

THE WELFARE STATE



IS DESTROYING DEVELOPED COUNTRIES

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The welfare state is destroying developed countries

A failed experiment lasting 70 years: how the welfare state model replaced the model of entrepreneurial growth and small government in almost all countries of the world, and what consequences we have seen as a result.

The model of universal interventionism has become mainstream worldwide. Ukrainian researchers, and policymakers need to examine both the theory and practice of economic development, which we will present through several country case studies.



ARGENTINA: FROM WEALTH TO POVERTY

At the beginning of the 20th century, Argentina was one of the richest countries in the world. Its excellent climate for agricultural production and raw materials was an unquestionable national competitive advantage. Unfortunately, Argentina began to introduce institutions, mechanisms of the welfare state model, and recommendations of Marxism and statism.

As a result, self-isolation from genuine economic science, the inability to ensure full scientific pluralism and open discussion, and the weakness and greed of intellectual elites in dialogue with external consultants have led to the degradation of legal and economic institutions and the formation of a culture of envy and dependence on the state.

Accordingly, Argentina ranked 144th in the Economic Freedom Index in 2023, with a score of 51 out of a possible 100. It was precisely this deep and prolonged economic crisis that led to the election of President J. Milei.

Between 2000 and 2022, average annual GDP growth was only 1.9%. In 2022, the country's GDP in dollar terms was twice as high as in 2000. In absolute terms, GDP grew by \$314.4 billion.

- Government spending during this period increased from 25.2% of GDP in 2000 to 37.2% of GDP in 2022, or by \$155.1 billion.
- During this period, public debt rose from 40.8% of GDP to 84.5% of GDP, or by \$404.5 billion.

Argentina had no chance of escaping the red zone of high risk of sovereign default, with credit resources becoming more expensive on the global market and toxic assets accumulating in the country. Between 2000 and 2022, average annual inflation stood at 22.7%, reflecting the government's chronic inability to ensure macroeconomic stability. Throughout this period, Argentina actively cooperated with the IMF.

Argentina has squandered more than 100 years of its development. In 1912, Argentina's GDP per capita was 72% of that of the United States, but by 2023, it will be only 17%. In 1895, Argentina was the world leader in terms of GDP per capita. It was twice as rich as the major European countries. In the late 19th and early 20th centuries, Argentina was among the eight richest countries in the world. To a large extent, this success was the result of the liberal Constitution adopted in 1853. It was similar to the US Constitution.

«However, over the last 100 years, Argentina went down a path of self-destruction, gradually abandoning its earlier liberal philosophy. Indeed, the principles of freedom in all fields: political, legal, economic, social, which had contributed to its growth, were destroyed one by one, until collectivism, authoritarianism, restriction of freedom, and a demagogic sense of 'solidarity' and 'equality' were accepted as unbreakable dogmas, leading the country's population to be equally poor and oppressed».

Source: Milei Reform Watch 203-2027. The reforms Proposed in Argentina by President Milei. Historical background, Current Situation and Decree 70/23 <https://milei.ufm.edu/en/wp-content/uploads/2024/03/rojas-milei-2024-ENG.pdf>

The history of Argentina's economic decline is, on the one hand, a story of the state takeover of the economy by Argentina's political, financial, and intellectual elites, who got enthusiastic about Marxism, socialism, and Leviathanism, and on the other hand, the failure of theoretical, consulting, and financial support for Argentina's economic policy by international economic organizations represented by the IMF and the World Bank.

Since the 1950s, they have been in constant dialogue with the Argentine authorities regarding the content of economic policy.

Argentina became the victim of the practical application of development economics principles and the implementation of the welfare state model. This is a set of theoretical models and tools based on the theoretical works of J. Keynes, the first wave of institutionalists, and Marxism. This entire theoretical framework can be classified as the theory of the universal interventionist state.

