

Swedish Government has always been 'big' (it now spends 61% of GNP) but until about ten years ago it presided over a moderately successful economy. In spite of its recent dismal record, the ACTU, and others who are wilfully blind, cite Sweden in evidence that big government is OK.

Sweden is no exception to the rule that government intervention depresses economic activity. But the Swedes interfere little with one critical activity---international trade. I think the lesson of Sweden is that an open economy can tolerate more of other intervention before disaster comes.

It would be unwise to assume that a very closed economy, such as Australia, can adopt safely Swedish welfare practices.

The Swedish economist, Assar Linberg, writes: 'the burgeoning public sector not only alters economic incentives and the distribution of income and wealth, but shifts the role of the family, restricts freedom of choice and taxes honesty.'

Even with Australia's more modest welfare and taxation, 'taxing honesty' is a serious problem. An hotelier gave me these examples from the past nine months:

1. He requested income tax file numbers from four casual employees. Three left, without notice, within days. Workmates explained these three were all drawing the dole.
2. Several workers were engaged for highly-paid (\$10 to \$13 per hour for eighteen-year-olds) weekend work. About half the applicants demanded cash payment as a condition of accepting the job. When this was refused, one said, 'The last two jobs paid cash. I cannot accept, or I would lose my dole.'
3. Two cleaners said that the job was 'too hard' after about a fortnight. It may well have been: they were both invalid pensioners.
4. A third cleaner was sent by the CES on a \$150 per week subsidy because 'he can't find a permanent job after four years and has little English.' He and the CES said he was unmarried. He had a reasonable flat, which he shared with a friend, a phone, video and modern car. It transpired that his English is quite good and he was living with his wife. (Were they drawing two single doles?) Both she and he had night jobs in restaurants. (Paid in cash?)

He proved inexplicably unreliable, failing to turn up for work and, in spite of the phone, not advising his absence. When resignation was suggested he refused saying, 'No, Boss---no dole.' His broken work record is clear. He was wanting the sack to get immediate welfare and sleep off his night work.

Social security said they preferred the employee's word to the

employer's and were too busy to check.

5. A bright-thirty-year old, a good employee, decided life was boring and she would have a baby. As she was single it was some surprise to others at the hotel to find two months later that she was not joking. She left, as she was pregnant and should be taking things easy. (Will she and the offspring be supported by the taxpayer?)

6. Two university graduates said they were taking a working holiday around Australia. 'It's great! everyone's doing it; they post the dole cheque home and mum banks it.'

7. Seven shaggy customers said they were 'on their fourth annual pub crawl around the city'. Asked how they managed it on a week day, with great hilarity they announced they were on the dole.

It is no wonder that other employees at the hotel feel that they are being taxed for their honesty, or that they are bitter. Faced with what is being done with their taxes, how long should we expect them to remain honest?

There is so much anecdotal evidence of welfare and tax fraud that we must assume it is widespread. The difficulty experienced filling some unskilled jobs suggests that cheating may be the norm, but we do not know (the CES may also be inefficient in helping genuine job-seekers). I remember a Whitlam-era estimate that 30% of unemployment benefits were wrongly applied. That was probably only a semi-educated guess and the Fraser Government's rule changes probably reduced cheating. However, as time passes and honesty is seen to be taxed, like any other taxed commodity, honesty will get rarer.

The need for a safety net remains. The difficulty is to provide one without unduly encouraging people to rest on it.

An obvious way to make cheating less attractive, without denying the needy an income, is for benefit recipients to work. All the above cases could do some work. There is not, and never will be, a shortage of things to do, if jobs can be organised at low cost.

A simple suggestion: encourage employers to tender to the CES for people to do particular jobs---anything from baby-sitting to trench-digging. The CES allocates welfare beneficiaries capable of doing the work and uses the money to relieve the tax-payer.

If the examples quoted above are at all typical, recorded unemployment would be greatly reduced. Normal employment is preferred to working for the dole. Work skills would be imparted. Financial support would still be offered to those who could not find normal work.

For everyone to get a job wages must fall to the full employment levels, but lower wages also make the dole relatively more attractive, so unemployment may not be reduced unless it is made

less attractive. A work requirement should be preferable to reducing the value of the benefit.