Editor’s Note

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The heavy debt burdens of Greece and other European welfare states are the result of profligate entitlement spending and a lack of fiscal discipline. Both explicit debt and massive unfunded liabilities in pay-as-you-go social welfare programs must be resolved if Europe is to achieve long-run prosperity.

When people become accustomed to welfare and form an entitlement mentality, there is an ever-growing demand for more benefits, resulting in higher taxes and slower growth. When the debt burden becomes unsustainable, as in Greece, present beneficiaries will take to the streets and exert political pressure to maintain the status quo. The social and economic disruption is evident.

The United States is facing its own debt problem, driven by the rising costs of Social Security, Medicare, and Medicaid. The unfunded liabilities of the federal government now exceed $100 trillion compared to an explicit gross public debt of nearly $17 trillion. The so-called social contract between present and future generations cannot be sustained—political promises will be broken.

This special issue of the Cato Journal examines the influence of the welfare state on Europe’s economic crisis, the reforms necessary to end that crisis, and the lessons America can learn.

I thank my colleague Michael Tanner for organizing this special issue and for acting as guest editor. I also thank his research assistant Charles Hughes for his excellent job in helping prepare the articles for publication, and the authors for their cooperation in bringing this issue to fruition.

—J. A. Dorn