

The Business of Government

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IN JANUARY of the year of our Lord 1976, of the United States 200, and of the Constitution 187, President Gerald R. Ford proposed to Congress a budget for the fiscal year 1977. He proposed to spend \$394 billion, to raise \$351 billion in revenue, and to have a deficit for this coming year of \$43 billion. Of the total to be spent, \$177 billion is earmarked for what are called welfare programs. This amounts to just about 45% of the total budget. As of January 21, 1976, the national debt stood at \$578 billion, and it had grown in a little over six months by the amount of \$45 billion. The interest

on the debt for fiscal year 1975 was \$32.7 billion, and the estimated interest for 1976 is \$37.7 billion.

The budget is composed of estimates as to what a vast assortment of government programs will cost in 1977. The programs range from school lunches for children to hospital care for veterans, from aid for fatherless children to subsidies for the United States Post Office, from pay for soldiers in the Army to salaries for bureaucrats in the Occupational Safety and Health Administration, and from support for research in entomology to payments for dentures for retired people.

There are several questions that should be asked of every item in this immense budget. If asked and

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answered with care, it is possible that the budget could be reduced to manageable dimensions. Here are some of them:

- 1. Is the program for which the appropriation is being requested constitutional?
- 2. What level of government should pay for and administer any given program? Is the program local in character? Is it peculiar to the needs and interests of a particular locale or region? Are there variations throughout the country which would make a national program disruptive?
- 3. Can the program be expected to achieve its object? Has experience shown that programs of this kind work as they are supposed to?
- 4. Who is the program expected to help?
- 5. Can the United States government [taxpayers] afford the program?
- 6. Is there some point at which the level of taxation establishes serfdom?
- 7. In what direction does this or any similar program take us? Is it socialism? Is it premised on "From each according to his ability; to each according to his need"? The answer to this question needs to be made in terms of the whole body of programs that are

welfarist and interventionist in nature. A piecemeal examination of the programs will not provide the answer. The whole body of legislation needs to be seen in its tendency and direction.

These are questions that ought to be asked and answered for every item in the budget. The whole body of constitutional, legal, political, and economic thought ought to be brought to bear in answering them. They are mostly technical questions and, if they are answered, will probably be answered by experts. But there is a question, or order of questions, which precedes all of the above. It is a question not to be propounded to experts only but to all Americans in their capacity as citizens. It is a question not addressed primarily to either theory or experience; yet one which everyone is supposed to be able to answer. The question is this: *Is it right to authorize and spend money on this program?*

Some subordinate questions will throw this central question into relief. Of welfarist measures, we may ask: Is it right to take money from some portion of the population and give it to others? Of regulatory measures, we may ask: Is it right to force people to do these things against their wills? Of deficit financing, we may ask: Is it

right to go into debt to provide those goods for the presumed beneficiary? Of inflation, we may ask: Is it right to reduce the value of the money now in circulation by increasing the supply? Of the national debt, we may ask: Is it right to continue to expand and expand the debt with no provision for retiring it?

As strange as it may appear to some of us, there are many people who have, in effect, answered these questions in the affirmative. They have not, of course, usually phrased the issues this way. They have, instead, talked and presumably thought in terms of the good they were supposed to be accomplishing with the spending. The moral questions they propounded would be phrased in some such fashion as this. Is it right that anyone in a wealthy country such as ours should have his needs unmet? Is it right, they have asked, that this industry or that endeavor go unregulated in what they charge and the quality they offer? As for the debt, they have said, that is no great problem since we owe it to ourselves, and the more sophisticated bluntly recommend increasing the money supply to "spur the economy."

But let us stay with the questions at the highest level, the level of what is right. To answer them, we need to remind ourselves what

government is, and from that deduce what it may properly and rightly do. We need to keep in mind how government achieves whatever results it does. None of this tells us what is right, but we can apply our knowledge of right only with a clear view of the nature of government.

Instrument of Force

Government is that instrument which maintains itself by and is *authorized to use force*. It is not only authorized to use force but it also acts exclusively by the use of force. If there is no force entailed, an act ceases to be governmental, even though someone in government performs it. In short, the *sine qua non* of government is its reliance upon and authority to use force.

What functions are appropriate to government, then? To what ends may force be properly exercised? The Founders of these United States made a general summation of these in the Preamble to the Constitution: to "establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity. . . ." It should be granted that there are many who can give assent to these general aims without seeing in them any limitations

on government. This occurs, I suspect, because they do not generally think of them as intertwined but rather as separate and distinct functions. At any rate, let us examine a little closer into the proper functions of government as they are suggested by these statements.

