

The biggest ideologue lives in the White House



JONAH GOLDBERG says President Obama wants to portray himself as the pragmatic voice of reason, but he's inflexible when it comes to tax hikes

"I think increasingly the American people are going to say to themselves, 'You know what? If a party or a politician is constantly taking the position my-way-or-the-highway, constantly being locked into ideologically rigid positions, that we're going to remember at the polls,'" President Obama said at his Friday news conference.

I know everyone is sick of hearing about the debt-limit negotiations. Lord knows I am. When I turn on the news these days, I feel like one of the passengers seated next to Robert Hays in the movie *Airplane!* By the time we get to the phrase "in the out years," I'm ready to pour a can of gasoline over my head.

Still, regardless of how things turn out with the negotiations, what we are witnessing is the rollout of the Obama re-election campaign's theme: Obama is the pragmatic voice of reason holding the ideologues at bay.

So it's worth asking, before this branding campaign gels into the conventional wisdom: Who is the real ideologue here?

The president, we are told, is a pragmatist for wanting a "fair and balanced" budget deal. What that means is tax increases must accompany spending cuts. Any significant spending cuts would be way in the future. The tax increases would begin right after Obama is re-elected.

Now keep in mind that tax hikes (or what the administration calls "revenue increases") are Obama's *idée fixe*. He campaigned on raising taxes for millionaires and billionaires (defined in the small print as people making more than \$200,000 a year or couples making \$250,000).

During a primary debate, he was asked by ABC's Charles Gibson if he would raise the capital gains tax even if he knew that cutting it would generate more revenue for the government. The non-ideologue responded that raising the tax, even if doing so would lower revenue, might be warranted out of "fairness." As he said to Joe the Plumber, things are better when you "spread the wealth around."

Earlier last week, referring to the fact that he is rich, the president said: "I do not want, and I will not accept, a deal in which I am asked to do nothing. In fact, I'm able to keep hundreds of thousands of dollars in additional income that I don't need."

Leaving aside the fact that the man lives in public housing and has a government jet at his disposal — so his definition of "need" might be a bit out of whack — what is pragmatic about this position?

Obama says that Republicans are rigid ideologues because they won't put "everything on the table." Specifically, they won't consider tax hikes, even though polls suggest Americans wouldn't mind soaking "the rich," "big oil" and "corporate jet owners."

But Obama hasn't put everything on the table either. He's walled off ObamaCare and the rest of his "winning the future" agenda.

If Obama believes the American people are the voice of reason when it comes to tax hikes, why does their opinion count for nothing when it comes to ObamaCare, which has never been popular? (According to a RealClearPolitics average of polls, only 38.6 percent of voters favor the plan.) Why not look for some savings there?

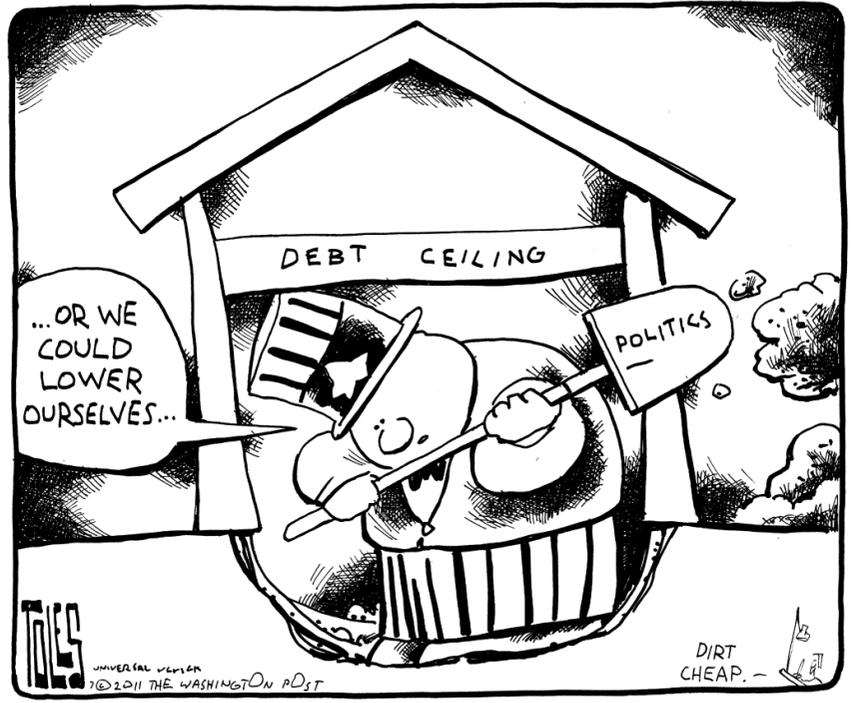
Consider the frustration of the supposedly ideologically locked-in GOP Congress. In 2008, the national debt was 40 percent of GDP. Now it's more than 60 percent, and it is projected to reach 75 percent next year, all thanks to a sour economy the GOP feels Obama made worse with incontinent spending.