Source: For more details on Argentina's economic decline, see the study "The Year of Milei." December 2024 <https://www.libertyinstitute.org/articles/rik-mileya>

ARGENTINA: 1981-2024: THE GENESIS OF ECONOMIC DECLINE

Indicators: Argentina	1981	1990	2000	2010	2020	2023	2024
GDP, billion \$	189,8	158	317,8	424,7	385,2	645,5	632,1
GDP per capita, \$	6671,4	4857,8	8638,5	10413	8489,3	13836	13415
GDP per capita, \$ at PPP	6256,7	7095,2	11634,4	18066,5	20754,4	26362,6	29263
Total government revenue, % of GDP	-	-	21,80%	32,00%	33,80%	32,50%	32,3
Total government expenditure, % of GDP	-	-	25,20%	33,40%	42,50%	37,80%	31,40%
Budget deficit of state administration bodies, %	-	-	-3,40%	-1,40%	-8,70%	-4,20%	0,90%
Public debt, % of GDP	-	-	40,80%	43,50%	103,80%	155,40%	85,30%
Current account balance of the balance of payments, % of GDP	-3,00%	3,00%	-2,90%	-0,40%	0,70%	-3,20%	1,00%
Population, million people	28,45	32,53	36,78	40,79	45,38	46,65	47,12
Indicators	1981-1990	1991-2000	2001-2010	2011-2020	2021-2023		
	Average annual rate for the period, %						
GDP, average annual growth rate for the period, %	-1,10%	4,30%	3,70%	-0,60%	4,70%		
Inflation, %	-	-0,60%	10,60%	27,20%	119		
State budget expenditures, % of GDP	-	23,40%	27,30%	39,20%	37,30%		

Source: IMF database, April 2025.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>



GREECE: LIVING THE HIGH LIFE ON CREDIT

Greece has excellent opportunities for developing the leisure and tourism industry. The sea and seafood, a wonderful climate, a favorable geographical location, and membership in the European Union. Here, not in Singapore, could be the center of world finance.

However, Greek elites, following the lead of European theorists, decided to build their economy based on a model of universal interventionism. Resources and loans from EU countries were actively exploited, and living on credit became the norm. As a result, the welfare of VIP bureaucrats and their associates grew, while the country steadily approached default.

The average annual real GDP growth rate between 2000 and 2022 was only 0.5%. However, thanks to the ECB, average annual inflation remained at around 3%. In 2000, Greece's GDP was \$131.1 billion, and in 2022, it was \$219.2 billion (+67.2%). GDP per capita increased by 69.5%. Let's compare these figures with fiscal policy indicators.

- Greece's public spending in 2000 amounted to 46.8% of GDP, while in 2022 it will already be 55.5% of GDP, or \$121.7 billion.
- At the same time, public debt rose from a dangerous 105.4% of GDP in 2000 to a hopeless 177.4% of GDP in 2022.

In absolute terms, the national debt increased by \$250.2 billion. For comparison, GDP grew by only \$88.1 billion during this period.

With the current size of the economy and state budget, it is unrealistic to repay such a debt, especially in a situation of high interest rates. Therefore, the question arose about the inevitability of restructuring and partial write-off of public debt, since increasing the tax burden is impossible, as it already paralyses economic growth and slows down investment. **Greece** and **Ireland** joined the EU at around the same time, but today Ireland's GDP per capita is almost five times higher than Greece's.

Greece is a striking example of how European Union membership in itself does not guarantee sustainable development and prosperity.

Indicators: Greece	1980	1990	2000	2010	2020	2024
GDP, billion \$	56,22	96,6	127,4	296,7	191,2	257,1
GDP per capita, \$	5865,65	9544,71	11826,52	26679,74	17839,12	24716,31
Revenues of state administration bodies, % of GDP	22	25,2	43,9	41,7	49	49,2
Expenditures of state administration bodies, % of GDP	24,5	38,5	48,2	53,1	59,3	49,5
Public debt, % of GDP	22,8	74,2	108,9	147,8	209,9	150,9
Interest payments on public debt, % of GDP	2,02	7,07	6,85	6,09	3	2,77
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country share of global GDP (%)	0,49%	0,43%	0,41%	0,46%	0,22%	0,23%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>



JAPAN: FROM ECONOMIC MIRACLE TO MEDIOCRITY

In the 1950s–1980s, Japan became a shining example of an economic miracle. For decades, the Japanese had been on a path of catching up with the US, but in the 1980s, the Japanese government decided to accelerate development through state support and projects. This turned out to be a strategic mistake.

