

Forbes

Jeffrey Sachs Has It Backwards: The State Is Asphyxiating the People

8/22/2012 | JAMES DORN

In an article in the *Financial Times* (“The US has already lost the battle over government,” Aug. 16), Jeffrey Sachs, director of the Earth Institute at [Columbia University](#), argues that “for all the rhetoric, the small-government agenda has already prevailed.” His punch line is: “Both parties are accomplices to the asphyxiation of the state.” The reality is that the state is asphyxiating the people.

The federal government now spends 24 percent of GDP, up from 18 percent a little over a decade ago under President Clinton, and is expected to spend nearly \$10 trillion in excess of taxes during the next decade, pushing up federal debt to more than \$26 trillion. Gross federal debt is already more than 100 percent of GDP and that doesn’t count the more than \$100 trillion of unfunded liabilities in Medicare and Social Security.

There have been no real cuts in the size and scope of government under either party. A Romney-Ryan victory may cut the rate of growth of spending and reduce federal spending as a percentage of GDP; but to actually cut the size of government would require hard choices—especially with regard to entitlements and defense.

The American people deserve a debate over the role of government in a free society—something many citizens have lost sight of. How many Americans would agree with James Madison, the chief architect of the U.S. Constitution, that the powers of the federal government are “few and defined?”

For Madison and the Framers, it was a matter of principle that government was meant to protect persons and property not to redistribute income and wealth. In 1792, he wrote, “A just security to property is not afforded by that government under which unequal taxes oppress one species of property and reward another species; where arbitrary taxes invade the domestic sanctuaries of the rich, and excessive taxes grid the faces of the poor; where the keenness and competitions of want are deemed an insufficient spur to labor, and taxes are again applied by an unfeeling policy, as another spur.”

Massive federal spending, graduated taxes that penalize high earners, excessive regulations, and the rise of the welfare state endanger economic and personal freedom. Sachs would like bigger government and higher taxes, as in Europe. But those

goals are anti-American—the Constitution is not a plan for a democratic socialist republic; it’s a blueprint for limited government.

In his Farewell Address in 1796, President George [Washington](#) warned against intrusive government and sought to promote “a government of as much vigor as is consistent with the perfect security of liberty.” The General Welfare Clause was not a blank check to use the power of government to achieve some concept of social justice. As Madison noted in 1831, “With respect to the words ‘general welfare,’ I have always regarded them as qualified by the detail of powers connected with them. To take them in a literal and unlimited sense would be a metamorphosis of the Constitution into a character which there is a host of proofs was not contemplated by its creators.”

Modern-day liberals have turned Madison on his head. They implicitly assume that government has a right to our property. That is why Sachs writes, “Mr. Ryan’s budget is nothing short of heartless,” and laments that the rich “want and expect their taxes to stay low.” Sachs ignores that, in a market system, the rich must earn their wealth by catering to consumer preferences via mutually beneficial exchanges. He merely repeats the mantra that “the public supports higher taxes on corporations and the rich.”

The U.S. corporation tax is already the highest in the world and rich Americans are subject to high marginal tax rates, though not high enough to satisfy Sachs. Of course, corporate taxes are shifted onto shareholders, workers, and consumers; and the rich will take actions to lower their taxes by moving their capital offshore.

The primary function of government in a free society is to safeguard property rights and “secure the Blessings of Liberty” so people can pursue their own happiness. Fundamental rights to life, liberty, and property precede government and reside in the people as natural rights. That view of the relation between the state and the individual was what made the American experiment with freedom so unique. Moving closer to a European welfare state, as Sachs would prefer, would further erode what Nobel laureate F. A. Hayek called the “constitution of liberty.”

There is strong evidence that the growth of government beyond 15–20 percent of GDP slows economic growth. Even a small decline in growth can have a large impact on future income and wealth, because of the effect of compounding. Moreover, as taxes rise to fund an ever larger state, the losses to economic welfare rise rapidly, creating distortions and waste. Each extra dollar spent by Congress now costs society at least \$1.40 and probably much more. That is a bad deal for taxpayers and for America.

In thinking about the size and scope of government, one must begin with first principles and delineate the legitimate functions of government in a free society. Article 1, Section 8 of the Constitution is a good place to start. The powers of the federal government are enumerated, and thus limited—regardless of whether the “public” demands more “public goods.”

When President Obama says, “You didn’t build that,” he is also saying, “You don’t own that.” His sentiment cuts the core out of the Framers’ Constitution. This year’s general

election will be a referendum on the role of government and thus on the balance between state and market.

In considering that role, Americans need to distinguish between using other people's money to do good, which is a violation of private property rights, versus limiting government so people can keep their own money to pursue their happiness—provided they don't violate the equal rights of others.

Classical liberals like Adam Smith recognized that society is more harmonious when people are free to choose, provided they are bounded by just laws that protect persons and property. The idea of spontaneous order has been lost sight of as government scrambles to stimulate the economy, create jobs, and plan the future. Markets would work more smoothly—and more wealth would be created—if the government got out of the way.

The state needs to stop asphyxiating the people.

James A. Dorn is vice president for academic affairs at the Cato Institute. His article "The Scope of Government in a Free Society" is forthcoming in the Cato Journal.