

Democracy versus Bureaucracy

by *Richard W. Rahn*

As welfare state advances, individual liberties diminish

The financial crisis in Europe has resulted in the appointment of new prime ministers in both Greece and Italy, in reality, by the Germans and French, rather than through the ballot box in Greece and Italy. This raises the question, "Is it possible to have both a bureaucratic welfare state and a democracy that protects individual liberties?"

In the United States, as well as most other countries, the people are increasingly governed and regulated by unelected bureaucrats who create "administrative law." The rise of the bureaucratic state, at least in the U.S., is only about 80 years old. The number of federal employees grew slowly over the first hundred years of the American Republic so by the time of the first Grover Cleveland administration in the 1880s, there were still fewer than 100,000 federal civilian employees. By 1925, the number had grown to about a half a million, and now there are almost 3 million civilian federal government employees, plus another 17 million state and local government employees. Many government services are now contracted out, such as printing and maintenance, so the proportion of government employees engaged in some sort of regulation, rather than providing a service, has risen.

The war on terrorism and the ongoing global financial crisis have resulted in a great increase in the power of unelected officials. It is true that elected officials are the ones who have created the bureaucracies that reign over the people, but that fact does not mean that either the will of the people or their liberties are being protected. There are two fundamental reasons for this trend: The first is as government takes on more and more functions, its complexity and size grows, making it increasingly unmanageable. The second reason is that politicians promise the people more than can be delivered, and when the time ultimately comes to pay the bill,

the politicians have a great incentive to duck and try to delegate the decisions to others (e.g., the supercommittee), so they do not have to take direct responsibility.

When the elected (now deposed) Greek Prime Minister Georgios A. Papandreou, said that he wanted to submit the austerity program being imposed by the other eurozone countries to a vote of the Greek people, he was quickly forced by the German and French leaders to rescind the proposal. He was then required to step aside for an unelected "technocrat" to carry out the austerity program, which the Greek people would probably have rejected. In a similar vein, anyone who has seriously looked at the numbers knows that the U.S. Medicare program must be cut back. Only a few politicians, such as House Budget Committee Chairman Paul Ryan, are willing to stand up and state the obvious and propose real solutions. The others do their best to hide, with the aid of a compliant press, as they have done with Obamacare. One provision of the new health care law empowers unelected panels of technocrats to make reductions in Medicare benefits each year in order to hit budget targets. This enables the politicians to claim they are not responsible for the cuts, but someone behind the tree is.

All of these nondemocratic procedures are designed to thwart the will of the people and ultimately, individual liberty. None of these observations is new. F.A. Hayek, in his best-selling book, "The Road to Serfdom" (1944), argued that socialism and the welfare state would ultimately lead to a totalitarian society. Other wise economists and political scientists, including James Buchanan, Gordon Tullock, Richard Wagner, William Niskanen and James Q. Wilson, have written influential books and papers in the past half-century, warning about the rise of the bureaucratic state.

What is new is that due to the global financial crisis, the rate at which democratic control and individual liberty are being destroyed has greatly accelerated. Most of the world's developed democracies, including the United States, are running unsustainable budget deficits with ratios of gross domestic product to debt spiraling out of control. The electorate in most countries

is in denial and votes against politicians who act to cut back the unfundable "entitlements." Hence, power to make the necessary changes is delegated to authoritarian bureaucrats and central bankers who understand their job is to destroy the value of the government debt by inflating the currency through the printing press.

Despite the depressing global situation, there are glimmers of hope. There are a couple of examples of developed democratic countries that were headed toward a Greek fiscal meltdown but were able to summon the political will to make necessary changes in spending, taxing and regulations. Sweden and Canada are perhaps the two best examples of countries where the politicians across the political spectrum were able to come together in the mid-1990s to make necessary changes. Canada sharply cut back government spending and greatly reduced its GDP-to-debt ratio. Sweden now has the least progressive tax structure (other than the flat-tax countries) of the developed economies, so most Swedes realize if they demand more government services they are going to have to pay for them, rather than some invisible "rich" person.

Control by the electorate in the United States will continue to diminish as long as the people demand more from government than they (not someone else) are willing to pay for and the economy can support. The loss of democracy might be tolerable if judges would start demonstrating some courage in protecting the liberties of the people against the unelected bureaucrats as the Constitution requires them to do. Short of these changes, it is hard to be optimistic about the future.

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