



---

## A Plan to Replace the Welfare State

By Charles Murray

*On March 22, 2006, Charles Murray, the W. H. Brady Scholar in Culture and Freedom at AEI, published an article in the Wall Street Journal that described the broad outlines of his new book In Our Hands: A Plan to Replace the Welfare State (AEI Press, 2006). On March 24, 2006, the American Enterprise Institute held a book forum to celebrate the publication of the book. At the forum, AEI president Christopher DeMuth and Brookings Institution guest scholar Jonathan Rauch discussed the book, and Murray responded to their questions and to some from the audience. What follows are Murray's Wall Street Journal article and excerpts from the book forum at AEI.*

This much is certain: the welfare state as we know it cannot survive. No serious student of entitlements thinks that we can let federal spending on Social Security, Medicare, and Medicaid rise from its current 9 percent of GDP to the 28 percent of GDP that it will consume in 2050 if past growth rates continue. The problems facing transfer programs for the poor are less dramatic but, in the long term, no less daunting; the falling value of a strong back and the rising value of brains will eventually create a class society making a mockery of America's ideals unless we come up with something more creative than anything that the current welfare system has to offer.

So major change is inevitable—and Congress seems utterly unwilling to face up to it. Witness the Social Security debate of last year, a case study in political timidity. Like it or not, we have several years to think before Congress can no longer postpone action. Let's use this time to start thinking outside the narrow proposals for benefit cuts and tax increases that will be Congress's path of least resistance.

The place to start is a blindingly obvious economic reality that no one seems to notice: this country is awash in money. America is so wealthy that enabling everyone to have a decent standard of living is easy. We cannot do it by fiddling with

the entitlement and welfare systems—they constitute a Gordian knot that cannot be untied. But we can cut the knot. We can scrap the structure of the welfare state.

Instead of sending taxes to Washington, straining them through bureaucracies, and converting what remains into a muddle of services, subsidies, in-kind support, and cash hedged with restrictions and exceptions, just collect the taxes, divide them up, and send the money back in cash grants to all American adults. Make the grant large enough so that the poor won't be poor, everyone will have enough for a comfortable retirement, and everyone will be able to afford health care. We're rich enough to do it.

Consider retirement. Let's say that we have a twenty-one-year-old man before us who, for whatever reasons, will be unable to accumulate his own retirement fund. We accumulate it for him through a yearly contribution for forty-five years until he retires at age sixty-six. We can afford to contribute \$2,000 a year and invest it in an index-based stock fund. What is the least he can expect to have when he retires? We are ridiculously conservative, so we first identify the worst compound average growth rate, using constant dollars, for any forty-five-year period in the history of the stock market (4.3 percent from 1887 to 1932).

We then assume our twenty-one-year-old will be the unluckiest investor in American history and get just a 4 percent average return. At the end of the forty-five-year period, he will have about \$253,000, with which he could purchase an annuity worth about \$20,500 a year.

That is with just a \$2,000 annual contribution, equivalent to the Social Security taxes the government gets for a person making only \$16,129 per year. The government gets more than twice that amount from someone earning the median income, and more than five times that amount from the millions of people who pay the maximum FICA tax. Giving everyone access to a comfortable retirement income is easy for a country as rich as the United States—if we don't insist on doing it through the structure of the welfare state.

Health care is more complicated in its details, but not in its logic. We do not wait until our twenty-one-year-old is sixty-five and then start paying for his health care. Instead, we go to a health insurance company and tell it that we are prepared to start paying a constant premium now for the rest of the twenty-one-year-old's life. Given that kind of offer, the health insurance company can sell us a health care policy that covers the essentials for somewhere around \$3,000. It can be so inexpensive for the same reason that life insurance companies can sell generous life insurance cheaply if people buy it when they're young—the insurance company makes a lot of money from the annual payments before eventually having to write the big benefit checks. Providing access to basic medical care for everyone is easy for a country as rich as the United States—if we don't insist on doing it through the structure of the welfare state.

