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**GREEK DEBT DEAL WILL LEAD TO A DEEPER SLUMP AND THE
SURRENDER OF NATIONAL SOVEREIGNTY, NEW LEVY PAPER SAYS**

ANNANDALE-ON-HUDSON, N.Y.—While financial markets surged on news that the European Union had agreed on a bailout deal to prevent Greece from defaulting on its debt, a new paper from the Levy Economics Institute of Bard College argues that the deal does little to resolve Greece’s debt problem and leaves intact all of the harsh austerity policies that led to the failure of the first bailout plan in May 2010. In his paper “Greece in the Aftermath of the Debt Haircut: More Austerity, a Deeper Slump, and the Surrender of National Sovereignty,” Levy Research Associate and Policy Fellow C. J. Polychroniou contends that the new debt deal is little more than a short-term attempt to resolve Greece’s debt problem by continuing the same expansionary fiscal consolidation policies that have, thus far, been a blatant failure.

“A 50 percent haircut alone will not solve the Greek debt problem,” writes Polychroniou, stressing that “neither recapitalizing European banks nor turbo-charging the EFSF (especially with dubious schemes) can credibly resolve the eurozone crisis without also enacting policies to promote long-term growth. And at this stage, the only viable and immediate solution to reviving the economies of Greece and the other European member-states is through public spending and quantitative easing.”

Polychroniou concludes by blaming the plan on “Germany’s incorrigibly stubborn disposition toward expansionary fiscal consolidation” as well as the Greek government’s failure to negotiate alternative policies. “The new German plan for Greece merely continues what started back in May 2010,” he writes. “The unparalleled sacrifices that the Greek population has been forced to make and is expected to make for many years ahead, the sell-off of all profitable state assets, and the conversion of the nation into a low-wage/high-debt economy with privately provided public services are all part of belonging to an economic club dominated by Germany and fiscal conservatism—and the subsequent outcome of a government that willingly surrenders sovereignty because it lacks either the capacity or the conviction to imagine and firmly negotiate alternative policy schemes.”

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One-Pager No. 17: *Greece in the Aftermath of the Debt Haircut: More Austerity, a Deeper Slump, and the Surrender of National Sovereignty*

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit www.levyinstitute.org.

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