

GETTING OUT OF THE CRISIS TOGETHER

***Alternative approaches for an
inclusive recovery***

EAPN CONFERENCE

Friday 23/09/2011 - Brussels

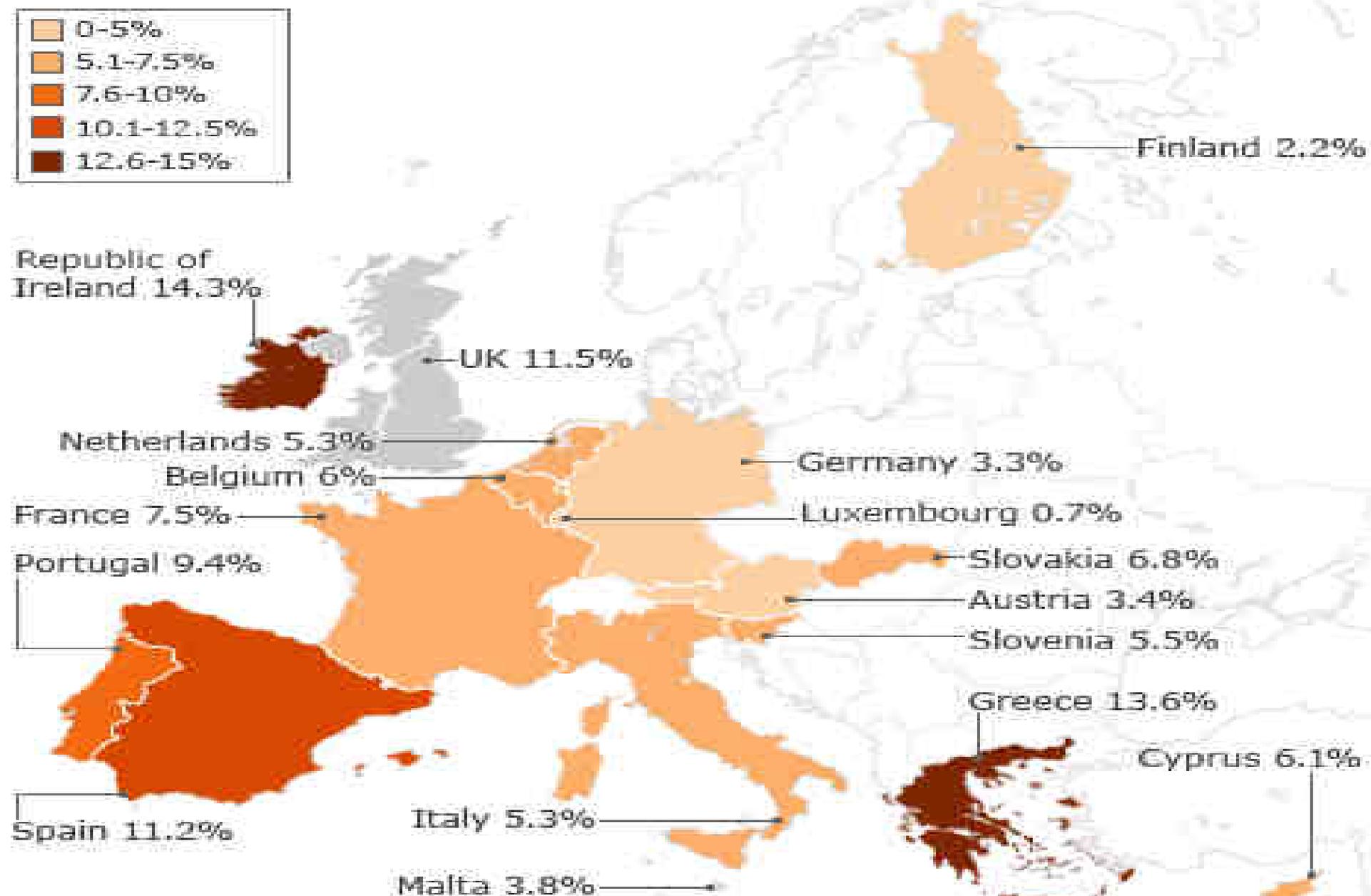
**'When the remedy kills the patient-
Reflections on the Greek Crisis'
MARIA MARINAKOU, NIKOS NTASIOS
EAPN GREECE**

Saving Greece?

Saving the Euro?



