

The Modern State as an Occasion of Sin

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EDITORS' NOTE

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Let me begin by delineating the boundaries of what I intend to discuss in this provocatively titled paper. I shall assume, with Aristotle and Aquinas, that the state is a natural and necessary institution, one that is not evil in itself. I realize that this proposition is debateable, but I shall take it as given for the present discussion.

But things that are not evil in themselves may nonetheless lead us into evil so frequently, and so consistently, that we have a positive moral duty to avoid them. This is what is meant by the Catholic concept of an occasion of sin: something not evil in itself, but which leads a person into sin so often that the person is morally required to avoid it. I shall argue that there are some activities of the modern state that can properly be called occasions of sin in this sense.

Specifically, I shall focus on the redistributive activities of the modern, democratic state. I will speak mainly about the activity usually called the welfare state, that is, redistribution towards the poor. But the reader will see that the argument is perfectly general, and can be applied to many other forms of governmental redistribution. The key facts about these programs are that they are chosen through democratic political processes, financed through tax dollars, and administered through civil service bureaucracies.

Finally, my discussion will be somewhat different from the usual conservative critiques of the welfare state. In particular, I shall not focus on the harm done to the intended recipients of these transfer programs. Rather, I shall focus on the problems these programs create for recipients of these programs, as well as for the donors, or perhaps I should say, the so-called donors, to these programs.

I begin by making the most altruistic assumption about people's motives for poor relief. Let us suppose that people are motivated by a genuine desire to help those who are in distress through no fault of their own. Such people would include those unable to work, who were also unable to accumulate assets on which to live during periods without work. The elderly poor, the disabled, the temporarily unemployed and children without families might fall into this category.

Thus, I assume away any demand for social assistance that might arise for selfish motives. Ignore the possibility that people who expect to ad-

minister the programs form a political constituency for the creation and continued existence of the programs. Assume that voters do not conceptualize the system as an extension of private insurance programs. That is, people do not offer their political support for these programs because they have calculated that there is some probability that they will one day be in need of the program, and that at the implicit tax price, such a program offers them a good insurance deal. Finally assume that people do not support the programs because they are afraid of civil unrest that might be created by the indigent.

Thus, I shall assume away the whole range of sordid and semi-sordid motives that are the stock-in-trade of public choice analysis, and for which we have acquired the reputation of being unduly cynical. The voters, the politicians, the administrators, all support social assistance programs because they feel compassion for the unfortunate, and are genuinely willing to spend their own resources to assist them. The thrust of my argument shall be that even with the best of motives, there is something about the modern social assistance state that will corrupt these good motives, and these good people.

Harms to Potential Recipients: Moral Hazard, Rent-Seeking and the Prisoner's Dilemma

We begin by assuming that the transfer program has some well-defined criteria for eligibility. We assume this because the program is to be administered bureaucratically, not personally. And so, the administrators of the program must be limited in the amount of discretion they can use in distributing the transfers.

Indeed, the whole point of a civil service bureaucracy is to limit the amount of discretion that government employees have. This limit serves two purposes. It protects the employees from political pressure that would necessarily hound them if they possessed significant discretion. And it protects the public from abuse

by either unscrupulous or politicized bureaucrats. The legislature creates bureaucracies, and requires them to follow specified procedures ensuring the mission of the institution is carried out. The primary accountability of the bureaucracy is to these procedures. Of course, formally, the bureaucracy is accountable to the institution that created it. But in practice, this usually means that they are held accountable to a set of procedures, forms and guidelines. For all these reasons, we can safely assume that the income transfer program we are considering has specific eligibility requirements, with a minimum of discretion in its administration.

However, it is not possible to create a set of rules that will fully cover every case. Some discretion is necessary in practice. So let us consider the most common case at the margin.

We know that when people have insurance, they often take less care to avoid the event insured against. In extreme cases, they may even create the event that would make themselves eligible for the insurance payout. This phenomenon is known as moral hazard, and is, of course, a significant problem in income support programs. For a person can make themselves eligible for the insurance benefit by reducing their work effort.

Since the transfer program in question is not supposed to be an insurance program from the point of view of the voters, we might wonder whether it is fully legitimate to refer to this as moral hazard. If this troubles us, we might call it by another name: rent-seeking. The transfer payment is a higher than normal return, created through political means. And, the existence of these rents creates an incentive for rent-seeking. The potential recipient expends some resources, perhaps simply in the form of foregoing earning power, in order to qualify for the transfer.

Let us assume that this person makes himself eligible for the transfer, so that there is no question of explicit fraud. Nonetheless, this person does not meet the implicit eligibility criteria, namely, being without funds through no fault of his own.

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The existence of the transfer has tempted him, yes, let us use the theological term, tempted him, to commit an act that is both deceitful, and slothful.

