"It's Not Our Money"

Is government a charitable institution?

by James L. Payne

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From time to time the United States House of Representatives lays aside its usual duties to memorialize certain of its members. The tribute is in the form of legislation. A bill is introduced placing the fallen congressman's name on a Federal structure such as a post office or a courthouse, then congressmen rise to speak, extolling the virtues of the deceased and praising his accomplishments.

A harmless ceremony, I thought, as I came across it the other day in the *Congressional Record*. But then something attracted my notice. The representative was praising a former colleague, telling how he had served in Congress with distinction for more than twenty years. The eulogist continued: "As [the congressman's city] grew, he was cognizant of the associated Federal presence which would be required. He continually fought for Federal dollars and was responsible for the construction of the Federal Office Building and Courthouse, the Post Office Terminal Annex, the Air Force Accounting and Finance Center, . . ."

Do you wonder why Federal spending is out of control and deficits drain the economic vitality of the country? You have just seen an important part of the explanation in the words our speaker chose to eulogize his colleague. They betray a distinctive approach to the job of congressman, a view rooted in what may be called the "philanthropic fallacy."

This fallacy makes the assumption that government is a philanthropic institution not fundamentally different from such private benevolent organizations as foundations, churches, or the Salvation Army. Under this view, the representatives are charged with the mission of doing good by spending government funds. The congressman who "continually fought for Federal dollars" is a hero.

Our speaker, eulogizing a different colleague, gave a fuller statement of this misconception, stating that his fellow legislator "always served the people, and his long record in this body indicates clearly the contribution he made for people in the fields of social welfare, housing, and urban development. He worked hard and successfully to use the vast resources of the Federal Government to serve the most in need and to correct injustice."

The congressman is seen as a philanthropist, using the "vast resources of the Federal Government" for charitable purposes.

It is easy to see that once this view becomes prevalent, holding back government spending becomes next to impossible. For the philanthropist, the only reason to stop spending is to be out of cash, and to have no way of raising more. To have money and yet to refuse to give it to worthy causes marks one as "insensitive" and "hard-hearted." For those in the grip of the philanthropic fallacy, the operative principle for government spending is "more"—no matter how high the level of spending already is.

A Popular View

Congressmen are not alone in holding this view of government as a charitable institution. To a considerable degree, they absorb it from the culture that surrounds them. In our media, we refer to politicians who favor greater public spending on good causes as "compassionate," while those who urge cutbacks are called "heartless." Even our fiction encourages the philanthropic fallacy. Almost by definition, the "good" kings and queens of fairy tales gave large sums to the poor. No mention is made of how they acquired these sums.

In dealing with the philanthropic fallacy, the problem lies not in understanding why it is believed—for it surrounds us practically as the air we breathe—but in reminding ourselves that it *is* a fallacy. The government is *not* a philanthropic institution. It is not even an ordinary agency of production or distribution like a business or a store. It does not create goods and services that citizens voluntarily exchange for their wealth. A government, by definition, is an organization that deploys public force. It deals with pushing and shoving, with coercion.

The dollars a government commands are obtained through the use of force, direct or indirect.

When the government taxes, the use of force is direct: If you refuse to part with the funds the government official demands, he will have you thrown in jail. When the government borrows money, it is still relying on its taxing power. Lenders are reassured by the government's promise to use force to collect the repayment. When the government prints money—thus devaluing the dollars citizens hold—it relies on its ability to outlaw other currencies and force everyone to accept its paper as "legal tender."

Many people find this view unfamiliar, because they fail to inquire where public funds come from. Where, for example, did good kings of old get the resources they were so generous with? Kings didn't *earn* their money. They didn't shoe horses or tend pigs for a living. They sat in castles while their soldiers collected taxes. It was these taxes, taken by force from others, that rulers "gave" away.

Once the proper connections are made, the role of the congressman ceases to appear so philanthropic. Instead it takes on the character of a difficult balancing act. In this light, a congressman's fully translated epitaph might be far from flattering.

"He continually fought to have money taken from his fellow citizens by force for the construction of a Federal Office Building in his district."

This is not to say that appropriations of public funds are necessarily wrong. Some may be of sufficient benefit to outweigh their coercive aspect. A congressman would be entitled to say in good conscience, "I support this appropriation because I feel that the value of these funds for X service outweighs the harm of taking these monies by force from our fellow citizens." If X were "national defense," for example, most of us would agree, albeit hesitantly, with the statement.

The philanthropic fallacy is further encouraged by the beneficiaries of public spending. None of these recipients mentions the coercion and injury involved in *raising* public money. Instead, they stress the good that the congressman can do by *spending* it on them. They present their case exactly as they would if appealing to a private individual, inviting the congressman to play the role of a voluntary donor generously giving of his own wealth.

"We thank you for your support in the past," the supplicants say, in closing their testimony, "and look forward to it in the future." What the congressmen should answer is, "Don't thank us; it's not our money." □

IDEAS ON LIBERTY

LEGAL PLUNDER

The war against illegal plunder has been fought since the beginning of the world. The law itself conducts this war, and it is my wish and opinion that the law should always maintain this attitude toward plunder.

But it does not always do this. Sometimes the law defends plunder and participates in it. Thus the beneficiaries are spared the shame, danger, and scruple which their acts would otherwise involve. Sometimes the law places the whole apparatus of judges, police, prisons, and gendarmes at the service of the plunderers, and treats the victim—when he defends himself—as a criminal. In short, there is *legal plunder*.

This legal plunder may be only an isolated stain among the legislative measures of the people. If so, it is best to wipe it out with a minimum of speeches and denunciations—and in spite of the uproar of the vested interests.

But how is this legal plunder to be identified? Quite simply. See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.

Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source for further evils because it invites reprisals. If such a law—which may be an isolated case—is not abolished immediately, it will spread, multiply, and develop into a system.

FREDERIC BASTIAT
The Law

Deregulation of the Natural Gas Industry

How the free market efficiently allocates energy resources.

by J.D. Steelman, Jr.

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No industry has been more heavily regulated than the natural gas industry. From the wellhead to the burner tip virtually every level and aspect of the industry is regulated in minute detail by the state and federal government. Today the industry, like other previously regulated industries such as transportation and finance, is being deregulated and thrust into the competitive marketplace. The result, not surprisingly, is lower gas prices.

In 1848 John Stuart Mill first applied the concept of "natural" monopoly to the gas industry of the City of London and thus began more than a century of gas industry regulation in the English-speaking world. As pointed out by the late Ludwig von Mises and by Murray Rothbard, a "natural" monopoly is merely a limited-space monopoly.[1]

A gas company desiring to commence service to a local market must reach agreement with the owners of the streets and the subsoil for the installation of pipelines and meters. In most instances this means the gas company has to contract for an easement or the purchase of real estate with the local authorities who own or control the streets and real estate through which the gas company must lay its lines. Given the limited supply of land through which the gas company must lay its lines, the local authorities of necessity have to allocate the available supply of real estate which is to be used for the pipeline easements. Thus only one or a few gas companies is normally allocated the land rights within a city in which to lay pipelines. This right is frequently called a franchise.

Local authorities reasoned that granting the gas company or companies a natural monopoly would result in "monopoly" prices. Thus, the local politicians felt compelled to protect the consumers of natural gas by insuring that the gas company's rates were "just and reasonable," a common euphemism for price controls. Controlled prices are not market prices since the dynamics of the marketplace will always tend to make the controlled price higher or lower than the market price, thereby resulting in surpluses or shortages.

As Rothbard points out, every business has a monopoly on the space occupied by that business. Since consumers utilize many subjective factors, including the location of a business, in valuing goods and