat of violence, from some producer. Hence, the welfare state is based on “legal plunder,” as Frédéric Bastiat called it. Only an impossible moral alchemy could turn theft into beneficence.

The welfare state is based on “legal plunder.” Only an impossible moral alchemy could turn theft into beneficence.

The market promotes well-being because entrepreneurs have to satisfy consumers to earn profits. This is consumer sovereignty. Most entrepreneurship serves mass markets, not the wealthiest few. If an entrepreneur is good at satisfying consumers, he reaps profits and wins “permission” to continue trying to satisfy them. If he is bad at it, he suffers losses and must try something new—or his capital is transferred to better entrepreneurs.

Activist government must operate by overruling consumers in favor of politically chosen projects. On the basis of what knowledge and by what right? These projects have no market test. Yes, people can vote politicians out of office, but this is an extremely weak form of clout and accountability compared to what the free market affords.

Government spending reduces the capital that could be invested to serve consumers and to produce new employment opportunities. Economic growth is

Sheldon Richman (srichman@fee.org) is the editor of The Freeman and the author of Tethered Citizens: Time to Repeal the Welfare State. This article is adapted from remarks delivered at Western New England College in November.

the best hope of the lowest-income groups of society, yet the state stifles growth when it does more than keep the peace.

Just as central planning must fail, so the mini-planning of the welfare state must fail to improve well-being. The planners can't know the relevant information, which is local and often unarticulated, necessary to do their jobs properly.

No wonder \$5 trillion has been spent on the War on Poverty with so little to show for it. That "war" was supposed to create independence, not just hand out money. It did neither well. The biggest beneficiaries were middle-class bureaucrats and grant-receiving academics and think tanks.

The moral argument aside, it is hopeless to think that one can construct a modest welfare state for only the poorest in society. Programs will expand because the political incentives will push the system that way. On the supply side, vote-seeking politicians and prestige-seeking bureaucrats will have an interest in enlarging the distributive state. On the demand side, favor-seeking lobbies will proliferate as government gets into the business of giving out largess. A new ethic will permeate society: I'd better get mine or someone else will. The state becomes what Bastiat described: "that great fiction by which everyone seeks to live at the expense of everybody else."

Tethered Citizens

The welfare state makes us dependent on politicians and bureaucrats, especially in our most vulnerable years. Why would anyone want his retirement income or health care left to the discretion of capricious politicians who can change the terms any time? Twice the Supreme Court has ruled that Americans have no contractual rights with respect to their Social Security taxes. That would not be the case with private pensions.

We must not ignore the non-economic cost of the welfare state—the loss of freedom, independence, and

dignity. The more power government has to provide things, the more power it has to dictate terms. The more that risk is socialized, the more reason the state will have to regulate peaceful behavior. Government control of health care leads to government control of health, that is, of risky private conduct. Why let people smoke if the taxpayers have to pay for the medical care of cancer patients?

Counterfeit rights drive out real rights. Positive welfare "rights" (health care, education, and so on) mean an expansion of government power, not freedom and independence for individuals. German Chancellor Otto von Bismarck understood this in the late nineteenth century. He invented the modern welfare state to keep workers from seeking a radical (liberal or Marxist) alternative to the status quo.

The desire for a safety net is reasonable. The future is uncertain, and we all wish to create security for ourselves and our families. But it does not follow that government must provide it. In fact, civil society produces a better safety net, without the moral and political drawbacks. Besides the monumental efforts of private philanthropists and charitable foundations, the largely unknown mutual-aid societies (lodges) enabled people of modest means to look after themselves and their families in times of adversity.

Alexis de Tocqueville, in volume two of *Democracy in America*, wondered, "What Sort of Despotism Democratic Nations Have to Fear." Anticipating that democratic despotism would come from government's smothering the people with control-laden benefits, he wrote: "Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent if, like that authority, its object was to prepare men for manhood; but it seeks, on the contrary, to keep them in perpetual childhood."

The future is uncertain, and we all wish to create security for ourselves and our families. But it does not follow that government must provide it.