Republicans won a historic election last November campaigning against the spending, borrowing, tax hikes and ObamaCare. Yet Obama's position is that the Republicans are deranged dogmatists because they don't want to raise taxes or borrow more money to pay for spending they opposed. And Obama is flexible because he refuses to revisit a program that has never been popular.

Meanwhile, the sole example of Obama's pragmatism — that he has publicly acknowledged — is his openness to means-testing Medicare, which may not be a bad idea. But Obama's support for it rests entirely on the fact that it would continue to tax upper-income people for benefits they will no longer receive. So, in addition to taxing the rich more, he also wants to give them less.

I know why liberals would support that, but for the life of me I can't see how it's non-ideological.

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Beware of Greeks who can't bear German gifts



THOMAS FRIEDMAN says the struggling Mediterranean nation can learn a lesson in values from Germany as it tries to get on a better financial footing

ATHENS, Greece — Katerina Sokou, 37, a Greek financial journalist at Kathimerini, a daily newspaper, told me this story: A group of German members of the Bavarian Parliament came to Athens shortly after the economic crisis erupted here and met with some Greek politicians, academics, journalists and lawyers at a *taverna* to evaluate the Greek economy. Sokou said her impression was that the Germans were trying to figure out whether they should be lending money to Greece for a bailout.

"They were not here as tourists; we were giving data on how many hours we work," recalled Sokou. "It really felt like we had to persuade them about our values."

Sokou's observation reminded me of a point made to me by Dov Seidman, the author of the book "and the chief executive officer of LRN, which helps companies build ethical business cultures. The globalization of markets and people has intensified to a new degree in the past five years, with the emergence of social networking, Skype, derivatives, fast wireless connectivity, cheap smartphones and cloud computing.

"When the world is bound together this tightly," argued Seidman, "everyone's values and behavior matter more than ever, because they impact so many more people than ever. ... We've gone from connected to interconnected to ethically interdependent."

As it becomes harder to shield yourself from the other guy's irresponsible behavior, added Seidman, both he and you had better behave more responsibly — or you both will suffer the consequences, whether you did anything wrong or not. This is doubly true when two different countries share the same currency but not the same government.

That's why this story is not just about interest rates. It's about values. Germans are now telling Greeks: "We'll loan you more money, provided that you behave like Germans in how you save, how many hours a week you work, how long a vacation you take, and how consistently you pay your taxes."

Alas, though, these two countries are so culturally different. They remind you of a couple about whom you ask after their divorce: "How did the two of them ever think they could be married?"

Germany is the epitome of a country that made itself rich by making stuff. Greece, alas, after it joined the European Union in 1981, actually became just another Middle East petrostate — only instead of an oil well, it had Brussels, which steadily pumped out subsidies, aid and euros with low-interest rates to Athens. Natural resources create corruption, as

groups compete for who controls the tap. That is exactly what happened in Greece when it got access to huge Euro-loans and subsidies. The natural entrepreneurship of Greeks was channeled in the wrong direction — in a competition for government funds and contracts.

To be sure, it wasn't all squandered. Greece had a real modernization spurt in the 1990s. But after 2002, it put its feet up, thinking it had arrived, and too much "Euro-oil" from the European Union went back to financing a corrupt, patrimonial system whereby politicians dispensed government jobs and projects in return for votes. This reinforced a huge welfare state, where young people dreamed of a cushy government job and everyone from cabdrivers to truckers to pharmacists to lawyers was allowed to erect barriers to entry that artificially inflated prices.

