

# What the State Really Is

To better understand the nature of government, one can think of it as an agency that sells or, more precisely, rents power to others. The greater the power and the wider its scope, the more opportunities the state's agents will have to sell access to it in return for favors. Of course the demand for that power will also be greater. This stands to reason. If the government is allowed to make many important decisions about private activity, people will want to influence or control that decision-making—and they'll be willing to pay for that influence as long as the price is less than the expected payoff.

In other words, the supply of government power creates its own demand. This answers the concern over the corrupting influence of money in politics. If government has nothing to sell, no one will be trying to buy.

This not to say that all that government officials do is rent out power. Many activities can be attributed to their own agendas. Like all people, they are prone to various incentives and foibles that lead them to do things that others who are affected either do not like or approve only because they can't imagine an alternative. The motives of state agents can vary: self-regard and paternalism, for two examples. Motives can be tricky to identify: a good deal of self-deception can always be involved, and words often parts ways with the truth.

Nevertheless, much of what state agents do constitutes in effect the renting out of power to well-connected private interests. The renting out of power can also have various motives. Power may be used to benefit special interests as a way to garner political support, financial and otherwise. Campaign finance is the most obvious example, though many more subtle ways also exist. Again, the motive for renting power to special interests could also have paternalist. Politicians could (erroneously) figure that for the good of all, certain people ought to have access to power that no one else has. Motives of course tell you nothing about the morality or effectiveness of any particular action.

Private interests that pay to get their hands on power can have various motives also, but I would guess that most of the time the motive is self-regard.

I should note that I am using the term *rent* idiosyncratically. Economists use the phrase *rent-seeking* to label the private pursuit of returns through government favors. By that they mean that private interests seek returns on investment that exceed what they would earn in the market without power being exercised on their behalf. I'm using *rent* in the colloquial sense in which people pay to use something (in this case) without acquiring ownership.

It's easy to think of examples of what I've been saying here. When business firms lobby for

a tariff or an import quota, they are seeking higher prices and profits through the state's power to burden foreign competitors with taxes and import limits. Likewise, when firms seek licenses, subsidies, and other political favors, they grab for advantages that their competitors don't have. Similarly, complicated financial regulations that burden smaller and potential upstart competitors are likely to be welcomed (if not written) by large dominant institutions. (When things go bust, uninformed people will readily blame the private firms without seeing the state's essential culpability. See my "Wall Street Couldn't Have Done It Alone.")

Another source of extra-market advantage is government contracting. Why should a firm take chances in an uncertain marketplace with fickle consumers if it can obtain guarantees by selling things to government agencies? Military contractors come to mind immediately. Billions of dollars of taxpayer money go to such companies every year. Private companies can't tax anyone, but government contractors in effect can do just that.

The more powerful the state, the more possibilities will exist for favoritism. And notice that favoritism breeds dependence on and support for the state. For obvious reasons military contractors are unlikely to be convinced by arguments for a noninterventionist foreign policy. Likewise, companies that rely on tariffs and import quotas probably won't find inspiration in the great British free traders Richard Cobden and John Bright.

Understanding the state is the first step toward rethinking the state, which is necessary for changing one's view about its value. If people think the government is nothing more than a well-intended social-service agency—the organizer of huge and benevolent mutual-aid society—their attitude will be favorable overall, even if they dislike some of what the state does. But if people come to see that the state exists to amass power and private resources in large part to distribute it to special interests, the majority who are victims might begin to object and demand change.