In 2000, Japan's GDP was \$4.97 trillion, and in 2022, it was already \$4.23 trillion, down by \$735 billion. During this period, GDP per capita fell by \$5,351.

In 1980, South Korea's GDP was \$65.4 billion (\$1,715 per capita). Japan's GDP in the same year was \$1.13 trillion (\$9,659 per capita).

Now let's see how the situation has changed after 40 years.

In 2022, South Korea had a GDP of \$1.7 trillion (\$32,250 per capita), while Japan had a GDP of \$33,822 per capita. While in 1980 the difference between Japan and South Korea in terms of GDP per capita was 5.6 times, in 2022 it was only 4.6 %.

Japan, believing in the theory of universal interventionism, decided that the state could replace private investment as the engine of growth and development. Keynesianism and dirigisme in theory, the displacement of the private market in political economy—these are the reasons for the sunset of the Japanese miracle.

Between 2000 and 2022, Japan's average annual growth rate was a meager 0.7% of GDP, with an average annual inflation rate of 0.3% during this period. Instead of returning to the sources of the "economic miracle" phenomenon, the Japanese decided to heed the advice of the IMF and American Keynesians, supporters of the welfare state.

In 2000, government spending was only 36% of GDP, but by 2022, it had risen to 44.5% of GDP. This rapid growth in the state's presence in the economy increased the size of the state budget by only \$74.1 billion. However, the dynamics of public debt showed completely different results — in 2000, it stood at 135.6% of GDP, and in 2022, it was already 261.3% of GDP.

In absolute terms, the national debt increased by \$4,324.9 billion. During the same period, GDP declined by \$734.9 billion.

Japan urgently needs to reboot and cleanse itself of the flawed practices that are slowly but surely leading the former world leader to the status of a middle-ranking country. Along with demographic trends and the loss of its leading position in several sectors of the global economy, Japan has fallen victim, first and foremost, to the theoretical errors of its intellectual elites.

From its top position in the global economy, accounting for almost 16% of global GDP in the late 1990s, it has become an ordinary middle-ranker with a share of 3.6% in global GDP.

Indicators: Japan	1980	1990	2000	2010	2020	2024
GDP, billion \$	1129,38	3185,9	4968,36	5759,07	5054,07	4026,21
GDP per capita, \$	9671,86	25809,66	39172,97	45135,8	40159,87	32498,15
Revenues of state administration bodies, % of GDP	26,3	31,4	28,7	29	35,5	36,9
Expenditures of state administration bodies, % of GDP	30,7	29,5	35,95	37,7	44,5	39,4
Public debt, % of GDP	47,8	63,2	135,6	205,9	258,4	236,7
Interest payments on public debt, % of GDP	3,01	3,47	3,14	2,27	1,65	1,2
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	9,79%	14,07%	15,81%	8,97%	5,89%	3,64%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>



ITALY — A MODERN SYNDICATE STATE

Italy is a country of classic, traditional Western values. It has a rich history and culture, centuries of tradition in free trade and family business, active participation in the first two industrial revolutions, and in the creation of the economic architecture of the European Union. All this is Italy. A developed country, a member of all possible prestigious organizations and clubs. The Italian elite were not ready to adapt to the new level of competition and openness to the world after the 1990s. Bureaucracy, high taxes, lobbying for transfers from the EU budget and the ECB, and the active development of the gray economy—this is how Italy responded to the challenges of the 21st century. And this is where such a course has led.