The basic task of government is to keep the peace. Most of its functions are closely related to this job. Keeping the peace involves, most fundamentally, protecting peaceful men from attacks upon them by aggressors and trespassers. These offenders may be individuals or groups, domestic or foreign. In any case, a government is providing for the common defense and insuring domestic tranquility when it holds these at bay. Keeping the peace also involves dealing with those who have committed offenses, and settling disputes that arise between individuals and groups. In this fashion, then, government can properly act to establish justice. It can be seen, too, that these are objects to which force is appropriate. Force can be used against aggressors and to compel obedience to the verdict of the court.

The statement that government should promote the general welfare appears to us to raise questions rather than to answer them. This is so because we have been

taught to misconstrue the phrase. We have been taught to believe that government may act to advance the well-being of some portion of the population, perhaps at the expense of another, and that this is somehow for the general welfare. But that cannot be: The general welfare is the *general* welfare, not the welfare of some part. The general welfare is the welfare of all, a welfare which no man or group of men can have more interest in, nor less, than all others. To maintain peace in a society promotes the general welfare — in the same fashion so does, to establish justice, to insure domestic tranquility, and to provide for the common defense. But, it may be objected, there are those who would disturb the peace. Just so, that is why we have government in the first place. But is the maintenance of peace in their interest? Of course it is.

In the Public Interest

There is another order of services that a government may provide that can be said to be for the general welfare. They are those services of general use and benefit whose costs cannot be readily or equitably divided among users. They consist of such things as fire protection, the providing of safety markers in waterways, the providing of information about the

weather, and such like. It is proper, also, that government and its instruments of force and for administering justice be supported with tax money. The keeping of the peace being for the general welfare, it must follow that all those with means should contribute to it, whether they will or not.

Government is the right instrument, also, to secure the blessings of liberty to a people. It may see to it that peaceful men are not detained and that all such are permitted to exercise their faculties without restraint, so long as they do not injure others and that they exercise them on their own facilities or on those of others who have hired or invited them or in public places and at times appointed to the particular uses. Force, defensive force, can be employed so as to prevent the strong from oppressing the weak or anyone from interfering with the liberty of another.

In the performance of the above functions, government is essential to social existence. It is, as the traditional phrase has it, ordained of God. For government to do those things for which it is ordained and established there should be no question of the rightness of it. The question of right arises over welfare, interventionist, and fiscal policy. The answer lies in the critical area of justice and the con-

temporary confusion of justice and mercy. The Founders declared that one of the purposes of government was to establish justice. If that be accepted, the content of justice needs to be carefully examined.

Qualities of Justice

The most obvious thing we know about justice is that it is blind. Representations of justice show it blindfolded, and it is a matter of long-standing prescription that it should be. Justice — that ideal of it that has guided men in Western Civilization — cannot see. It cannot see whether those who come before it are black or white, rich or poor, farmers or industrial workers, old or young, men whose hearts have generally been pure or are as black as the Ace of Spades. Justice is concerned with but one thing: *To give each man his due*. To put it in economic terms, justice is concerned with seeing that each man gets what is his. To this end, justice must attend to the character (or nature) of acts and transactions, ignoring all else.

What is a man's due, or what is his? A man is due what has been promised him, and that is his which he has made for himself or has acquired from others by purchase or gift. In determining any question of ownership, justice has been done when it has been de-

cided who made the object in question and whose it is, otherwise, by transfer from the original owner, and restitution has been made. Justice, of course, has to do also with seeing to it that those who have committed offenses — crimes — against the public order are penalized. Justice here attempts to mete out punishment in accord with the gravity of the offense.

Justice holds, roughly speaking, that he who does not work shall do without. He who does not earn his keep shall be deprived. Justice will not allow the excuse that a man was hungry, that his family was hungry, that he had been ill, or that for any other reason he may appropriate the property of another. True, men will say that before they will let their families go hungry they will steal. That is no matter, so long as they know it is stealing, and so long as it is clear that if they are caught taking what is another's they may be justly punished. In the same manner, justice requires that he who injures another in any fashion shall be made to pay. A people who attempt to establish justice have undertaken a formidable task.

