

## Why the Size of Government Matters

*Leviathan costs too much, sure, but its attack on freedom is the real problem.*

By: Michael Tanner – March 20, 2013

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When one moves beyond all the budget numbers floating around Washington these days, much of the debate over future policy boils down to a question of the size of government. The Left often dismisses this issue as symbolism or rhetoric, but it is much more than that.

The question of big government vs. limited government is not an abstraction. How we answer that question has real consequences for real people. For example:

1. Big government is unaffordable. This year, the federal government will run a budget deficit of at least \$845 billion. This does represent a decline from the deficits of recent years, but emergency appropriations or any slowdown in economic growth could easily push it back up toward \$1 trillion before the end of the year. Although deficits are expected to continue declining for the next few years, eventually bottoming out at \$430 billion in 2015, this is a temporary phenomenon, and by the end of the decade, we will be climbing back toward annual deficits of \$1 trillion.

Moreover, our debt, already \$16.7 trillion, more than 103 percent of GDP, is expected to exceed \$26 trillion by the end of 2023. Throw in the unfunded liabilities of programs such as Social Security and Medicare and our real debt runs between \$79 trillion and \$127 trillion.

In fact, the Congressional Budget Office said in 2008 that in order to pay for all currently scheduled federal spending, both the corporate-tax rate and top income-tax rate would have to be raised from their current 35 percent to 88 percent, the current 25 percent tax rate for middle-income workers to 63 percent, and the 10 percent tax bracket for low-income workers to 25 percent. It is likely, given increased spending since then, that the required tax levels would be even higher today.

2. Big government is incompatible with economic growth. Economists debate the exact relationship between the size of government and economic growth, but few argue that government can consume an unlimited proportion of the national economy without its having a significant impact on that economy. For example, a pair of studies by Harvard's Robert Barro found that "public consumption spending is systematically inversely related to economic growth," and that there is a "significantly negative relation between the growth of real GDP and the growth of the government share of GDP."

Similarly, an empirical analysis of 23 OECD countries by James Gwartney and his colleagues found that a ten-percentage-point increase in government consumption as a share of GDP reduced the growth rate of real GDP by one percentage point. Numerous other studies, including those from the World Bank and the International Monetary Fund, have also shown that as government grows, growth slows.

3. Big government doesn't work. Quickly now, can you name three government programs that work? And if you have to reach back to the GI Bill, you lose.

The further government gets from its core functions, the more it gets involved in areas where it just isn't qualified to do a very good job. We have 126 separate federal anti-poverty programs, at a cost of \$668 billion per year, yet poverty has hardly been dented. We spend more on education every year, but test scores remain stagnant. The stimulus bill spent as much as \$540,000 for every job it created. Social Security is a giant pyramid scheme. Medicare and Medicaid are models of inefficiency.

Perhaps worse, government intervention crowds out the private actions of civil society, which are far more effective in addressing people's needs. Big government doesn't only make it harder to care for ourselves and our families; it also makes it harder to care for our fellow man.

4. Big government breeds corruption. Corruption is endemic to big government, and it goes far beyond the occasional scandal about congressional bribery, nepotism, or Dominican prostitutes. It goes without saying that pampered politicians — desperate for reelection and with the power to dispense favors, reward friends, and punish enemies — are prone to temptation. But the real corruption goes much deeper.

Washington is a town with 12,390 registered lobbyists and a special-interest association on every corner, from the American Dehydrated Onion and Garlic Association to the National Balloon Council. But why are they there? Because the government is involved in everything from dehydrated onions to balloons.

You can decry the influence of lobbyists and money on politics all you want, but those who are taxed, regulated, paid, hired, or controlled by the government are naturally going to try to influence how they are taxed, regulated, paid, hired, and controlled. Nor should it be a surprise if these interests try to rig the game in their favor by, say, securing special tax treatment for themselves or encouraging greater regulation of their competitors.

5. Big government limits freedom. Perhaps most important, the debate over the size of government is about the ability of people to make decisions for themselves and be responsible for their own lives. Every dollar that big government spends the way it wants is one less dollar that individuals have to spend the way that they want. As Frédéric Bastiat put it in his parable of the broken window: If the shopkeeper with the broken window hadn't had to pay to replace it, "he would, perhaps, have replaced his old shoes or added another book to his library." Or to put it in today's context, he might have purchased health care, saved for his retirement, or donated to charity. He might have started a business or hired workers. Or he might have spent it entirely on frivolities. Whatever he might have done, he is now deprived of that choice.

Moreover, when government tells us how to save for our retirement, what health insurance to buy, what charities to support, what to eat, or whom we can marry, it forces people to live by the government's standards rather than their own decisions. It prevents people from pursuing their own goals and objectives, merely because people in government believe that those goals are mistaken. But, as Milton Friedman warned:

Those of us who believe in freedom must believe also in the freedom of individuals to make their own mistakes. . . . We may argue with him, seek to persuade him that he is wrong, but are we entitled to use coercion to prevent him from doing what he chooses to do? Is there not always the possibility that he is right and we are wrong? Humility is the distinguishing characteristic of the true believer in freedom, arrogance of the paternalist.

This is why the fight over the size of government really matters. Big government leaves us poorer and less prosperous. And it fails to alleviate our social ills. But most significantly, big government denies the unique value and self-worth of every individual.

And that is why, on both the left and right, those who would try to harness big-government to their own ends will ultimately fail.