When this person presents himself to the welfare system, the person he encounters may know perfectly well that he does not meet the implicit contractual standard of the program. But, because the person meets the explicit, readily measurable eligibility criteria, the bureaucrat has little choice but to approve the transfer. The person is added to the welfare rolls, even though he knows, and the bureaucrat knows, that he is in violation of the plain intention of the program's founders and funders. But nothing really can be done about it.

The social worker might feel quite confident that an applicant for aid is a shirker, but she could not prove it. She might not be able to quantify or even articulate her reasons. In a bureaucratically administered program, all of the tacit information about whether a person is simply shirking, or really in need, is lost.

Hayek's fundamental critique of centrally planned economies was that such a system squanders a vast amount of implicit, personal, local information about scarcity, production and preferences. Something comparable takes place in bureaucratically administered social assistance programs. All the tacit knowledge about a person's specific situation and character, is lost to the system.

We could allow the bureaucrats to exercise some discretion, but we can immediately see that this opens them to equally grave temptations for abuse of the public trust. For even a marginally unscrupulous social worker would be tempted to make capricious decisions in the allocation of tax dollars that have been entrusted to her for a specific purpose. Indeed, I have no doubt that there is some element of caprice in the administration of existing programs, even with all of their rules, guidelines, and formulae.

So, we are caught in a dilemma. If we give the social worker the authority to use enough discretion to eliminate moral

hazard, we create a temptation for the social worker. If we eliminate all discretion on the part of the social worker, we create a temptation for shirking and deception on the part of potential recipients.

The dilemma arises because of the way the modern state must structure its transfer activity. The program is funded by tax dollars. Therefore, no matter how the money is allocated, it remains "other people's money," a common pool resource from the viewpoint of the persons allocating it. They do not have, and cannot have, a personal stake in how the money is spent. The programs are bureaucratically administered, by people who are accountable neither to the recipients of the transfers nor to the donors. The agency is accountable only to the procedures that have been created for it by the legislature. The personal aspects of the transfers have all been stripped away by the political process surrounding them.

Consider the alternative. Suppose we want to give money to an unfortunate person. We see the person we are giving to. We make the judgment. We decided whether to give or not give, whether to scold or not scold, whether to offer material help such as a room in our home, or whether to simply give money and be on our way. At the same time, the person asking for help sees us. He makes the judgment whether it is worth his while to ask, whether he is willing to put up with a lecture, whether he wants to be personally indebted to another person, whether he can defend his status as truly unfortunate. This kind of encounter is personal. It has the potential to capture all of the implicit, tacit knowledge that the bureaucratically administered system can not.

Even if we do not make the transfer directly, and personally, we might in effect, hire an agent. We donate our money to persons and organizations whose missions and methods we approve. We trust them to monitor the moral hazard problem for us. We trust them to offer the other non-monetary forms of assistance that might be needed. If we believe they have failed in their mission, we withdraw

our support. There is but a single agent between us and our recipients. And there is almost no common pool problem, either on the funding side, or on the monitoring side. This short chain of personal relationships cuts the temptation for shirking on the side of the recipient, and for capriciousness on the side of the administrator.

Entitlement

Now some might object that the distinction between the deserving and undeserving poor is an archaic and inhumane one. The social assistance state was established precisely to eliminate the judgments made by private charities. The social assistance state creates a systematic method for dealing with the problem of poverty. The whole point of the welfare state was to establish a routine that applies to all cases in which people lack material resources, regardless of the reason. The creation of an entitlement, which does not have to be justified on a case-by-case basis is in fact a more efficient method of dealing with poverty.

Now if poverty were an exogenous event, something that simply happened to a person, the case for a systematic routine, no-questions-asked approach would be much stronger. But the fact is, that although some poverty has this exogenous quality, there remains a large realm in which personal choices are the predominant factor leading to poverty. And where choice is involved, we have to face the fact that some choices are objectively better than others. And this leads us into morality.

Morality presents an additional problem for the social assistance state. Actually, it is a variant of the earlier problem of how much discretion to give the administrators. For if we insist that the program pay attention to the lifestyle choices of welfare recipients, we have to either legislate the moral code we want into the program, or we will have to grant the administrator discretion in applying more general rules.

We can readily see the dangers of a moral code created by the political process. The politically determined choices re-

quired of welfare recipients could range from "You must get married to the father of this child," to "You must abort this child," and anything in between. Indeed, we know from vote cycling theory that decisions made by majority rule are often arbitrary (depending on procedural rules rather than on preferences), incoherent (mutually contradictory policies emerging from a logroll) and unstable (rotating through the set of possible majority coalitions). Those who would like the state to enforce a moral code deceive themselves if they believe they will be able to control the content of that code. The fact is that no one, not even any one coalition, can control the modern democratic state for long.

