Richmond Times-Dispatch, Tuesday, September 6, 1988

Correcting For Luck

By James L. Payne

WHAT SHOULD government do about luck? When some people earn more than others because of their family background or education, should we use the state to "even out" the results? It's a question worth thinking about carefully, because hundreds of billions of dollars of federal spending hang on the answer.

Conservatives have argued against government redistribution of wealth on the grounds that luck really isn't the deciding factor in personal success. Often citing themselves as examples, they claim that wealth is the result of hard work and self-sacrifice. People are poor, they say, not because of bad breaks but because they are lazy.

The left says this is unrealistic. How much money you earn depends on where you were born, who your parents were and so forth — factors over which the individual has no control. Further arguments for this view include the effect of heredity. To be an energetic, hardworking type of person may itself be an inherited personality trait, something the individual cannot take credit for.

Through the years, the issue of government redistribution of income has been debated in these terms: Are we self-made men or are we lucky? Not surprisingly, the left-wing position stressing the importance of luck has carried the day — and the result is the gigantic welfare state we now have.

Unfortunately, the debate has been taking place on the wrong grounds. The issue is not whether luck plays a critical role in earning power but whether government should be used to compensate for it.

The first problem with using the state to redress the effects of luck is ethical. State action, after all, is based on coercion. When government takes money from someone because he has earned more than another, it is inflicting a species of punishment for what should not be considered a crime. Wealthy people may be urged to help those less fortunate than themselves on a voluntary basis, but to coerce them to do so is hardly the route to a more caring society.

THE SECOND OBJECTION to state redistribution of wealth is economic. Individuals may not be responsible for their talents and abilities, but they are *motivated*. They respond to the rewards and penalties that confront them. It is in this sense that a rich person might feel "self-made." He knows that his wealth came as the result of hard work, not by sitting under a tree.

Because we are motivated, policy-makers have to be careful how they manipulate the pattern of rewards. Unfortunately, liberals are rather insensitive to this issue. They tend to assume that people will go on doing good and constructive things in spite of governmental policies that weaken the relevant incentives. Working, in particular, is thought to be automatic: Teachers will teach and welders will weld regardless of what we do to the incentives which support these activities.

But of course this view is naive. Work is extremely sensitive to reward systems. This is why state redistribution policies are so harmful; they undermine incentives for both the lucky and the unlucky. The more productive members of society are discouraged from being as productive as they could be by denying them some of the fruits of their labor, as is clearly done in an income tax.

'The issue is not whether luck plays a critical role in earning power but whether government should be used to compensate for it.'

And the less productive are discouraged from working since they are supported by unworked-for income.

Voluntary charity as a method to compensate for luck largely avoids the drawbacks of state systems. For the donors, voluntary charity does not discourage work but becomes a reason *to* work. Charitable giving is a consumption item that the worker freely spends his money on, like buying a stereo or tickets to the opera.

For the recipients, the main problem with state charity is its routine, perpetual character. This feature seems inevitable when government is involved, since the distribution of money must be tied to firmly established regulations in order to be (or seem) fair and accountable to the entire nation. The regularity of state monies means that the recipients can become dependent upon them.

Private charity, especially individual charity, is much more flexible and, from the recipient's point of view, undependable. It can thus be the "helping hand" in an emergency without becoming a permanent part of the beneficiary's income calculations.

The biblical injunction to accept ourselves humbly as creatures of God, not as self-made men, is healthy. And so is the exhortation to help those less fortunate than ourselves. The error lies in using the coercion of government to implement these ideas.

(James L. Payne, a political scientist, is writing a book for the Cato Institute, "The Culture of Spending." This article is adapted from the September 1988 issue of The Freeman, published by The Foundation for Economic Education.)