Eurozone government deficits as a proportion of GDP 2009

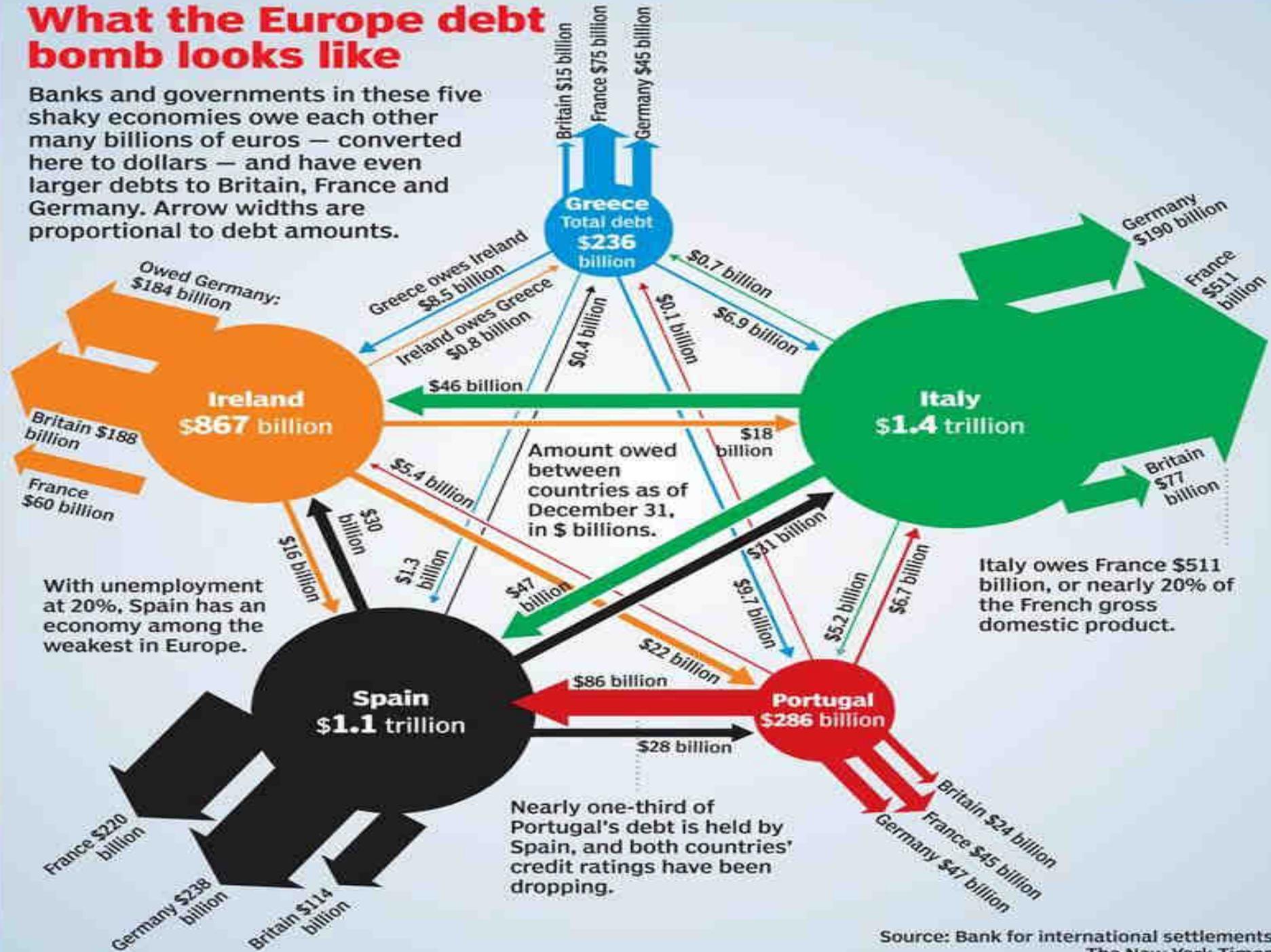


Source: Eurostat.

Note: UK is grey because it has not adopted the euro.

What the Europe debt bomb looks like

Banks and governments in these five shaky economies owe each other many billions of euros — converted here to dollars — and have even larger debts to Britain, France and Germany. Arrow widths are proportional to debt amounts.



With unemployment at 20%, Spain has an economy among the weakest in Europe.

Italy owes France \$511 billion, or nearly 20% of the French gross domestic product.

Nearly one-third of Portugal's debt is held by Spain, and both countries' credit ratings have been dropping.