There are many ways of turning these economic potentials into a working system. The one I have devised—I call it simply “the Plan” for want of a catchier label—makes a \$10,000 annual grant to all American citizens who are not incarcerated, beginning at age twenty-one, of which \$3,000 a year must be used for health care. Everyone gets a monthly check, deposited electronically to a bank account. If we implemented the Plan tomorrow, it would cost about \$355 billion more than the current system. The projected costs of the Plan

cross the projected costs of the current system in 2011. By 2020, the Plan would cost about half a trillion dollars less per year than conservative projections of the cost of the current system. By 2028, that difference would be a trillion dollars per year.

Many questions must be asked of a system that substitutes a direct cash grant for the current welfare state. Work disincentives, the comparative risks of market-based solutions versus government guarantees, transition costs, tradeoffs in health coverage, implications for the tax system, and effects on people too young to qualify for the grant all require attention in deciding whether the Plan is feasible and desirable. I think all of the questions have answers, but they are not one-liners; I lay them out in my book.

---

Instead of sending taxes to Washington, straining them through bureaucracies, and converting what remains into a muddle of services, subsidies, in-kind support, and cash hedged with restrictions and exceptions, just collect the taxes, divide them up, and send the money back in cash grants to all American adults.

---

### **Allowing Individuals to Lead More Fulfilling Lives**

For now, let me turn to a larger question: assuming that the technical questions have answers, do we want a system in which the government divests itself of responsibility for the human needs that gave rise to the welfare state in the first place? I think the reasons for answering “yes” go far beyond the Plan's effects on poverty, retirement, and health care. Those issues affect comparatively small minorities of the population. The more profound problem facing the world's most advanced societies is how their people are to live meaningful lives in an age of plenty and security.

Throughout history until a few decades ago, the meaning of life for almost everyone was linked to the challenge of simple survival. Staying alive required being a contributing part of a community. Staying alive required forming a family and having children to care for you in your old age. The knowledge that sudden death could happen at any moment required attention to spiritual issues. Doing all those things provided deep satisfactions that went beyond survival.

Life in an age of plenty and security requires none of those things. For the great majority of people living in advanced societies, it is easily possible to go through life accompanied by social companions and serial sex partners, having a good time, and dying in old age with no reason to think that one has done anything significant.

If you believe that's all there is—that the purpose of life is to while away the time as pleasantly as possible—then it is reasonable to think that the purpose of government should be to enable people to do so with as little effort as possible. But if you agree with me that to live a human life can have transcendental meaning, then we need to think about how human existence acquires weight and consequence.

For many readers of the *Wall Street Journal*, the focus of that search for meaning is bound up with vocation—for some, the quest to be rich and famous; for others, the quest to excel in a vocation one loves. But it is an option open to only to a lucky minority. For most people—including many older people who in their youths focused on vocation—life acquires meaning through the stuff of life: the elemental events associated with birth, death, growing up, raising children, paying the rent, dealing with adversity, comforting the bereaved, celebrating success, applauding the good and condemning the bad, and coping with life as it exists around us in all its richness. The chief defect of the welfare state from this perspective is not that it is ineffectual in making good on its promises (though it is), nor even that it often exacerbates the very problems it is supposed to solve (though it does). The welfare state is pernicious ultimately because it drains too much of the life from life.

The Plan returns the stuff of life to all of us in many ways, but chiefly through its effects on the core institutions of family and community. One key to thinking about how the Plan does so is the universality of the grant. What matters is not just that a lone individual has \$10,000 a year, but that everyone has \$10,000 a year and everyone knows that everyone else has that resource. Strategies that are not open to an individual are open to a couple; strategies that are not open to a couple are open to an extended family or, for that matter, to half a dozen friends who pool resources; strategies not open to a small group are open to a neighborhood. The aggregate shift in resources from government to people under the Plan is massive, and possibilities for dealing with human needs through family and community are multiplied exponentially.

