

THE ETHICS OF PUBLIC SPENDING

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ABSTRACT: This article wrestles with the issue of when is it justified to accept money from government. The case is made that it is indeed almost always justified to do so. But not for everyone.

THE ETHICS OF TAKING GOVERNMENT MONEY

It has been argued by libertarians, who else, that it is ethical for libertarians to accept government money,¹ on the ground that it is better for libertarians to have the money than the state.² Libertarians are likely to use the money specifically to undermine state power, such as by donating to libertarian organizations. Even if libertarians do not use the money specifically to attack the state, spending on personal consumption is presumably a better use of the funds than whatever crimes the government was in the process of committing with them.

Can we extend this approach to the question of nonlibertarians using government money? After all, if it is better for libertarians to spend stolen wealth on themselves than for the state to keep

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¹ For example, working for government organizations for a salary, availing oneself of social security, farm subsidies, etc.

² Block (1972, 2002, 2004a, 2006, 2007, 2008, 2009, 2010, 2011a, 2011b, 2011c, 2011d, 2012, 2016c); Block and Arakaky (2008); and Block and Barnett (2008).



that wealth for other purposes, it is better for *anyone* to spend that wealth on themselves than for the state to keep it. On grounds like these, one can even argue against immigration control; for instance, even if public property belongs to the taxpayers, it is better if immigrants come in and take it than if the government is allowed to keep control of it.³

Of course, this approach has its limits. Benefiting from stolen wealth is legitimate for the victims of the criminal state (the taxpayers), and it may also be legitimate for nonmembers of the state who are not themselves victims (e.g., immigrants who are not taxpayers), but it surely cannot be legitimate for the criminals themselves. It is not permissible for top members of the government to spend stolen wealth on personal consumption, as they are part of the criminal apparatus itself and such spending itself constitutes a crime.

But can we be certain of this assertion? Would it be a crime if Bill Clinton spent his pension on a yacht? Or is it simply that he owes restitution as a key member of the criminal enterprise, with his spending choices being relatively immaterial to the case against him? We answer as follows. Surely, there is nothing improper about yachts, *per se*. To the degree that he earned the money to pay for this good properly, there can be no objection. However, to the extent that the wealth emanates from improper sources, it would not matter one whit on what he spent it; he should be compelled to at least return the stolen money to its proper owners.

To resolve such issues, we rely on ruling class analysis to distinguish the criminals from the noncriminals. In the view of Rothbard (2004):

All States are governed by a ruling class that is a minority of the population, and which subsists as a parasitic and exploitative burden upon the rest of society. Since its rule is exploitative and parasitic, the State must purchase the alliance of a group of "Court Intellectuals," whose task is to bamboozle the public into accepting and celebrating the rule of its particular State. The Court Intellectuals have their work cut out for them. In exchange for their continuing work of apologetics and bamboozlement, the Court Intellectuals win their place as junior partners in the power, prestige, and loot extracted by the State apparatus from the

³ For the case in favor of open borders, see Block (1983, [1983] 2008, 1988, 1990, 1998, 2004b, 2011e, 2011f, 2013, 2016a, 2016b, 2017, 2018); Block and Brekus (2019); Block and Callahan (2003); Deist (2018); and Gregory and Block (2007).

deluded public. The noble task of Revisionism is to de-bamboozle: to penetrate the fog of lies and deception of the State and its Court Intellectuals, and to present to the public the true history of the motivation, the nature, and the consequences of State activity. By working past the fog of State deception to penetrate to the truth, to the reality behind the false appearances, the Revisionist works to delegitimize, to de-sanctify, the State in the eyes of the previously deceived public.⁴

For example, a janitor cleaning the bathroom in Congress is taking government money in wages and is even performing a service for the government, but it would be a stretch to consider him part of the ruling class. His power over the criminal organization that is the state is almost nonexistent, so his responsibility for their crimes is likewise almost nonexistent. The Congressmen passing the oppressive taxes and laws who use the bathroom, on the other hand, are clearly very much part of the ruling class. The janitor is justified in taking his salary but not the Congressmen in taking theirs, unless they are libertarian heroes like Ron Paul who used their office to speak out against the evils of government and vote against every unconstitutional law or spending proposal.⁵ As the Ron Paul exception shows, our ruling class analysis treats every individual differently and evaluates their membership in the ruling class based on the work they do for or against the government and its crimes.

