

C. Lowell Harriss

Columbia University

## Politics, Economics, and the Role of Government Finance

How do men and women conduct themselves in (1) politics as compared with (2) the market place (business), philanthropy, and other nongovernmental but group activities? How do "we" use the land and other gifts of nature, the capital accumulated from generation to generation and year to year, and human capacities? Surveying the record of what people have done in production and distribution in business through the last few years, and decades, enormous achievements stand out.

In the United States, and not a few other lands, the world of private business supplies rising standards of living for increasing populations.

In politics, however, less praiseworthy results are all too common. A "sickness of government" troubles many countries. And some of the disappointments in mankind's accomplishments in economics result from bad governmental policies. Not the least is inflation, a curse growing out of money creation which results, directly or indirectly, from government. On the basis of *performance*, I submit, the record shows that men and women have done well in the market place but often significantly less well in government. Nevertheless, one senses a continuation of pressures to expand the

scope of government at the expense of freedom to utilize the potentials of economic forces of the market place.

## GOVERNMENT'S GROWTH

Political processes and bureaucracy have come to influence more of what we do — and are forbidden to do. What are the reasons for the enlargement of the direct and indirect influences of government? Whatever the reason, it is not, in my view, any judgment resting on a deliberately made conclusion that “politics” and bureaucracy bring generally improving performance as compared with market processes.

Each of us enters the world with little ability. Through the years, however, some men and women record impressive accomplishments. Such achievement depends, among other things, upon the framework within which we are free to use our capacities. Will the expansion of governmental authority reduce, or increase, the opportunity for the fullest and the most creative of human accomplishments? The enlargement of government can do much harm, in spite of good intentions. High taxes are by no means the only negative result of big government.

We hear about failures of market processes to deal adequately with all “externalities.” True, the world of business — and freely given philanthropy — will not do everything as well as to be desired. National defense is not the only thing which will *not* be provided by markets. An alternative — government and the compulsion it imposes — *must* be utilized.

Many persons seem to hope for an all-powerful, all-wise, generously beneficent agency to correct defects of human behavior. Unfortunately, the wish cannot achieve the end. Nevertheless, wishful thinking seems to entice, and entrap, so many persons into favoring an expansion of government. Government is truly powerful. Can we not assume that “it” will also be intelligent and humane, and efficient? Alas, the assumption will tempt us, but reality does not always confirm hope.

## POLITICAL PROCESSES CONTRASTED WITH THE MARKET PLACE

As contrasted with a dream-world of hope, what are the capabilities of political processes? This question should play a decisive role in examining the “proper” role of government. Often, how-

ever, another question has a more prominent place: "What will markets not do 'adequately' (or perfectly)?" How easy it is to find deficiencies! So one looks for alternatives. One answer is "Government!" and this response is often accepted with little analysis of how people *really* act when they utilize the processes of government.

Realistic analyses of government as it *really* functions should underlie conclusions about a realm of life so diverse as "politics". One impression seems clear enough to serve as a helpful guide: We are often at less than the best of which we are capable as we act in and through politics. The processes of politics (including bureaucracy) do not tend to give the "really" best fruits possible from human endeavor.

The rivalry of the business world does, for the most part, relate rewards to production. The dominance of *quid pro quo* in the market place, keeps us alert and motivated to perform well. Compensation for workers and prices for employing businesses rest on worth to the consumer. As a result the pressure to serve oneself by serving others acts continually and forcefully for better, rather than poorer, performance.

The "market" cannot, of course, overcome the limits of human capacity, of natural resources, of capital resources built in the past. Scarcity persists. Moreover, men and women sometimes do resort to reprehensible behavior which the market does not promptly punish and permanently prevent. The world of business fails to provide "adequately" for some. The destitute and disadvantaged should get help. Generosity — which Adam Smith called "the virtue... of a man" — is needed and does appear. Will it not develop in a more humane, intelligent, and effective manner through voluntary and private actions than through politics? Each of us might have his own answers. Yet it is not assured that political processes offer a better agency than do alternatives for making better, in the short and the long run, the condition of persons whose needs are not met "adequately" in the market. Governments in the United States spend large amounts on aid to the poor and the sick, but the "systems" have grave defects. Serious deficiencies have been evident for years. Yet political processes fail to correct known evils.

#### CRUCIAL IMPORTANCE OF GOOD GOVERNMENT

Government is of the highest significance for individuals as well as for us as groups and in that association called "society as a whole." One "resource" which most needs both (1) *economizing*

and (2) *enlarging* is man's capacity to act well in government.

