



INSTITUTE FOR PRINCIPLE STUDIES

ESSAY

Five Principles

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At this time in our nation's history, it is increasingly difficult to write about a political or economic issue without invoking some reference to our faltering economy and the increasingly enormous government bailout expenditures. These economic circumstances represent an excellent opportunity for teaching the principles of good government, so I want to add some important principle analysis to these events.

Most of my readers are very familiar with the "\$700 billion" legislation that authorized the federal government to bail out failing financial institutions, but the bailout is actually far larger than even this astounding number. In addition to the \$700 + billion, both the federal government and the Federal Reserve Bank are dumping mountains of additional cash into a plethora of "private" companies. A recent *Associated Press* story reports that, "Total federal bailout commitments neared a staggering \$7 Trillion" as of late November.¹ This is an incomprehensible \$23,300.00 for every man, woman, and child in America. The bill for a family of four is already about \$94,000.00.

There are several things that every American needs to know about these events. First, the sub-prime mortgage collapse is primarily – if not exclusively – a result of government fiscal policies and Federal Reserve Bank monetary policies that created loose credit and cheap money. "Another failure of the free market," we are told. But neither the government nor the Federal Reserve Bank represents anything close to the free market. No one in their right mind could claim that the forced collective actions of a government were a mechanism of a free market. (A free market, by definition, is an economy that operates free of government intervention.) Nor could any politician or economist justify that a central bank with a government-granted monopoly on money creation and credit was somehow a part of a free market.

Contrary to the oft repeated claims of academics, politicians, and the media, these economic events demonstrate not the failure of the free market, but the failure of socialism and the *need* for a truly free market. In the epic battle of economic systems it seems that only the socialist system has a public relations machine.

The second thing every American needs to know about the current situation is that the present proposed "solutions" to these problems violate a number of ethical standards. Here are five critically important ethical considerations that every American needs to understand.

¹ "Massive programs aim to loosen credit", Martin Crutsinger, November 26, 2008, *The Associated Press*.

Principle #1: Inconsistency

Inconsistency is always and everywhere the fruit of relativism. The philosophy of relativism teaches that there are no absolutes, or if there are, they are not universal to all people. In a relativist world, all decision-making is circumstantial and pragmatic. There are no absolute standards by which a decision can be measured; all measurement is relative to other changing and evolving standards. Relativism, therefore, results in inconsistency – or conversely, inconsistency is one of the fruits of relativism.

An inconsistent government can never be a just government. It is the duty of good government to treat all of its citizens equally. We often talk and hear about “equal protection under the law”. The statue of Lady Justice appears in history in various forms, but usually she holds a balance scale which symbolizes the careful and precise weighing of justice. In addition, she is often depicted wearing a blindfold, symbolizing that justice should be delivered objectively and without partiality toward power, weakness, or identity. Some renditions of Lady Justice include a Bible, representing the source of law and justice.

If our government policies are to be consistent, we should never provide a financial bailout to one failing business unless we are prepared to provide the same benefit to every failing business. To do otherwise would be tantamount to removing the blindfold from Lady Justice’s eyes, giving our government the mandate to show partiality. How can we bail out a few select large businesses and then refuse to do the same for the thousands of smaller businesses who have identical circumstances? As it turns out, many struggling businesses will be forced to pay more taxes and suffer inflation so that their competitors can get a special privilege at their expense. This inconsistency is a perversion of justice that honest citizens should abhor with all of their being.

Principle #2: Theft

Today, we have modern artisans of deceit who have almost perfected their craft at the expense of our civilization. Among these craftsmen are the wordsmiths who effectively manipulate language to make evil appear good and good seem evil. These wordsmiths take evil practices or concepts and hide them with elegant euphemisms that obscure the ugly truths. They take the concept of theft and describe it as “stabilization”, “support”, “loans”, “guarantees”, and an endless array of similar platitudes. Regardless of how they are packaged, though, these government actions are in actuality the forced redistribution of wealth from one company or individual to another. Those who pay the bill for these bailouts are not paying to receive a legitimate government service like national defense, courts, or police. They are paying only so that someone else can receive. If this is not theft, I don’t know what is.