THE ETHICS OF SPENDING GOVERNMENT MONEY

If it is a virtue to take government money, as we maintain, it seems to follow that it is ethical for the government to spend money, and if it is more virtuous to take more government money rather than less, it seems to follow that it is more virtuous for the government to increase government spending than to decrease it. Of course, this conclusion seems rather paradoxical for a libertarian; libertarians normally support only *decreases* in public spending.

We acknowledge that our call for taking government money as a virtue sounds counterintuitive to the libertarian ear.⁶ This, of course,

⁴ For more on this, see Block (2006); Burris (2012); Domhoff (1967, 1971, 1998); Donaldson and Poynting (2007); Hoppe (1990); Hughes (1977); Kolko (1963); Mises (1978); Oppenheimer ([1914] 1975); Raico (1977); Rockwell (2001); and Rothbard (2004).

⁵ Block (2012); Paul (1981, 1983a, 1983b, [1984] 2004, [1987] 2007, 1990, 1991, 2000, 2002a, 2002b, 2003, 2004a, 2007, 2008a, 2008b, 2009, 2011, 2013); Paul, Haddad, and Marsh (2008); Paul and Lehrman (1982); Rangel and Paul (2006); and Upton and Paul (2005).

⁶ Our referee makes this point.

is distinct from merely being just or permissible. It is permissible for Jones to take the best available course of action while it is not necessarily a virtue to do so. But we stand by this claim. Given that government is evil,⁷ the less money it has, the better. Well, *ceteris paribus*, the more money people take from the state, the less it will have. Doing so, then, is not merely a good course of action to take, but over the call of duty; to wit: a virtue. QED.

However, if we return to our original argument, we see that the benefit of spending government money does not lie in the spending itself but rather in the fact that statist funds are thereby diverted from even worse uses. That is, we want to put the stolen funds to the best possible use, given their dire circumstances. So while the best use of all for government funds is to return them forthwith to the taxpayers (along with appropriate compensation for the crime of theft), if this isn't possible, it is still better⁸ for the government to spend its money on libertarians than on nonlibertarians, or on nonlibertarian, non-ruling class members than on ruling class members.

When it comes to evaluating government spending policies, then, we do not necessarily reject or endorse the spending plans out of hand, but instead consider the alternatives. Does the spending increase necessitate a rise in taxing or borrowing? If it does, we must reject it, regardless of how noble the cause. Thus, if the government suddenly decided to spend a million dollars a year on the Mises Institute, but would have to fund this subsidy out of a new bond issue, no libertarian in good conscience could support this. On the other hand, if this subsidy were to come out of the existing budget and necessitate a spending decrease in some other area that causes more economic harm, like corn subsidies, we would favor it as the best use of the stolen funds, given the alternatives.

Extending this analysis, we oppose an increase in corn subsidies if, say, it came out of the public budget for the Libertarian Party's election campaign, but we would support it if it reduced the budget for the DEA, whose job almost entirely consists of physically assaulting and threatening people for nonviolent drug "crimes." If

⁷ Rothbard (1977) calls "the existing American State or the State per se, ... a predatory gang of robbers, enslavers, and murderers. See also Chodorov (1962).

⁸ By "better" we mean preferable from a libertarian point of view, more compatible with libertarianism.

the increased subsidies had to be funded by a tax hike, on the other hand, this would clearly be incompatible with libertarian theory.⁹

The proviso that spending increases in certain areas be compensated by decreases in other areas is highly important. In practice, it means that libertarians must oppose most¹⁰ boosts in government expenditures, simply for the reason that they do not come with any guarantee that no new taxes will be imposed, or new borrowing carried out, to pay for them. Without such an assurance, libertarians are ill advised to endorse any spending increase, even on an ostensibly praiseworthy cause like a Rothbardian economics professorship at a public university. However, once the professorship is granted, a Rothbardian economist would not be doing anything wrong by taking the position and using it to teach sound libertarian ethics and economics, simply because the likely alternative is that the government would abolish the position and use the same funds to more nefarious ends (such as a chair in Keynesian or Marxist economics).