Not much hope lies in a "truth in electioneering" requirement — nor in a "consumerist" crusade against poor values in governmentally supplied services and goods.<sup>1</sup> Yet decisions must be made, and actions will be taken, by voters and politicians and bureaucrats, in matters of government. Of profound importance is the question, "How well do men and women act in political affairs"? Choices about issues of the most basic significance for human well-being are involved — (1) the *scope* of government and (2) the kinds of activities to be entrusted to political processes.

The "quality" of life reflects in part a *cumulation* of *specific decisions* enlarging governmental (political) influence — including the growth of taxes which restrict our ability to provide for ourselves and others. Many, perhaps most, of the decisions have been made without thoughtful concern (1) for the true quality of accomplishment when politicians and civil servants act or (2) the full effects of the deprivations which taxes force on us.

Not only the world in which we shall live the rest of our lives, but also the legacy we leave our children will depend upon choices about the role of government. Will neglect and inadvertence — wishful thinking and deception — outweigh realistic and rational decision-making about expansion of regulations and restrictions and taxes? Do the actual, "realworld" results sustain the validity of hopes that in politics we act as wisely and as well as we do in other phases of life?

Any simple answer to such questions may seem irresponsible. Questions of such breadth and depth deserve reflection. Posing them involves no originality — as a reader of *The Wealth of Nations* will recognize. But exploring the issues today is requisite for making better, rather than poorer, decisions for tomorrow.

## AGENCIES FOR MAKING ECONOMIC DECISIONS

Everything done, except by rain and shine and other acts of nature, is done by human beings. Capital equipment produced in the past which helps us today represents human actions using, among other things, resources provided by nature. And government

<sup>1</sup> Trying to assure "truth in advertising" and to protect consumers occupies a growing place in the activities of the national and some state and local governments in the United States. Perhaps corresponding movements will seek to get a place in politics. But I believe that the basis for hope must be small.

is "people acting." "Its" decisions are made, "its" actions are done, by people: by voters, politicians, civil servants, the military, pressure groups. How, and why, are the choices made and things done? We hope for rational decisions about means relative to ends for meeting what are presumably *collective* goals sought through government.

Sometimes there is a wide consensus on a governmental program, on *how much* to spend for *what*. At other times, spending decisions hinge upon a minority, in the public and the legislature, who hold the balance of power or who focus pressure against a dispersed, indifferent, and uninformed majority. In any case, people acting through government can *coerce* others. Those who disapprove can be forced to "cooperate." Much as some of the public may dislike some or many policies of spending or taxation, they in practice have little choice. The people of government — lawmakers, civil servants, the military — may perform well. But in the operations of government there is nothing more or less automatic to assure, or even induce, wise decision about *what* to do and *how much*.

For (1) the *production of most goods and services* and (2) the *creation of most of our income*, people act together in "businesses." We "organize" the use of resources by selling and buying in markets. These markets give us opportunity to form and to express our wishes, individually and in groups, day in and day out, and freely far more than under coercion. Men and women "vote" with dollars in hundreds of different "market elections," day after day. Of course, our voting power differs. Why the inequality of income? The differences depend chiefly upon what the efforts of a family and its property command in the market, after taxes.<sup>2</sup> What are the fruits of our work (plus those of the capital we have acquired) worth (after tax) to others?

The functioning of a market economy is intricate and interrelated — and not generally understood. The myriads of different parts serve one another without any conscious guidance or planning. No central directing system operates. Nor is there any single set of purposes or goals. Each person, and each business, has a set of purposes.

Is it hard to conceive of things operating without some conscious control? The organization and elements are themselves systems — factories, department stores, or airlines; they result from

<sup>2</sup> Not many of us can hope ever to have the income of a star professional athlete. Although we can meet the terms needed to see him play, the scope of our freedom to command goods and services falls far short of his.

plans made by human beings to achieve certain more or less specific purposes. They function in what we call the "market system," but it is not the product of deliberate creation.

Economic order results because of the adaptation and adjustment of the particular units; they are themselves independently acting agencies, conscious human beings and groups of people with their own purposes. Billions of individual, small, changes reflect what people want and can do. Rivalry and competition put pressure on participants to do what each other want. And, as Adam Smith pointed out, cooperation results from self-interest induced to meet the wishes of others.

