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## Health Care Arena

An ongoing discussion on the health care debate

May. 07, 2010

### Driving the Conversation:

Arena Ref: [Fred Barbash](#)

## Greek chorus of doom

Where will the next economic bust happen? Can Republicans pound the debt issue to prevent new federal spending?

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### Roger Pilon

Vice President for Legal Affairs, Cato Institute :

#### As Goes Greece, . . .

The questions posed to Arena contributors this morning, prompted by the unfolding Greek tragedy and its implications, are several, but they go well beyond economics. "Unwise lending and excessive borrowing" led to the tragedy, Steven Pearlstein notes in the Post, but he adds that "there is little doubt that Greece's debt crisis is of its own making, the result of corruption and tax avoidance and that seductive Mediterranean coupling of high living and low productivity."

More immediately, in the Wall Street Journal today we find that when it comes to "overall ease of doing business," the World Bank ranks Greece 109 out of 183 countries -- "dead last among the 27 members of the European Union," the Journal notes. "You have to go up 30 slots to find the next worst EU performer, Italy." Pointing to Sacramento, Albany, and Washington, for good reason, the Journal's editorialists conclude that "Greece shows that the welfare state model of development, dominated by public unions, onerous regulations, high taxes and the political allocation of capital, has hit the wall."

Indeed it has, but notice that underpinning this tale are political and moral concerns. To touch on just two, the European Union is a textbook example of the downside of political union. To be sure, there is an upside, especially when union eliminates parochial restrictions on free association, as has happened to a substantial extent under the EU. But to move beyond creating a free market, to create instead a regime of mutual obligations as reflected in the phrase "we're all in this together," is to invite the very moral hazard we see before us today. Angela Merkel is in a political bind precisely because, as Pearlstein notes, prudent Germans are recoiling "at the thought of bailing out the profligate Greeks." Milton Friedman put it simply: No one spends someone else's money as carefully as he spends his own.

And that leads to a second concern, of particular importance in our own case. It was to gain the benefits of union while avoiding its downside that America's Founders drafted a constitution so carefully, giving Congress the power to override state restrictions on interstate commerce, for example, but otherwise leaving us free, as private citizens and associations, to plan our own affairs and live our own lives. That, however, was anathema to the social engineers of the Progressive Era, the elites who sought "change" through the collective undertakings of the modern administrative state. "Our task now," said FDR, is one of "distributing wealth and products more equitably," precisely what the Constitution forbade. And so Roosevelt, with his Court-packing threat, turned the document on its head -- or, as Rexford Tugwell would later put it, "To the extent that these new social virtues [i.e., New Deal policies] developed, they were tortured interpretations of a document intended to prevent them." There followed, of course, endless redistributive schemes, federal, state, and local, that have brought us today to the "unwise lending and excessive borrowing" that surrounds and suffocates us. As goes Greece, . . . .

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