Source: Bank for international settlements
The New York Times

Net debt burdens set to increase

% of GDP

■ 2009 ■ 2011
■ 2010 ■ 2012

120

100

80

60

40

20

0

2010, 2011 and 2012 are forecasts

Greece

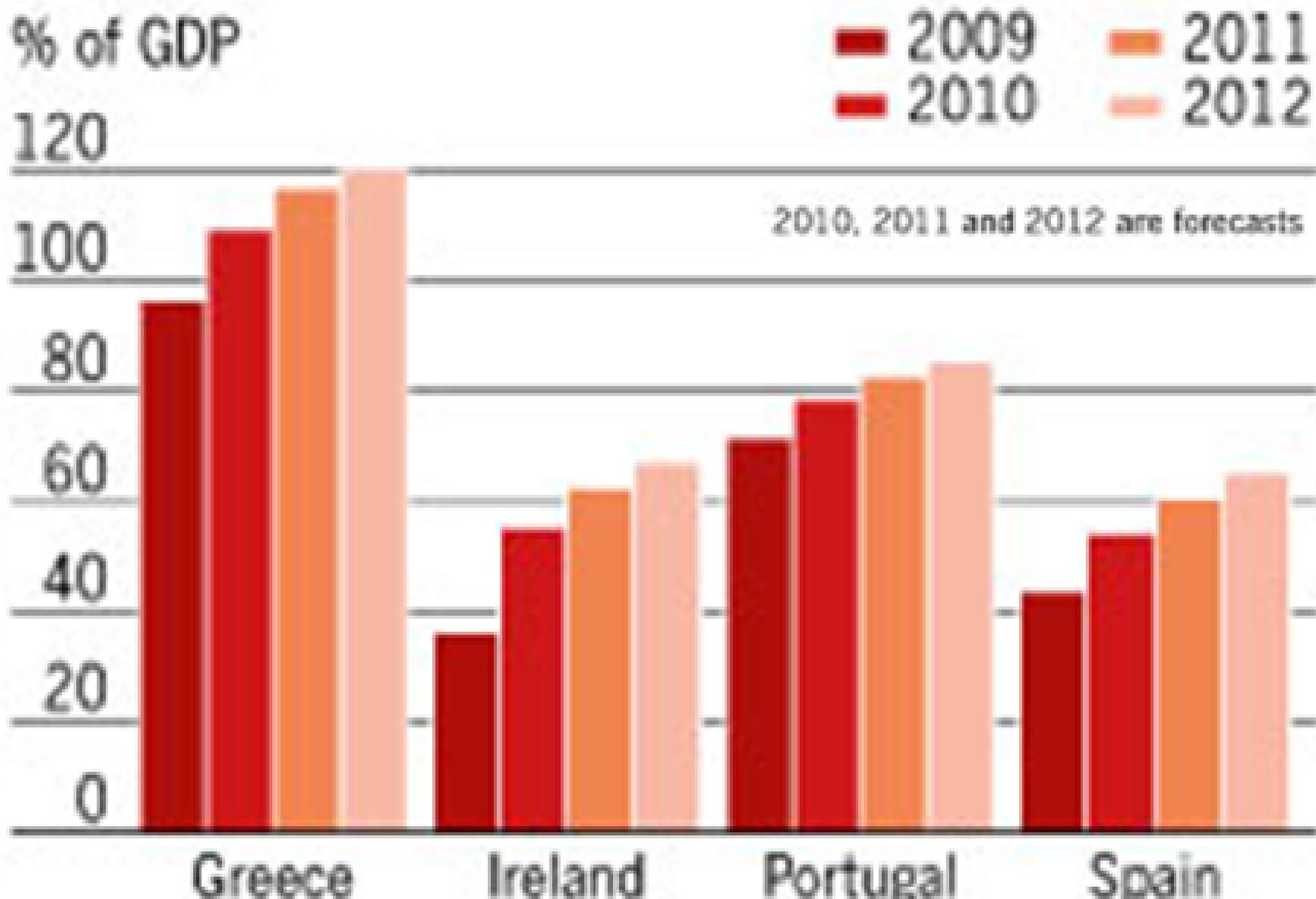
Ireland

Portugal

Spain

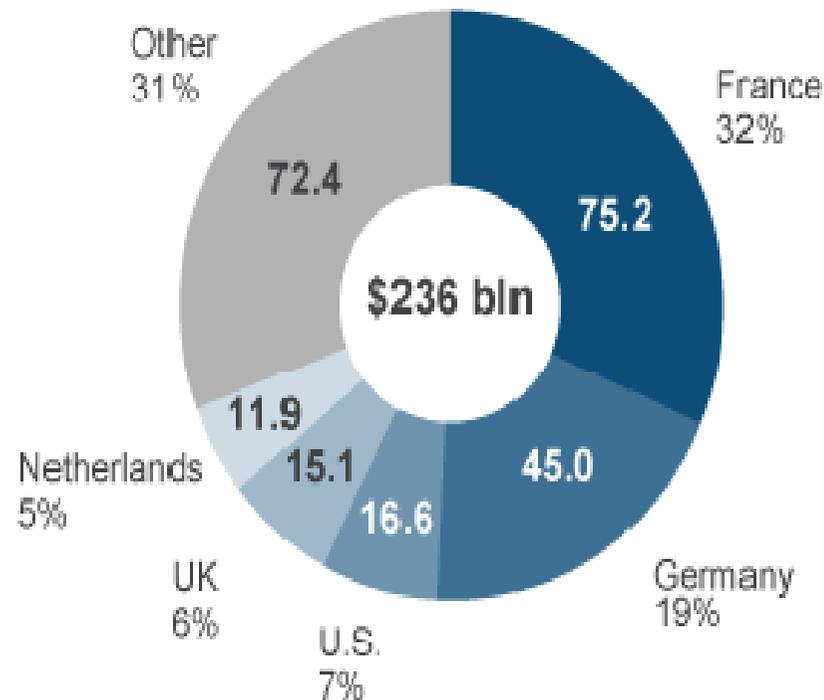
Sources: IMF; Bloomberg

Chart Source: FT.com

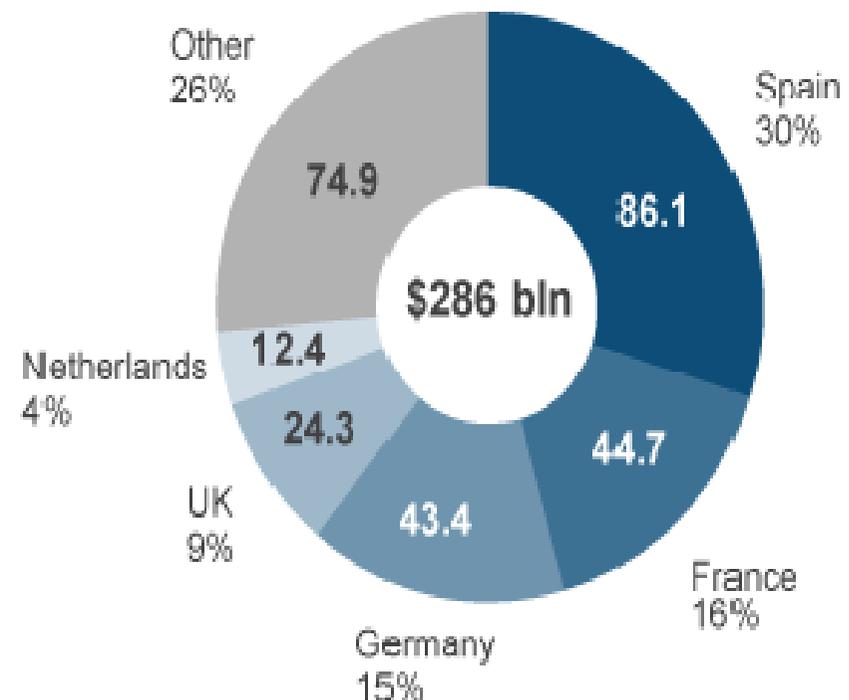


Bank exposure to Greece and Portugal

Bank exposure to Greece - \$ blns*



Bank exposure to Portugal - \$ blns*



Source: Bank of International Settlements - data as at end December 2009



28/04/10

Reuters graphic/Scott Barber

*Consolidated foreign claims and other exposures of reporting banks - BIS data groups together public debt and commercial commitments (private individuals and companies).

Deficit as % of GDP

Debt as % of GDP

2009 2010 (est) 2011 (est) 2009 2010 (est) 2011 (est)

Portugal	9.4	7.3	4.6	76.8	86.0	89.4
Ireland	14.3	32.0	10.0	64.0	77.9	82.9
Italy	5.3	5.0	3.9	115.8	116.9	116.5
Greece	13.6	8.1	7.0	115.1	120.4	120.6
Spain	11.2	9.3	6.0	53.2	65.9	71.9
Austria	3.4	4.7	4.0	66.5	70.2	72.6
Belgium	6.0	5.0	4.6	96.7	100.6	101.4
Finland	2.2	3.2	1.3	44.0	48.3	52.2
Germany	3.3	4.0	4.0	73.2	76.5	79.5
France	7.5	7.7	6.0	77.6	83.2	86.1
Netherlands	5.3	5.8	3.9	60.9	67.0	70.0
UK	11.5	12.0	10.0	68.1	79.1	86.9

Source: Latest government forecasts; other data: EU Commission, Nomura Rates Strategy



Most Greeks believe that this is also a **crisis of solidarity** in the EU. The media have orchestrated an ugly campaign turning the peoples of EU against each other

**Will it be a
domino
effect if
Greece
defaults and
exit the
Eurozone?**





The Greek debt crisis in a nutshell

In the 1980s Greece debt was 28% of GDP.

The Welfare State developed targeting the middle classes

Influx of EU funds, CAP, etc

Yet, public debt kept rising

In the 1990s the country sustained high growth rates, average 4,5 and high inflation

Poverty remained about 20%

Inequality kept rising, while wealth was accumulated in the hands of ruling elites

In the 2000s, Greece had abundant access to cheap capital, after adopting the euro in 2001.

At that point its public debt was about 100% of GDP and kept rising through out the decade.

