Free Lunches: Who will pay for my fondue?

One has to appreciate any country which thinks that everything should be dipped in either cheese or chocolate. There is a lot to appreciate about Switzerland’s economy as well. Their unemployment rate is 3.1% compared to 8.3% in the US. Their trade surplus is 13.4% of their GDP while the US trade deficit is 3% of US GDP. Switzerland’s budget is almost balanced with a .5% budget deficit compared to a 7.8% budget deficit in the US.  [Switzerland also ranks 5th to the US’s 10th in the Heritage Foundation’s ranking of economic freedom.](http://www.heritage.org/index/ranking)

Why is the Swiss economy doing so well compared to the US? This weekend provided a snapshot. Swiss [voters rejected in a referendum](http://news.yahoo.com/swiss-voters-reject-6-weeks-paid-vacation-154505325.html) that employers be required to offer six weeks of paid vacation to workers. When I asked my students if they would have voted for it, I got a class full of yeas and no nays. It turns out the Swiss understand that there is no such thing as a free lunch (or free vacation). They have known this for a while. Their debt/GDP ratio is 51% compared to the US 105%.

Apparently, the average Swiss voter understands that if you mandate that employers give people free stuff, someone has to pay and that someone is workers. In a globally competitive marketplace, employers have to compete with firms around the world. Rules that make Swiss firms less competitive mean that jobs will flee to other countries. The Swiss value work and saving. As a result, their economy is doing well.

Compare that to what is going on in the US. President Obama promised free birth control for all, which of course doesn’t mean that it is free. Employers have to pay the extra costs. When employers have religious objections, the [insurance company has to pay for the birth control](http://www.reuters.com/article/2012/02/11/us-usa-contraceptives-aetna-idUSTRE8191ON20120211). Either way, it is workers who pay. Like corporate taxes, the burden of business regulations falls on employees. More generous benefits mean lower salaries and more jobs moving overseas.

Recall that Obamacare was originally hailed as a deficit reducer. It turns out it [costs even more than expected.](http://campaign2012.washingtonexaminer.com/blogs/beltway-confidential/cbo-obamacare-cost-176-trillion-over-10-yrs/425831) [Allysia Finley wondered this week, sarcastically, why the government doesn’t mandate free coffee and gym memberships](http://online.wsj.com/article/SB10001424052970203370604577265461876605408.html) as part of the health care overhaul. If free stuff is good, and free health care saves money, shouldn’t more free health care save even more money?

It is campaign season, so politicians will continue to roll out their plans for more free lunches. Government backed student loans and [home loans](http://online.wsj.com/article/SB10001424052970204740904577197033223772036.html) are looking more and more like taxpayer gifts. [Twenty-seven percent of student loan recipients are behind on their repayments](http://online.wsj.com/article/SB10001424052702304450004577279662086752488.html?mod=WSJ_Opinion_AboveLEFTTop). If politicians had their way, everything would be free: food (food stamps), clothing, health care, energy ([energy subsidies](http://online.wsj.com/article/SB10001424052702304537904577279822662190852.html?mod=WSJ_Opinion_AboveLEFTTop)), cars (cash for clunkers and the GM bailout), a college education, etc. Politicians believe that voters can have free stuff as long as they vote for it with impunity. Too many US voters agree with them.

Hollywood seems to agree as well. I rented “In Time” this week (which proved to be a waste of my time). There were too many idiotic premises to explore them all, but the gist was that there is plenty of wealth to go around if we can just agree to share it all, everything will be fine. The film suggests that all wealth that has been created was stolen, so stealing people’s wealth is just as long as the proceeds are shared with others. If that represents the prevailing reasoning in America the American economy is destined to collapse. Philanthropy only comes before wealth in the dictionary and wealth has to be created. Prevent wealth creation and we can all watch how fast philanthropy dries up.

To paraphrase Marx, Voters of the world unite and vote yourself free stuff. You have nothing to lose but your brains (and your job, your sense of self-worth, your standard of living, and your liberty). When you wreck your economy they’ll be a job waiting for you in Switzerland.