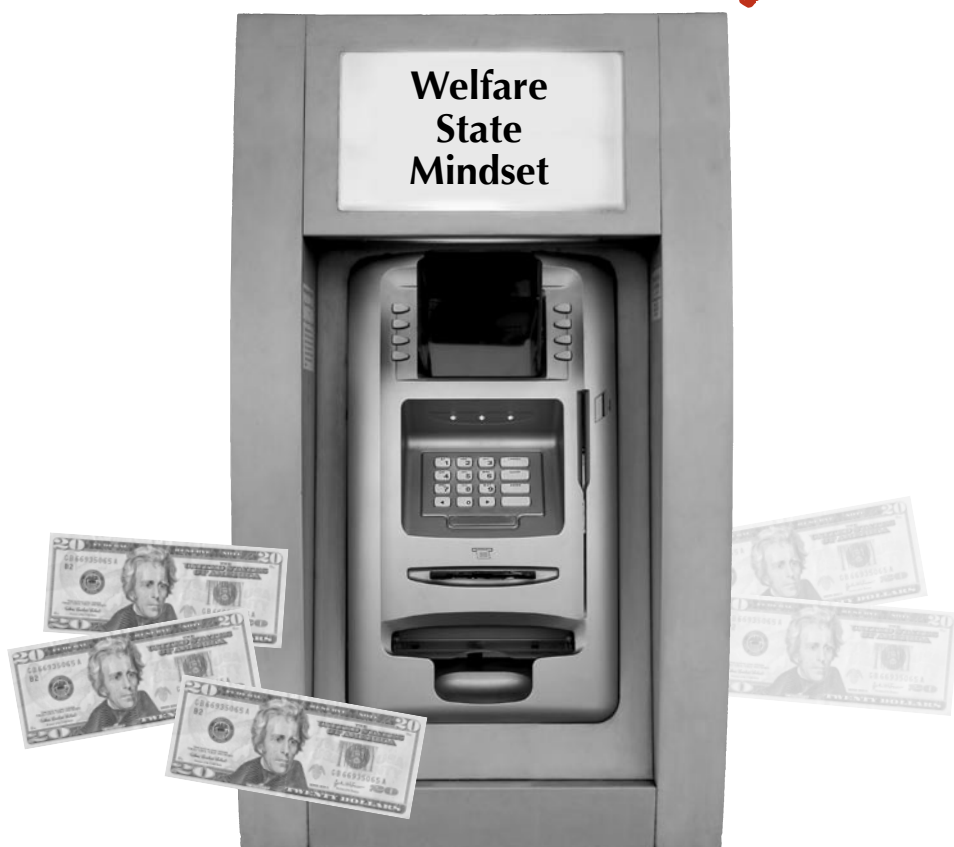


What the Government *Giveth,* the Government *Taketh Away*



By Peter Saunders

In the 20th century, the growth of the state was a worldwide phenomenon. Now in the 21st century, having second thoughts is a worldwide phenomenon, too. Following is a report from Australia. —Ed.

The welfare state developed to support people who could not afford to look after themselves: old-age pensions for elderly people with no savings; help for widows; child payments for families; allowances for unemployed people who couldn't find jobs; financial help with health costs for those who fall sick.

But Australia is now a much richer country than it was when these payments and services were first introduced. Economic growth has more than doubled living standards in the last 40 years (indeed, real incomes have risen 25 percent just in the last 10 years). Rates of growth this high have delivered a level of affluence that our grandparents could only have dreamed about. We buy houses that are bigger and better equipped than ever. We run cars. We take exotic holidays, and we think nothing of telephoning the other side of the world or flying to the other side of the continent.

This increased affluence should mean that most of us can afford to cover the basic necessities of life that our grandparents struggled to attain—things like private health insurance, personal unemployment savings or a retirement annuity. But here's the puzzle:

Given that the welfare state came into existence to provide necessities for those who couldn't afford them, and since we are all much better off now than we were a couple of generations back, why is the welfare state still getting bigger? If more people are in a position to look after themselves than ever before, shouldn't the welfare state be shrinking?

In recent decades, the welfare state has become one of Australia's biggest growth industries. For example, 40 years ago, just one working-age adult in 30 lived on welfare benefits. Today it is one in six. But the extraordinary expansion doesn't end there. Nowadays,

it seems almost everybody relies on government hand-outs in one form or another. If it isn't middle class parents enjoying subsidised school fees, it's affluent patients claiming Medicare rebates or young professionals getting taxpayers to share their child care costs. Even the wives of millionaires now claim family payments. We have become a nation of supplicants.

It didn't used to be like this. For most of our history, ordinary people looked after themselves and cared for their families from their own resources. If they needed help they turned to their families, churches, and charities, or

they banded together in friendly societies and trade unions to create mutual aid societies. But most of the time they expected to look after themselves and their families without seeking financial support from others. The norm was family self-reliance, and people were proud of their independence.

Over the last 40 or 50 years, as government spending has spiraled upwards, we have lost this spirit of self-reliance. We have learned instead to rely on politicians to give us the things we used to organise for ourselves. Our first instinct nowadays whenever we become aware of a problem is not to solve it ourselves, but to demand that the government do something about it.

The federal government has come to be seen by many people as a giant cash machine whose principal purpose is to spray money at them. We see this at federal budget time, when we ask what handouts the Treasurer has given us, and we see it during elections, when politicians compete for our votes by promising this or that group more goodies. Our democracy has come to look less like the Athenian polis and more like a bunch of spoiled children squabbling

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over their presents on Christmas Day morning.

Of course, the government has no money of its own to dispense. Every dollar that Prime Minister Howard directs at one section of the population, Treasurer Peter Costello has to take from another. As demands and expectations escalate, this means governments rob Peter to pay Paul, and then mug Paul to compensate Peter. The net result is that many of us end up no better off than we would have been had the government simply left us alone. What we receive in benefits, subsidies and services we lose in higher taxes. Everybody is paying for everybody else's handouts.

This is why the welfare state keeps getting bigger, even though the need for it is declining. We have developed a "welfare state mindset" that assumes any problem and any need has to be resolved by government. We therefore keep demanding that government do more for us, and politicians respond by taking even more taxes out of one pocket in order to stuff the money back into another.

There are few winners from this continuous expansion of government other than politicians and bureaucrats. High welfare spending (and the high taxes that go with it) empowers them, for it puts our cash in their hands. But almost everyone else loses.

When we hand money to the government, we relinquish our ability to make our own decisions and choices about how it should be spent. We allow career politicians and bureaucrats to decide what schools our children should attend, what sort of retirement pen-

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sion we should have, what kind of health treatment we should get. Like children, we are rendered dependent on a higher authority to determine many of the most important decisions affecting our lives.

Yet we actually need the government less today than ever before. Most of us today could afford to buy income insurance, health insurance, and a retirement pension—if only we didn't have to give so much of our

income to the government in taxes.

So we are trapped in a vicious circle. Because we give so much of our cash to the government, we don't have enough left to buy the services we need, and because we don't have enough left to buy these services, the government keeps raising taxes to provide them for us.

To break out of this circle, government must leave more of the money we earn in our own pockets. That way we can provide for ourselves rather than relying on politicians to look after us. Earlier generations (who lived in a world incomparably less affluent than our own) were perfectly capable of running their own lives with little support from the state. Given our level of affluence, we should at least be able to emulate their example. It is time to take back responsibility for running our own lives.

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