The global financial crisis of 2008-2009 strained public finances, and borrowing costs reached unprecented levels.

By early 2010, Greece offered a bail out plan by IMF and EU of 110 billion Euros

After a year Greece is about to default on its public debt.

The Debt...

- The Greek Debt has risen to 166% of GDP in 2011.
- IMF estimates that it will reach 188% in 2012, 179% in 2014 and 165% in 2015!!
- Is it possible to be repaid?
- Interest payments are about 6,5-7,5% of GDP
- Recessession at 5% this year and 2% estimated for 2012



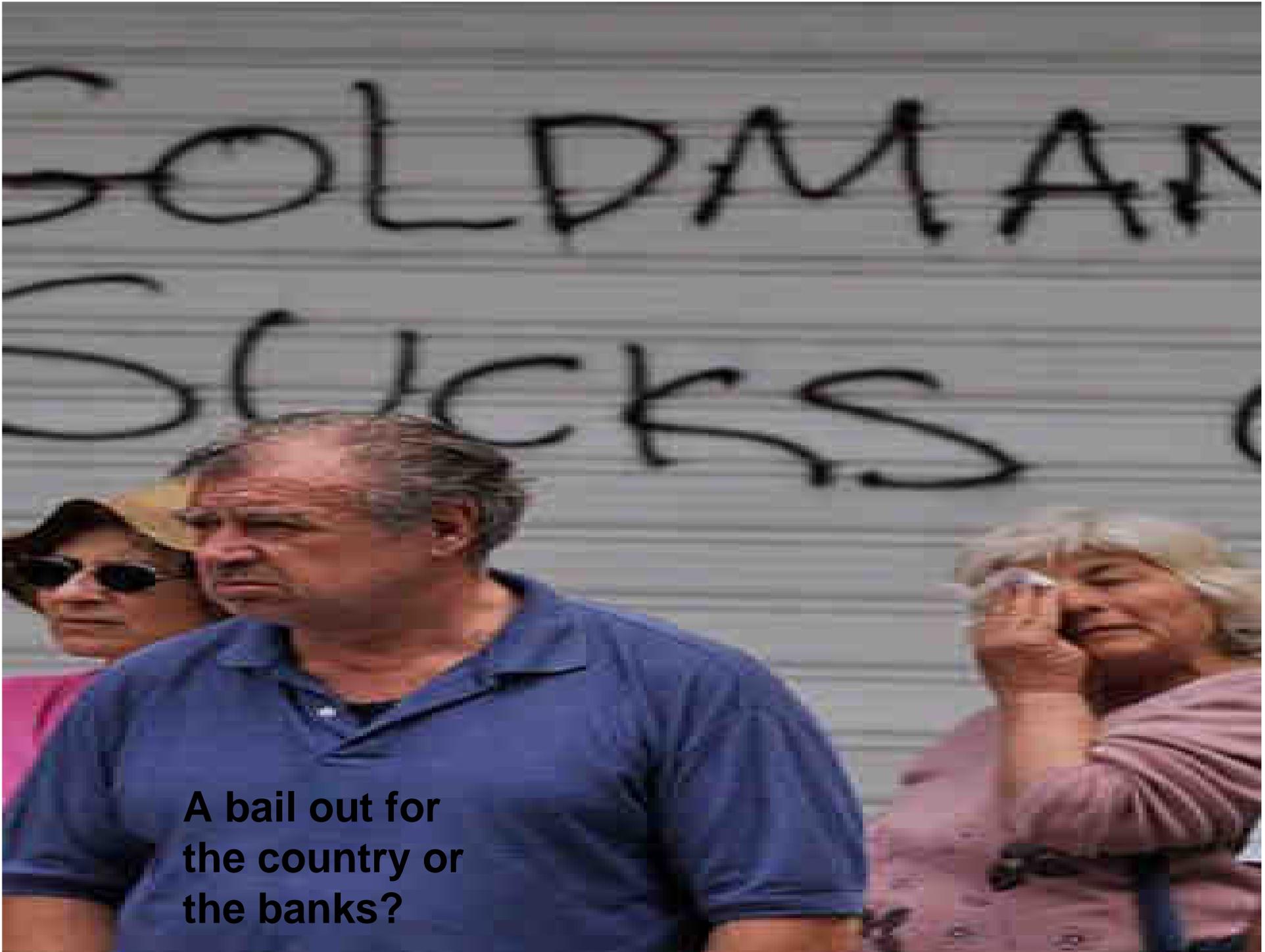
The Anger...

The reality is that most Greeks have moved away from denial, past the stage of shock and into the phase of anger.

