

## THE ROLE OF GOVERNMENT

### Too Much Government > Milton Friedman, Nobel Prize-winning Economist

An appropriately privatized society would look like a society in which the total income of society about 10 to 12% is going through government. And it's going through government to pay for certain really basic functions. To finance the judicial system, to provide for the defense of the country for armed forces. To provide for law and order, police, fire, not necessarily fire protection that can be done privately as it has been done. And to provide for truly hard cases – indigent - those would be the main functions.

We are far from achieving the kind of society in which government is engaging only in what I regard as a proper functions of government. In our present society government is spending not 10 or 15% of the national income but in the United States, 40% of the national income. In addition it is indirectly through regulation, rules, mandates directing the spending of about another 10% of national income.

So that the United States which everybody regards as a freest society in the world is half, is 50% socialized. The reason we don't realize that is because government spends its money so much more inefficiently than private enterprise does. That the 50% of our resources which are being spent by government or directed by government produces a lot less than 50% of our utility.

There are many great things about the world as it is now. We have a great deal of freedom, a great deal of prosperity. But there are enormous problems and the most important of those problems are produced by government, not by the private market. In the United States one of our, certainly one of our major social problems are the slum ghetto areas of our country. The inner cities. And those are a result of government policies. They are a result of the government policy on drug prohibition which largely plays a large part. Of government policies, of government schools which failed to school the children in those areas. Of government policy of welfare which is led to an increase in unwed mothers and illegitimacy.

Those have been the results of governmental policies. In a world in which government wasn't doing all those things we would not have any inner cities. We would not have the kind of slums that disgrace our society. We would not have the spectacle of two million people, at the moment, in American prisons. That's a disgrace. And they're in prisons because government has made a crime of voluntary actions among individuals. Had made a crime of things that should not be a crime.

And in the process has done tremendous harm. In my ideal society that would not be there. Human beings would be free to spend their time, and their efforts and their energy as they wished.

Yes I believe that victimless crime, what are designated as crimes, which are

victimless, have an emotional appeal. Have an appeal to your ethical values. But that they are unenforceable and that trying to enforce, trying to prohibit them does far more harm than good. I think we had one attempt on that with alcoholic prohibition in the 1920's and early 30's, it was an enormous failure. I think our attempts to prohibit drugs have been an equally bad failure.

So whatever you think about the ethical value, the ethical appropriateness of government telling people what they should put in their mouth, what actions they should engage in, it doesn't work. You cannot control people that way. And the results are worse than not doing it

### **Control Externalities > Milton Friedman, Nobel Prize-winning Economist**

The legitimate role for government is in so far as it can to, to control and check negative externalities. But in doing so just as there's nothing that's all black and all white there are never clean cases. Because government involvement is itself an externality. Government cannot involve in checking something without imposing costs on somebody. It has to raise money for taxes. It has to interfere with their freedom. And so each case has to be considered more or less as in terms of a balance sheet. Here are the problems, advantage costs, here are the benefits. You need a cost benefit analysis.

And in general it's only where there are serious externalities where you can really make a case for government involved. And in general also wherever possible government should be involved by setting a fee on the activity concerned. And that is something else that has increasingly developed. You have a markets now in pollution abatement. So that for example in the case of the stream where somebody is putting something in. Your best procedure is to try to impose a charge on the disposition of the garbage rather than to try to regulate the details of how the garbage is disposed of.