The Plan confers personal accountability whether the recipient wants it or not, producing cascading secondary and tertiary effects. A person who asks for help because he has frittered away his monthly check will find people and organizations who will help (America has a history of producing such people and organizations in abundance), but that help can come with expectations and

demands that are hard to make of a person who has no income stream. Or contemplate the effects of a known income stream on the young man who impregnates his girlfriend. The first-order effect is that he cannot evade child support—the judge knows where his bank account is. The second-order effect is to create expectations that formerly did not exist. I call it the Doolittle Effect, after Alfred Doolittle in *My Fair Lady*. Recall why he had to get to the church on time.

The Plan confers responsibility for dealing with human needs on all of us, whether we want it or not. Some will see this as a step backward, thinking that it is better to pay one's taxes, give responsibility to the government, and be done with it. I think an alternative outlook is wiser: The Plan does not require us all to become part-time social workers. The nation can afford lots of free riders. But Aristotle was right: virtue is a habit. Virtue does not flourish in the next generation because we tell our children to be honest, compassionate, and generous in the abstract. It flourishes because our children practice honesty, compassion, and generosity in the same way that they practice a musical instrument or a sport. That happens best when children grow up in a society in which human needs are not consigned to bureaucracies downtown but are part of life around us, met by people around us.

Simply put, the Plan gives us back the action. Institutions and individuals alike thrive to the extent that they have important jobs to do and know that the responsibility to do them is on their heads. For decades, the welfare state has said to us, "We'll take care of that." As a result, we have watched some of our sources of life's most important satisfactions lose vitality. At the same time, we have learned how incompetent—how helpless—government is when "taking care of that" means dealing with complex human needs. The solution is not to tinker with the welfare state. The solution is to put responsibility for our lives back in our hands—ours as individuals, ours as families, and ours as communities.

## ***In Our Hands* Book Forum**

**Christopher DeMuth:** Charles Murray, the W.H. Brady Scholar at AEI, is the author of *Losing Ground*, *In Pursuit*, *What It Means to Be a Libertarian*, and *Human Accomplishment*, and coauthor with Catherine Bly Cox of *Apollo* and with Richard Herrnstein of *The Bell Curve*. He is also the author of a stream of powerful and influential essays over the past two decades on issues of social

welfare, crime, IQ, family, mobility, government policy, and politics; among them are such important and enduring essays as “The Coming of Custodial Democracy,” “The Coming White Underclass,” and, most recently, “The Inequality Taboo.”

The Murray *oeuvre* can be roughly divided into works of analytical social science and of normative policy, although it is striking that his social science works fairly sizzle with policy implications, and his policy works are remarkable for being grounded not just in normative abstractions but in empirical social science.

*In Our Hands* is the most thorough crossover Murray book to date. He says at the beginning that it was inspired by Milton Friedman’s negative income tax proposal and is in part an updating of Friedman’s proposal. But it is much more than that. The arguments that Murray offers for what he calls “the Plan” are deep. They are grounded in decades of research on social welfare problems, and they present an altogether new set of arguments for an immensely important set of policy debates. I want to congratulate Charles.

I also want to thank Jonathan Rauch—a former colleague of ours at AEI and now a guest scholar at the Brookings Institution and a columnist and senior writer for *National Journal*—for coming over today to discuss Charles’s book.

I want to recommend that everyone take this book very seriously. It is not a thought experiment and not a parade of brilliant libertarian debating points. It is admittedly far beyond the envelope of polite and practical policy conversation in Washington today. But the fiscal and social problems it addresses are serious, and Charles’s book is not only the most imaginative effort to date to confront them, it is also the most serious.

In the past, Charles has always been regarded as way ahead of his time. In retrospect, we have found that he was not as far ahead as people might have thought on his publication dates. *Losing Ground* became law in twelve years. *The Bell Curve*, which was regarded as impossibly radical and controversial eleven years ago, is well on its way to becoming conventional wisdom. That he has been just a decade ahead of everyone else has been due not so much to his abilities as a prognosticator as to his own intellectual audacity and leadership. May that be true also for *In Our Hands*.

