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Live Blog: Greece and the G-20 Summit

- 11:01 am
- Opinion: Can't Escape Eurocrisis

When is a bailout not a bailout? When the bailor is short of funds, writes George P. O'Driscoll Jr., a senior fellow at the Cato Institute.

In the Journal's Opinion pages today, the former vice president of the Federal Reserve Bank of Dallas and later Citibank says the recently announced debt plan in the European Union comes up short in almost all respects. He writes:

First to the EU. The underlying dilemma is that governments have promised their citizens more social programs than can be financed with the tax revenue generated by the private sector. High tax rates choke off the economic growth needed to finance the promises. Economic activity gets driven into the underground economy, where it often escapes taxation.

Nowhere is this truer than in Greece, which has a long history of sovereign defaults in the 19th and 20th centuries. There is a bloated public sector, and competitive private enterprise is hobbled by regulation and government barriers to entry. Successive Greek governments ran chronic budget deficits, and the Greek banks lent to the government. Banks in other EU countries, such as France, lent to the Greek banks.