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Democratic Dreams

How impossible policies endanger liberal democracy

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Abstract:

‘Impossible dreams, destructive policies’ is the summary of the self-inflicted wounds of our liberal democracies. We have made promises that are contradictory or impossible to fulfil, mainly free education, universal healthcare, unemployment benefits, minimum wages, thought control, gender levelling, collective and group advancement. This has given rise to disappointment, anger, dis-legitimacy, imposition, rebellion – all incompatible with individual freedom and social progress. The Welfare State does not function or functions too well.

The aim is equality of results through direct levelling or, more moderately, through policies fostering equality of opportunity. The moral engine of such aberrations is the hope that humanity will get rid of private property, competition, and specialisation, so that it will be “possible for me [...] to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman, or critic”. But Utopia is a dangerous place.



"The slumber of reason begets monsters". Francisco de Goya, 1799.

Democratic Dreams

How impossible policies endanger liberal democracy

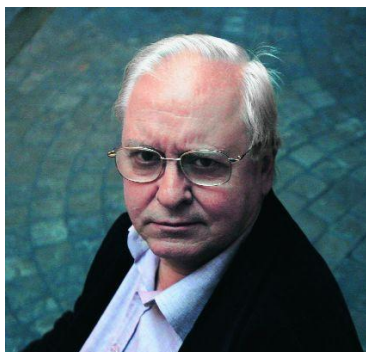
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“There ain’t no such thing as a free lunch”
Robert E. Heinlein
The Moon is a Harsh Mistress (1966)

The reaction of democratic societies to the financial crisis of 2008 and the COVID pandemic of 2017 have made middle of the road liberals fear that the ‘liberal order’ created in the 20th century is in danger. They see well-armed barbarians challenge the institutions that were designed after WWII in search of perpetual peace; they watch democracy increasingly taken over by strong-arm leaders in many parts of the world they suffer young rebels in their midst who join racial and gender groups that reject civilised discussion and dissent; they lose sleep over crowds of immigrants pressing at their half-closed doors; they themselves question globalisation because their middle and working classes seem unable to resist the competition of Third World goods and services... Why is their ‘liberal order’ falling apart?

One may ask, what liberal order? The half-way house that they have built is showing cracks. Its moral foundations are wanting. Their object, they maintain, is to enlarge a *beneficent* Welfare State and reduce *obscene* inequalities, as they are usually described by the enemies of freedom. But in the long run the Welfare State does not deliver the goods. Human nature must be considered. In countries where people can be trusted to honour their word, abuse is only occasional. In these situations, it has been observed that the Welfare State is entrusted with wider tasks. As time passes, however, groups or even whole countries become less conscientious. Scrounging multiplies, irresponsibility spreads. James Bartholomew, in his book *The Welfare State We’re In* (2013), felt able to attribute the decay of civil morality in Britain to the irresponsibility fostered by the nanny State. The picture he paints of falling standards in State schools, the lack of politeness and consideration among teenagers, the brutality of English football fans, or the growing number of unemployed single mothers who live on charity while absconding fathers take no responsibility for their offspring, should make one question the rosy view of the modern ‘liberal’ society.

The Welfare State does not function or functions only too well. In some countries it is stifled by bureaucracy and eroded by cadging. In others it becomes an instrument of social engineering,



where unelected officials are intent on shaping society after their own prejudices. Even in Scandinavian countries moral standards have been eroding. In Sweden, a thorough reform of its welfare system was carried out after the great crisis of the 70ies. Immigration from far-away lands has made the administration of its social services more difficult. Health and school vouchers, previously seen as an abomination, were introduced to open schools and hospitals to competition. Paradoxically the welfare programs have become more

general – and more paternalistic. In Finland the State subsidizes the young so they can leave home. The old live alone, cared for by an all-seeing bureaucracy. The kind of society resulting from all-encompassing social engineering may not be to the taste of everybody, especially those who value the family.

Enter the economist

When confronted with these utopian dreams the economist is the spoilsport. Sergio Ricossa in *La fine dell'economia* (2006) presents utopian ideas as a hankering after perfection when that one blessed day in the future time will stop and there will be no need to work, no use for money, no private property, no trade.