**Jonathan Rauch:** I was not sure what to expect when I picked up this book. I assumed that I would get, first, a very provocative thought experiment and, second, another book that a lot more people will denounce than actually read.

Well, I can tell you that I certainly got a very provocative book. This book is a remarkable product. It got my mental pulse racing like nothing I have read in a long time. This book is extremely interesting, easy to read, shorter not only than many books but also than some magazine articles. You can read it on the shuttle to New York City. And in terms of value for word this book may set a new record.

But it is also remarkable in terms of the sheer concentration of intellect brought to bear on a very big subject in a very small space. I believe the book is even more interesting and radical than Charles Murray thinks it is. This book will not waste a minute of your time.

I would like to talk first about some of the smaller questions that the book raises. And then I will turn to larger questions, and move on to the meat of my comments, which involve why I think this is a book that matters maybe even more than Charles Murray thinks it matters, despite the extreme improbability of its being enacted by the current Congress.

This book does for the social benefits side of government what the flat tax would do for the revenue side. It takes the entire universe of government subsidy programs and transfer payments, cashes them all out, and hands them out on the basis of extreme horizontal equity. Everybody gets a flat \$10,000 until you hit a tax bracket above \$25,000, at which point the grant starts to be taxed away.

Above \$50,000, taxation of the grant maxes out. But at \$50,000, recipients stop paying taxes on the grant, and the U.S. Treasury has only clawed back \$5,000 of it. So my first question to Charles is why, for example, is Bill Gates getting \$5,000 from the government for no particular reason? Why not claw back the entire subsidy for people earning over \$50,000?

Second, under “the Plan,” as Murray calls his proposal, Charles does not deal with education as a subsidy program or government service. Why *not* cash out education, because if ever there was a social benefit that limits consumer choice and reduces the cultivation of character in people going on about building their lives and families, surely, it is education. That seems to me a very peculiar decision on Charles’s part.

---

The solution is not to tinker with the welfare state. The solution is to put responsibility for our lives back in our hands.

---

Third, I do not understand what Charles proposes to do about current retirees or what his transition plan is.

Charles will also encounter at least three broader criticisms that I am not qualified to deal with. The first involves work disincentives. Charles devotes a chapter to this. I did not feel that this was sufficient. Charles says convincingly that people who are already idle and not in the work force will not be idled by the grant. That is clearly true. He also says, people earning \$30,000 and \$40,000 a year will want keep earning it rather than give it all up to live on essentially \$7,000 a year. That is also plainly true.

What I worry about is people who fail to enter the workforce at age seventeen or eighteen because they know that at age twenty-one, when the grant kicks in, they will get a \$10,000 free grant each year for the rest of their lives. Charles's view is that most of them will enter the workforce in those years rather than starve to death, but there are a lot of things that you can do between ages eighteen and twenty-one in order to keep going. You can, for example, sell drugs if you want a life of crime, or you can mooch off relatives. A whole sub-culture might grow up around hanging out for three years until the grant comes.

So there may be deterrents to entry in the labor force in the Plan. Charles says that is acceptable. Well, maybe it is, but it does not take more than a 100,000 to 200,000 young people without jobs never acculturated to work before you start having some real social problems.

One of Charles's most important claims is that the Plan is going to help rescue government from the bankruptcy that the current subsidy programs are inevitably going to face. The reason it does that is because Charles assumes that once you cash out health care, which is, of course, the major driver of subsidy cost increases, and you have individuals buying insurance policies, you will get a consumer-driven market that will create more cost constraints than we have now and less growth in the cost of medical care. That may be true. I do not think it is a heroic assumption. On the other hand, it may not save enough money to save the welfare state. You may only get a fairly small decrease in the rate at which health care costs go up. And if that is the case, although the Plan may be somewhat better than the status quo, it still does not solve the fundamental problem of what you do about the immense burden of government cost. You are back where you started.

