

What is the ultimate purpose of Government?

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Abstract: *Why Government? What would happen if Government did not exist? What is the ultimate purpose of Government? The main purpose of government is of course law and order and defence. This means military, police, judiciary. But is that all government is for? What is the economic function of government? Is it growth? Is it infrastructure? Is it price stability and near full employment? Or is it equality? This paper postulates that the ultimate purpose of Government is Equality. The biggest reason for existence of government apart from law and order and defence is Equality.*

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I. Introduction

In the BBC series ‘Yes Minister’ there is a series of dialogue between Minister and Official that goes something like this

Minister: We are discussing good and evil

Official: You may be minister, I am not. That would be serious misuse of Government time.

The series continues

Official: Government isn’t about Morality

Minister: Really? What is about?

Official: Stability. Keeping things going! Preventing Anarchy! Stopping Society falling to bits! Still being there for tomorrow.

Minister: What for?

Official: I beg your pardon?

Minister: What is ultimate purpose of government if it isn’t for doing good?

Official: Government isn’t about good or evil. Government is about order or chaos!

Of course, Government is about Order and Stability

That is stating the obvious. After all there are three functions of government – Executive, Judiciary, and Legislative. The Judiciary function is clearly about adjudicating. Legislative function is for formulating laws. The executive function is largely about order and stability.

For instance the home ministry with police maintains law and order. The defence minister maintains external security. Other ministries also regulate activity within their area. The environment ministry regulates environmental area, the industry ministry regulates industry, education ministry regulates education and health ministry regulates health and commerce ministry regulates trade.

Hence the provocative statement that Government is about Order and Stability is rather true.

But is that all there is to government? Is there more to government than that? Surely Government is about Economy! What are the economic functions of Government?

Government is about Growth. Or is it?

These days if you watch television or read newspapers, you would be inclined to believe that government is about growth. Each political party claims how the growth was fastest during its tenure. And government seems to be about growth.

But whatever happened to laissez faire – leave them alone. According to this economic ideology, growth happens not so much due to government, but because of less of government if not entirely absence of government.

Indeed the popular economic thinking seems to be that governments can be hurdle in growth. And for growth to occur, you need government to get out of way, so that entrepreneurs can take care of growth.

Hence the argument that government is about growth is not entirely true though governments with

Government is about Infrastructure. Or is it?

Government is necessary for infrastructure – roads, power, water, telecommunication, transport.

There are so many private sector companies in power sector that the idea that you need government for power is ridiculous. Government is not necessary for transport either – you have private airlines, private bus services and private rail services too. Government is not necessary for roads since many roads are built and operated on public private partnership. Well water traditionally has been through wells, which were built by ordinary people. So while there is role for government in infrastructure, private sector is by and large supplanting government in that area.

Government is about near full employment and price stability

Considering that the Keynesian model is rather discredited government cannot ensure full employment and if anything its efforts towards full employment can lead to price instability. As far as price stability is considered, that is the function of central bank through its monetary policy, which some might say has to be by rules rather than discretion. And fiscal policy could actually damage price stability. Hence in the area of price stability and full employment, government does best when it does not do much, because when government does much, it can't help full employment but it can certainly damage price stability.

Government is not necessary for producing goods and services

Government is not necessary for producing goods and services. We have already seen how government is not necessary for infrastructure. Food is produced by private sector and so also food processing. Retailing is done by private sector. Housing is done by private sector. Education and Health care is done by private sector. Transport and Communication can be done by private sector. Financial services can be provided by private sector. So actually you don't need government for anything at all.

What do you then need Government for?

Does that mean you don't need government apart from of course law and order – police and military and that sort of thing?

No. Actually you need government because some people cannot but necessary goods and services at prices determined by market forces with factor incomes determined by market forces.

For instance take education. Many poor people cannot afford education – schools. Hence governments around the nation establish government schools which are either free or heavily subsidized.

Similarly take healthcare. Many nations provide free health care at least partially. Hence government provide health care to those who can't afford them.

Take food. Governments establish ration shops where food is available in limited quantities at heavily subsidized prices to those who cannot afford food.

Take housing. Governments can provide housing to poor people through slum redevelopment scheme. Government build toilets and subsidize electricity, water etc.

Governments provide subsidized transport in terms of public transport.

Government is for Equality

In view of above it could be argued that government is for equality. Since market forces lead to determination of factor incomes and good prices that make attainment of optimal social welfare, hence governments have to step in to redistribute incomes so that a more optimum social welfare is achieved through greater equality of consumption.

Perfect equality of consumption is neither possible, nor desirable. What government intervention does is to increase equality of consumption so that a more optimum social welfare is attained.

Goods and Services, including infrastructure can be produced without government. However government is necessary to ensure greater equality of incomes by transfer payments in kind or cash by redistributing income through taxation.

What is ultimate purpose of Government?

Let us at the end come back where we started from and that is what is ultimate purpose of government?
EQUALITY!

In one word that is the ultimate purpose of Government. The reason for existence of government, apart from law and order, is equality and not growth, infrastructure, employment and price stability.

Government exists to reduce inequality and to increase equality.

To argue that equality is not necessary is to question the existence of government and make government redundant.