

A CALL FOR THE SEPARATION OF STATE AND ECONOMICS

In “Tea Parties” across the country, Americans are rebelling against the government’s explosion of spending and controls since the onset of the financial crisis—and it’s about time. The trillions in taxes and spending—the bailouts of those who failed at the expense of those who succeeded—the campaigns to further take over the health care, energy, housing, and financial markets—it is all an un-American outrage. If ever there was a time to protest, it is now.

But there is one problem with the Tea Parties so far: they have made clear that they are *against* current government policies, but they have not made clear what they stand *for*.

The government is “too big,” many protestors say. It needs to be “smaller,” more “limited.” But what does this mean? How much smaller should it be? What parts should be smaller? Should any programs be eliminated? Should we just return to the supposedly good old days of George W. Bush? Would this protect us from future financial crises?

All of this boils down to one question that the Tea Party protestors must answer if they are to take a real stand: As a matter of *principle*, what role should the government have in managing our economic lives?

At the Ayn Rand Center, we believe that the only answer consistent with individual rights, prosperity, and progress is: *none*.

We believe in a government whose sole purpose is to protect individual rights from force and fraud. It is *your* life—you have a right to act and voluntarily interact with others as you judge best, and you should take responsibility for the consequences (good or bad). The government should have nothing to say about how each of us conducts our economic lives.

In a sentence: we seek a *full separation of state and economics*.

Here’s a glimpse of how state-economics separation would address some of our economy’s biggest problem areas. Under state-economics separation:

- Planning for old age is your right and responsibility. You are free to save and invest your money as you judge best. There is no Social Security to seize 12% of your income every year and tell you it’s for your own good—or someone else’s. There is therefore no Social Security funding problem. Whether you want to retire or keep working is your decision. How much you save for the future is up to you. Of course, some people will plan poorly or just won’t earn enough to retire on—but the government may not pretend that this is anyone else’s fault or responsibility. Those who can’t afford to retire must work when they are older, or rely on family or private charity. No one can get the government to coerce others to pay for his retirement.
- Individuals are responsible for depositing and investing their money with quality banks. There are no government bailouts of any kind, whether government deposit insurance or “too big to fail” cash infusions; Hank Paulson cannot seize \$700 billion to buy up failing financiers’ “toxic assets.” There is a historical precedent here; in the 19th century, an era with no Federal Reserve and virtually no bailouts, depositors and banks were more careful about assessing risks. If their judgment proved poor, they were the ones who suffered, without danger of dragging down the whole economy.
- Individuals pay for their health and its care. You are free to search out the best, most affordable services from doctors, nurses and other producers, who are free to offer and charge for them. There are no government restrictions on the supply of medical professionals via licensing laws--just laws prohibiting medical fraud and malpractice. For example, a nurse trained in healing minor broken bones is free to start her own practice for lower-income customers. There are no “free” health care programs, such as Medicare, Medicaid, or government-imposed collective “insurance” plans to artificially drive up costs. The government cannot mandate that employers offer health insurance. Instead, individuals pay for their own care, perhaps through a combination of direct payment for anticipated expenses and the purchase of catastrophic insurance for high, unanticipated expenses—or some yet undreamed of, superior solution the market

comes up with. (The result of a real market in medicine would be the same as in the market for computers: over time the same dollar would buy better and better products and services.)

- Housing, builders, buyers, and lenders are all free. There are no rent controls or “open space” restrictions on development, which restrict supply and increase prices. The government may not force some Americans to back the mortgages of other Americans. There is no “housing policy” with a George W. Bush, Alan Greenspan, Barack Obama, or Ben Bernanke setting goals for home ownership, adjustable-rate mortgages, and the like. The government has no role in housing whatsoever; whether we choose to live in skyscrapers or suburbs, rent or buy, is no one’s business but our own.
- There are zero government obstacles to starting a business. If you want to, say, start a new restaurant, you can lease or buy a space, hire staff, advertise, and succeed or fail on your merits. You don’t have to seek approval from government health inspectors. You don’t have to spend one minute glad-handing the zoning board, because there is no zoning board, or any of the other government agencies that can make starting the smallest retail shop a living hell. There is respect for property rights, period.
- Product selection and quality is determined on the market. You are free to seek out high-quality products and pay for them. You are free to determine how much risk you are willing to undertake. And anyone can create private certification agencies and the like to aid consumers and producers in these decisions. But the government may not force its arbitrary verdicts on people, dictating who can and cannot treat illnesses, who can and cannot manage other people’s money, what potentially life-saving pharmaceuticals can and cannot be sold, etc. There is no FDA, no SEC, and so on.
- Individuals and banks are free to choose what money they use. This is an especially controversial, but absolutely essential, component of a truly free society. The government may not force us to use infinitely-inflatable, green pieces of paper. Historically, when left free from government-dictated currency, the overwhelming choice of individuals has been gold money—which has objective value, a stable quantity, and other qualities that make it an excellent form of money. Interest rates on a gold standard are set by supply and demand in the marketplace; there is no governmental (and thus arbitrary) manipulation of interest rates, and thus no ability of the Federal Reserve to create massive bubbles such as the dot-com and housing bubbles.

The common element here is that in a free market every individual has an absolute right to act in the economic realm as he judges best, with force being outlawed. *The government has nothing whatsoever to say about which economic ideas get adopted and which economic ideas get rejected.* That is decided by individuals via *voluntary* persuasion and exchange. If someone wants more windmills or a lower interest rate on a loan or a different way of financing healthcare—as a private citizen he is free to pursue his economic goals. In 19th century America, for example, some individuals used persuasion to form full-fledged communes—and reaped the (predictably negative) results. If we had state-economics separation today, those who favor some form of collectivized medicine (including many billionaires), are free to start a modern-day health care commune of their own. But they would be unable to use the government’s coercive power to foist socialized medicine on those of us who remain unconvinced by their ideas.

State-economics separation preserves the individual’s ability to follow the best economic ideas. As Ayn Rand illustrated so powerfully in *Atlas Shrugged*, by liberating the economy from government controls, separation of state and economics liberates the greatest power on earth: the individual human mind, with all its creative potential to sustain and enhance human life.

Separation of state and economics is the ideal the Tea Parties should stand for; we must completely disentangle the government from economic affairs, and keep it out. To be sure, this goal will take time—and a roadmap—to reach the point where there are no government controls, no handouts, and no bailouts. But it is the only valid destination.

Remember: where liberty is concerned, “moderation” is suicide. Patrick Henry did not say “Give me a small rollback in government or give me death.” He said: give me *liberty*. So should we.