And so, there are some powerful reasons why the agents of the state should be required to remain morally neutral in the distribution of tax dollars to the indigent. The state is not competent to create morality, or even to discover what it is. In other words, the state is not really competent to do the one thing that desperately needs to be done if the problem of poverty is to be addressed. Namely, the state can not supervise the personal choices of thousands of people that qualify or might qualify for income support.

There is one further problem to the creation of an entitlement which depends only on a few, readily measurable criteria. We might call this problem the entitlement mentality. That is, people come to take seriously the claim that all that matters is whether they meet the legally stated, explicit criteria of the program. They are entitled to the benefit, why not claim it? Indeed, as more and more people take part in the program, the person on the margin of participating might argue to himself: "Everyone else is doing it. If I do not take the opportunity to use this program, I will feel like a sucker."

That is, the whole prisoner's dilemma problem can emerge. Why should I restrain myself from opportunistic behavior, when I know that no one else is restraining themselves? The momentum of

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the decision can build to such a point that people stop resisting the temptation to take advantage of the program. Instead, they resist being stuck with the "sucker's payoff."

This point is especially evident as we generalize the analysis from poverty programs and toward the middle class entitlements. We believe ourselves to be entitled to Social Security, student loans, mortgage interest tax deductions, NSF Grants, and all the rest. After all, we have paid for it already, haven't we? Everybody else is getting their share, why should we restrain ourselves? The aversion to being a sucker crosses economic class lines, and is familiar to everyone. And so, we have the spectacle of Ross Perot receiving Social Security payments, with no hint of scandal.

We know that rents induce rent-seeking. We know that contracts that are not incentive compatible induce opportunistic behavior. But let us, for a moment, not hide behind this technical language. Let us call the behavior sinful. People do through the public sector, things they would know to be wrong if done in the private sector, to people they knew. People take advantage of the system, knowing full well that if everyone did what they are doing, the system would collapse. And, it is collapsing.

This is the sense in which the redistributive activities of the modern state may be called an occasion of sin. There is nothing intrinsically wrong with transfers of money to the unfortunate, or indeed to anyone for a great many reasons. But the existence of the taxing power of the state to collect monies, means that the entire wealth of the nation, or at least a significant fraction of it, becomes a common pool resource for the distribution through the political process. And this pool creates temptations for marginally unscrupulous behavior. And this marginally unscrupulous behavior can only escalate as the process progresses, as people come to justify their actions, both to themselves and to others.

Harms to the So-Called Donors

When the Catholic novelist Flannery O'Connor was once asked how one might come to know God, her response was, "Give alms." Of course, this is quite a different response from, "Fill out your tax forms," or "vote for the Democratic party." To consider the impact of the social assistance state on the donors, or net taxpayers, we must begin by discussing the benefits one receives from the act of giving. For only then, will we be in a position to evaluate whether those benefits really are obtained by the taxpayers in a bureaucratic welfare state. And if not, we can begin to understand the opportunity cost, broadly defined, of the social assistance state.

Perhaps the simplest way to understand O'Connor's remark is to consider these famous words of Jesus: "Truly I say to you, as you did it to one of the least of these my brethren, you did it to me" (Mt. 25:40). In this passage, Our Lord does more than instruct us to practice the corporal works of mercy. For He promises to be present in the transaction, as the recipient. In this way, we might see the face of God, in the face of the poor.

The donor has the experience of participating, in some small way, in the endless mercy of God, from whom our very existence is a gift we can never repay or hope to deserve. The immediate recipient is not the point of the transaction. The point is the impact of the act of unrequited generosity on the donor.

And at the same time, as we look at the person we are giving to, no matter how unworthy he may seem, we are invited to see the face of God. This equation of God with the lowly is a part of the Divine Humility that is so much a part of the Gospel. But at the same time, His humility humbles us as well. For it reminds us that we really do not know what is going on with that other person. He may appear for all the world to be nothing but a bum. But somehow, when we give to this person, we are giving to God Himself. We are not supposed to worry about being a sucker. We are supposed to give, as God gives to

us. And in the process, we soften ourselves, as we open our hearts to others. We allow ourselves to be changed.¹

Does our participation in the welfare state effect this kind of transformation in those of us who are net payers? Are our hearts softened toward the poor by our contributions to the welfare state? Who can deny that the exact opposite is the case? We avoid seeing the reality of the persons who receive the benefits. And when we do see them, we feel a kind of bitterness toward them. After all, we have already done our share, and that, largely against our will. Who is this person, accosting me on the subway, or on the street? We have hardened our hearts against them.