People are angry for a variety of reasons, they are angry at the politicians who deceived and failed them,

they are angry at the European Union who knew what was going on and yet allowed things to reach boiling point,

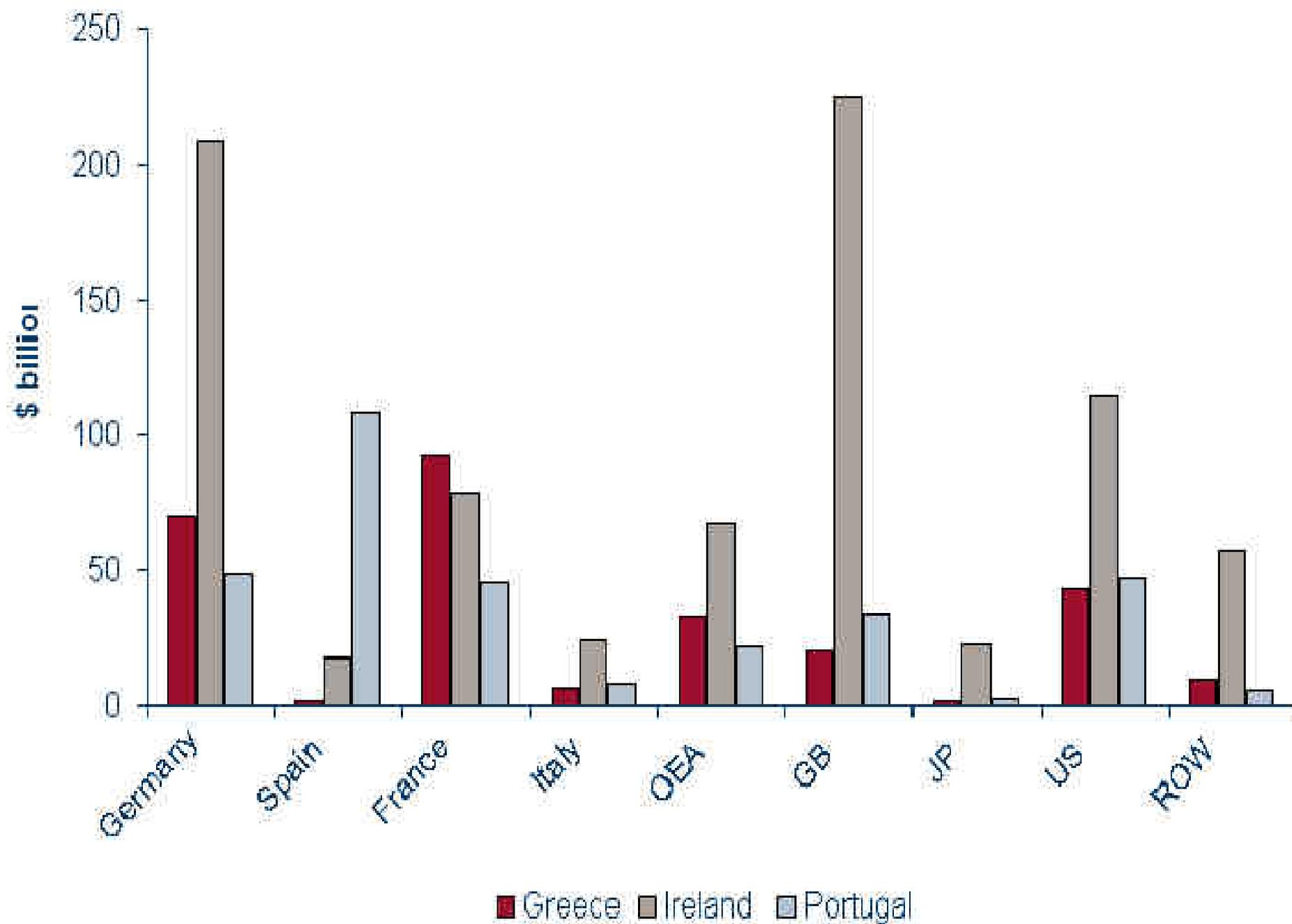
and most of all they are angry at themselves for allowing themselves to be deceived.



**A bail out for
the country or
the banks?**



Foreign exposures to peripheral debt by bank nationality





Crisis effect on poverty

According to Matsaganis M.,(Sept 2011,ETUI) as a result of the austerity and the wider recession, 5% of the Greek population saw their 2010 incomes fall below the 2009 poverty line.

The crisis has raised the demand for social protection, but the supply of social benefits has been reduced rather than increased.

He states “To prevent the economic crisis from turning into a social catastrophe, a concerted effort is needed to tighten the social safety net and to shield the weakest groups from its adverse effects.”

And he continues “we can conclude that, in relative terms, the poor contributed a clearly greater proportion of their income than the rich to the government’s fiscal consolidation effort.