The rewards to a business organization, and to those who compose it — (1) to employees and (2) those who supply the capital — relate to the worth which others attach to what it produces. We buy what seems best. We pass up goods and services which appear less worth our money.

## GOVERNMENT AS AN INSTITUTION OF HUMANS

Government differs. It employs coercion. "It" now functions on an enormous scale. But it is not a superman. Often, however, advocates of bigger governments have seemed to think of government as an entity with knowledge and wisdom far surpassing that of the human being.

Hoping for improvement over what man is doing, or not doing, people may urge a new "public" undertaking. Yet in the next breath, or the one before, they may complain about the actual performance of government. At times we may personify government as an entity and unconsciously assume that a big government is some superhuman, monolithic, thinking, and acting being, brilliantly intelligent as well as massively powerful.

How does government differ from other forms of human association? Most groupings are voluntary — corporations, trade unions, clubs, churches. "Membership" in government, however, is compulsory. Government as an agency enables some people to coerce everyone to do, or not to do, certain things.

In non-governmental aspects of life, of course, we are restricted by forces which we cannot control. Yet the compulsion forced on us by associations with which we associate more or less freely can hardly match the coercion which governments employ — taxes, laws regulating our conduct, and the use of capacity to produce goods and services as directed by political and bureaucratic decisions.

The businesses with which we deal compete (1) for our services as workers and (2) for our dollars as customers or investors. What we produce in businesses *enlarges our economic freedom*, a little bit more each year as capital accumulation and technological advance make for progress. Most of the increasing amounts taken by government are available because of rising production in the *private* sector. The improving performance of the business world reduces the restraints imposed by limitations of human knowledge and energy, natural resources, and past capital accumulation.

### DO RESULTS OF TAXES JUSTIFY THE SACRIFICES IMPOSED?

In what ways, and by how much, have conditions improved or deteriorated as a result of the increases in taxes and government spending since World War II? Conditions differ from one country to another. Complete answers would require unobtainable knowledge of "what would have been."

By most reasonable standards, the residents of most of the Western World — and some of the East (not only Japan) — are better off economically than in the past. The vast majority buy more with after-tax incomes than ever before.

Yet we should ask, "Have our actions in and through government been among those which have yielded best results?" Could better accomplishments have been achieved? If government costs had not risen so rapidly, how would taxpaying families have used the funds not taken in taxes?

The record of government as a "doer" in dealing with "social" (human) matters (education, relief for the poor, etc.) has been less than satisfactory. In the United States one sees growing disillusion over the *realities of performance* by local, state, and the central government. To be successful, "social" programs must often get people to change their ways of behavior. And that is not always easy. Human initiative must be forthcoming and sustained.

The continual self-checking and automatic "correcting" of the market place do not operate. If taxes had not risen so much, freer choice in allocating more of "our own" income would generally, I believe, have yielded results more satisfying of human desires — but the conclusion cannot be proved.<sup>3</sup>

<sup>3</sup> A statement of reasons appears in "The Productivity of Freedom," in C. Lowell Harriss, *Innovations in Tax Policy and Other Essays...*, John C. Lincoln Institute, University of Hartford, Hartford, Connecticut, 1972, pp. 248-255.

## ENACTING TAX LAWS: SOME IMPLICATIONS FOR SOCIAL POLICY

Tax structures in the United States, and elsewhere, are highly effective in extracting revenue; but they have many shortcomings. In view of the pressures on legislators and those in executive positions, what should we expect? No member of Congress or the public can be competent in understanding more than a few of the hundreds of tax issues which influence our lives.

Inevitably, but understandably, much pressure on law makers and tax administrators reflects limited perspective and often much bias. No continual, objective, relentless testing of features of tax laws and of alternatives occurs to match competition in the world of business. The making and administration of tax laws differ profoundly from the determination of prices in the world of business.

What incentives influence tax legislation? How do high taxes — especially those which take large amounts without any perceptible *quid pro quo* — affect the way individuals and businesses operate? How do the incentives compare with those for production and consumption in the market place?

We need more knowledge and wider understanding about the effects of today's taxes.

## PRINCIPLES TO GUIDE TAX POLICY

Heavy weight should be placed on *reducing tax hindrances to actions in production*. The more effective and the more efficient the system of production, the greater our capacity for dealing with the other aspects of life. And businesses are Western man's chief instruments of production.