In 2000, Italy's GDP was \$1.15 trillion, and in 2024, it was \$2.37 trillion. GDP per capita increased from \$20,200 in 2000 to \$40,200 in 2024, which is slow but steady growth.

Between 2000 and 2022, average annual growth rates were a meager 0.4% of GDP. In 2000, government spending accounted for 46.5% of GDP, and in 2024, it was already 50.56% of GDP.

The Italian Socialist Republic has turned into a syndicate state, in which VIP officials channel the resources of Italian and European taxpayers into commercial projects favored by their own cronies.

In 2022, Italy's government spending amounted to \$1,142.8 billion, which is \$609.4 billion more than in 2000. During this time, public debt rose from 109% of GDP to 144.7% of GDP, or by \$1,661 billion.

For comparison, GDP grew by \$864.8 billion during this period. This is a typical example of the destruction of the foundations of a healthy economy and the squandering of capital accumulated by previous generations.

Italians are recreating the same environment that once buried the Roman Empire. Tension in public finances and the banking system, coupled with a deep cultural influence of Marxism and the cult of the state, is a direct path to transforming a developed country into a developing one.

While Italy's share of global GDP was 4.2% in 1980, it was only 2.1% in 2024.

Huge public debt, demographic problems, a defective and overly bureaucratic system of public administration, and the flight of entrepreneurial capital are the consequences of Italy's strategic choice of the welfare state model.

It is this model that objectively and inevitably slows down the transformation of a poor country into a rich one, and pushes developed countries back to the group of developing countries.

Indicators: Italy	1980	1990	2000	2010	2020	2024
GDP, billion \$	479,97	1164,33	1150,17	2146,69	1905,96	2372,06
GDP per capita, \$	8511,82	20536,94	20205,52	35963,74	31956,87	40224,01
Revenues of state administration bodies, % of GDP	33,82	43,03	43,95	45,64	47,4	47,12
Expenditures of state administration bodies, % of GDP	40,79	54,17	47,13	49,8	56,78	50,56
Public debt, % of GDP	55,09	101,7	108,5	118,7	154,29	135,29
Interest payments on public debt, % of GDP	4,43	10,08	6,33	4,4	3,42	3,69 (2023)
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	4,20%	5,10%	3,70%	3,30%	2,20%	2,10%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>



FRANCE: FROM THE CRADLE OF LIBERALISM TO MODERN MARXISM

France has gradually evolved, within the framework of the European Union, into a socialist, anti-liberal democracy. An aggressive majority, led by the Marxist intellectual class that dominates the education and information systems, has significantly expanded its demands on the State.

Government spending rose from 51.7% of GDP in 2000 to 58.5% in 2022, or by \$922.3 billion. During this period, GDP increased from \$1.37 trillion to \$2.78 trillion (by \$1,417.8 billion).

The average annual growth rate of real GDP in the period 2000–2022 was 1.3%.

There is no doubt that large, formally French businesses, which have long since become global, continue to be part of the world's industrial elite. At the same time, they report and show gross production in France, and with their powerful lobbying potential, they achieve favorable tax, regulatory, and credit regimes for themselves.

The "Big State – Big Business" syndicate dominates in France and at the EU level.

In the 2020s, it found itself under intense pressure from inflation and a growing burden on the banking and financial system. France's public debt stood at 58.9% in 2000 and reached 111.1% or over \$3 trillion in 2022. During this period, public debt grew by \$2.2883 trillion, which is 67% more than GDP growth.

France, like Italy, urgently needs institutional reform.

The welfare state model has become a straitjacket for entrepreneurship and small business, while at the same time benefiting the growth, functionality, and influence of France's bureaucratic syndicate, which controls taxpayers' money.

The failure of the welfare state model in France is confirmed by the dynamics of its place in the global economy. While France's share of global GDP was 6.1% in the 1980s, it will be only 2.9% in 2024. %.

France is slowly but surely moving toward greater state interventionism in the economy and increasing the burden on taxpayers, especially small businesses.