Charles does not delve into the effect the Plan would have on political behavior. Congress may attach lots and

lots of strings to the grant. Charles has a constitutional amendment which is designed to deal implicitly with that. He does not speak to it explicitly.

If you take away from politicians the ability to dispense subsidies as they please to their favorite clients, they may instead set to work dispensing favors through the regulatory system with anti-competitive measures. These could be less transparent and more economically damaging than just handing out subsidies.

A response might be that one great benefit of this plan is that it does to the subsidy side of the equation what a flat tax or a value-added tax (VAT) does to the tax side. It makes it much harder for politicians to play favorites because they cannot just tuck in a little subsidy when all they have to hand out is a \$10,000 grant. This is fascinating to think about and it gets me to the real stakes that Charles is playing for in this book, whether he knows it or not.

What he is really doing with this book, at least implicitly, is attempting to transform the very concept of modern big government in a way that reconciles *large* government with *limited* government. Now this is a very interesting idea. In the framework of the current debate in Washington, we can easily imagine a big government with many programs. And we can just as easily imagine, although we cannot as easily attain, a small government with only a few programs.

In this book Charles is asking us to think about a big government with a few programs. In fact, on what is now the subsidy side of the ledger, he asks us to think about a big government with one program.

On page ten, you will find the unspoken, unrecognized heart of the book, which is Charles Murray's proposal for a constitutional amendment that would effectively ban social programs at the federal, state, and local levels. It says that state, local, and federal governments can no longer selectively subsidize; they can only grant the same amount to everybody.

Thinking about that idea in preparation for these comments forced me to ask questions so deep and so interesting that I confess I have never even had to think about them before. Why do we have social programs? Why does the government have selective social subsidies?

I can think of four answers. Charles deals in passing with most of them. They are first, because back when government started down the path of selective social subsidies, it did not have a whole lot of money. Society was not very rich, and the only hope of getting things done was to take from the many and give to the few. We

targeted programs because we did not have enough money to spread the wealth around more liberally.

A second argument is that fairness requires targeting. We do not want to take from the poor and give to the rich; we want to target the deserving.

The third argument is the public choice argument that suggests we have social welfare subsidies because politicians like to dispense favors. The way they do that is by giving subsidies to the people who make campaign contributions and vote for them.

And fourth, perhaps the deepest reason is that selective social subsidies are aimed at modifying people's behavior by changing incentives. Like tax breaks, subsidies reward and punish certain kinds of behaviors and activities.

Charles Murray's new book calls all of those into question and says that they either no longer apply or that they should not have applied in the first place. He says it was once true that society was not rich enough to give everybody a grant instead of targeting benefits, but now it is. This was not even true, he points out, when he first thought of the idea for this book ten or fifteen years ago.

Second, we can no longer insist on targeting the needy because government no longer *does* target the needy. Government is a washing machine in which everybody subsidizes everybody and as much money flows up through the system toward the wealthy from the bottom as flows the other way, so there is no rationale and fairness to the current system.

I assume Charles would say, to the public choice argument, that wanting to give favors in order to build a political machine is not a very good reason to have subsidies.

But fourth, most interesting and what is deepest about this book is its view on the behavior management question. Charles is saying that government's ability to use money to direct and incentivize behavior limits our freedom and stunts our community and also stunts the development of virtue, what others often call character. So we are better off without government behavior management.

In a way, his important proposition generalizes the principle that is inherent in the school choice agenda or the Social Security privatization agenda: the better measure of government intrusiveness and reach in the modern age is not the level of social spending, it is the level of social control. And that is a different way of thinking because in the traditional way in Washington you judge government by how much it spends, how

much it takes out of the economy, how many people it employs, and that sort of thing. Charles is saying that is the wrong yardstick. That was not much of an answer.