In the United States "businesses" (including farms and independent professional practice but excluding governmental enterprise-type activities) produce around 83 percent of the total output of goods and services. Is it not self-defeating to impose taxes on these agencies and their operations? *People* must bear the burdens of cost of government. We shall have more output (and income) for all purposes if businesses as such are freer from tax influences.

To raise revenue, then, governments should tax individuals (1) as recipients of income for their labor and for the supplying of capital and (2) as consumers. To hamper businesses by taxation imposes burdens in addition to the dollars received for governmental uses.

Why have governments resorted to high taxes on businesses,



on man's agencies for, and processes of, production? "Politics." And politics in an environment in which competitive pressures do not put the inferior "product" — argumentation — at a disadvantage which will either drive it out or force improvement.<sup>4</sup> A candidate for elective office could say, and say *correctly*, that he speaks *for* the *true interests* of the individual (as earner and as consumer and as saver). But in how many constituencies would this good idea drive out the bad? Probably fewer than few. In the private sector, in contrast, an idea of comparable merit would find spokesmen, get a hearing, and have a chance.

Nevertheless, one hopes that in politics we are not, really, so doomed by ignorance supporting prejudice. Education should improve matters.

## PERSONAL INCOME TAXATION

Personal taxation can be modified to increase freedom by reducing the present influence of taxes on decisions about what to do, how, why, when, where, and for what purposes. The resources which governments will take *must* deprive us of buying and saving power. And in no small amount. But the "tax take" in itself need not be imposed in ways which create the opportunities and incentive to alter behavior that now exist.

More freedom to use talent and energy to serve others in the many ways they want as expressed in the market place, uninfluenced by tax considerations that do not positively serve the revenue needs of the government, such should be the goal of anyone seeking to improve human well-being. The means of removing restrictions of freedom include *reduction* (1) in the *differences* in tax *rates* which grow out of (the steepness of) graduation and (2) in the *differences* in the *treatment* of *various* kinds of (a) *receipts* and (b)

<sup>4</sup> Let me illustrate what seems to me politics at less than its best. Men seeking election in America sometimes argue that *bigness* ought to be a basis for the heavy taxation of corporations. But how can one find constructive reasons for hitting the company which provides good jobs in the hundreds of thousands? Or the business which supplies (manufactures or retails) products in vast variety that consumers in the tens of millions freely select? If good jobs are desirable, if we want attractive products, it seems foolish to tax heavily the businesses which provide them. Concentrating tax burdens on corporations because they put to fruitful use the savings of hundreds of thousands of families will operate against capital formation and the most productive use of the capital resources available.

uses of funds. Large cuts in the highest rates, and the widening of brackets could be made without big revenue losses.

## GROWTH OF POLITICALLY DETERMINED SPENDING

The most crucial *tax* problem, in a very real sense, is the growth of government spending. But nothing *requires* the trends of recent years to continue. As national income rises, tax rates could go down, and by a large amount in a decade, if the increase in spending were effectively restrained.

The desirability of "controlling" the rise of government spending results from more than the *obvious* dollar costs. Should we not also be concerned about the *cumulative effects of the enlargement of political direction of life*?

"Only people" decide that governments will spend more. "We the people" can halt the upward momentum. It is not imposed by an Almighty Being, nor even by irresistible forces of man's own creation. To gain "control," however, we must change our ways.

Population increase, inflation, and America's position in the world have all played a part in the United States. Let us put them aside and look at some of the other forces. Two possibilities can be rejected. (1) Inherently *governmental* functions (such as policing) have not accounted for much of the increase. Perhaps we would be better off if more spending had gone to the preservation of law and order (and less to some of the scores of new undertakings). (2) Belief in the *efficiency* of government has not played a prominent part. When Americans look for an efficient means of getting things done, they are not likely to express high confidence in bureaucracy.

## HOPE FOR BENEFITS WHICH "THE OTHER FELLOW" MUST PAY FOR

Some human beings like to get benefits — with less, rather than more, work and thrift. "For free" — paid for by "the other fellow" — has tempting appeal. Politics *can* be used to obtain services which others will pay for (or seem to pay for). Political campaigns in America include pandering to this human characteristic.

A business cannot say, "Select my product, and someone else will pay." The political process, however, can hold prospects of benefit to one group at the expense of others.

A survey of electioneering argumentation would reveal many examples of candidates and party programs saying, almost explicitly,

"It is not reprehensible — in fact, it is 'right' — for you to use the taxing power to force others to pay for things you desire."

