# Bad Economic Policies Create Morality Issues

In Europe, the answer to one bad economic policy seems to be another bad economic policy. However, if such failures intersect in the right way, the problem goes from being a fiscal to a moral problem.

Take the issue of "eurobonds," a concept wholeheartedly supported by newly elected French President Emmanuel Macron. Think of eurobonds as the redistribution of debt. The mechanism essentially pools the collective debt of its remaining 27 members at the EU level. Eurobonds would allow nations like Greece to borrow more money at lower rates, while nations like Germany would pay more than the market would have dictated.

As you may imagine, that does not excite the Germans. Despite their close and cordial relationship, German Chancellor Angela Merkel has led the charge in rebuffing this idea. In a new essay for *Religion & Liberty Transatlantic*, Erik Lidström describes why the French would want to underwrite other nations so deeply committed to public sector spending:

> As Tocqueville discusses, France was used to being centrally run from Paris by a bureaucracy, under an absolute monarch, for centuries before the Revolution of 1789. After the revolution, the resulting tradition of dirigisme has continued. …
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> The received version of history is that "Les Trente Glorieuses"—The Thirty Glorious years after 1945—with rapid growth, supposedly stimulated by the need to rebuild after the war, were brutally cut short around 1973 to 1975. According to this view, ever since the mid-Seventies, austerity measures have been in place, causing high

> unemployment. Since 1980, unemployment as a whole has oscillated around nine percent; youth unemployment around 18 percent. The real situation is even worse, since the labor participation rate is low: only 56 percent in 2010, compared to 62 percent in Britain, and 64 percent in both Sweden and the U.S. …
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> The real explanation for the unemployment crisis is very different. In 1966, it became obligatory that the "commité d'entreprise," the workers' company committee, be consulted before firing redundant employees. The minimum wage was flat between 1960 and 1968. It had been increased by 50 percent (in real terms) by 1972; it had been doubled by 1976 and trebled by 1998. In 1971, the law recognized the right to collective bargaining of the unions. In 1973, employers became obliged to be able to prove in front of a judge that any redundancy had a "real cause."

Instead of righting their economic ship, Macron wants to readjust monetary policy.

Of course, bailouts that eliminate all practical consequences beget more bad behavior and, eventually, more bailouts. In time, this blooms into cronyism: an unbroken cycle of private profit for favored government businesses and public debts paid by the masses.

In a monetary environment free from government control, the right moral signals get sent, Lidström writes. When any person, or government, borrows without paying back, interest rates rise in tandem with the risk of default. This pressure in itself rewards good behavior (prudence, diligence, faithful execution of contracts) and discourages bad behavior (indebtedness, indolence, breaking promises embodied in contracts):

> If the euro had no controls that bankers and politicians could adjust, the Greek government, but only the

> government, would promptly have gone bankrupt in 2008. That would have induced the country to make a meaningful reduction in its obligations, size and scope, and possibly trigger a sale of much of some state assets, thereby dramatically reducing the possibility of this government doing similar harm in the future, and serving as a vivid lesson to others. Throughout, the citizens of Greece would still continue using the euro and be otherwise unaffected. The Greek government and its lenders would quickly have learned some hard lessons. Instead, the situation is still not resolved after almost a decade.
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> Unlike Macron's plan, the free market would have discouraged bad behavior, using lending as an incentive for prudent economic reform. Having the EU bail out Greece, again, has the opposite economic, and moral, effect.

This elevates the question beyond mere economics. After a time, economic policy poses a moral dilemma.

One of the nine ways to share in the sin of another person, according to the traditional list printed in both Roman Catholic and Eastern Orthodox Christian prayer books, is "by provocation." Just as individuals must ask if their "help" is enabling a loved one's life-destroying pathologies, so too must nations question whether easy bailouts and loose money allow other nations to continue down an unsustainable, statist economic path. The real harms EU citizens, especially those already down on their luck, suffer when statist policies flame out cannot be wiped out of lawmakers' minds in Paris, Berlin, or Brussels.

At what point does their promise to alleviate the symptoms assure that the pain will continue and the remedy will never be applied—and what fault do lawmakers bear for bringing this about?

You can read Erik Lidström’s full essay, “Macron’s ‘eurobonds’ scheme rewards bad decisions,” here.

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