Indicators: France	1980	1990	2000	2010	2020	2024
GDP, billion \$	695,48	1260,87	1361,56	2648,39	2645,81	3162,02
GDP per capita, \$	12623,85	21735,53	22502,09	40988,56	39230,93	46203,68
Revenues of state administration bodies, % of GDP	47,61	49,16	51,31	50,56	52,77	51,37
Expenditures of state administration bodies, % of GDP	46,86	51,61	52,62	57,72	61,7	57,16
Public debt, % of GDP	21,3	36,8	59,7	86,3	114,8	113,1
Interest payments on public debt, % of GDP	1,21	2,65	2,88	2,44	1,28	1,87 (2023)
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	6,10%	5,60%	4,30%	4,10%	3,10%	2,90%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

In the Economic Freedom Index, France ranked 54th, Italy 44th, Germany 25th, Ireland 10th, and Greece 85th.

Accordingly, for developing countries with low incomes, weak legal institutions, and no strong traditional big business integrated into the global economy, copying the model of Greece, France, or Italy would be tantamount to condemning the country to oligarchy/ scheming, plunging it into stagnation and a resource curse.

CONCLUSIONS. THE WELFARE STATE AS AN INSTRUMENT OF STATE CONTROL AND DECLINE

For the US, UK, Canada, and New Zealand, the welfare state model has become dominant in economic development strategies.

Since the second half of the 20th century, leading American universities, think tanks, and government agencies have become active advocates of the welfare state. Economic activity has gradually become more state-controlled, which has inevitably affected economic growth, macroeconomic stability, and labor productivity dynamics.

The public sector (total public spending, public ownership, regulatory burden) in the **US** was significantly smaller than in Western European countries. Greater economic freedom became a key factor that ensured much higher economic growth rates in the US from 1980 to 2024.

That is why America is the only Western country that has practically maintained its share of the global GDP over the past 45 years. In the 1980s, the US GDP accounted for 25% of the global GDP; in 2000, it rose to 32.6%, and in 2024, it accounted for 26.4% of the global GDP.

In 1980, **the United Kingdom** accounted for 5.3% of the global economy, in 2020, 3.1%, and in 2024, 3.3% of global GDP. Its share has fallen by almost 38% in 45 years. %.

Despite its abundant energy resources, **Canada** has also significantly increased government spending. Its debt position has become extremely dangerous, and Canada's share of global GDP has fallen from 2.4% of GDP in 1980 to 2.0% of GDP in 2024.

Developed Western countries with a significantly larger public sector of the economy showed even higher rates of decline in their share of the global economy.

Thus, **Germany's** share of the global economy in the 1980s was 7.5% of GDP, while in 2024 it will be only 4.2% of global GDP, meaning that the German economy's share of the global economy has fallen by 44%.

In 1980, **France** accounted for 6.1% of global GDP, but by 2024, this figure will have fallen to just 2.9%. Its share of the global economy has more than halved.

Italy, following the same path as France, also halved its share of the global economy: in the 1980s, it accounted for 4.2% of global GDP, and in 2024, it accounted for 2.1% of global GDP.

If we take the major Western countries (the US, the UK, Germany, Canada, France, Italy, and Japan), their share of global GDP was 60.3% in 1980, and by 2000 it had increased to 70.4% of global GDP.

This was a period when loans were easy, cheap, and accessible for the state, when there was no serious competition from China, India, or Southeast Asian countries; in addition, they included the countries of the former Soviet empire in their sales and production chains.

In other words, it was a stage of the Fourth Industrial Revolution, the formation of powerful global value chains that included raw materials from Asia, Africa, and South America. After all, this was a period when the Soviet totalitarian empire had collapsed and Russia had not yet acquired its aggressive contours.

Over the past 25 years, the global economic situation has changed significantly. In addition to the rise of China, technological breakthroughs, globalization of investments, commodity and financial markets, another important factor has emerged: military conflicts.

What factors significantly influenced the behavior of governments in developed Western countries?