Table 2: Poverty rates, in %

	2009	2010	
		standard	anchored
all	20.06	20.88	25.45
gender			
men	19.04	20.01	24.52
women	21.02	21.70	26.34
age			
0-15	21.41	22.31	27.87
16-29	19.02	20.12	25.27
30-44	16.44	17.93	22.04
45-64	19.02	19.81	23.53
65+	24.61	24.53	29.39
household head is:			
unemployed	51.09	60.14	63.71
employee (public sector or banking)	0.31	0.42	1.40
employee (private sector excl. banking)	12.69	12.31	16.36
liberal profession	3.79	3.72	3.72
own account worker	16.63	17.39	21.32
farmer	46.88	45.56	50.87
pensioner	24.74	24.72	29.06
other	20.65	20.56	28.57

The sharp rise in unemployment and the fall in earnings of those who still have a job have resulted in significant income losses.

Even though the number of unemployed workers rose by 45.1% (December 2010 compared to the same month a year earlier), the number of unemployment benefit recipients over the same period went up by only 9.6%.

Housing benefit was suspended in 2010



The unemployment rise

Greece's statistical agency says the unemployment rate rose to 16.2 per cent in March, with the number of jobless increasing by a massive 40 per cent from a year earlier.

The agency said that the unemployment rate had increased from 15.9 per cent in February.

The total number of Greeks out of work stood at 811,340 in March this year, compared with 578,723 in March 2010. That's the highest level since 2004, when the Greek government first began releasing official data.

The Greek statistics agency said the unemployment rate among those under 24 hit more than 42 per cent during the month (Sept 2011 ELSTAT)



The Syndagma square resistance mobilised thousands of Greeks

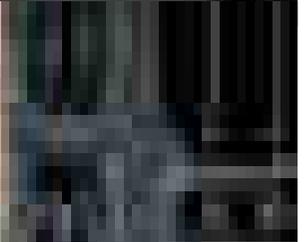


The latest Troika Plan for the Public Sector

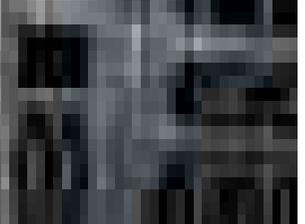
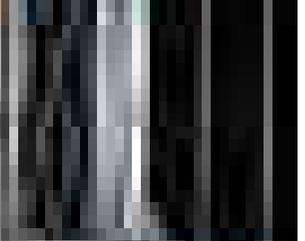
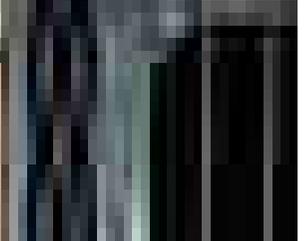
- **The latest agreement (3 days ago) between the Greek government and the IMF-EU-ECB officials is catastrophic!**
- **It destroys the state's ability to function**
- **The mid term framework agreed is to be completed by 2014 instead of 2015. As such the Greek government is to find 28,35 billion Euros, so deficit will be at 1% i.e 2,6 billion euros by 2014.**
- **Troika is set as its priority the repayment of interests and loans**
- **Troika expects that: Firing 58.000 contract workers of the public sector. 20.000- 30.000 civil servants put on reserve for a year and then made redundant. Most of them will be over 55 years old, or people with disabilities**
- **Redundancies of civil servants up to 100.000 by the end of 2012**
- **Reduction of salaries of civil servants up to 40%**

Taxes, more taxes

- The problem of tax evasion of the very rich still remains
- The known tax evaders have not been named and blamed
- The government proposed to have greek capital return without investigations
- The burden of taxation has hit hardly the middle classes and the lower incomes



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-60% IE MA
IA EAANNIKA
NIFED



