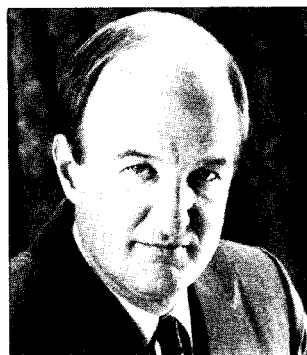


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Wards of the State?

“Skeptics focus on the drawbacks to [Social Security] privatization . . . its potential for unraveling support for a social safety net.”

—*New York Times*, March 21, 1997

“No ordered community has callously allowed the poor and incapacitated to starve. There has always been some sort of institution designed to save from destitution people unable to sustain themselves. As general well-being has increased hand in hand with the development of Capitalism, so too has the relief of the poor improved.”

—Ludwig von Mises, *Socialism* (1932)

The recent debates over the future of Social Security and Medicare raise a fundamental question about almost all social programs in industrial nations. Why is the government involved in financing and distributing benefits to virtually *all* its citizens? The original intent of national welfare programs may have been to provide a “social safety net” for the needy, but instead they cover the entire population, rich and poor. (Of course, the only moral safety net is the one that depends on voluntary charity—not coercive transfer payments.) In the industrial world, the vast majority of workers make mandatory payments into a government retirement sys-

tem, which will provide monthly income to these same workers when they retire. Millions are involved in a government retirement program which significantly restricts their freedom to save and invest on their own. Medicare works the same way. All U.S. workers pay Medicare taxes (now 2.9 percent on unlimited income), qualifying these same workers to receive benefits when they reach 65.

Everybody pays in, everybody benefits, no matter whether he’s John Doe or David Rockefeller. That’s the underlying philosophy of the modern welfare state.

Defenders of the Welfare State

Such a ubiquitous system leads to a pernicious effect: It makes virtually every citizen a ward of the state. Even the most diehard critic of government becomes a defender of the welfare state if and when he signs up for Medicare and Social Security. There are, of course, those who have the courage to follow the example of Leonard E. Read, FEE’s founder, who refused to take a penny of government money. May their tribe increase.

For many years, my uncle, W. Cleon Skousen, author of several conservative best-sellers (*The Naked Communist*, *The Miracle of America*) and known for his strong anti-government views, said he would never take Social Security. But he could not resist when he turned 65. (Social Security never comes automatically—you must declare your allegiance.)

Dr. Skousen is an economist at Rollins College, Department of Economics, Winter Park, Florida 32789, and editor of Forecasts & Strategies, one of the largest investment newsletters in the country. The third edition of his book Economics of a Pure Gold Standard has recently been published by FEE.

From time to time, I've written in my investment letter arguing that Social Security is a welfare program. I always get several irate letters from subscribers vehemently denying it. "I paid in, I deserve it," they say. "And don't try to change it!"

Forcing all of us to become part of a social welfare system weakens our resistance and our self-reliance. We become benefit-corrupted. Social Security and Medicare are articles of faith—we are "entitled" to them. Is it no wonder that Congress will not touch these entitlement programs?

Recently a broker told me a story that confirmed my fears. One of his clients complained bitterly about efforts in Congress to fix Medicare. "I don't care what they do, but don't touch my Medicare," he yelled. The broker looked at the man's account while he was talking. It was worth \$750,000. If anyone could afford his own hospital insurance plan, it was this man.

The Solution

As Milton Friedman wrote over thirty years ago, "The 'social security' program is one of those things on which the tyranny of the status quo is beginning to work its magic. Despite the controversy that surrounded its inception, it has come to be so much taken for granted that its desirability is hardly questioned any longer. Yet it involves a large-scale invasion into the personal lives of a large fraction of the nation without, so far as I can see, any justification that is at all persuasive, not only on liberal principles, but on almost any other."¹

There's simply no reason why the vast

majority of citizens should rely on Social Security for retirement or Medicare for hospital and medical expenses. Most people have enough in company and private pension plans to finance their own retirement. Most have sufficient resources to pay for their own medical bills or buy their own medical policies. Private charity can assist those who cannot help themselves.