In the meantime, the economist will insist on pointing out the opportunity cost of whoever we choose to be or whatever we decide to do. The notion of opportunity cost is another way of expressing the second law of thermodynamics. Whenever we use energy to create order, we increase the amount of unusable energy, we increase disorder or entropy in the rest of nature. Anything we do has a cost. Utopia is nowhere. However, the perfectionists, as Ricossa calls them, often exact a terrible price in the name of the perfect society they want to build.

Welfare policies proposed or applied always have a cost. If that cost is not reckoned with then those policies turn out to be counterproductive and cumulatively so. Thus, once it is realised that pay-as-you-go state pensions in the garb of a State insurance are unsustainable, governments start to finance them with debt – which is delayed taxation. When public schooling fails precisely where it is most needed, in the teaching of the poor, governments pour money into their inefficient institutions instead encouraging parents to choose the kind of education they prefer. Once it is noticed that high taxes lead to tax avoidance, tax evasion, and lower growth, the answer is to spread the fiscal net wider. Or when rent controls lead to scarcity of homes, high rise social housing is subsidised, which then leads to HLM ghettos in France, or decaying Puerto Rican West Side Story tenements in America. These examples of 'liberal' interventionism and their unintended and unwanted consequences could easily be multiplied: legislation by government Agencies that abuse eminent domain; administrative regulation of professions leading to sectoral monopolies; tariff and non-tariff barriers that reduce consumer choice – the list is unending. As I say, the promise is to enlarge the Welfare State and reduce inequalities. When the effects promised do not come true, disappointment brings disaffection, disaffection turns to anger, anger poisons democracy and leads to populism.

One can pose two different but related questions when confronted with such unmitigated disaster: an empirical question and an ethical question. The empirical is to apply the theory of public choice to explain the unwanted malfunctions of democracy, on the assumption that the will of the voters is muddled by interest groups or self-interested representatives. This is what Persson and Tabellini (2003) have done when analysing the economic outcomes of different constitutional rules and conventions. Thus, they examine how presidential *versus* parliamentary forms of government, or first past the post electoral laws *versus* proportional representation, shape economic policy outcomes. The other way is posing the ethical question previous to Persson and Tabellini's fascinating empirical study. This essay will point at the moral failings of liberals *à la américaine* that make them incapable of even seeing the danger to which their political philosophy exposes western democracy. Especially to be blamed on this count are the philosophers and historians who by their myopia want us to go back to the

Leibnizian order of the past as the best of possible worlds before the present disorder; or the Hegelian view of the future where the cunning of History will lead us to the perfect society.

The philosophy of entitlements, the comfortable feeling that progress and even mere survival can be left in someone else's hands makes citizens incapable of bearing the sacrifices that freedom demands. Entitlements that people consider their right divert their attention away from individual responsibility and weaken the resolve to resist the powerful. A refusal even to discuss the need to roll back the Welfare State closes the door on ways to correct public choice defects. Liberal democracies seem less and less ready to create an atmosphere of independent research essential for the safety and progress of the free world. A society that resists what Schumpeter called 'creative destruction' ¹ in such fields as international trade, fiscal policy, or technical progress lacks the resolve to stop the erosion of personal and political liberties. The ideal of a fully regulated society has an hypnotic effect on minority groups, as can be witnessed in American universities, where a reborn Holy Inquisition persecutes people who do not tread the correct political path.

Geopolitics

The argument of the President of the Russian Federation that his country has a right to an extended *Lebensraum* for its safety are unwittingly backed by the present-day colourless fashion to view the world in terms of 'geopolitics' and 'zones of influence'. Geopolitics implies a noncommittal view of military powers in search of lordship, parochial or worldwide. In peoples' minds States and nations seem to acquire nearly human personality with quasi-personal interests and objectives. Such an attitude demotes individualism from its role as the *idée force* of our civilisation. Rather than manoeuvring the balance of powers, Western societies must think in terms of defending our civilisation by organising a prudent defence and unleashing the creative capacity of the individual in a free market.