Some may think that my analysis is a harsh overreaction to these current events. But I challenge my reader to take the present events, place the same actions in any other context, and see if the forced redistribution of people’s money ever fails to be theft. These actions should absolutely and consistently land the perpetrator(s) in jail.

Principle #3: Socialism

There are only two economic systems in the world, and all economic philosophies fall into one of these two systems. These two economic systems are generally described as “the free market” and “socialism”. From the first European settlements on this continent to the present day, there has been an ongoing battle between the proponents of these two economic systems. Although it would be hard to find any time in our nation’s history where we had a truly free market, much of America’s history would show that we tend more toward the free market than socialism. Unfortunately, the last century has forced America to endure a long, painful slide into full-blown socialism.

Socialism is characterized and defined by either of two qualities: Government ownership or control of capital, or forced pooling and redistribution of wealth. Either of these situations indicates the presence of socialism, and by logical extension, the absence of a free market.

Socialism is ethically wrong because it cannot exist without the forced sharing of resources. Government cannot own, control, or regulate the capital of a nation without taking away a portion of the owner’s value. Similarly, government cannot redistribute resources without taking these resources away from their owners. Since socialism cannot exist in the absence of theft, it is somewhat redundant to have socialism as a separate point on this list, but I have done so because it is important to understand both the small picture of theft and the bigger picture of socialism as both apply to public policy.

Although America has not had a genuinely free market for many decades, the current bailout could be described as “super-socialism” because it involves every possible component of socialism: the forced redistribution of wealth, increased government control of capital, and even the extreme of socialism, which is government ownership of capital. Our federal government is not content to just regulate the markets (capital), but is also taking the next step of purchasing ownership interest in previously private companies.

Principle #4: Violation of the Constitution

We need to remember that our founders created a Constitution of enumerated powers – that is, a document that limited our federal government to only those actions expressly listed in the document. Congress (and therefore the federal government) has no authorization to pursue any other actions. With this in mind, we should ask ourselves where these bailout powers are enumerated in the Constitution. The answer, of course, is that these powers are nowhere granted to our federal government.

Principle #5: The triumph of pragmatism over principle

Among the carefully forged tools of our big government wordsmiths is the new expression, “too big to fail”. According to our politicians and media, some businesses are so big that the potential consequences of their failure would be so widespread that the government must act to prevent such a failure. Even if we ignore the fact that it was unconstitutional meddling in the economy that caused these problems in the first place, we cannot ignore the obvious conclusion that our government is committing an ethical and constitutional crime – and then justifying it with a pragmatic argument.

Fortunately, we don't yet allow the masked bank robber to justify his crime based on a pragmatic argument. He is either innocent or guilty of the crime, regardless of the pragmatic benefits of his action. Unfortunately, the only difference between the run-of-the-mill bank robber and our political leaders is that one has a mask and the other has a nice office and a government pension.

A pragmatic argument for any action should never trump the consideration of ethics. All decision-making should first ask if the action being considered would violate any ethical or moral standard. Pragmatic considerations should come into play only after we determine that the considered action passes ethical muster. Unfortunately, we often place the cart of pragmatism before the horse of principle. This is a violation of justice, and no society can long survive if it neglects an unwavering dedication to ethics.

Conclusion

The evils that I have described above (inconsistency, theft, socialism, violation of the Constitution, and pragmatism) manifest themselves in many of our government policies – not just in the current bailout debacle. So, what should we do? First, we must study these principles and learn to apply them to all aspects of government policy. Second, we must go beyond cursing the darkness – we must begin to light the candles of truth and good government. We must educate our friends, family, and neighbors in these truths, and then further, we must demand that our elected officials govern by these principles. If our elected representatives fail to follow these principles, we must work tirelessly to replace them in the next election. Only by these actions can we preserve our liberty and restore our standard of living.