An example at our church demonstrates this point: On the first Sunday of each month, each member of the congregation is asked to donate the cost of two meals as a "fast offering" to the poor. The fast offering is used to pay for the welfare needs of members of our congregation needing assistance—food, utilities, and rent if necessary. Each family usually contributes \$20 to \$50 a month, depending on family size. It's not a burden, but it's sufficient to handle normal emergency needs.

Now suppose our church leaders required all of us to obtain *all* our basic food supplies from the church storehouse. Not only would we have to donate much larger amounts of money to the "fast offering" fund, but we would all demand our fair share of food. It would be a nightmare.

Limiting social programs would not solve our welfare problem, but it would be a step in the right direction.² It would sharply reduce our tax burden and give people the freedom to choose where to spend or invest their money. □

1. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), pp. 182–183.

2. Charles Murray has advanced a number of proposals to resolve social problems in his book, *Losing Ground: American Social Policy, 1950–1980* (Basic Books, 1984) and *What It Means to Be a Libertarian* (Broadway Books, 1997).

BOOKS

What It Means to Be a Libertarian: A Personal Interpretation

by Charles Murray

Broadway Books • 1997 • 192 pages • \$20.00

Reviewed by Doug Bandow

Charles Murray has long been one of America's most important social scientists. His book *Losing Ground* touched off a debate over welfare policy by challenging widely held misconceptions of government programs. With *In Pursuit of Happiness and Good Government*, Murray challenged readers to think about the purpose of government.

Now he has written his most radical work yet—*What It Means to Be a Libertarian*. In it, he offers an unapologetic case for liberty. As he explains, “freedom, classically understood, is the stuff by which we live satisfying lives. It is as indispensable to happiness as oxygen is to life. Much of it has been taken from us. We must reclaim it.”

Murray's elegantly written book is dedicated to helping us do just that. His premise is simple: “Force is bad, and cooperation is good.” The reason force is bad, he explains, is that we own ourselves. The reason cooperation is good is that “a voluntary and informed exchange benefits both parties.”

Thus, government should intervene only sparingly. First, to protect people from harm committed by others. Most obviously, this is done through criminal and tort law. Second, to enforce contracts. As Murray explains: “The right of contract and the edifice of law that goes with it is what enables us to do business with people we do not know or have no reason to trust.”

Third, government should provide “public goods.” He acknowledges that not everyone agrees there are such things and that there is a slippery slope—after all, what government depredation is not proclaimed to be in the public interest? But he devotes a chapter to

explaining the “more thoughtful, legal and philosophical tradition” that lies behind the concept. Perhaps the most important characteristic of genuine public goods is nonexclusivity—they cannot be provided to some but not others (e.g., military spending). Moreover, consumption by some does not reduce the supply (say, of clean air) available to others. These tests are relatively uncontroversial.

More problematic is his notion of public goods as functions that yield benefits to the public. Here, he acknowledges, is the slippery slope at its steepest. To set limits, Murray asks three critical questions. Can the good or service be provided by individuals themselves? (Not, notably, will it be provided as quickly or exactly how we prefer.) Next, are we forcing fellow citizens to pay for services that they don't want? And finally, are we expecting them to pay for something that benefits us much more than them?

Even if one wants the government to act, he adds, it should do so at the level closest to the problem. This does not guarantee the protection of freedom, but it preserves a greater opportunity to achieve freedom. As he puts it, “Keeping the definitions as local as possible acts as a brake. When the mistakes become too egregious, people can leave town.”

The result might be a government larger than that preferred by some *Freeman* readers, but it would still be dramatically smaller than that which exists today. As Murray points out: “If everyone applied the classic criteria for defining a public good plus the three questions I just listed to the current inventory of government activities, a huge proportion of them would be so disgracefully out of bounds that they would have no chance of qualifying as public goods.”

Still, the core of *What It Means to Be a Libertarian* is its discussion of liberty, not government. Freedom has obvious practical advantages, of course, but Murray sees the benefits of liberty running far deeper. People, he argues, “require freedom and personal responsibility to live satisfying lives.” That is, the good life requires the liberty to associate with others, choose one's work, own property, and make personal decisions. This is not, he