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Ironically the Nanny State Most Hurts the Young

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Erasmia Dimoula is a 25-year-old woman from Greece. I have never met her or spoken with her. I learned from an [published in the *National Post* a couple of weeks ago that she is a nursery school teacher -- or rather, that she trained to be one. But in the two years since she qualified to teach nursery school she has only been able to work briefly, as a waitress. She is currently unemployed and lives with her parents.](#)

[But what makes Erasmia worthy of praise is her lucidity and the intellectual maturity she displays despite her young age. In this article she was quoted as saying, "I don't expect anything from any government, from any politician. I can only expect things from myself." She adds, "You have to take responsibility if you give your vote to these people. Then you'd have to shut up about what's going on."](#)

[In the last 60 years or so, the trend in much of the Western world has been to expect more and more from the state. Much of us expect that it will provide individuals with schooling, pensions, health care, and even vacations!](#) These are things that people used to provide for themselves or relied on their communities to provide. Corporations also receive financial and regulatory favours from governments.

Yes, there's something for everybody in the modern welfare state. But where did our politicians acquire the means to play Santa Claus to their populations? Most obviously, through the taxation of those very same populations, so that Peter is robbed to pay Paul, and Paul is robbed to pay Peter. And thanks to the "friction" that occurs during income transfers through the government machine, and because of the further inefficiency

generated by top-down government control, it's not even a transfer of one to one dollars that's taking place.

Most people tend to dislike taxes, but most people also want the benefits of government largess without having to foot the bill. In essence, they want something for nothing. But since the world doesn't work that way, politicians have to find ways to seem to be meeting this irrational desire.

One of those ways is monetary inflation, through which they print money. But with more money around, the value of each dollar decreases, so in reality inflation is a tax. To make matters worse, this influx of "phony money" into the economic system is what fuels those wealth-destroying boom-and-bust cycles.

The other main option for politicians who need to keep doling out benefits to voters who don't want to pay for them is that four-letter word: debt. Governments can borrow money to fund their activities. The debt that results, however, must be paid back someday, and with interest. This is a great way (from the politician's perspective) to tax voters that are not of voting age and, in some cases, that are not even born yet.

But, ultimately, government borrowing can lead to a debt crisis, which brings us back to the case of Greece. With a national debt level equal to [160 per cent](#) of gross domestic product (GDP), the Greek government has had to accept austerity measures in exchange for debt forgiveness and bailouts from the international community. As if Greece's national debt doesn't look bad enough, it jumps to a staggering [875 per cent](#) of GDP when unfunded pension and health-care liabilities are factored in, according to a recent [article](#) by Michael Tanner of the Cato Institute.

For decades, goodies have been gotten from governments around the world without being fully funded through taxation. Greece distinguishes itself only in a manner of degree. But even the United States, writes Tanner, is not looking much better, if at all. Its national debt now stands at 102 per cent of GDP, and when unfunded liabilities are included, that number soars to 480 per cent of GDP under best-case scenario assumptions, or, an astonishing 911 per cent of GDP -- worse than Greece -- under more realistic projections. However, its tax base is much stronger than Greece. Still, the fundamental trend at work is the same.

These dangerous levels of debt are the result of public spending levels so high that nobody wants to pay for them. Spending by governments at all levels amounts to 43 per cent of GDP in America, and slightly over [50 per cent](#), on average, in Europe.

But there is no such thing as a free lunch, and with 48 per cent unemployment for those [25 and under](#), the burden created by this situation in Greece is falling disproportionately on the young in the form of lost opportunities due to a stagnant economy.

In Greece, as in many other countries, established political parties from both the left and the right grew the state to irresponsible proportions in their competition for votes. Can the

same politicians who created the current crisis be counted on to repair the damage they've caused?

Erasmia is right to doubt that they can. In a democracy, politicians go where the votes are. The only way they can be counted on to stop promising people more than they can afford is for those people to stop asking for it -- in other words, to stop expecting so much from government and start expecting more from themselves and their communities.

Let's hope for the sake of Greece and for the sake of other welfare state countries, that there are a lot more Erasmia Dimoulas out there because, at the most fundamental level, it is people like her who will allow us to get out of our current mess. Not bailout plans or inflationist monetary policies.