GREEK MYTHS

The End of Europe's Free Ride

Judy Bachrach

More than a year before Greece began self-immolating, literally and figuratively (a process we can safely assume has only just begun), Jagadeesh Gokhale, a prescient senior fellow at the Cato Institute, peered into the future of Europe and noted, in a report for the National Center for Policy Analysis, that "all European countries have large unfunded liabilities"—health care benefits, social security, early retirement, and sometimes, as in the case of Greece, even two months of guaranteed holiday pay. These, he warned, meant that European budgets are largely "funded on a pay-as-you-go basis." Worse, he added, "no real resources are set aside and invested each year by government . . . to prefund future expenditures on such programs." And the costs of such largesse, he promised, would, given Europe's aging population and limited birthrate, only go way up in the future.

In fact, Gokhale observed, "The average EU country would need to have more than four times (434 percent) its current annual gross domestic product (GDP) in the bank today, earning interest at the government's borrowing rate, in order to fund current policies indefinitely."

And guess what? They don't! They won't! They can't! To take one example at the heavily catastrophic end of the scale, Poland needs to

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