We must not fall into the trap of ethical agnosticism. Not all empires deserve the same consideration nor should be judged *en bloc*, as Felipe Fernández Armesto says when writing of the Spanish empire, which he calls *An Empire of Engineers* (2022). It would also be a mistake to put the Athenian maritime empire on a level with the Spartan Confederacy, or Rome with the peoples the Romans called Barbarians, England with Napoleonic France, and our Western democracy with the authoritarian regimes vying to displace it. But the American maritime empire would be more easily seen as a bulwark of freedom if a stop were put to the drift towards socialism in the US and its allies.

The secular growth of the Welfare State

The roots of the Welfare State go back well before Roosevelt's 1933 New Deal or Beveridge's 1942 *Report*. Around 1860 a barely noticed change in opinions and policies signalled the

¹ It is often forgotten that Schumpeter felt great sympathy for Marx and in his (1942) defended socialist planning: only a Socialist authority would be ready to impose creative destruction on reluctant citizens.



beginning of the decay of classical liberalism. Strangely enough, it was at the time when real wages had started to climb in earnest and cyclical crises moderated that 'capitalism' became the butt of unremitting attack. Exploitation and anarchy became the byword of Christian and Socialist descriptions of the free market.

Intellectually the change started within the liberal camp. In 1848, John Stuart Mill opened the door to policy proposals that the Ricardians had ruled out before as unscientific. He separated the laws of production (based on savings and investment and governed by competition) from the laws of distribution (which mankind could change at will). In a way, his was a failed attempt to accept social reform while keeping social reformers within the pale of economics. True, most British economists including Mill and practicing politicians, especially Gladstone remained staunchly in favour free trade. The Cobden-Chevalier Treaty of 1865 had drastically reduced trade barriers between the UK and France and contributed to commercial liberty by means of the 'most favoured nation clause'. Also, Mill wanted his ideal society of cooperatives to maintain free competition. But the drift towards interventionism was unstoppable. In 1871 the UK Parliament declared trade unions exempt from damages for breach of contract and strikes. That opened the door to the growth of Union power in the UK until Lady Thatcher.



The tide against the free market was even stronger on the Continent. Germany's Chancellor Bismarck (a careful geopolitical planner and no megalomaniac) showed the way to using economics to political ends, with steps surprisingly similar to those taken by the European Union today. He started by taking advantage of the *Zollverein* to build a domestic single market protected from outside competition. Then he rebased the German currency union by adhering to the gold standard with the help of the indemnity paid by France in 1870. In 1879 he broke away from the free trade trend of the Continent with a Tariff based on the *Eisen und Roggen*

Koalition of industrialists and Junkers. Then he stole the clothes of the Christian socialists and the *Sozialdemokratische Partei* by launching a new social policy, to which liberals at the time applied the moniker of State Socialism: the Health Insurance Act of 1883; the Accident Insurance Act of 1884; the Old Age and Disability Act of 1889. Though Bismarck was dismissed by the new Emperor in 1890, his interventionist policies proceeded on their way with the Workers Protection Act of 1891 and the Children's Protection Act of 1903. These policies soon had imitators outside Germany. In France, Méline's 1892 Tariff brought to a close the free trade tradition of Cobden and Chevalier in France soon imitated by its commercial partners. Spain and Italy passed their protectionist Tariff laws and introduced social measures in the years before WWII. The New Zealand Pension Act was passed in 1898. In 1908 pay-as-you-go old age and invalid pensions were introduced in Australia. And the impression made on Lloyd George by the German welfare measures he saw in operation in his 1908 visit to Germany no doubt inspired his 1909 'People's Budget'.

The point of looking back at welfare measures that may seem remote is that socialistic policies must be evaluated in the long term. Reforms that look positive or harmless when introduced often backfire in the long run. Roosevelt's New Deal was falsely credited with reversing the

harm caused by the Great Depression and left an indelible collectivist mark on the US economy. The poisoned effects in Britain of the 1942 Beveridge *Report* are still felt today, both in social philosophy and in welfare policy.

The size of Welfare States round the world

An observable fact is that public social spending tends to increase with the passage of time in most if not all members of the OECD. I have appended a statistic showing this phenomenon in the first twenty years of the present century. The fact that only six countries out of 32 do not show a ratchet effect in social spending after the 2018 financial crisis bodes ill for the COVID 19 increase to come.

