



Spare the rod, spoil the child

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Greece, Spain, Ireland, Portugal and Italy (and California). In each case, the promise of more bailouts and a steady flow of cheap money only produced more reckless behavior, excessive levels of government spending and record levels of debt.

The psychology isn't hard to understand.

Tell an overspending deadbeat he doesn't have to pay his bills and he'll only be encouraged to be even more irresponsible.

Tell a bank it's too big to fail and it'll only be encouraged to make bets that are even more reckless.

Show a politician he can buy votes by way of more government spending and he'll only be encouraged to hike the levels of red ink.

Johan Norberg, a senior fellow at the Cato Institute, summarizes the results: "From 1997 to 2007, government expenditures increased by around 6 percent annually in Spain, Portugal and Greece, while population remained mostly stable. Spending increased by 4 percent a year in Italy -- even while the economy shrank."

Consequently, "Between 2000 and 2010, Portugal increased its public debt as a share of GDP from 49 percent to 93 percent, France from 57 percent to 82 percent, Italy from 109 percent to 118 percent, and Greece from 103 percent to 145 percent," reports Norberg.

And so, just as a parent takes away the keys after a teenager wrecks the car enough times, the Germans finally are becoming unwilling to fund the reckless governments of Southern Europe.

As British Prime Minister Margaret Thatcher famously declared: "Socialist governments traditionally do make a financial mess. They always run out of other people's money."

The reaction to cutbacks in Southern Europe, not unlike a baby's response when a pacifier is pulled from his mouth, is a political shift to the left, a denunciation of austerity measures and a refusal to enact labor law reforms and other measures that would increase productivity and reduce dependency.

"Today, firms with more than 15 workers cannot get rid of employees even in a downturn without risking legal proceedings that can last years," reports The Economist magazine,

referring to Italy's overregulated economy. "If a judge then decides the company has acted unfairly, it can be forced to rehire the worker and pay him his lost earnings."

Designed to promote job security, the law discourages hiring, reduces efficiency, lowers competitiveness, deters entrepreneurship, cuts investment and increases unemployment.

On May 6, Greece's hard-left Coalition of the Radical Left (Syriza) party, an alliance of socialists, communists and eco-leftists, became the nation's second-largest political force.

Syriza's leader, Alexis Tsipras, 37, former activist with the Communist Party, is calling for a halt to the repayment of Greece's debt agreements. Banks should be seized, says Tsipras, and the top income-tax rate should be raised to 75 percent.

Also on May 6, Socialist Party candidate Francois Hollande was elected as the new president of France. As with Tsipras, Hollande, who once stated, "I don't like the rich," is also calling for a 75 percent tax on incomes over 1 million euros, or \$1.34 million, a near doubling of the current 40 percent.

Irrationally, these programs for economic recovery rest on the idea that the system will be more equitable and create more jobs if governments confiscate even more money from those who know how to earn it and transfer it to those who know how to waste it.