A GROWTH AGENDA FOR THE GREEK & EUROPEAN ECONOMY

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The Greek austerity program (1/2)

a) fiscal adjustment 15% of GDP or 30 billions Euros
   – 20 of them in cuts on public expenditure
   – 10 in increasing taxation

b) absorbing of smaller banks by 4 systemic banks and a recapitalization program which has used 39 billion (out of 50).
The Greek austerity program (2/2)

c) structural reforms program:
   – liberalization of the labour market
   – opening of professions
   – removal of state regulations on business according to OECD

d) privatizations and long term leasing of public land managed by TAIPED
Why did the austerity program fail (1/3)

• fiscal adjustment too extensive, too intensive and too much front loaded
• privatization scheme out of context as Greece had a record of privatizations back in the 90s
• already highly flexible labour market particularly in the service sector
• opening of certain professions: already price regulated by the state
Why did the austerity program fail (2/3)

• no real progress in public administration:
  – still misfunctions between public and private sector
  – highly oligopolistic structure of many sectors of the economy.

• Result: fiscal adjustment together with collapse of wages led to
  – a huge recession and in addition to
  – the explosion of public debt
Why did the austerity program fail (3/3)

• In the following slides some results of the austerity program are presented
  – Labour productivity
  – Disinvestment
  – Unemployment
  – Wages vs Unemployment
  – Imports vs Exports
  – Price competitiveness
Labour Productivity

πηγή: Annual Macroeconomic Database, Ευρωπαϊκή Επιτροπή.
Disinvestment (gross fixed capital formation)
Unemployment rate

Ποσοστό ανεργίας (άνεργοι % του εργατικού δυναμικού) (1990-2013 και πρόβλεψη 2014-2015)

Πηγή: Annual Macroeconomic Database, Ευρωπαϊκή Επιτροπή.
Wages vs Unemployment

Πηγή: Annual Macroeconomic Database, Ευρωπαϊκή Επιτροπή.
Balance of payments (Imports vs Exports)
Price competitiveness for goods

Indexes 2005=100

- Prices of Greek exports vs prices in Germany
- Prices of Greek exports vs prices of Greek imports
- Domestic prices vs prices of imports of goods

Sources: Eurostat, Elstat, Levy Institute
Main Concerns

• Fiscal Gap - Unattainable goals from privatizations, Sluggish Growth, Disinflation trend in European Economy

• Financial Gap – up to 15 billion euro, 11 billion still available by the ESM

• Stability of the Banking Sector – overdebteness of business and households
SYRIZA’s proposal for debt restructuring

- Revising of lending agreement
- Moratorium of debt-service
- Restructuring of public debt by ‘haircut’
- Growth Clause
- Issuing of Eurobonds and/or ECB buying of national bonds
- The partial exclusion of the recapitalization fund of the Greek banking sector from public debt
SYRIZA’s growth agenda for Greece

• Tax reform
  – Fair tax system
  – Fight tax evasion
  – Investment motives

• Growth initiatives

• Public investment exclusion from deficit calculation
SYRIZA’s fiscal plan

- Balanced budget
  - Expenditures stabilization at 44% (EU average 45%)
  - Expenditures reallocation (social justice)
  - Increasing ratio between direct & indirect taxes
  - Improvement of tax collection on wealth
  - Fight underground economy
SYRIZA’s plan for banking sector

• Banking management (by GFSF)
• Private debt restructuring (deleveraging)
• Special purpose development banking sector
• Micro-financing
• Legal framework & funding for Social Economy Sector
SYRIZA’s State sector major reforms

• National plan against corruption (first priority)
• Efficient use of state sector human resources
• Efficient public social services for all citizens
• Fight corporate red tape & clientelism (one stop shop services, fight “shadow transactions”)
• Citizenship for more immigrants
European Context

• In the next two slides:
  – Interest rates imbalance (main cause of competition handicap of greek business)
  – Current-account balances in Euro area (structural imbalance of Euro area economy)
Interest Rates

Graph I.3: Interest rates on loans to enterprises (new businesses, maturity up to 1 year)
Current Account Balances in Euro Area
European Context

• Proposed Solution:
  – Major policy change is needed (New Deal-style reforms)
  – Fiscal and monetary policies combined
  – Revision and/or easing of stability and growth pact
  – Co-ordination policies to tackle the balance of payments issue
  – Growth Agenda (targeted investments funding)