Justice is blind; Mercy can see the helplessness of children, the plight of the aged, the ravages of disease, the suffering from deprivation, the discrimination because

of color, the hard work that has not been rewarded with produce, the hard luck with which some are afflicted, the lame, the halt, and the blind. Mercy can distinguish between the deserving and undeserving of pity and of charity. The standard of Justice is desert; the standard of Mercy is need.

***Shall Government Dispense Mercy —
or Establish Justice?***

There is no doubt that many of us stand in need of mercy from time to time and place to place. But there is a question whether government is the proper body to dispense mercy. If it is the business of government to establish justice, it cannot also be its task to be merciful. The two are incompatible. The question of whether justice or mercy shall be extended is an either-or proposition in particular instances. If government does justice, it must deny mercy; if it is merciful, it will tend to work injustice. This is so for government because force may be properly used to do justice, but mercy must be freely — not forcibly — offered else there will be injustice. Specifically, it is proper to use force to see that a man gets what is his. But mercy involves conveying upon a man that which is not his by right, that which he has not earned, that which is not his due, but which

someone out of pity or charity wills that he shall have. For government to extend mercy in this manner means that it must take from someone who has and give to someone who had it not. In short, when government extends mercy it usually produces injustice.

Men of good will may agree that those who cannot help themselves are the proper objects of concern of those who can. It is the part of charity to render aid to such in their need. However, it does not follow that government is the proper instrument to provide such aid. Government aid is derived from taxes, and these are taken involuntarily from the taxpayers. Mercy is properly the prerogative of moral individuals, many of whom have ever shown themselves willing to help those in need when they have been left free to do so.

The questions posed at the outset of this discussion reduce themselves to one question: Do men have a *right* to what they possess as *property*? Let us pose them again with this question in mind. Is it right to take money from some portion of the population and give it to others? If men have a right to what they have produced, it is not, for if it can be taken from them to give to others they had no right to it in the first place. Is it right to force people to do these things (by regulation to use

their efforts and property in ways they do not choose) against their wills? If what a producer or exchanger has is his by right, then it is his to do with as he sees fit, so long as he does no demonstrable injury to others. Is it right to reduce the value of the money now in circulation by increasing the supply? If there is a right to money, there is a concomitant right to it without having its value arbitrarily reduced. If not, there is no right to money, for its whole value may be reduced to naught by government action. Is it right to continue to expand and expand the debt with no provision for retiring it? This is a complicated question, for the main means of raising the money is by way of increasing the money supply. There are two prongs to the answer. One is that it is not right for government to take away from property by increasing the money supply. The other is that the future holdings of property are reduced in value by the amount of them that must be taken away to pay the interest and the debt.

James Madison answered the questions this way in 1792:

Government is instituted to protect property of every sort. . . . This being the end of government, that alone is a *just* government which *impartially* secures to every man, whatever is his own.

Even though property is the key, it is necessary to discuss these matters in the context of the proper role or business of government. This is so because government — any government — costs money to operate. These costs become, of necessity, a charge against property. If government is “instituted to protect property,” as James Madison said, it must necessarily follow that its costs must be kept down to a nominal level in order to perform its function. However, when government begins taking property for anything other than its protective function it becomes an *invader* of property rather than a *protector* of it. Rather than a protector of right it becomes itself a wrongdoer.

The extent of government activity today is new, but the tendency of government to become wrongdoer is old. These questions of right were also answered, and answered vigorously at the time of its formation and the early years of the Republic. Americans experienced the wrongdoing of government depreciating the paper money by printing more and more of it during the War for Independence. Josiah Quincy wrote to George Washington:

I am firmly of the opinion, and think it entirely defensible that there never was a paper pound, a paper

dollar, or a paper promise of any kind, that ever yet obtained a general currency, but by force or fraud, generally by both. That the army has been grossly cheated; that creditors have been infamously defrauded; that the widows and fatherless have been oppressively wronged and beggared; that the gray hairs of the aged and innocent, for want of their just dues have gone down with sorrow to their graves, in consequence of our disgraceful depreciated paper currency. . . .¹

On the matter of public credit and indebtedness, George Washington had this to say in his Farewell Address:

As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense . . . ; avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions in the time of peace to discharge the debts which unavoidable wars have occasioned, not ungenerously throwing upon posterity the burthen which we ourselves ought to bear. . . .²

Thomas Jefferson, in his own inimitable way, put the business

¹ Arthur S. Bolles, *The Financial History of the United States*, I (New York: D. Appleton, 1896, 4th ed.), p. 208.

