

## Rethinking the modern welfare state by whatever name

*Nassau Guardian Editorial, Wednesday, August 10, 2011*

Bahamians should monitor closely the economic events in Europe and the United States. Several European countries such as Spain, Portugal and Italy are having trouble managing their debts. Other European economies such as Ireland and Greece have already been bailed out, but may still need additional help again soon.

There are fears that a European debt crisis could emerge creating conditions similar to the financial crisis of 2008, which led to the most significant recession since the Great Depression.

As Europe tries to fix itself, and there is no easy solution, a bitter debate in the United States over debt and spending rages. The U.S. has a debt-to-GDP ratio of around 100 percent that is growing. Conservatives want to see deep cuts to entitlement spending. Liberals want to maintain the social programs they think support a just society

The U.S. and Western European countries had high levels of debt before the financial crisis. The amount of money states used to support their economies after the crisis, however, significantly increased those debt levels. Now, tough decisions have to be made. The old levels of spending can no longer be supported. If they are maintained, collapse will eventually be the result.

The problem is that in modern states people have come to believe that they have the right to every benefit under the sun. Many think they should have free healthcare, free education, unemployment benefits, pensions, etc. In previous good times when these things could be afforded, politicians kept piling on benefits and giving subsidies to appease voters and financiers.

The time has now come in the western world to roll back these 'gifts' and rethink the role of government.

In truth, people do not have the right to any benefit or gift from the state. The whole idea of rights is too based on religious thinking and assumptions on what ought to be bestowed to humans by a mysterious divine source.

Countries, communities and social groups can only provide the level of entitlements that can be afforded. Governments can and ought to act as back stops for the downtrodden if they can afford to do so, and not otherwise. So, if you live in oil rich Norway, then the sky is the limit. That state can afford to spoil its citizens.

When you live in a developing society with a debt-to-GDP ratio approaching 100 percent, there is little the state can do for you.

Government should function first and foremost as a regulator. Its job should be to ensure that fair and open marketplaces exist, through which citizens can make a living. Government should also work to ensure the safety of the common area from internal and external threats.

Beyond this, all the other benefits a state could offer should be based on the resources at its disposal, after consultation with the people.

Under this mindset, it becomes easy for a country to make decisions as to the cuts necessary for growth in the economy to return. Wasteful programs and subsidies, to the poor, as well as to the rich, must be cut across the board in the West in order for taxes to be reduced and for the private sector to have more space to expand. Unnecessary and onerous regulations also need to be removed, creating a more favorable atmosphere for entrepreneurs to take risks.

Here in The Bahamas, we are burdened by more and more regulations and by a large and inefficient public service. Our solution, it seems, to the down times is to continue to impose more regulations and to pay the public sector come what may and to borrow and borrow to so do. We cannot keep this up forever.

It is obvious what needs to be done. But it will not be done until people here abandon the idea that a welfare state, by what ever name, is the answer.

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