"The candidate who uses his own money to buy votes", someone has said, "is called corrupt; the one who promises to use someone else's money is called a liberal." (And "liberalism" has exerted continuing influence in American politics). Spending programs must be paid for — by taxes, sacrifice of funds for private capital formation, or inflation. Why may use of the "for free" argument continue in a society with so many persons with so much schooling and so many journals of opinion? One explanation, I suggest, is that a combination of (1) graduated tax rates and (2) hidden taxes does give plausibility to "the-other-fellow-will pay" attitudes. (Another reason lies in the absence from the educational system of good teaching of economics).

#### HUMANE ASPIRATIONS

An esteemed human characteristic is the desire to do good for others. A fact of history, however, has been the limitation on men's capacity to give help. Philanthropy could not reach the levels of generosity our forebears desired. Fortunately, rising incomes have increased the ability to aid the needy, and personal and business-financed philanthropy have risen.

Influential groups, however, have not been willing to limit such assistance to (1) what they themselves will contribute freely plus (2) what they can induce others to give voluntarily. The coercion of governmental programs resting on taxation has expanded. The impulse to see good done helps to explain the increase in "social" programs. The skeptic about the merits (relative to costs) has been shamed. What opprobrium should not be cast on the person who questions spending more on a "social" program!

Argumentation which has support from economic analysis carries weight in the "intellectual" circles which influence civil servants and the formation of "public opinion." Desirable "externalities" — positive "neighborhood effects," benefits to a public broader than the persons directly affected — these *do* exist. Something good can be gained beyond the advantages for the direct beneficiaries. Thus, reason — or perhaps merely rationalization — can support a belief that both compassion and selfishness can be served.

#### LARGE INTEREST OF SPECIAL GROUPS AND LACK OF INTERNAL PRESSURE TO WEED OUT PROGRAMS

A third force accounting for the growth of government combines

two elements. (1) The civil servants close to a program see unmet needs and worthy things to be done. They become custodians of the evidence. Persons with the expert knowledge become advocates. Their attitudes combine the command of internal knowledge with incentives to expand the bureaucracy. (2) a "clientele" (perhaps beneficiary) group sparks pressure for "more."

If neither of the groups — the civil service *and* the beneficiaries — must pay the costs, then a "free-good" bias supports normal instincts to do better and to get more. This focus of interest concentrates pressure. In contrast, the interests of taxpayers are diffused and even remote.

Enlargement of spending can go on even when benefits do not equal costs. Does any country have effective procedures to eliminate governmental projects which are not worth their cost? I know of none. (Even if by some calculation benefits do exceed costs, a program is not necessarily desirable. One also needs to know a good deal about the conditions of the individuals who benefit compared with those who suffer). In their private affairs, families and businesses will discard those things which experience shows do not justify the cost. Most of the process of weeding out the goods and services which are not worth the expense takes place gradually, more or less automatically, and usually without large stresses and strains.

Governmental programs differ. Their continuation does not depend upon proof that the benefits exceed the worth of what could be obtained from other use of the same funds. Moreover, government agencies do not face the pressures of competition that work on businesses to employ better, rather than poorer, methods of operation.

#### REVENUE AVAILABILITY

Several national tax system — certainly that of the United States — now have much upward elasticity. The availability of funds encourages spending.

Graduated tax rates automatically transfer increasing portions of rising income to government. *Inflation feeds the process.* Without explicit voter consideration, the political process gets command of more resources. Beneficiaries of spending — and the officials who get their votes and approval — are not compelled to justify all of the dollar increases. The assurance that revenue yields will rise encourages advance "commitment" through authorization to spend more.

The market system does not give the business firm such an au-

tomatic command over more and more of our earnings. Companies must compete for our buying. Except perhaps in the governmental sector, workers cannot compel us to supply the funds to employ the same number (or even more) at higher wage rates. In contrast, progressive tax rates create in government conditions which are quite different from those of the private portions of the economy.

#### ADVOCATES OF GOVERNMENT SPENDING UNDERESTIMATE OR IGNORE THE EFFECTS OF TAXES

Are not proposals for new government programs, and enlargements of those in existence, usually made *without any responsible description of the effects of the taxes needed to pay*? Can one think of any case in which advocates of more government spending have included in their discussions an accounting of the effects of heavier taxes?

By ignoring the effects of taxes, people who feel assured of their own good intentions may in fact advocate human distress which they would deplore if facing it directly. Big government can impose taxes high enough to create big trouble.

