

The Little Red Hen and the Welfare State

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Once upon a time there was a little red hen who lived on a farm.

One morning, the little red hen had an idea to increase income tax massively on high income earners. She took the idea to her friends in the farmyard.

“Who thinks it’s a good idea to tax the rich?” the little red hen asked her friends.

“I do!” said the cat.

“I do!” said the rat.

“I do!” said the pig.

“Then I shall go ahead with this idea,” said the little red hen.

And that’s just what she did. She increased the marginal income tax rate as well as introduced a wealth tax. The little red hen looked after the poor carefully. She observed them and watched them vote in her favour.

After a while the little red hen had another idea. The little red hen thought about reducing the retirement age. She took the idea to her friends in the farmyard.

“Who thinks it’s a good idea to reduce the retirement age?” the little red hen asked her friends.

“I do!” said the cat.

“I do!” said the rat.

“I do!” said the pig.

“Then I shall go ahead with this idea,” said the little red hen.

And that's just what she did. She reduced the retirement age. The little red hen looked after the elderly carefully. She observed them and watched them vote in her favour.

After a while the little red hen had another idea. The little red hen thought about increasing the costs of laying off people. She took the idea to her friends in the farmyard.

"Who thinks it's a good idea to increase the costs of laying off people?" the little red hen asked her friends.

"I do!" said the cat.

"I do!" said the rat.

"I do!" said the pig.

"Then I shall go ahead with this idea," said the little red hen.

And that's just what she did. She increased the costs to do business in the farmyard. The little red hen looked after the non-business-owners carefully. She observed them and watched them vote in her favour.

After a while there was chaos on the farmyard. Increasing income taxes turned out to be a bad idea as tax revenues fell after only a short while. Increasing wealth tax wasn't a good idea either, mainly because the wealth just left and tax revenues fell further. Increasing costs to do business on the farmyard wasn't such a good idea either because business just went elsewhere.

After some soul-searching the little red hen had another idea. The little red hen thought they need growth.

"Who thinks it's a good idea to introduce some old fashion supply side measures, like increasing productivity and efficiency, open markets for greater competition, de-regulate a bit, simplify the tax code, reform labour markets, have a later retirement and a lower marginal tax rate, and generally just work a bit harder?"

"Not I," said the cat.

"Not I," said the rat.

"Not I," said the pig.

"No!" said the little red hen. "The other farmyards will out-grow and out-compete us. They will get out of this debt mess much faster than we do."

And that's just what they did.

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