These conclusions should be firmed by more data and a more thorough econometric analysis, but we can still see that on average one fifth of GDP is devoted to public social spending in the OECD, to which one should add education, and thus question the classification of these countries as capitalist.

PUBLIC SOCIAL SPENDING

↕	Country	2019	2018	2010	2005	2000
1	France	31.2	31.5	30.7	28.7	27.5
2	Belgium	28.9	29.0	28.3	25.3	23.5
3	Finland	28.7	30.8	27.4	23.9	22.6
4	Italy	28.2	28.9	27.6	24.1	22.6
5	Denmark	28.0	28.7	28.9	25.2	23.8
6	Austria	26.6	27.8	27.6	25.9	25.5
7	Sweden	26.1	27.1	26.3	27.4	26.8
8	Germany	25.1	25.3	25.9	26.3	25.4
9	Norway	25.0	25.1	21.9	20.7	20.4
10	Spain	23.7	24.6	25.8	20.4	19.5
11	Greece	23.5	27.0	23.8	20.4	18.4
12	Portugal	22.6	24.1	24.5	22.3	18.5
13	Luxembourg	22.4	21.8	22.9	22.4	18.6
14	Japan	21.9				
15	Slovenia	21.2	22.8	23.4	21.4	22.4
16	Poland	21.1	20.2	20.6	20.9	20.2
17	United Kingdom	20.6	21.5	22.8	19.4	17.7
18	Hungary	19.4	20.6	23.0	21.9	20.1
19	New Zealand	18.9				
20	Czech Republic	18.7	19.4	19.8	18.1	18.0
21	United States	18.7	19.3	19.3	15.6	14.3
22	Estonia	18.4	17.4	18.3	13.0	13.8
23	Australia	17.8	19.1	16.7	16.7	18.2
24	Canada	17.3				
25	Slovakia	17.0	18.6	18.1	15.8	17.6
26	Netherlands	16.7	22.0	22.1	20.5	18.4
27	Latvia	16.2	14.5	18.7	12.2	14.8
28	Lithuania	16.2				
29	Israel	16.0	16.1	16.0	16.3	17.0
30	Switzerland	16.0	19.7	18.4	18.4	16.3
31	Iceland	16.0	15.2	17.0	15.9	14.6
32	Ireland	14.4	16.1	22.4	14.9	12.6
33	Turkey	12.5				
34	South Korea	11.1	10.4	8.3	6.1	4.5
35	Chile	10.9				

Source: >https://en.wikipedia.org/wiki/List_of_countries_by_social_welfare_spending> Accessed 09v22

A point to be remarked is the proportion of social spending on GDP in the USA: it is low as regards 'public' spending but not so when private social spending is included. The difference indicates the importance of private social spending in the US. However, if we take a wider view and look at what is called 'mandatory spending' on entitlements in the US, the picture darkens. The Congressional Budget Office foresaw in 2019 a growth of entitlement programmes to 65% of the federal budget and over 15% of GDP in 2021.

TOTAL NET SOCIAL SPENDING

↕	Country	↕	2015	↕
1	France		31.7	
2	United States		30	
3	Belgium		26.7	
4	Netherlands		26.3	
5	Denmark		25.4	
6	Italy		25.4	
7	Finland		25.3	
8	Germany		24.8	
9	Sweden		24.5	
10	United Kingdom		24.5	
11	Austria		24.3	
12	Switzerland		23.7	
13	Australia		23.5	
14	Japan		23.5	
15	Portugal		23	
16	Spain		22.9	
17	Greece		22.4	
18	Norway		22	
19	Canada		20.9	
20	OECD Average		20.9	
21	Slovenia		20.6	
22	Czech Republic		18.6	
23	Luxembourg		18.2	
24	Iceland		18.2	
25	Hungary		18.1	
26	New Zealand		17.6	
27	Slovak Republic		17.4	
28	Israel		16.5	
29	Ireland		16.1	
30	Estonia		14.9	
31	Latvia		13.7	
32	Chile		13.3	
33	South Korea		13	
34	Turkey		11.2	
35	Mexico		7.7	
36	Poland		0.9	

Source: < https://en.wikipedia.org/wiki/List_of_countries_by_social_welfare Source: _spending> (Accessed 09v22)

Two champions and one villain

As the OECD shows in its *Social Spending Report* of November 2020, the largest items in public social expenditure are pensions and healthcare, with an average in OECD nations of 5.6% of GDP for health and 7.8% for pensions. Though the tradition of a public health service is even more long standing, I will set it aside because it deserves to be discussed in depth another day. The controversy around 'Obamacare' suggests that it cannot be treated in a hurry.

