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A nation of thieves redistributing income

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Edgar K. Browning, Texas A&M University economics professor, has a new book aptly titled “Stealing from Each Other”. Its subtitle, “How the Welfare State Robs Americans of Money and Spirit,” goes to the heart of what it is about. The rise of equalitarian ideology has driven Americans to steal from one another.

Mr. Browning explains that certain kinds of equality have been a cherished value in America. Equality under the law and, within reason equality of opportunity are consistent with a free society. Equality of results is an anathema to a free and within it lie the seeds of tyranny.

Mr. Browning entertains a discussion about when inequalities are just or unjust. For example, college graduates earn income higher than high-school dropouts. Some people prefer to work many hours and earn more than others who prefer to work fewer hours. Students who spend 25 or more hours a week on classroom preparation earn higher grades than students who spend five hours. Most would agree that these inequalities are just. There are other sources of inequalities that are unjust, such as when incomes result from fraud, corruption, stealing, exploitation, oppression and the like. Such sources of inequality play an insignificant role in producing income inequality in America. Most economists agree that income is closely related to productivity.

Much of the justification for the welfare state is to reduce income inequality via income transfers to the poor. Mr. Browning provides some statistics that might help us to evaluate the sincerity and truthfulness of this claim.

In 2005, total federal, state and local government expenditures on 85 welfare programs were \$620 billion. That's larger than national defense (\$495 billion) or public education (\$472 billion). The 2005 official poverty count was 37 million persons. That means welfare expenditures per poor person were \$16,730, or \$67,000 for a poor family of four.

Those figures understate poverty expenditures because poor people are recipients of non-welfare programs such as Social Security, Medicare, private charity and uncompensated medical care. The question naturally arises: If we're spending enough to lift everyone out of poverty why is there still poverty? The obvious answer is that poor people are not receiving all the money spent in their name. Non-poor people get the bulk of it.

Mr. Browning's concluding chapter reveals what the welfare state costs us. He acknowledges the no economic costs

such as infringements on liberty and strains on the political process but focuses on the quantitative economic costs. The disincentive effects of Social Security have reduced the gross domestic product (GDP) by 10 percent, the federal income tax (as opposed to a proportional tax) by 9 percent and past deficits by 35 percent for a total of 223 percent. He guesses that welfare programs have cut GDP by 25 percent. Overall, redistribution policies have created incentives that have reduced GDP by a total of 25 percent. Without those, our GDP would be close to \$18 trillion instead of \$14 trillion.

So what's Mr. Browning's solution? First, he reminds us of the biblical admonition "Thou shalt not steal." Government income redistribution programs produce the same result as theft. In fact, that's what a thief does; he redistributes income. The difference between government and thievery is mostly a matter of legality.

Mr. Browning's solution is captured in the title of his last chapter, "Just Say No" where he proposes, "The federal government shall not adopt any policies that transfer income (resources) from some Americans to other Americans." He agrees with James Madison, the father of our Constitution, who said, "I cannot undertake to lay my finger on that article of the Constitution which granted the right of Congress of expending, on objects of benevolence, the money of their constituents."

For years I've used Professor Browning's and his colleague Mark A. Zupan's excellent textbook "Microeconomics: Price Theory and Applications" in my intermediate microeconomics class. "Stealing from Each Other" is a continuation of his academic excellence.

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