The Kuwait Story (part 2..)

In my earlier note (in Arabic) I stressed that what we see of loss of productivity, waste, unfocused politics and general deterioration in Kuwait economic competitiveness is in my view primarily the result of excessive government ownership of the economy and a public that has discovered that the easiest method to financial advancement is to vote for more money from the public budget, a problem that can only be corrected with a major reversal in government ownership of economic activity.

Part 2 , is about answering the question; can meaningful change be achieved in Kuwait before we reach the edge of economic fall-out ?

The short answer is most probably, NO..

On what basis do I build that conclusion, well, if we study the history of societies, nations or corporations, we will find very few examples of such organizations changing when they could afford not to, even when it was obvious that they were heading for big problems down the road. Most stories of big successful change are stories of change that happened after nation's or corporation's had been at the edge of collapse.

The only example of a nation or a corporation changing when it was still in a healthy position that I can remember is 3M the USA firm. All others like GM, IBM, APPLE (in their earlier days) NOKIA and RIM (Research in Motion – Blackberry) recently had to recover from near total collapse.

And the same is true with nations, success stories of change that we know of are either a result of hungry nations looking for growth, e.g. Singapore/Malaysia/Dubai/India/China or nations that came to the verge of bankruptcy and only then changed, UK/ Norway etc..

One can see this clearly today with nations like Spain, Ireland & Greece etc.

If we look into Kuwait's recent history, the only period that we focused on cutting public budget expenditures, sell government ownership in the economy, a period where the public worked and voted based on that there was a need for hardwork and serious development was the period between 1980-1996 as a result of the collapse in oil markets (oil at the lowest point reached $5/barrel) and the Iraqi invasion of Kuwait and its costs.

Hence, the job of leading change in a place like Kuwait today, is tougher than the job of leading change in the UK that Margaret Thatcher achieved or leading change that built a place like Dubai or Singapore.

The UK was on the verge of economic collapse and bankruptcy after decade's of labor government rule and it was obvious to all that change was necessary.

Dubai and Singapore leadership don't have to explain, that they have no oil or natural resource and wealth can only be built with hard work.

But to do the same in a nation that has enough natural wealth like Kuwait, where no one has to really work and which has an active political participation system (democracy) is very very difficult and especially now that the voter has discovered that he can vote himself more income. It will really require a leader that can build a magnificent dream or objective and can rally a nation behind it.

I believe while we waste time and energy as we still enjoy surpluses, the least we should do is to privatize as much of the economic activity as possible even if not many Kuwaitis are employed in it. This is the only preparation we can do to soften that economic crash that we will face down the road. Financial reserves are good but we will most likely waste them by then.

Alexander Tyler, a Scottish history professor at the University of Edinburg in 1887 had this to say about the fall of the Athenian Republic some 2000 years ago:

" A democracy is always temporary in nature, it simply can not exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover that they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for candidates who promise the most benefits from public treasury with the result that every democracy will finally collapse over loose fiscal policy"