Time presses. I will content myself with illustrating the problems plaguing us with two telling cases: public pensions and state education. Public pensions are an example of irrationality: everybody knows they are not sustainable, and everybody wants to keep them unchanged. And when the solution through systematic savings has been found, as in Chile, a young ignoramus is elected President and vows to undo a system that has functioned well for more than forty years. Although State education is not usually classified as a social service, it is public activity that one way or another has been intervened by public authorities for the last two centuries and a half and with dire results.

The champions of my tale are José Piñera (1948 -) on pensions and James Tooley (1959 -) on education. The destructive villain is a populist philosopher in Latin America, Ernesto Laclau (1933-2014).

Capitalised pensions: Dr. Piñera

From an aggregate point of view there are three kinds of public pension systems: pay-as-you-go, employment, and capitalised. Incentives and risk make them very different. In pay-as-you-go, pensions for the retired are financed by current contributions the employed and are in effect a tax on employment. There is no incentive for people to save for their pensions and there is the risk that a needy Government will break the implicit contract between generations. That contract is not cast-iron, as the case of Argentina shows: in 2008, President Cristina Fernandez de Kirchner expropriated the private pension funds of 9.5 million Argentinians with the pretext of 'guaranteeing' their pensions on the faith of the government. What really happened was 60% inflation and debt default. Company pensions are no solution as they run the risk of bankruptcy, suffer from non-portability, and must be changed from defined pensions to paying defined contributions.



In Chile José Piñera, the great pioneer of well-funded pensions based on personal savings, moved the country's pensions to a capitalisation scheme. Piñera was minister for Labour and Social Security in Chile during the Presidency of general Pinochet, a point always used by the critics of his system. Capitalisation means that workers, who are deducted 10% of their wages or salaries, become personal proprietors of the investment and returns of their savings. The amount accumulated at the end of a working life shows the effect of the miracle of compound interest.

This contrasts with the pay-as-you-go systems current in most countries. In this system the amounts deducted go to cover the pensions of the pensioners of the moment, in the hope that future generations of people at work will be willingly paid to the retirees of that time. However, the longer the lifespan and the relatively smaller the cohort of the employed, the more unsustainable the system. In Spain at least, social security deductions are 29%, of which 7% are deducted from the employees' pay-cheque and 22% are borne by the employer. Two features must be noted. One is that these deductions cover not only the pensions of the retired but also insurance against unemployment, but Health and Education are funded separately. The second point to be noted is that in a country with a high rate of unemployment most of the charge will be shifted to the worker, who must accept to be hired for a lower net wage, so that these social security contributions are really a tax on labour.

Why the resistance to a capitalised pension system? The reasons are weighty. One is that the income of the retirees must be covered after people at work start saving for themselves rather than for the pensioners. This means higher taxes or more debt. Another difficulty is that quite a number of people may have been unemployed or been out of the labour market for sizable periods, as will be the case of women (especially the unwed) who have had children. Finally moving to capitalised pensions is more difficult as the population becomes older, since existing pensioners and aged workers on the old system do not receive the funds of the young now saving for their own retirement. He pointed that Pay-as-you-go systems are very dangerous in any regime but especially for democracy. Imitated partially or *in toto* in some 30 countries round the world. In Chile the system has lasted now for more than forty years and has shown one year with another, 7-8 % real returns, despite recurring world financial crises. The accumulated funds amount to 80% of Chile's GDP. That is why Dr. Piñera suggests partial and progressive introduction of capitalisation. Sadly, Chile where it all started is going down the drain.

