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Growing Government Ensures "National Greatness"?

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There is widespread belief among politicians, public officials, and pundits that if government doesn't give us the seeds, nothing will grow.

A friend of mine served on our city's legislative council for eight years. During that time he often heard-in defense of tax-funded business incentives-"If we don't do something, nothing will happen." The same belief holds sway at the national level. Many of our most educated people believe that unless government provides direction and pays the fare, the national train will stop or even slide backward.

That view undergirds a June op-ed piece by Washington Post opinion page editor Fred Hiatt. Discussing U.S. fiscal policy, Hiatt wrote: The "doctrinaire Republican insistence on ever-shrinking government would sap the country's ability to invest in the research, education [and] infrastructure . . . that a great power needs" ("What's Happened to America's Leadership Role?" June 26).

In other words, without government spending, there will be a serious lack of critical investment. So serious, in fact, that America would cease to be a "great power" and force for good around the globe.

Is that so?

In the first place, if massive government spending were required for a nation to emerge as a "great power," one wonders how America became the wealthiest nation on earth in the late 1800s, after a century of having a small and sharply limited national government.

That aside, let's look at Hiatt's assertions one at a time.

First, he apparently embraces the argument that scientific research is a "public good"-something anyone can enjoy whether he helped pay for it or not. This is the so-called free-rider problem. If basic research is a public good, the standard argument goes, government must pay for it.

But Professor Terence Kealey, an author, lecturer, and clinical biochemist at the University of Buckingham in the United Kingdom, has shown that scientific research is not a public good. Indeed, he has found that the most profitable companies do fund pure science, often quite generously and with important wealth-creating results. That's a sign they don't fear free riders.

Writing for the Cato Institute in 1997 Kealey pointed to research showing that while the benefits of pure science are often "captured" by rival firms, those firms still must employ excellent (and highly paid) scientists to take advantage of new developments. In other words, there is no free ride in RD.

Furthermore, government-funded research pales in comparison to private research in terms of commercially useful industrial technology, which is what makes us richer. Government-funded research, meanwhile, is largely unproductive. Kealey also noted that in countries with low tax burdens, companies use their own funds to pay for basic science. But in countries with high tax burdens, companies seek government grants, meaning "pure science" becomes purely political.

Kealey concluded: "Scientists may love government money and politicians may love the power its expenditure confers upon them, but society is impoverished by the transaction."

"Education" and Government

Hiatt also believes quality education requires government funding. But this is mistaken as well.

In the first place, public schools have never been about "education" per se. They were created, and continue, to be institutions designed to "mold" children into "good citizens." They are not selling a good or service on the open market. They are peddling a State-endorsed frame of reference.

Recently in my home state of Indiana, government school teachers had a public confrontation with the governor, Mitch Daniels, over tax-funded charter schools and a tax-funded voucher system. The lockstep protest among teachers (at least those speaking for their fellow teachers at the statehouse) hardly showed any real independence of thought. It did show, however, that education policy has fully entered the realm of interest-group politics.

The idea that only government can provide schooling is demolished by the work of James Tooley, a professor of education policy at the University of Newcastle. He found that in the poorest slums of Africa, private schools are operating successfully, providing real education at affordable prices or without charge for the poorest kids. (See Tooley's May 2006 Freeman article, "Backing the Wrong Horse: How Private Schools Are Good for the Poor.")

Unfortunately, the United Nations entered this picture and pushed a system of universal "free" (tax-funded) schools in those same areas. This cost some private schools enrollment, at least until many parents found the government schools lacking and returned their children to the private schools. As in America, Tooley also found private schools in Africa educate children far below the cost of government schools.

Infrastructure

Finally, Hiatt also names infrastructure spending as an area in need of more, not less, government funding. Yet as Peter Van Doren and Chris Edwards of the Cato Institute pointed out in 2008, countries on every continent have been busy selling off inefficient State-owned assets, including airports, seaports, and even highways, to private concerns. Greece, now on the brink of bankruptcy, may provide the best example of a state that followed the road of more and more government spending on what might otherwise be private infrastructure. The result has been exceptional waste, inefficiency, and a populist and trade union stranglehold on the nation. As Greek economist John Sfakianakis wrote recently in the *Financial Times*, "The Greek political landscape is ingrained with vested interests, endemic kleptocracy and bribery. Since the days of Andreas Papandreu, an economist and father of the current prime minister, our politics has been predicated on the expansion of the public sector, patronage and borrowing."

In his classic book, *Our Enemy, the State*, Albert Jay Nock wrote in 1935: Whatever "the state has accomplished outside its own field has been done poorly and expensively. . . . No complaint is more common, and none better founded, than the complaint against officialism's inefficiency and extravagance."

Many people believe only a large and growing State can ensure America's greatness. But they misunderstand greatness. A growing government sector necessarily weakens civil society, where individuals make (and pay for) their own choices and market forces guide the use of capital to its most productive uses.

Far from being the key to national greatness, an ever-expanding government sector will only push more economic decisions into the political realm. It will also undermine the commitment to the individual freedom and personal responsibility that made America unique, prosperous, and great in the first place.