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Government largess & wealth

About Me



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I lecture in land law at James Cook University and I write and think about the nature of property and its representations in the law; about issues affecting women; about justice generally; and about legal education

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I saw somewhere online today a criticism that the majority of Australians receive government benefits. This was presented as a means of criticising those who do as 'leaners', pointing out that a minority of Australians are 'lifters'. Interestingly, the comment aggregated those on government 'benefits' and those who received their income from government jobs (ie public servants).

I suspect that by government benefits, the author meant both welfare as well as tax concessions. The argument, presumably, is one for smaller government and the promotion of do-it-yourself wealth. This kind of discourse tends to categorise those on 'benefits' as lazy and the public service as a bloated and unnecessary workforce.

In this post I point out why this is a lazy dichotomy that supports not an economic view but an ideological one. While I have written before about the subtext of 'lifters and leaners', here I use the very interesting and seminal work of Charles Reich from 1964, *The New Property*.

The true extent of government largess

The context of Reich's article is that of the US, in the early 1960s. However what he says is useful in unpacking a lot of the post-budget discourse in Australia in 2014.

Like the author I mention above, Reich points out that a majority of the population live on government largess. He certainly identifies income and benefits such as social security and unemployment compensation as well as payments to veterans. And like the unnamed author above, he notes the number of Americans (at that time, 9 million) who receive payment directly from government jobs at the federal, state and local levels.

But unlike our critic above, Reich does not stop there. He describes occupational licences from 'practising medicine to guiding hunters through the woods'. Even longshoremen, it seems, were subject to government licensing. Franchises, he points out, are a government created partial monopoly whose 'value depends largely on government power'. This would include taxi licences, ferry routes, broadcasting rights and so on.

Reich does not stop there. Subsidies, he says, are analogous to welfare. Businesses that cannot manage independently are supported by government payments. Fuel subsidies, drought assistance, and the \$492 million of direct subsidies to the mining industry (in 2012) would be included. Non-business activities are also included in Reich's calculation - scientific research, health and education.

In light of Antony Loewenstein's recent book, it is clear that government awarded contracts also constitute government largesse. A 'small government' philosophy may well promote the idea that private enterprise can do a better ('more efficient') job than the public sector. But this means that government will increasingly award contracts to the private sector to fulfill government responsibility. These companies' profits therefore depend on government largess.

Like the US, a large part of the Australian economy is publicly owned. Land to be grazed and farmed, mineral resources to be exploited, rivers, highways... All of these are available to be used by business and individuals and amount to a subsidy. Even our recreation occurs on public property in national parks and at the beach. Finally, Reich identifies government services as a source of wealth. Postal services, fire and ambulance, public transport, communications satellites - all of these are resources adding to wealth.

It is as hard for a business to give up government help as it is for an individual to live on a reduced income.

To suggest therefore a dichotomy of 'lifters' and 'leaners', is disingenuous. If an argument is to be put that some are doing 'heavier lifting' in our economy, a much fuller analysis of government assistance is required.

Largess and power

According to Reich, one of the effects of the pervasiveness of government largess is the 'blurring or fusing' of public and private. There is an element of public interest in each example cited above but the constraints on the recipient vary depending on the circumstance. In any case however, government power - even that of a so-called 'small' government - is increased in terms of its ability to 'investigate, regulate and punish'. Hence the so-called 'war on red tape' (and on green tape) in Australia is only one side of the coin of government power. Indeed Reich describes 'one of the most significant regulatory by-products of government largess as power over the recipients' "moral character" and also over political activism.

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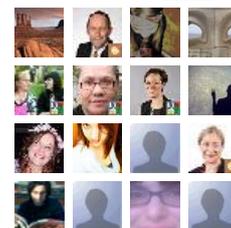
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In the Australian context, this can be seen in the [demonisation](#) of single mothers, those on unemployment benefits and students as 'bludgers'. Plans are afoot to [require unemployed people to work on volunteer projects](#). The assumption is that without working, 'young people will drift into welfare dependency' although [evidence suggests work for the dole does not improve employment prospects](#). Similarly, community organisations receiving government funding are [no longer allowed to advocate](#), and there are [new laws proposed](#) against environmental boycotts.

