

What is the reason for government?

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In my theory of commerce and government, I state the reason for government as follows:

Government exists for one and only one purpose: to perform or manage tasks that must be performed monopolistically.

Competition is necessary for maximizing excellence, so government should perform, or manage, only tasks that must be performed monopolistically. Other tasks should be left to the private sector, where they will benefit from the incentives of competition.

This theory envisions that a government will be structured in such a way that, over time, the people will drive the government toward a minimal state. It is impossible to discretely define such a state, but it can be realized over time by driving the cost of government — expressed as a percentage of the income of the economy — ever lower, toward an unknown asymptotic value.

I express highlights of this theory of commerce and government in my book *The Second American Revolution: We The People vs. The Special Interest Groups* (2012).

In approaching a minimal state, a government will perform only tasks that must be performed monopolistically — by a centralized entity. All other tasks will be performed in the private sector, where they will benefit from the incentives of competition.

Public schools

I think that a good example of the mediocrity of government performance is the mediocrity of public schools. Parents don't send their children to public schools for excellence in education. Rather, parents send their children to public schools because they're forced to pay for the schools through taxes, and, given that, they don't want to pay the additional money that private schools cost. Because of this, public schools lack the incentives of competition, and their resulting mindset is that deficient performance in the schools will be solved by coercing more money from the taxpayers.

In fact, the solution is not more tax money but the incentives of competition, and this would best be realized through privatized schools complemented with government vouchers. Public school leaders currently object to vouchers because they don't want the challenge of competing with private schools. In Washington State, public school leaders are even opposing charter schools, which were authorized by Washington citizens in a 2012 initiative.

Murray Rothbard

Economist Murray Rothbard (1926-1995) is known for reasoning through the roles of government and proposing how each could be implemented in the private sector. I haven't read Rothbard's work, but it sounds fascinating. According to the Wikipedia article on Rothbard, in his model of society, "A system of protection agencies compete in a free market and are voluntarily supported by consumers who choose to use their protective and judicial services."

The obvious problem with this idea is that, without a centralized government, how would disputes among such services be resolved? For an unresolvable dispute, wouldn't it come down to which one is the strongest? No doubt Rothbard addressed this problem, but I suspect that his justification includes

implausible assumptions about human behavior. We have already seen the result of an economic theory based on unrealistic assumptions about human behavior: Marxist communism.

In any case, my theory of commerce and government provides for the possibility that the people will drive the government toward a minimal state over time. Hence, if the minimal state is the complete absence of government, under my theory, this can eventually be realized.

Modern communication facilities

Mark has run across the idea that communication facilities are driving government toward a minimal state because communication facilities are empowering individuals, organizations, and businesses to perform tasks in a decentralized fashion to a higher standard than is possible in a centralized fashion by government. This theme is exemplified by *crowdsourcing*, of which Wikipedia provides the most notable example.

Meeting format

We'll cover the foregoing material interactively, discussing the concepts as we proceed. I encourage everyone to present their ideas on the reason for government, and we'll discuss all ramifications of the topic that are of interest to the participants.