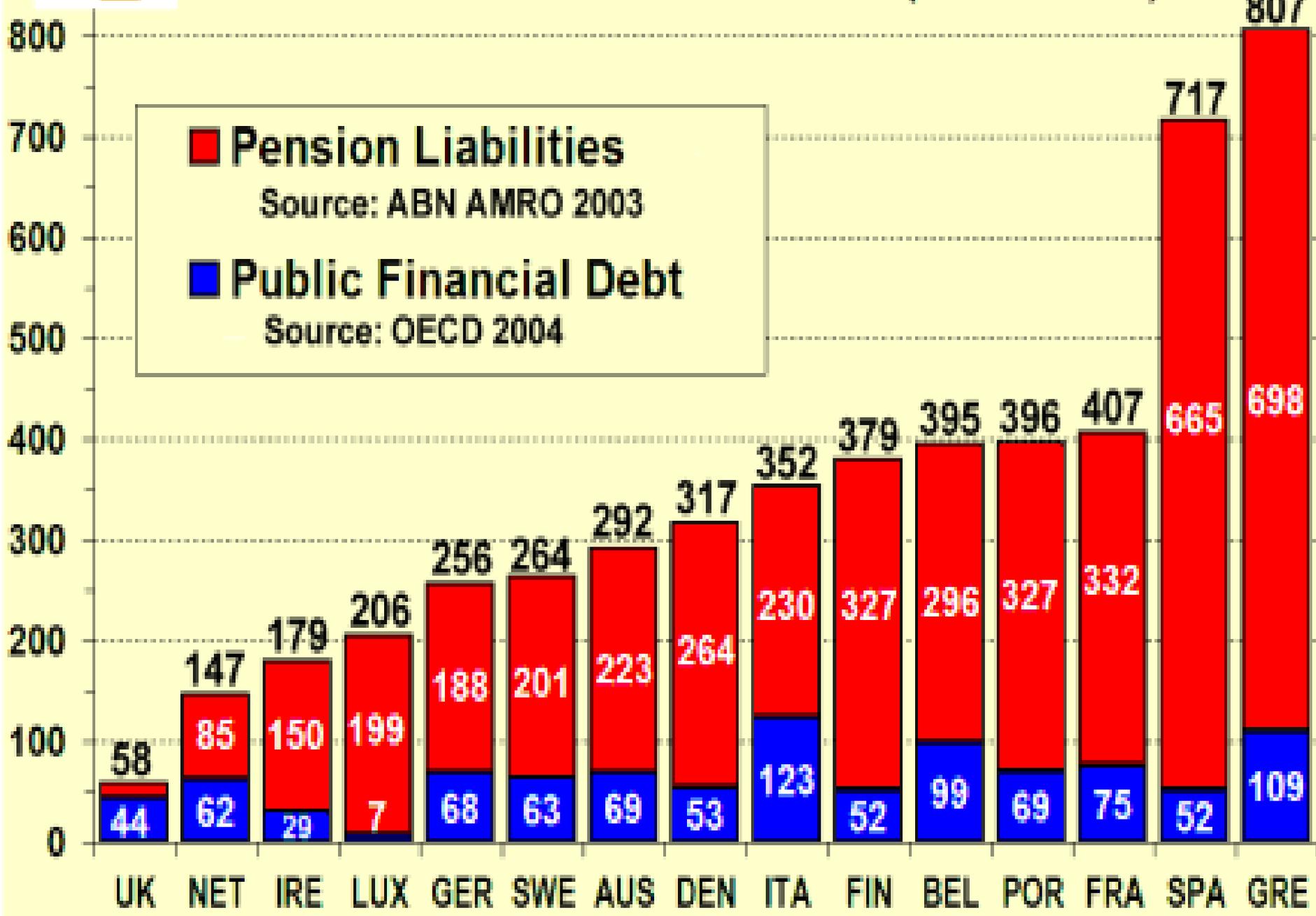
Pensions- Benefits

- Reduction of Pensions to save 750 millions - 1 billion only from pensions
- 25% cuts in main pensions and 20 % of the pension aid schemes
- severe reductions to early retirement pensions schemes for those less than 60 yeas old
- Severe cuts to all benefis





Public Debt & Pension Liabilities (in % of GDP)





Greek Social Security Cuts – Cuts in Millions



Privatisations

- The country is going for sale!!! And it's cheap...
- Energy, water, telecommunications, ports, airports (main and peripheral), tourist industry, national land, coasts, banking etc
- Access to public goods for the poor is made harder (see transport cost increase at 40%)
 - Electricity bills unpaid!!-440 million is owed by households. In 2010 there have been 1.156.373 orders to cut household electricity. Only 241.808 were done by the (at the moment) publickly owned electricity company!



A photograph of a large, multi-story building, likely a hospital or medical center. The building is light-colored with many windows. A large sign on the front of the building reads "MAYOR OGLE'S MEDICAL CENTER". The sign is in a serif font and is mounted on a dark background. The building is set against a clear sky. The overall image has a slightly grainy, vintage quality.

MAYOR OGLE'S
MEDICAL CENTER

OPTIMISTS

THESE DAYS

Austerity and Recessession

The impact

- The most strict austerity measures ever taken to a European country
- It is estimated that it would need more than 2 decades for the country to recover
- The first time in 100 years that the young generations would live worst off than their parents



The way forward...

A story from far away...Brazil

President Lula “New Deal”:

Zero Hunger program

Basic Income schemes which increased progressively

3 times higher minimum wage

Thus generated the local economies and resulted to the “B” of the Bricks.

In search of a future...

We live in a new era

The global neo-liberal model has exhausted, its legitimacy, its myths, even its compromises

What predominates is Greed- and amazing accumulation of wealth (a lot of it its *virtual* resulting from 'casino' type financial markets)

We need a new developmental model

- **Ecological**
- **Sustainable**
- **Participative**
- **Social Justice**
- **Solidarity**

Where all people of the globe can exercise their rights and live with dignity