

Private Charity versus Government Entitlements

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There are many examples of federal government waste, but one of the most obvious is government entitlement programs.

It makes logical sense that private charities will be more efficient and effective than government entitlement programs. Private charities, unlike government programs, must answer to those giving voluntarily. Private charities have a vested interest in providing the best possible services to their recipients and donars.

Empirical Evidence

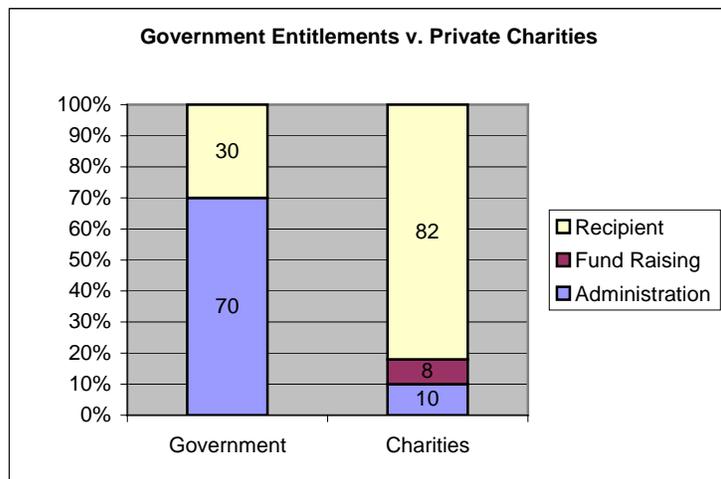
Michael Tanner Director Health and Welfare Studies at the Cato Institute testified to Congress that 70 cents (or 70%) of every government entitlement dollar goes not to poor people, but to government bureaucrats (1). It is astonishing when we compare this figure to private charities.

Information is critical to a free market society. There are several watchdog organizations that monitor the spending of private charities. One method that private charities are rated is the percentage of their budget that is spent on administration. According to Charity Navigator (2), one such watchdog for private charities, ***food banks & pantries only have 1.6% of their budgets used for administration***, community foundations have 7.6% of their budgets used for administrations, and private museums had the largest percent of their budgets going to administration, which was 18%. On average private charities spend about 10% of their budgets on administration.

Private charities will spend another 8%, on average, of their budgets on fund raising activities. It is important to note food banks and shelters

spend less than 3% of their budgets on fund raising. This means, on average, that recipients receive 82 cents of every dollar compared to government programs where the recipient only receives 30 cents of every intended dollar. Hence, ***private charities are nearly 3 times as efficient in the allocation of funds than government programs.***

Charity Navigator rates charities and assigns stars based upon performance. The charities receive between 0 and 5 stars. ***If government entitlement programs were rated based upon the same criteria as private charities, then government entitlement programs would receive zero stars –the lowest possible rating.***



Freedom Of Choice

Government entitlement programs are mandated and individuals have no choice or say in how their money will be spent. On the other hand, individuals that give to private charities have a choice on which charities they wish to support. Individuals, if they desire, can seek out those charities that best match their beliefs and goals.

Individuals can ask for, and many do, financial statements showing exactly where and how funds are distributed. If a private charity is not spending their monies efficiently and effectively, then donors can choose to stop giving. There are some private charities that are fraudulent, but when they are discovered the markets take care of them. Individuals can and do stop giving to these organizations.

Individuals would never choose voluntarily to give money to any organization where 70% of the funds are spent on administration. Yet, the government mandates this “charitable” giving to all taxpaying citizens.

Are people basically good or basically evil?

How often have we heard, “you cannot legislate morality,” but out of the next breath a person will argue it is societies responsibility to take care of the poor and elderly. Of course society being the government. When a person argues government must force (via taxation) individuals to be good, there is a presumption people are not good. This is basic premise of liberal thinking. In their philosophy one role of government is to force people to be good and to care about their fellow human being. On the other hand, I believe individuals are basically good and they have a basic desire to help their fellow human.

Effectiveness is the achievement of the desired objective

One could argue that there is no net impact to our economy by government being inefficient in the administration of entitlements. That means, that instead of the “poor” or “needy” receiving funds government bureaucrats receive these funds in the form of salary and other administration costs. The argument is that the economy is a closed system, so there is no net loss to the economy.

Clearly it is not the objective of a society to feed and clothe government bureaucrats. If 70% of all money intended for the poor and needy ends up as administrative costs, then government is not meeting their objective and not being effective.

Harvard economist Dale Jorgenson estimates that every dollar of taxes raised by the federal government costs the economy 18 cents. So a \$1 tax by the government intended for the poor and needy, reduces GDP by 18 cents. Out of \$1 spent on government entitlement programs, 70 cents is on administration. The true net loss to our economy is 88 cents (18 + 70) for every \$1 spent. ***This means out of every dollar the government***

spends on entitlement programs only 12 cents (or 12%) actually benefits anyone. In other words 88% is either wasted or is administration costs.

Conclusion

I am often puzzled by what logical argument or what evidence one would argue to support the claim government entitlement programs are more efficient and effective than that private charities.

One may argue that government entitlement programs are necessary even if they are inefficient and ineffective. But the facts are clear that private charitable organizations are more efficient (have lower administrative costs) than government entitlement programs. Perhaps 30 cents on the dollar is better than nothing. ***Instead of increasing taxes to expand entitlement programs, government entitlement programs need to be forced to have budgets that are similar to private charities.*** If they cannot reduce their administrative budgets, then they should be eliminated altogether.

Unlike private charities in which many are spiritually based, government entitlement programs are served cold. The Law prohibits government entitlement to be faith based or spiritually based. Any program that receives government aid will quickly lose that aid if they are faith based.

When we begin to examine government spending and management, the heart of some economic theories, we learn that most are inefficient and ineffective. Many government programs will actually have the opposite of the desired effect. One must question the viability of any economic theory that relies on government spending and management.

I believe there are some politicians who want to increase our nations dependency on government programs because this increases the power of the government. And of course, increasing the power of government increases the power of politicians.

Finally, anytime we compare private versus government programs, private programs will win hands down. It does not matter if we compare education, retirement, or charitable programs the result is always be the same. The bottom line is that government programs have no incentive to be efficient.

Sources:

<http://www.charitynavigator.org/index.cfm/bay/content.view/catid/2/cpid/48.htm>

<http://www.cato.org/testimony/ct-ta3-9.html>