One of the three main heroes in Rand (1957) was Ragnar Danneskjold. This character was a “pirate” (scare quotes around this word since piracy typically applies to criminals who prey on innocent ship owners). Ragnar was entirely different. He, instead, stole, or, rather, liberated money and other possessions from *government* ships. True, he did so in order to return funds to Hank Reardon, perhaps the fourth most important character in this magnificent novel. This brings us to a new point. Suppose Danneskjold had not used the proceeds of his “piracy” to benefit victims of government as he did. Nor, we presume, that any of these monies had been forcibly taken from him or his parents. Would his actions have then been unjust? We claim not. Nor would any other bilked taxpayer have the right to demand from him part of these funds. His reply to them would be simple: Go and liberate your own money from the state apparatus. Why should I do that for you? There are no positive rights, such as your right to take money of which I justifiably deprived the government.¹¹

So far we have discussed the ethics of public spending as it relates to spending increases; now we must apply ourselves to

⁹ We acknowledge gray areas and continuums. On this see Block and Barnett (2008).

¹⁰ Ibid.

¹¹ See fn. 1, op. cit.

decreases. We have previously seen that a libertarian can support a rise in public expenditure on some items provided that it comes out of the existing budget (i.e., does not necessitate upsurges in taxes, borrowing, or inflation) and provided that the boost serves to divert state funds from other areas that are more harmful. Thus, it is better for the government to spend on libertarians than on nonlibertarians, and on ordinary people than on members of the ruling class; it is also more libertarian for the government to direct its resources on providing goods and services that do not of themselves violate the nonaggression principle rather than on violations of that principle (welfare is better than warfare).

What, now, of proposed decreases in public spending? The same principles apply, but in reverse. Thus, libertarians welcome any proposed decrease in public spending if we know it will also lead to a decrease in taxes or borrowing. If we have no reason to think that taxation will be affected, however, we might want to consider what will be done with the money. If the state is proposing to end public funding of Libertarian political campaigns in order to shore up their budget for the statist indoctrination program known as public schools, we would have good reason to balk at this and to push for keeping the current budgetary allocation. Or if they are intending to ax food stamp benefits merely in order to expand their nuclear arsenal, we would also be wary.

Just as we have a built-in bias against any proposed increased in public spending, though, on the grounds that the state rarely keeps a promise to avoid jacking up taxes or borrowing more private money, libertarians likewise incline in the direction of any reduction in public spending. The less the government spends, the more public pressure it may feel to follow this by lowering taxes. Reduced outlays on benefits and welfare have an additional benefit of making the public less dependent on the state and more likely to support further decreases in its power. In order to oppose the cut, we would have to be reasonably sure that it would have no effect on the total budget and would only lead to spending increases in more harmful areas.

CONCLUSION

The standard libertarian opposition to public spending can be reconciled with the position that taking government money is not

itself a crime.¹² As with everything else in human action, we are faced with a choice and must decide on the better course of action given the set of options. Taking government money is not a crime in the libertarian philosophy, because it does not violate the nonaggression principle. From a utilitarian point of view, this act will do more harm to the state than not doing so. Ditto, paradoxically, for the nonlibertarian welfare queens, but not for members of the ruling class who are most likely to directly benefit the state. For a ruling class member such as George W. Bush, it would probably have been better if he had not accepted his government salary; his ability to wage war and other evil deeds would have been reduced to the extent that he would not have been able to support himself during his presidency. What about the fact that many academics vote for the government to spend money and occupy college or university positions in which they receive some of that money? Is this justified in our view? Of course not. Such scholars are in effect part of the state apparatus, or at least in league with it. Ditto for leftish movie stars who brag about donating money to the government over and above what they owe in the form of taxation. Likewise, the choice to spend government money may or may not be a crime, depending on whether it leads to more theft from taxpayers or rather to less funds available for other, worse projects.

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¹² We do not advocate breaking the law as did Ragnar Danneskjold. Rather, our focus here is on receiving state funds through programs such as Medicare and Social Security and on being employed by the public sector.

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