As Europe laments welfare state, U.S. turns to it

By Michael D. Tanner

As President Obama meets this weekend with the leaders of the G-20 nations in Toronto, it is increasingly apparent that the United States and the European countries are headed in diametrically opposite directions.

The Obama administration has been racing to transform the U.S. into a copy of the European social-welfare system, while at the same time those countries are being forced to come to grips with the failure of that welfare state. Greece, Hungry and Portugal have received the most news media attention as their growing debt has threatened the viability of the euro. But all across the European Union, countries are discovering that they can no longer afford the massive cost of providing cradle-to-grave government benefits.

•**France:** The poster-child for euro-socialism is facing a national debt of 1.49 trillion euro, about 77% of its GDP. That doesn't count the unfunded liabilities of the country's state pension system, which may exceed 200% of GDP by themselves. Reforming the French welfare system has long been seen as politically impossible, but the fiscal facts have forced the French government to finally propose an increase in the retirement age. The French government is also selling off government-owned land and other property. And the French health care system has gradually been increasing co-payments and other forms of consumer cost-sharing.

•**Germany:** Every working person in Germany shoulders 43,000 euro ($53,000) in debt. In response, the German government has announced plans to cut more than 80 billion euro in government spending, nearly 3% of GDP, over the next four years. It has already announced 3 billion euro in cuts in this year's budget, including a reduction in unemployment benefits. The retirement age will be raised from 65 to 67 by 2029. Government universities, previously free, have begun charging tuition.

•**Great Britain:** England's national debt is a staggering 90,000 pounds ($133,000) per household. The new government of Conservative Prime Minister David Cameron has already announced more than 6 billion pounds in budget cuts. It plans to raise the retirement age under its Social Security system and abolish payments to parents of newborn children. The government also aims to implement U.S.-style welfare reform, including a work requirement for those receiving benefits.

•**Italy:** Even the notoriously dysfunctional Italian government has been forced to come to terms with a national debt larger than its entire GDP. Prime Minister Silvio Berlusconi has proposed more than 30 billion euro in budget cuts over the next two years, including a billion-euro cut to its national health care system, and a crackdown on fraudulent disability payments. Berlusconi also called for a three-year pay freeze for all government workers.

•**Spain:** Facing the country's worst economic crisis in decades, Prime Minister Jose Luis Rodiguez-Zapatero has slashed government spending by 15 million euro. Payments to the parents of newborn children were ended, and disability payments cut. The Spanish government also has proposed hiking the retirement age for men from 65 to 67.

These countries are discovering a basic economic truth: eventually you run out of Peters with which to pay Paul.

Meanwhile, the U.S. is well down the road toward a European level of government spending and debt. Already, the U.S. national debt tops $72,000 per household. The Congressional Budget Office projects the debt will equal 90% of our GDP by 2020. That would be higher than any of the countries mentioned above except Italy — and we are closing in on that mark quickly.

Last year, U.S. federal spending topped 24.7% of gross domestic product — nearly a quarter of every dollar earned in this country. As the full force of entitlement programs kicks in, the federal government will consume more than 40% of GDP by the middle of the century. And the trajectory of government spending is projected to keep rising beyond 2050, eventually hitting an unfathomable 80% of GDP, according to the CBO.

Kicking and screaming, Europe is realizing the folly of the welfare state and taking the first small steps to return to fiscal sanity. Alas, Congress seems more inclined to repeat Europe's mistakes than to learn from them.

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