The private reply to public education: Prof. Tooley

Dr. James Tooley, now the Vice Chancellor of Buckingham University, is well known as an innovator in a crucial sector, the education of the world's poor. His research in the capacity of private enterprise good education to the poor in developing countries reinforces our belief that good education can be supplied by private for-profit schools. He has put the unexpected conclusions of his research to good use as an educational entrepreneur and thus has reinforced our intuition that widespread public intervention in the field of elementary and secondary schooling does more harm than good.

The first duty of educational free marketeers is to read Tooley's book *The Beautiful Tree. A Personal Journey into How the World's Poorest People Are Educating Themselves* (Cato Institute 2013). Tooley started his travels of discovery in India. The officials there gave him the reply he was going to hear in other deprived locations he would visit: "Private schools are only for the rich. There are no private schools for the poor in Hyderabad." Indeed there were. The



buildings and facilities were elementary, but the teachers taught, and the average charge was the equivalent of \$1 a month. State schools in the district were free but the language of instruction was Urdu, while the for-profit schools for the poor taught in English. In the final count in India, says Tooley, would turn out to be some 300 thousand low-cost schools among the poor in India.

In Accra the capital of Ghana the picture was similar. Again, the minister and the officials detailed by international aid institutions denied there were any for-profit private schools in the city, "except for a few out to fleece the poor". In Accra the cost of private schools was an average \$5 per month. The question was, why did the parents not send their children to State where the tuition was free of charge?

In Nigeria, he visited 32 private schools in a shanti town of Lagos. The videos presented at the Rafael del Pino foundation and TEDx are well worth watching. At this fishing village on stilts people go around with water up to their ankles. In this desperately poor location three fourths of children attended private schools most of them unregistered. A father told Tooley the story

of how he went to complain at the State school that his daughter had only learnt to write the number 1 in four years of schooling. The police came to arrest him.

In Monrovia, after careful door to door interviewing, he came to the figure of 57% of Liberian children went to private low-cost schools and 0.5% to government schools, and many did not go to school at all.

Even more telling was his visit to Guang Zhu, one of the poorest parts of China. When he said he had found private schools for the poor in the mountainous parts of the province, the official replied that his tale was “illogical” because the Popular Republic of China guaranteed free education for all the children in the country. So it was impossible that such schools exist. Tooley found 586.

QUALITY: “Omega cooperative”

Tooley always refuses to extrapolate his findings on the education of the poor to the US or Britain, but I wonder if we could not say the same for the poor in developed countries. School choice might be necessary when the teaching profession is unionised and parents are led to changing their address to be choose a better school for their offspring. Now comes the populist villain.

Ernesto Laclau, the philosopher of populism

People will be surprised to hear that there could be such a figure as that of a philosopher of populism. In fact, the late Ernesto Laclau (1933-2014), born in Argentina and long-time resident in England under the wing of Eric Hobsbawm. As an academic at Essex University, he became the head of a school of mainly Latin American political writers remotely influenced by Antonio Gramsci (1891-1937).²

What! Is populism more than a congeries of demagogues? It certainly is more than that. The philosophy of populism and more concretely the doctrines of Laclau are evidence for the case I adduce that the unrealisable promises of the Welfare State are a source of the crisis of the liberal order witnessed at present.

These unfulfillable ‘demands’, as Laclau calls them, are the source of the impossible expectations that populists use as instruments to transform society into a populist democracy. At the start, Laclau said, these demands are a sum of disparate claims that the populist politician must fuse into a single clamour. Discontent must be put to a political use. Those unfulfilled dreams are the means to be used by populist leaders for their task of building a ‘people’. Then it will be realised that populism is a divisive ideology – them and us, the oppressors and the people.

Populism is Rousseau, Hegel, Marx, Freud, Wittgenstein, Heidegger, Lacan, all rolled into one. For the populist philosopher and politician, the collectivity is the protagonist, not the individual as for us liberals. Conflict between those ‘at the top’ and those ‘at the bottom’ is the norm of social life.

