

Handout #3 – Articles

Read the following article and then answer the questions found on pages 2 and 3.

Nick Ottens (2012), “Southern Europe’s Woes, Failure of the Welfare State?,” *Atlantic Sentinel*, June 20, <http://atlanticsentinel.com/2012/06/southern-europes-woes-failure-of-the-welfare-state/>:

It is tempting for right wing commentators to equate Europe’s debt crises with the failure of the welfare state which, across the continent, is becoming unaffordable.

Charles Krauthammer made this case on the Fox News’ *Special Report* last week. “In the end,” he said, “it took this horrible recession and financial collapse to expose that fact and to make it unsustainable.”

The problem with that analysis is that even core eurozone economies that are highly competitive, including Germany and the Netherlands, have welfare states that may be unsustainable in the long term. They have higher pension ages and less generous unemployment benefits but in both nations, government spending accounts for roughly half of gross domestic product. But they’re not drowning in debt.

It not that they are welfare states that sets the high debt nations of southern Europe apart. It is that, far more than is the case in the north, the existence of extensive welfare provisions has fomented an entitlement mentality in the region that, in combination with a political system that is prone to clientalism if not outright corruption, makes for a deadly cocktail of decline.

Sam Bowman of the free market Adam Smith Institute hints at this when he [explains](#) why southern European governments are so hostile to the fiscal and market reforms (known as “austerity”) which they are expected to implement as a condition for financial support.

Clients of the state—the various interest groups comprising interconnected banks, public sector workers, pensioners, subsidized and otherwise protected businesses and others—appear to be so embedded in the political fabric of the eurozone states that policies for the good of the country, such as orderly bank defaults or radical competitiveness reforms, are impossible.

It is not something that can’t be overcome. Sweden, during the 1990s, demonstrated quite convincingly that even a country that is deeply ingrained in a philosophy of collectivism, can escape the cycle of self defeating corporatism if push comes to shove.

The Greeks, the Spaniards and, to a lesser extent, the Italians don’t seem prepared to accept the sort of changes that the Swedes enacted at the time and which have made theirs one of the most competitive and prosperous economies in the world.

Asia Times Online’s Spengler columnist believes that the critical difference between north and south in one of mentality. [He writes](#), “the Mediterranean countries combine a premodern hostility toward central government with a postmodern indifference to the national future.”

At just 1.4 children per female, Italy and Spain have some of the lowest fertility rates in the world, which is to say that its citizens are unlikely to sacrifice their pleasures and prerogatives for a national future to which they do not contribute by raising children. Neither country's elite evinces a sense of national obligation. To pay taxes is to play the fool.

This certainly applies to Greece in great measure where tax evasion is rampant and millions voted for a political party that promised to tear up the terms of the country's €130 billion bailout even if they wanted to remain part of the euro.

But Spengler also points out that there is an exception. In Portugal, voters seem by and large resigned to the austerity measures that are being implemented in exchange for a €78 billion bailout. Portugal's labor participation rate is much higher than Greece's while the informal sector is smaller, something Spengler sees as evidence of a greater "public spiritedness" on the part of the Portuguese people.

So it's not just the welfare state nor can we blame southern Europe's problems on a Mediterranean sense of civil duty (or lack thereof) for Portugal stands out. Then what?

1. What do the articles say about welfare spending? Bailouts? Debt?

2. Can you detect any bias in these articles?

3. Do you think austerity measures should be put in place? For how long? For which countries?
