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Government Efficiency


 Written by: [Tad DeHaven](#)

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I [recently criticized](#) the idea that policymakers should focus their attention on making government more "efficient." Instead, I argued that policymakers should focus their reform efforts on reducing government's size.

Government efficiency proponents make the mistake of viewing the cost of government in the same light as the cost of operating a private business. However, government cannot operate like a business because *it isn't a business*.

Private businesses obtain their revenue through voluntary exchange: consumers willingly give a business their money in return for a product. Businesses must control the cost of providing a product in order to maximize profits. A business that does not adequately control its costs can find itself undercut by a competitor offering a like product at a lower price. In the private sector, the market sets the price of a product through the interaction of supply and demand.

Government is unconcerned with "profit." The "cost" of government is equal to the taxes extracted from the private sector to pay for government activities, plus the economic damage caused by extracting resources from the private sector. Taxes are involuntarily obtained through compulsion and force. Regardless of the value a citizen assigns to the services provided by government, a citizen must pay for those services, and at a price set by government. The price one pays for government is primarily a function of political factors, which are only indirectly influenced by economic considerations.

Therefore, the question of *how efficiently* government provides services is less important than deciding *what services government should provide*. For example, it matters little how quickly the USDA processes subsidy checks for farmers. More important is whether farmers should be receiving subsidy checks at all.

To understand why this is so, consider the following example of two policymakers from opposite ends of the political spectrum. Both policymakers support government efficiency as a means to a statist end.

Indiana governor Mitch Daniels has received national recognition as a "pragmatic conservative" who has focused on making state government operate more efficiently. Indeed, I worked for two years in Daniels' budget office and one of my duties was to try making state programs more efficient.

To the degree my agency's efforts created savings — [a debatable premise](#) — those savings were merely spent in other areas. This is because the Daniels administration was concerned with reallocating savings to other government activities instead of reducing the state tax burden. Net savings would have meant a smaller government to fund, which would have allowed for a reduced tax burden. But taxes weren't reduced — the Daniels administration merely proposed to spend up (and now down) to the level of revenues the state took in. In fact, Indiana state tax rates have increased under Daniels.

Liberal congressman Earl Blumenauer (D-OR) embraces government efficiency for a somewhat different reason, but the end is the same. In a recent *New York Times* [profile](#), Blumenauer argues that liberals should actively embrace government efficiency measures in order to sustain public support for an expansive federal government:

Mr. Blumenauer doesn't argue that government does too much, or that programs like Social Security and Medicare aren't vital. Rather, in two recent conversations about the nation's finances,

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Mr. Blumenauer argued that if Democrats really want to protect a vast array of federal programs from repeated Republican onslaughts, then they need to bring the costs of the programs in line with reality.

Otherwise, he said, liberals only make it easier for conservative critics of social spending to undermine the entire premise of liberal government. And they make it that much harder to propose new and much-needed investments in, say, infrastructure and education.

"We do people no favors if we have systems that leak money and don't have the credibility they need when they're under attack," Mr. Blumenauer said. "People will pay for all this if they're convinced they're getting their value. But our challenge on the federal level is to actually deliver, and we can't just defend the indefensible."

The *Times* reporter augments Blumenauer's position by placing it in the historical context of former Democratic senator Ed Muskie's effort to make government more efficient:

Mr. Blumenauer may be out of step with his natural political constituencies, but his basic argument here places him squarely in a tradition of mainstream Democratic thinkers. As far back as 1976, in one of the more persuasive, if least remembered, speeches in the party's modern history, Senator Edmund Muskie of Maine made essentially the same case to the Democratic platform committee and voiced his support for a "sunset bill" that would have subjected most federal programs to periodic review.

Mr. Muskie argued that it was hard to persuade voters to accept new programs while they entertained profound doubts about the efficiency of existing ones. Noting that some Democrats seemed to regard budget reform as "a repudiation of the New Deal," he asked his colleagues: "What's so damn liberal about wasting money? And what do waste and inefficiency have to do with the New Deal?"

The bottom line is that the road to smaller government won't be paved with efforts to make government "more efficient." In its most benign form, government efficiency is a political tool wielded by policymakers who probably aren't serious about downsizing government. In its more pernicious form, it can lend credibility to activities that government should not be undertaking to begin with.

cross-posted from [Cato@Liberty](#)

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