- ◆ The financial crisis of the late 2000s.
- ◆ COVID crisis.
- ◆ Unprecedented monetary interventionism by central banks and governments.
- ◆ Demographic situation and migration crisis.
- ◆ The emergence of large commercial structures that are "too big/important to fail", which have received immunity from the state from the market mechanism of "profit and loss".
- ◆ Measures to combat global warming and climate change, incredible in scale and scope.
- ◆ Prolonged period of negative interest rates in the global financial system and stimulation of lending to governments, businesses, households, etc.

There has been greater state intervention in almost all sectors of the economy. There has been a sharp increase in demand for the state to play an active role in new industrial policy and finance, with growing commitments in social policy (health care, pensions, etc.).

Currency, technological, and trade wars have become a fact of life, whose impact is amplified by hybrid and information warfare, which, with the spread of social networks and digital platforms, has become an influential disruptor of the behavior of economic actors and governments.

The traditional Western countries of the G7 and the European Union have not audited or revised their model, development institutions, or the place and role of the state in the economy, nor have they taken into account the radical changes in the parameters of the external competitive environment.

They continued to develop by inertia within the framework of a model of universal interventionism, which ultimately led to a sharp decline in the share of traditional Western countries in global GDP to 44.5% in 2024.

LONG-TERM ECONOMIC GROWTH RATES OF DEVELOPED COUNTRIES, 1980 – 2024

Countries	GDP, average annual growth rate for the period, %			
	1980-1990	1991-2000	2001-2010	2011-2024
USA	3,01	3,45	1,78	2,38
Germany	2,22	2,02	0,92	1,14
France	2,45	2,2	1,33	1,17
Italy	2,83	1,73	0,3	0,5
United Kingdom	2,42	2,52	1,51	1,58

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

DYNAMICS OF THE SHARE OF MAJOR WESTERN COUNTRIES IN GLOBAL GDP PRODUCTION, 1980 – 2024

Countries	Country share of global GDP (%)					
	1980	1990	2000	2010	2020	2024
USA	25	26,3	32,6	23,1	24,9	26,4
United Kingdom	5,3	5,3	5,3	3,8	3,1	3,3
Germany	7,5	7,1	6,3	5,3	4,6	4,2
Canada	2,4	2,6	2,4	2,5	1,9	2
France	6,1	5,6	4,3	4,1	3,1	2,9
Italy	4,2	5,1	3,7	3,3	2,2	2,1
Japan	9,79	14,07	15,81	8,97	5,89	3,64
TOTAL	60,29	66,07	70,41	51,07	45,69	44,54

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

USA

Indicators	1980	1990	2000	2010	2020	2024
GDP, billion \$	2857,33	5963,13	10250,95	15048,98	21354,13	29184,9
GDP per capita, \$	12552,94	23847,98	36312,78	48586,29	64454,22	85812,18
Revenues of state administration bodies, % of GDP	31,57	32,86	32,2	28,8	30,6	30,3
Expenditures of state administration bodies, % of GDP	33,75	34,5	32,8	39,8	44,8	37,6
Public debt, % of GDP	41,87	63,14	54,52	95,35	132	120,8
Interest payments on public debt, % of GDP	1,77	3,39	2,46	2,68	2,53	3,86 (2023)
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	25,00%	26,30%	32,60%	23,10%	24,90%	26,40%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
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THE UK

Indicators	1980	1990	2000	2010	2020	2024
GDP, billion \$	604,7	1197,02	1668,69	2487,92	2698,71	3644,64
GDP per capita, \$	10734,9	20913,04	28337,64	39641,87	40230,55	52648,19
Revenues of state administration bodies, % of GDP	36,2	33,5	35,3	35,5	36,8	38,3
Expenditures of state administration bodies, % of GDP	39	35	33,9	44,7	50	44
Public debt, % of GDP	42,5	28,5	37,7	75,9	105,8	101,2
Interest payments on public debt, % of GDP	4,89	3,67	2,72	2,89	2,01	3,08 (2023)
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	5,30%	5,30%	5,30%	3,80%	3,10%	3,30%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

