

## [Democracy's challenge](#) [1]

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Mature democracies are in a crisis. From Greece to California, they have proven incapable from sinking massively into debt. Households are crushed by overextended mortgages and maxed out credit cards. Governments? already record deficits don?t even take into account off-balance sheet items like pensions, private finance initiatives and implicit loan guarantees.

All this despite the biggest number of educated people the world has ever seen, linked by digital networks disseminating knowledge at the blink of an eye and monitored by thousands of analysts, journalists and pundits 24-by-7.

This disaster applies to highly diverse political structures, from America?s robust federalism with its constitutional checks and balances to Britain?s loose House of Commons dominated by a powerful executive. Majority governments, minority governments or coalitions, there?s no pattern. Yes, some democracies seem fiscally prudent but this may reflect special circumstances. Australia and Canada benefit from the booming commodities cycle while some, like the Nordics and Switzerland, are small and socially cohesive.

More than anything, democracies need to address a social zeitgeist where individuals and the governments they elect have become hooked on the never-never, turning upside down the wisdom of the ages: pennies saved are never earned, the saving man never becomes the free man, money does buy happiness, who pays his debts never gets rich. Rather, it now takes a lot of borrowing to live within your means.

To its credit, the UK?s new Con-Lib coalition has staked its all on two big issues ? deficit-cutting and political reform. The real triumph would be structuring the latter to cure the former.

At first glance, the UK would probably benefit from a dramatic decentralization of tax and spending power to as close to the individual as possible. However, the current regimes in Scotland, Wales and Northern Ireland don?t inspire much confidence here and the ultimate in grassroots democracy - California ? is a fiscal basket case.

What about political reform that includes a rules-based fiscal regime? Well, the eurozone has a Napoleonic code of fiscal rules that were ignored by the powerful when it suited them or exploited by the weak when nobody was looking. Even Gordon Brown had a ?golden rule? that proved a fraud and the Bank of England?s inflation target of 2% hasn?t prevented retail prices from rising by 5% during a recession.

It?s probably not the political structures that need reform but the individuals who run them. Blair, Brown,

Cameron, Clegg, Obama, Merkel, Sarkozy, Zapatero, Papandreou and all their elected minions now come from a professional ruling class whose survival depends on delivering the fantasy that we can live beyond our means.

So here's one fundamental reform: make elected office a part time, unpaid job to which re-election is limited to just two terms. These citizen-politicians will then feel the consequences of their decisions in their real lives.

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