European Union membership "was a big opportunity for development, and we wasted it," explained Dimitris Bourantas, a professor of management at Athens University. "We also did not take advantage of the markets of the (formerly) socialist countries around Greece. And we also did not take advantage of the growth of the global economy. We lost them all because the political system was focused on growing public administration — not on (fostering) entrepreneurship, competition or industrial strategy or competitive advantages. We created a state with big inefficiencies, corruption and a very large bureaucracy. We were the last Soviet country in Europe."

That is why, he added, that Greeks, when they move to the U.S., "unleash their skills and entrepreneurship" in ways that enable them to thrive in commerce. But here in Greece, the system encourages just the opposite. Investors here tell you that the red tape involved in starting a new business is overwhelming. It's crazy; Greece is the only country in the world where Greeks don't behave like Greeks.

With the decline of Beirut and Dubai, Athens should have become the service center of the Eastern Mediterranean. Instead, Cyprus and Istanbul seized that role. Greece must not waste this crisis. While it has instituted some reforms in the last year, Prime Minister George Papandreou said to me, "What is most frustrating is the resistance in the system. How do you produce a change in culture?"

It will take a cultural revolution. And that can happen only if Greece's two major parties come together and collectively force through a radical change in the governing culture from the top down. Without that, Greece will never be able to pay back its loans.

Friedman is a columnist for *The New York Times* and a three-time Pulitzer Prize winner.



Competence, not amendment, needed to fix debt crisis

Changing Constitution can have unintended effects

By DAGOBERT L. BRITO and ROBERT F. CURL

OUR colleague at the Baker Institute, John Diamond, recently published a column in the Houston Chronicle on "A plan to move past debt status quo" (Page B9, Monday). We agree that the brinkmanship on the debt question is a dangerous policy that could have serious consequences. We also agree that any policy, whether spending cuts or revenue increases, should be implemented in a moderate manner so as to minimize the shock to a fragile economy. We do not agree with his suggestions on the redistribution of the tax burden to the lower income brackets.

We are disappointed by the logic in his arguments linking the question of the debt ceiling to a balanced budget amendment. Diamond's argument is based on his fundamental

premise that: "It is clear that politicians are incapable of spending restraint." Really? That is a common belief among certain segments of the population, but is it true? The United States government had a budget surplus in 2000. Some politicians must have shown restraint in spending.

The last time there was an effort in Congress to introduce a balanced budget amendment was in 1997. At that time, professor Robert Eisner, together with Nobel laureates Robert Solow and James Tobin, presented a petition to Congress opposing a balanced budget amendment. More than 1,000 economists, including 11 Nobel laureates, signed this petition. In 1997 there were people who viewed the budget deficit as a serious problem that required a constitutional amendment; three years later the budget was in surplus. What was required was not a constitutional amendment, but competent leadership. The basic premise in Diamond's argument for a balanced budget amendment is counter to simple fact.

The mismanagement of the economy in the

period from 2001 to 2008 does suggest there are some politicians incapable of spending restraint or managing the economy responsibly. However, the dismal performance of the past administration should not be prima facie grounds for a constitutional amendment. After World War II, the national debt was well over 100 percent of gross national product. By 1960, after the Marshall Plan, the Korean War and in the middle of the Cold War, the country was prosperous and the national debt was about 55 percent of GNP. The country has survived difficult times before without having to amend the Constitution in ways that may have unintended consequences.

Opposition to the balanced budget amendment is not just a position held by liberals. Norman Ornstein, a resident scholar at the conservative American Enterprise Institute, stated: "It is about the most irresponsible action imaginable. It would virtually ensure that an economic downturn would end up as a deep depression, by erasing any real ability of the government to pursue countercyclical fiscal policies and in fact demanding the op-

posite, at the worst possible time."

A balanced budget amendment would require a supermajority in both houses of Congress to run budget deficits. There are provisions in the Constitution that require supermajorities — amendment to the Constitution, treaties, conviction of a president after being impeached — but these are cases where time is not an issue or where the Founders wanted to restrain the impulse of the majority. Budget deficits are not in that category. The need to act may be pressing. Furthermore, a balanced budget amendment in the form Diamond suggests goes counter to the idea of majority rule. Requiring a supermajority would allow a small group with an agenda not supported by the majority of voters to hold the country hostage in a manner similar to the tactics in play at the moment.

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