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The Nanny State's Road to Serfdom

by Jeffrey A. Singer

A reader wrote me about my article "The Slippery Slope of Nanny-State Politics," which appeared in the last issue of *Freedom Daily*. The article derided the rise of the "nanny state" and its threat to our way of life as a free people. I had written that New York City's new ban on transfatty foods amounts to yet another usurpation of the right of adults to make their own choices regarding the risks they are willing to take when engaging in any particular behavior.

He wrote, "One thing I always struggle with when reading opinions like yours are the choices that have a societal cost. For example, there are those who say that motorcycle riders have the right to choose not to wear a helmet. Yet ... brain injuries have a significant cost to everyone in society ... at least, to every taxpayer. I'm curious; how is your philosophy of living with risks affected by this factor?"

His inquiry raised a very important public-policy issue: the issue of social cost.

Nothing is without cost. "Price" refers to what one pays for something. "Cost" is what is given up in order to have something. For example, my decision to go to the movies may mean I can't afford to eat at a restaurant. However, I decide that seeing the film is worth that cost.

In a free society, the cost of other people's making bad decisions falls mostly on themselves. The cost to us is minimal. The reverse is the case in a welfare state, where the costs of such decisions fall on the taxpayers.

The cost of bad choices

In a market, goods and services are exchanged through a myriad complex of voluntary transactions, each made to the mutual benefit of those engaging in the transaction. The costs of bad choices are borne by those who make them.

Government, on the other hand, does not create wealth. Any expense that it incurs is financed by wealth extracted from taxpayers. Alas, once you start a welfare state — once the government gets into areas that would otherwise be dealt with in the private sector — then politics and special-interest pressures replace voluntary, dispassionate markets. The costs of bad choices are borne by the taxpayers. Thus develops a situation where, in effect, everyone in society becomes taxpayer property. It is what Nobel laureate Friedrich Hayek called “the road to serfdom.”

One way people try to reduce risk is by pooling risk in the form of insurance. In a free market, risky behavior increases the cost to the people in the pool. People who engage in unsafe behavior pay a penalty for their choices — in the form of higher prices for their insurance coverage. That’s why, for instance, life insurance is less expensive for nonsmokers than for smokers.

Unfortunately, when we live in a welfare state, as we do today, many of the decisions that would arise from voluntary transactions between consenting adults (such as insurance premiums) become relegated to the political sphere.

Thus, the taxpayer picks up the tab for many people who make bad choices, by paying for their insurance through Medicaid, Medicare, flood insurance, et cetera. This creates what economists call “moral hazard” — there is no disincentive for risky behavior; in fact, the one certain consequence of taxpayer-funded “safety nets” is an increase in bad decision-making, which becomes, in effect, subsidized.

But if we are to proscribe risky behavior in the name of saving taxpayer dollars, then we descend a slippery slope. Where do we stop? Virtually every activity can be regulated on the basis of the argument that it is a potential cost to the taxpayer. Today the state is banning transfatty foods. Tomorrow it may dictate the size and content of meal portions. Next it may ban certain risky sports, such as scuba diving, skiing, or even dodgeball. China’s welfare state dictates how many children a family may have.

Taking other people’s stuff

If any behavior needs to be reined in, it should be the propensity of people to use the political system to take other people’s money. In other words, we need to end the welfare state. Unfortunately, however, I don’t see that happening any time soon.

As Tocqueville warned us, the problem with democracy is that eventually the majority learns that it can use the vote to get other people’s stuff. And, as Jefferson said, “The natural tendency of things is for liberty to yield and for government to gain ground.”

So, to answer my reader’s question, in a welfare state, freedom costs taxpayers money. If taxpayers can’t muster the will to dismantle the welfare state, they will continue traveling the road to serfdom.

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