Avenging Reality

The Euro’s value has been dropping this week, as have global stock markets based on a fear of a disintegrating Europe. Apparently the Greek public has already [tired of austerity](http://www.ft.com/cms/s/0/bd6fda08-9923-11e1-9a57-00144feabdc0.html#axzz1uOSGrmvO). Mind you, their austerity measures still entailed running large (though smaller than before) budget deficits. It just doesn’t feel good to them to cut back on their borrowing. It is apparently more fun to spend other people’s money than it is to pay it back.

Some are claiming that Frances’ election this week also represents a populist pushback against austerity. It is both funny and sad to watch electorates try to avoid reality. [*Time Magazine* points out that austerity isn’t really optional. Broke is broke.](http://business.time.com/2012/05/09/european-voters-have-rejected-austerity-so-what-happens-next/) [*The Economist*](http://www.economist.com/blogs/charlemagne/2012/05/austerity-and-euro-crisis) agrees. Who is going to lend more money to the likes of Greece, France, Spain, Italy, and Portugal? Certainly not investors who think that politicians will push their governments to default on their debt.

Debtors always blame creditors for their problems. Indebted 19th century US farmers created a large populist movement based on a crusade against banks and creditors. They rallied behind William Jennings Bryan who advocated massive inflation to help lower the real indebtedness of borrowers. Greek and French populists now blame German banks for their problems. How dare the Germans impose rules on governments to insure that the governments will be in a position to make payments on their debts!

The Greek call to abandon the Euro comes from those who want to be able to inflate the Greek Drachma to ease the indebtedness of the Greek government – William Jennings Bryan style. This would punish each and every person, Greek and non-Greek alike, who bothered to save their money in Greek banks or invest their savings in the Greek economy. It will be hard for the Greek economy to grow when all investment leaves.

The same was true when countries, like Argentina, chose to borrow money from the IMF. Money comes with strings attached. The biggest string is always austerity. Government debt problems, by their very nature, cannot be solved by allowing governments to pile up more debts. Governments have to stop handing out money they don’t have. This is not because creditors are jerks, it is because reality is real and yes, sometimes it bites.

The US Congress remains in its own state of denial. Despite the $33 million a day subsidy to the US Postal Service, they refuse to let the USPS to reform itself. The [Senate voted](http://www.thenewamerican.com/usnews/congress/item/11287-bob-adelmann) to pump more taxpayer money into the Post Office rather than allow it to reform. [Now the USPS has called off a closing of rural post offices](http://www.startribune.com/nation/150764735.html). Why reform when someone else is paying for the deficits?

Few politicians called on European countries to reform their profligate ways until investors finally decided that lending even more money to irresponsible governments was, well, irresponsible. These people are now called “bond vigilantes”. In reality, it is the politicians who pile on debt knowing that it cannot be repaid who are the immoral ones. If governments refuse to bring justice to their people and confront unsustainable borrowing, then by all means let the bond vigilantes enforce the truth. After all, the number one movie opening record was just [set by *The Avengers*](http://news.yahoo.com/avengers-record-breaking-opening-weekend-numbers-114200748.html)*.* Americans love to route for justice even if it has to come from vigilantes.