And now, we might want to look more closely at our opening assumption about the motives of the taxpayer/donors. We assumed that people voluntarily assumed the tax burden of supporting the poor because they were genuinely concerned for them. But, by choosing an indirect method of helping them, we cut ourselves off from the spiritual benefits of almsgiving. And, it is probably fair to say that this is what we want.

We want the poor to be taken care of, without inconveniencing ourselves. We want to believe that we satisfy the biblical requirements of charity, without ever leaving the comfort of our living rooms. We do not want to see the face of the poor. We resist being transformed.

Material Incentive and Spiritual Incentives

In this somewhat round about way, we can perhaps see a way out of our public choice dilemma. For public choice problems arise when the private, individual incentives are not in harmony with the public interest. Let us consider the spiritual incentives.

Why does Mother Theresa give to the poor? We might say that she has a private motive, or that she receives a personal benefit from providing this public service. She is doing it to save her own soul. But her private, spiritual incentives lead to

doing a public service, rather than to lining her own pocket at public expense.

And so as we consider the question of whether non-governmental charity is really a practical option, we might keep this in mind. There is, in the spiritual incentives, less moral hazard, less conflict of public and private interests, than there is in any governmental program we could devise. And so we might become more appreciative of the Little Sisters of the Poor, the Teaching Sisters of Notre Dame, the Sisters of Charity of St. Vincent de Paul, the Benedictines, the Franciscans, and all the rest. Far from being impractical dreamers, these are the most practical people around. They have a better chance of providing for others without corrupting themselves. Their personal interest in saving their own souls through a lifetime of charity gives them a better chance of being of genuine service to others, than any employee of Health and Human Services will ever have.

Conclusion

My audience might wonder at this point, how I can write about such matters with any authority. And particularly, those of you who know me, know full well that I am not any kind of a saint. Some of you may be wondering, "Has Jenny flipped?" So let me close by telling you what happened to me.

I have had the opportunity to participate in an ongoing, personal act of charity. Mind you, I did not intend to do any such thing. As a matter of fact, I entered into it with not very good motives. I was a barren yuppie, fast approaching middle age, and desperate for motherhood.

And so my husband and I adopted a two and a half year old Romanian boy from an orphanage. He was described as healthy, but truly, the adoption agency had to admit they did not know anything about him besides his name and his birthdate. And so we plunged in.

If we had known what we were getting into, we would have been afraid to try it. For as it turned out, he was developmentally delayed and emotionally disturbed.

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But there was no turning back. And I can honestly say, that in spite of all the difficulties he causes, that our son and the experience of parenting him, has changed us for the better.

It occurred to me, very early in parenting him, that there really was no social program that could be any substitute for what we were doing for him. Children have to be raised one at a time. There are no shortcuts that can be mass produced by the state. He went from being a statistic, and a social problem, to being our son.

And it also became clear to me, that being a mother was the most important thing I would ever do. I had had great fantasies of doing important work, of changing the world through my own brilliance. But Our Lord had other plans for me.

I found out, much against my own wishes, that I had to abandon that perspective of myself as the center of the universe. It is true that I am at the center of my children's universe. But messy pants and temper tantrums are not the sort of glory and fame I had envisioned for myself.

And as I continued this process of doing whatever was necessary, even what would have seemed impossible, another quotation came to mind. "Sell all your possessions, and come follow me." Oh. He is talking to me. I did not mean to follow Christ in the radical way that He demanded of the rich young man. I did not think that message was meant for me. But this message has been for me all along. Why wasn't I listening earlier? I didn't mean to let this religion thing get out of hand like this. But He seduced me. And I have been the unwitting and reluctant

beneficiary of His grace. The only credit I can claim is that I allowed it to happen, and didn't resist too much, or for too long.

This is why I have come to believe that bureaucratized social programs are no substitute for the giving from one person to another that is the true meaning of *charitas*. And the modern state which leads us to believe that there are shortcuts, that we can have the results of charity without the personal reality of charity, this modern state deceives us. Or perhaps I should say, we use the instruments of the modern state to deceive ourselves on these vital matters. For these reasons among others, I believe it is fair to describe the modern state as an occasion of sin.

ENDNOTE

- 1 Of course, the exchange might have a permanent, positive impact on the recipient as well. One famous fictional account of such a change is the story of Jean Valjean, as told in *Les Misérables*. The escaped convict, Jean Valjean steals silver plate from the bishop who has offered him shelter for the night. Upon his arrest, Valjean claims the bishop gave it to him. When the constable takes him to the bishop with this lie, the bishop covers for him, and says that he forgot to take the candlesticks he meant for him to have. And the bishop whispers to Valjean, "use these things to live an honest life." The entire rest of the story is about how Valjean lived up to this admonition from the bishop; how his life was completely transformed by this act of kindness.