As Reich points out,

Administering largess carries with it...the power to inflict many sorts of sanctions not classified as criminal punishments. The most obvious penalty is simply denial or deprivation of some form of wealth or privilege that the agency dispenses. How badly this punishment hurts depends upon how essential the benefit is to the individual or business affected.

For those on unemployment benefits, refusal to take 'any' job offered or to fail to participate in work for the dole, the punishment will be denial of the wealth (benefit) dispensed by the government. Similarly for the community organisation, the penalty for advocating law reform will be the loss of funding. In both cases, the effect of the censure is devastating.

Consequences of largess as the new wealth

There are a number of consequences that flow from Reich's description of the rise of government largess and the legal system that supports them. The first of these is the loss of independence.

For example, despite the government proclaiming that universities are now 'free' in that they may set their own prices and admission numbers, in fact their dependence on government largess in terms of research and their parallel dependence on the private sector for investment, will drive their activities in whatever direction is determined by government and industry. While this may provide public benefit and meet community needs, so too may it constrain otherwise worthy activity.

Similarly, comments by the Prime Minister to young unemployed Tasmanians to '[move interstate](#)' to find a job, and that [Holden workers set to lose their jobs would be 'liberated'](#) indicate that government largess will interfere with personal preferences. To obtain it, one must conform to government requirements even if this occurs at personal cost.

The examples offered confirm the inconsistent effect of government power across society. Reich explains:

[T]he impact of governmental power falls unequally on different components of the private sector, so that some gain while others lose. Second, government largess often creates a partnership with some sectors of the private economy, which aids rather than limits the objectives of those private sectors. Third, the apparatus of governmental power may be utilized by private interests in their conflicts with other interests, and thus the tools of government become private rather than public instrumentalities.

The contingency of government largess; that it may be repossessed at any time; that it is dependent on status; that it accompanies a duty of service of some sort together are reminiscent of a feudal system. This is not the picture of private enterprise and freedom painted by contemporary political rhetoric. It is certainly no economic argument.

Protecting wealth

The crux of Reich's argument is that despite hopes that might have sprung from the idea of a public interest state, instead it has 'summoned up a doctrine monstrous and oppressive'. His solution is to return to principles of property and liberty.

Reich's conclusion is that because government largess is central to wealth, it must play the role once ascribed to property. Society is in need of an institution to 'carry on the work that private property once did but can no longer do'. This recognises that 'a power over a man's (sic) subsistence amounts to a power over his will.' Reich's aim is to reintroduce the space for individuality to flourish.

Without proposing a new institution, Reich does frame some guiding principles based on recognising core truths.

First, the growth of government power based on the dispensing of wealth

must be kept within bounds. Second, there must be a zone of privacy for each individual beyond which neither government nor private power can push - a hiding place from the all-pervasive system of regulation and control. Finally, it must be recognized that we are becoming a society based upon relationship and status - status deriving primarily from source of livelihood. Status is so closely linked to personality that destruction of one may well destroy the other. Status must therefore be surrounded with the kind of safeguards once reserved for personality.

Eventually those forms of largess which are closely linked to status must be deemed to be held as of right. Like property, such largess could be governed by a system of regulation plus civil or criminal sanctions, rather than a system based upon denial, suspension and revocation.

...The aim of these benefits is to preserve the self-sufficiency of the individual, to rehabilitate him where necessary, and to allow him to be a valuable member of a family and a community; in theory they represent part of the individual's rightful share in the commonwealth.

If government is intent on upholding the self-sufficiency of the individual, a full and truthful examination of its power and its role in the economy is required. And the law - including the law of property - needs to form part of a new understanding of the individual, wealth, public and private, and limits on government power.

Posted by Kate Galloway at 14:13



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