GERMANY

Indicators	1980	1990	2000	2010	2020	2024
GDP, billion \$	856,83	1604,5	1967,85	3470,99	3936,99	4658,53
GDP per capita, \$	11150,45	20323,33	24158,22	43233,45	47341,77	54989,76
Revenues of state administration bodies, % of GDP	45,21	43,3	46,3	43,7	46,7	46,8
Expenditures of state administration bodies, % of GDP	48,23	46,5	48,1	48,1	51,1	49,5
Public debt, % of GDP	30,14	39,5	59,2	81	68	63,9
Interest payments on public debt, % of GDP	2,11	2,69	3,2	2,5	0,65	0,87 (2023)
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	7,50%	7,10%	6,30%	5,30%	4,60%	4,20%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

CANADA

Indicators	1980	1990	2000	2010	2020	2024
GDP, billion \$	276,1	596,1	744,6	1617,3	1655,7	2241,3
GDP per capita, \$	11281,4	21572,1	24296,7	47625,7	43573,2	54473,2
Revenues of state administration bodies, % of GDP	36,9	42,2	43,4	38,3	41,4	42,6
Expenditures of state administration bodies, % of GDP	40,9	48,1	40,6	43,1	52,4	44,7
Public debt, % of GDP	44,6	73,7	80,4	84	118,1	110,8
Interest payments on public debt, % of GDP	5,42	9,45	7,11	3,6	2,93	3,2
World GDP, billion \$	11450	22643	31436	65206	85764	110549
Country's share of global GDP, %	2,40%	2,60%	2,40%	2,50%	1,90%	2,00%

Calculations based on data from the World Economic Outlook Database. April 2025 Edition.
<https://www.imf.org/en/Publications/WEO/weo-database/2025/april>

RECOMMENDATIONS FROM ILI: WHAT UKRAINE SHOULD DO?

Ukraine is currently rethinking its long-term development strategy and creating new institutions for a modern state. Various influential groups and organizations are participating in this intellectual work. Most of them follow the inertial path of the welfare state, trying to find solutions within the framework of the model of universal interventionism. There is a great temptation to blindly copy the institutions and systems that operate today in the European Union.

In the Ukrainian government, the prevailing approach is to take what exists in the EU, implement the recommendations of the IMF and international consulting organizations into Ukrainian legislation, obtain loans and technical assistance from the EU and G7, and thereby achieve our own Ukrainian economic miracle.

But this approach is a theoretical and practical trap. It benefits only 3% of the population (top-level officials) and is destructive for everyone else. You can hold as many financial "Ramstein" meetings, investment "Lugano" meetings, and financial "London" meetings as you like, but miracles will not happen. A striking counterexample of copying approaches for Ukraine is the case of Greece mentioned in this study. At the same time, Ukraine lags behind even Greece in terms of the quality of its state and legal institutions and its degree of integration into the regional and global division of labor. The welfare state model, which ruined Greece and slowed down its development, has had and will continue to have an even more devastating impact on Ukraine.

Nothing and no one can replace the simple, time-tested, scientifically proven regime of economic freedom as the basis for the Mises/Hayek/Schumpeter model of entrepreneurial growth and development.

For Ukrainian policymakers to make a choice in its favor, we need a strong scientific foundation. This should become the **Austrian-Ukrainian School of Economics (AUSE)**.

The development of the theories and scientific hypotheses of the Austrian School of Economics (C. Menger, O. von Böhm-Bawerk, L. von Mises, F. von Hayek, F. Fetter, J. Schumpeter, I. Kirzner, F. Machlup, M. Rothbard, H. Hazlitt, G. von Haberler, F. Lutz, O. Morgenstern, H. Huerto de Soto, G. Hülsmann, P. Boettke, Ya. Romanchuk) is a **strategic task and a historical mission of the academic and university elites of Ukraine**.



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