



Ideas Changing the World

Daily Policy Digest

Economic Issues

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THE GREEK MODEL

It was a good idea to get science and democracy from the ancient Greeks. It is not such a good idea to get fiscal policy from the modern Greeks. However, that is the way we are headed, says David Boaz, executive vice president of the Cato Institute.

Consider:

- Greece has a budget deficit of 13.6 percent; we are not in that league -- ours is only 10.6 percent, the highest level since 1945.
- Greece has a public debt of 113 percent of gross domestic product (GDP); we are not there yet, however, the 2009 Social Security and Medicare Trustees Reports show the combined unfunded liability of these two programs has reached nearly \$107 trillion.

Under President Obama's budget:

- Debt held by the public would grow from \$7.5 trillion (53 percent of GDP) at the end of 2009 to \$20.3 trillion (90 percent of GDP) at the end of 2020.
- It could rise to 215 percent of GDP in 30 years, warns Boaz.

Debt as a share of the economy is rising. Whether current law continues or Obama's budget is passed, the debt will be more than two-thirds of annual GDP in 10 years. We should fear that government would turn to inflation as a supposed solution, says Boaz.

Source: David Boaz, "The Greek Model," Cato Institute, April 26, 2010.

For text:

<http://www.cato-at-liberty.org/2010/04/26/the-greek-model/>

For more on Economic Issues:

http://www.ncpa.org/sub/dpd/index.php?Article_Category=17