² Henry S. Commager, ed., *Documents of American History*, I (New York: Appleton-Century-Crofts, 1963), 173.

of government clearly and succinctly in his First Inaugural Address:

... Still one thing more, fellow citizens — a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government. . . .³

Martin Van Buren stated similar principles, though in some greater detail:

All communities are apt to look to government for too much. Even in our own country, where its powers and duties are so strictly limited, we are prone to do so. . . . But this ought not to be. The framers of our excellent Constitution and the people who approved it with calm and sagacious deliberation acted at the time on a sounder principle. They wisely judged that the less government interferes with private pursuits the better for the general prosperity. It is not its legitimate object to make men rich or to repair by direct grants of money or legislation in favor of particular pursuits, losses not incurred in the public service. This would be substantially to use the property of some for the benefit of others. But its real duty — that duty the performance of

which makes a good government the most precious of human blessings — is to enact and enforce a system of general laws commensurate with, but not exceeding, the objects of its establishment, and to leave every citizen and every interest to reap under its benign protection the rewards of virtue, industry, and prudence.⁴

As things have been going in these United States, it is not difficult to make some predictions about the budget for 1977. It is most unlikely that spending will be kept within the extensive bounds of \$394.2 billion. There are all those programs already authorized which cost more and more each year. Then, Congress is apt to tack on yet more programs which will add to the expense of government. Already, predictions have been made that the deficit will not be kept to \$43.1 billion but may well continue to balloon at the current rate.

There are many indications that the spenders still have the momentum behind them. Even if they did not at this moment, authorizations made in times past carry their own momentum. And, regardless of the feeling in the Congress, the vast Federal bureaucracy stands ready with its publicity apparatus to continue present


³ *Ibid.*, p. 188.

⁴ Henry S. Commager, ed., *Living Ideas in America* (New York: Harper and Bros., 1951), pp. 323-24.

programs and present justifications for new spending. It will not do to try to stop at the present level; it is necessary to begin to remove programs already established in order to stem the tide of rising expenditures.

There is, I suspect, only one level of looking at the matter at which there is any hope of reversal and a return to a modicum of fiscal sanity. It is at the level of what is right. So long as there is general acceptance of taxing, inflating, borrowing, and spending what the government does not have upon welfare, subsidies, and regulation, these things will continue. So long as people generally believe that it is right to take

from some and give to others, that government should regulate and control business, that deficit financing is right and proper, that it is all right to reduce the value of the money in circulation by increasing the amount of it, and the debt does not have to be repaid, just as long these things will continue.

When and if it is understood that it is wrong for government to act in this way, then, and only then, is it likely that we will reverse our direction. Then, too, arguments about the constitutionality of programs, results of past programs, and so forth, will become powerful adjuncts in support of right. 

Providential Agency

NO PEOPLE can be bound to acknowledge and adore the Invisible Hand which conducts the affairs of men more than those of the United States. Every step by which they have advanced to the character of an independent nation seems to have been distinguished by some token of providential agency; and in the important revolution just accomplished in the system of their united government the tranquil deliberations and voluntary consent of so many distinct communities from which the event has resulted can not be compared with the means by which most governments have been established without some return of pious gratitude, along with an humble anticipation of the future blessings which the past seems to presage.

GEORGE WASHINGTON, *First Inaugural Address*, 1789

IDEAS ON



LIBERTY



THE BIGGEST CON:

How the Government Is Fleecing You

THE GREAT VIRTUE of Irwin A. Schiff's *The Biggest Con: How the Government Is Fleecing You* (Arlington House, \$9.95), is, as I have already suggested in a foreword to the book, the author's ability to put it all together to show how the "critical mass" of five trillion — yes, five trillion — in government debt must end either in repudiation or a ruinous inflation. This is tough medicine, and no politician is going to swallow it immediately, particularly in an election year. But Mr. Schiff is inexorable — he simply adds things together to show how a lot of well-farist measures which looked good

individually have combined to destroy the possibility of paying off the whole in honorable and non-inflated coin.

To begin, we don't have money any more; we have what Mr. Schiff calls unmoney. Neither the Treasury nor the Federal Reserve system recognizes a duty to redeem any note or government bond in anything more than successive issues of new I.O.U.'s. What the government chooses to call its national debt is bad enough; when Mr. Schiff was writing it came to some \$540 billion (the June 30, 1975, figure). But this is just the tip of the iceberg. When you add