A couple of months ago, I was at the Cato Institute delivering what amounted to a harangue about a book which recounted at some length and very convincingly all the reasons big government was bad for us. And then in the last chapter when it came to what we can realistically do about it, the answer was in effect that we should never have let government get this big to begin with. It was not a serious proposal.

The small government movement is today facing complete political exhaustion. After twenty-five years, it has gotten nowhere. It has no plan to move ahead. It is flat on its back at the bottom of the ditch. This book is a clarion call to the people at Cato and AEI and elsewhere who believe in smaller government to start thinking more creatively about what we actually do from where we are today to get to anything like where they want to go.

Charles in effect says as a practical matter we need to make peace with big government because it is not going to get smaller. The fact is, it is going to get bigger. He's saying, "Grow up, deal with it."

He also says as a moral matter that the claims of inequality are real. They are not artifacts of idleness or misbehavior, and government should address them as a moral and social matter because it is the right thing to do. Inequality deserves government attention even, Charles argues, if you are a libertarian. He is telling libertarians that we can have a better safety net while making government smaller in the sense that matters most. In other words, government can grow in money terms while becoming much smaller in terms of the social space and freedom space that it takes up.

To those who are not libertarians, he offers an implicit bargain. He says that we are now rich enough so that you folks out there in America can have the security that you always wanted, and you can have government that is much more sustainable over the long term, and you can do all that while in effect bypassing the politicians. Just kneecap the special interests and give the money straight to the voters. It is the equivalent of the plan that someone had for Iraq which seemed to me a pretty good plan—put all the oil money in bank accounts for the Iraqi people.

This is, in my view, not an unattractive bargain in many ways. It provides libertarians a way out of the complete dead end in which they now find themselves, and it provides them and the public with the raw materials

for a new kind discussion about what government is and what it ought to be doing. Although, I would never predict that this plan will go into effect in its details, the kind of grand bargain that it is suggesting with its new view of how we think about the size of government has the potential to be a very real and important, and in the long term, a transforming idea in Washington.

**Charles Murray:** Let me begin my response to Jonathan by discussing how the Plan might provide the raw material for legislation that will actually happen in the future. I think of it from this perspective: if you look at per-capita GDP growth rates since 1900 and assume that our political leadership is not quite as incompetent as Soviet political leadership—just a little bit less incompetent—and that these rates of growth will continue, there will eventually be so much money sloshing around that we will no longer be able to in any credible way say, “The problem is we are not spending enough,” because by that time the expenditures per person are going to be astronomical.

The second thing that will happen in the 21st century is that the inherently limited competence of government is going to become undeniable. When people have to choose between a government service and a private service, they almost always prefer the private service. The reason is because it is cheaper, done better, and the people are more polite, more pleasant. People are going to understand that the number of things government can do competently is very small. These broad, historical forces are going to have effects we can barely predict now.

Let me go through some of Jonathan’s other points quickly. He asks, “Why not claw back all \$10,000 once income hits \$50,000 instead of stopping at \$5,000?” I did the calculations and it is remarkable how little difference it would make. There is something symbolically important in leaving it at \$5,000. I get rid of all transfer programs, and I also say this is tax neutral. The costs are not neutral. The cost will be less than the current system after about 2011, but I’m not saying people are going to get tax cuts. In effect, what I’m saying is the people who pay into FICA and Medicare now are going to, one way or another, end up paying the same amount of money. A lawyer who makes half a million dollars a year, let’s say, is paying about \$25,000 into FICA and Medicare. So I’m giving him \$5,000 back, and I’m not giving him any Medicare benefits, and I’m not giving him any Social Security. And somehow to take all of them away from

him seemed to me to make it hard to persuade him and others like him who are not poor and disadvantaged that it is to their interest to have this plan.

It is obligatory to present a plan where you can reasonably say to the American public that we are not asking a large number of you to vote against your own best interests if you support the Plan. And so that is the purpose of leaving the \$5,000.

