The Eurozone Crisis Greece and the Experience of Austerity

Structural analysis of macroeconomic prospects

Massimiliano La Marca
Research Department, ILO
1. Balances and imbalances

2. Recent events and structure

3. Modelling simulations: representing, explaining, policy experiment

4. Some implications
1. Structural deficit: net lending
1. Fiscal balances

- Government Balance
- Interest payments
- Primary Government Balance
2. Events

Inflation, GDP deflator (annual %)
2. Some structure
2. Some structure
2. Recent events: employment

Employment/population ratio

Graph showing the employment/population ratio from 1983 to 2011.
2. Recent events: distribution

[Graph showing trends in compensation of employees, gross operating surplus and gross mixed income, and taxes less subsidies on production and imports from 1980 to 2012.]
2. Recent events: expenditure

- GDP
- Consumption Hholds/NPISH
- Govern. Cons
- Investment
- Exports
- Imports
2. Some structure

2. Some structure
2. Some structure
Some modelling simulations

wage cut: REAL TRADE BALANCES levels

internal dev.: REAL TRADE BALANCES %
Some modelling simulations

internal dev.: INCOMES & BALANCES %

Consumption

Value added (Real)

Employment

1000 EUR

Employment

1000 EUR

Value added (Real)
Conclusions

1. Wage, prices and deficits when CA is structural

2. Need of external financing

3. Need of climate for investment: SOCIAL DIALOGUE

4. Targeted policies