Laclau proclaimed himself a democrat, in a peculiar sense of the expression. So does his Belgian wife Chantal Mouffe. So do the young politicians who followed him as their *maître à penser*. The role of a populist politician is not to represent the preferences of people and work for their realisation. ‘True’ democrats must construct a ‘people’ out of the poor, the exploited,

² Martin Retamozo (2017)

the oppressed, who do not yet perceive how degraded their situation is in an unjust society. Laclau uses the concept of 'equivalence' to show that at bottom all those unfulfilled demands of the Welfare State are one and the same thing. Populists must denounce all situations of subordination in class, ethnicity, colour, gender, ecology, ... These situations, apparently disparate when seen in the raw, should be fused and turned into dimensions of the collective identity of the oppressed. Populists must construct a "people as a collective actor." Then the unfulfilled social demands become 'equivalent' (an identification much underlined by Laclau). The joining of all those situations of oppression and exploitation into one category makes it possible to fight neo-liberalism, to counter capital, racism, patriarchy effectively. True democracy is to put the media, the judiciary, Parliament, the economy at the service of the sovereign, the people. The Opposition must be slowly expunged from Congress and from local government. The role of the media is not to stand aside and criticise but to help build a 'people'. The separation of powers is a fools' errand. Checks and balances are a denial of the sovereignty of the people. The transformation of discontent into political violence is the way towards an egalitarian democracy, the final goal of the populist.

Populists have made a technical discovery in Latin America. The East European communists were wrong to build a Wall and stop people from leaving the Soviet Bloc. The Cuban communists are also wrong in keeping their people pent up on the island. They should all have followed the Venezuela in letting the opponents of the regime leave the country in millions. In that way the leaders of the Revolution can rule over a docile citizenry. In any case, not to worry: whole populations trying to escape them, say the populists, will have nowhere to go, since the whole of Latin America is careering down the one-way road of populism.

Conclusions

"The slumber of reason begets monsters". My thesis in this essay is that the dream of a harmonious and egalitarian society, where there is no private property, where clashes and violence are things of the past, where even peaceful competition has given way to cooperation, where we can develop our capacities to the full without having to choose or specialise, is a dangerous illusion. A necessary condition for such a happy state is that the machinery of production should work on its own without any person overseeing or directing it. Then, as Marx and Engels wrote in the *German Ideology*, a world of abundance will make it "possible for me [...] to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman, or critic". This calls for two remarks. The first is that the populists of Latin America are nearer to Nietzsche than Marx, for they do not think the good society will come by on its own, but that conflict is a necessary characteristic of political life. Populism is a philosophy of the will rather than of reason and the laws of history. The second remark is that the half-way house built by social democrats from the time of Mill seduces by its resemblance to the happy utopia of Marx and Engels' *German Ideology*.

When confronted with the Welfare State one can adopt two complementary attitudes: a public choice analysis of the causes of its failures and an ethical examination of the indifference to its dangers. From an ethical point of view seeing entitlements as rights weakens individual responsibility. and the readiness to bear the sacrifices demanded by personal freedom and political liberty. Philosophers and political writers are complicit in these defeatist attitudes. All the realistic talk about geopolitics should be seen as a neglect of the duty to defend our civilisation from an ever more barefaced assault by the enemies of freedom.

The Welfare State is a long-range development starting at the height of the liberal century. It is at present growing apace around the world helped by the anguish of the financial and the pandemic earthquakes. The Welfare State is endangering democracy, since the main excuse for the growth of the State is that the voters want it. In all its forms, social welfare is the result of a theory of democracy that proclaims the people as sovereign with no barriers to the demands of the day. As an antidote this paper has examined two cases of successful private solutions to 'social' problems in pensions and education.

The keystone of the essay is the examination of the philosophy of populism with special attention to Latin America. It confirms the thesis here proposed that the Welfare State is an impossible dream that can only be realised at the cost of liberty. The assault on freedom by populists in the whole of the Spanish speaking world uses the disappointments of the Welfare State and its failure to create an egalitarian society. In consequence Populism proposes a democracy where the general will (as Rousseau called it) will be imposed by force with no let or hindrance. The cost is high, as can be seen in Cuba, Venezuela, Colombia, or Argentina. Utopia is a beautiful maiden with her head in the clouds and her feet in rivers of blood.

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