#### ADVERSE "SOCIAL" EFFECTS OF TAXES

In America, and probably other "developed" economies, some revenues come from persons who really suffer from the taxes needed to pay for the "extra" fourth or third of spending. Such deprivation has more than a trifling human cost. To imply that the tax system "ought" not to burden those with little "ability to pay" may salve a conscience. But governments do continue to impose taxes on the earnings, property, payrolls, inputs, and value added of businesses; in one way or another these taxes hurt the poor as well as the rich. So do consumer taxes.

Millions who think of themselves as middle and upper-middle class must do without private goods and services which they would very much like. High taxes deprive them of things to which they aspire for themselves and their children. They must give up more than merely luxuries and readily dispensable sources of pleasure.

The frequent "justification" (in the United States) of a spending program as desirable on "social" grounds ought to be paired with criticism for the "anti-social" results of the taxes required. Taxes prevent private actions for the things people want. Under what conditions is the political process more likely to yield good decisions than what people would do freely?

Can we not devise ways to require advocates of greater governmental spending to face, as well as possible, the *human* cost of taxes? Neglect of the human burden of taxes might be more difficult if more taxes were out in the open, as distinguished from being indirect burdens on businesses and if a larger portion of the tax bill were subject to *effective* voter control. Might not the expansion of governmental activities have been significantly different?

A large and growing sector — government — commits resources without effective mechanisms for incorporating the judgments and desires of those who must pay. Choices about a truly large volume of spending depend upon decisions which to considerable extent are hidden from those who must pay. In the private sector those who bear the cost play a direct role in deciding whether or not a specific spending decision is to be made. They cannot be denied significant power in making the decisions.

Taxes have indirect results — undesirable externalities and adverse effects. A humane person, it seems to me, should be troubled at the thought of proposing that *others* be *forced* to bear taxes to which they seriously object. Is there not at least a tinge of the unethical in pressing for a government spending program which “we” want, whether or not directly for ourselves, but which must make life harder for “others” (taxpayers)? To what extent can one in good conscience advocate the forced adoption of one’s own values?

#### TAXPAYERS NEED FRIENDS — AND SPOKESMEN

Who speaks, intelligently and with persuasive credentials, for taxpayers? Make up your own list. It will not be long. The self-appointed “public interest” and “consumer protection” organizations of some importance in the United States would not appear on my list of “protectors of the taxpayer” except on occasional points. In most American states and in many localities, however, privately supported, nonpartisan organizations do have research staffs and carry out programs to help “protect” taxpayers. Various nongovernmental groups work on the many problems of national government. Within Congress and other legislative bodies, and within the civil service, individuals and agencies do work with the interests of taxpayers in mind. But results do not approximate those which would be desirable. Compared with the strength of “the other side” — advocates of more spending — agencies to present the tax aspects leave much to be desired.

As to taxes which are not open and obvious — chiefly those on

the business earnings, payrolls, purchases, and property of businesses — efforts to protect taxpayers are sadly inadequate. When a corporation has tens or hundreds of thousands of employees, when its stockholders number in the hundreds of thousands, when it supplies millions of customers, what might its officers do to protect these groups against present and proposed taxes? Politicians rarely speak out against business taxes for the harm they do customers, employees, and suppliers of capital.

## CONCLUDING OBSERVATIONS

The incentive and reward systems in the world of politics differ from those of free markets. And incentives do influence results. We want myriads of things which others must produce. For the most part, we have better chances of getting the best from those who produce for us if they operate freely (but subject to competition from others) rather than as constrained by politics.

Taxes involve coercion. They permit government use of resources in spending on a large scale. Coercion characterizes the essential processes of government. Such use of force operates differently from the pressures (and incentives) of free exchange. Laws once operating may lead to bad results and yet not be changed. Correction of error in government can be long delayed and in fact never occur (at least to date).

Do elections and the procedures of law-making, do the operations of bureaucracy, reveal us at our best? Political processes do not, I believe, induce and force men and women to try as well as they can to produce what others desire, to do so as efficiently as possible, and to change and adapt to new conditions and opportunities.

One of the most powerful of reasons for urging quite sweeping redirection of government lies in the fundamental importance of government. The quality of life depends heavily on the quality of government. The point was made long ago by one of history's greatest economists, Alfred Marshall:

Government is the most precious of human possessions; and no care can be too great to be spent on enabling it to do its work in the best way: A chief condition to that end is that it should not be set to work for which it is not specially qualified, under the conditions of time and place.