Jonathan asked why I didn’t cash out education. Among libertarians the issue of whether education is a public good is a fraught one. I take my cue from Milton Friedman, who argued that an educated electorate is necessary for democracy, and therefore there are externalities that make it into a public good. I took that position in my book, *In Pursuit*. I’m sticking to it. If I took on education I would have large numbers of people tune me out altogether, and there will already be enough of those without adding to it. I did not get into issues of revenues for the same reason.

Jonathan also asked about current retirees. These involve the transition questions which I want to talk about as little as possible just because I think the more interesting question right now is to talk about ends. I’m not trivializing transition costs and the payoffs that will have to be made to people who are currently invested in the system. I do talk about those in the book, but my main point is there is a lot of money to play with in dealing with transition costs if the out years produced significant savings.

Jonathan raised the issue of work disincentives for the young. One way to think about this is to think of all the millions of young people these days who do not have to enter the workforce. There are lots of affluent families and affluent kids who go to college. Many could get along without ever entering the workforce, and look how few do not do it.

Jonathan also discussed health care. Let me give you a quick example of the kinds of revolutionary changes which will occur if people opt out and buy insurance with coverage options that they choose. Of the Medicare budget, 27 percent goes to end-of-life care which usually involves the last few months of life.

This is the worst possible use of limited health care resources. I’m sixty-three years old, so I am aware of the fact I’m going to die within a certain number of years. I’m old enough that this is a real issue for me, but if you say to me you can have insurance policy A which costs X number of dollars or you can have insurance policy B with X minus \$2,000 a year, with limitations on end-of-

life care, I will say “Give me policy B.” I think most people would. The only medical system that would spend 27 percent of its dollars on end-of-life care is a government-run system. That is just one example of the kind of change you would see if you have a consumer-driven system.

*Mr. DeMuth then turns to the audience for questions. A few of those are included here.*

**Robert Rector of the Heritage Foundation:** This is a very interesting proposal. In the last ten years, we have made enormous philosophical strides in saying that we should not be giving everyone one-way hand-outs, that we would assist people but require some positive contribution in exchange for the aid. That was the basic point of the 1996 welfare reform, and it is a reform that while far from perfect has had fairly benign results. The Plan seems to reverse that philosophy completely. It seems to me that this would be a much better idea if you simply included a minimal work requirement. By doing this, you minimize the labor disincentive effect because you don’t have an open-ended grant system that goes to people engaged in dysfunctional behavior.

**Charles Murray:** You are quite right, Robert, about the philosophical differences. You are a conservative, and I’m a libertarian. The purpose of this plan is not to get people to put their nose to the grindstone. The purpose of this plan is to let people run their own lives. I don’t want a bureaucrat to deal with dysfunctional behavior. I want neighbors or friends or strangers who are in a position to help.

**Irving Kristol:** I’m sure the Plan will work, and it will result in American government which is primarily an exchange agent siphoning money from corporations and people, who will then in effect create their own organizations in terms of their own choices.

But what happens to the American government then? The world is not going to go away for the next century. The United States is already deeply involved in all areas of the world. Whether we want to or not, the world will insist that we get involved. If your plan works, the American government will be left with two major functions, war and peace—and this is to say military and diplomacy.

**Charles Murray:** And the legal system.

**Irving Kristol:** Is that what you really want? You will have to write a new Constitution.

**Charles Murray:** No, we just have to follow the old one. I’m going back to the original constitutional vision. Thomas Jefferson said in his first inaugural speech that the function of government is to prevent people from harming each other and that they should otherwise be left alone to pursue their own goals. That means that the government should run a good, solid legal system and criminal justice system, it should have tort law that is reasonable and enforced, it should prevent fraud, and it should protect the nation abroad. That is what we started out with. What Jonathan said is precisely right. This whole book is about how we can have small government in terms of its effects on people while having large government in terms of the amounts of money that it spends. So Irving, again I’ll say the same thing to you as I said to Robert. You are a conservative or neo-conservative, and I’m a libertarian, so we do have different views of government’s proper role.