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**GREEK UNEMPLOYMENT WILL SURGE TOWARD 30 PERCENT BY 2015
WITH CONTINUATION OF AUSTERITY POLICIES, NEW LEVY STUDY SAYS**

**Policymakers Must Consider Immediate Policies Geared Toward Restarting
Greece's Economic Growth Engine and Increasing Employment**

ANNANDALE-ON-HUDSON, N.Y.— While the latest announcements from Brussels, Frankfurt, and Berlin proclaim the worst of the eurozone crisis to be over, and even praise Greece for having finally turned the corner, a new study from the Levy Economics Institute of Bard College finds Greece's economic conditions—particularly employment, domestic private demand, and industrial production—to be stubbornly negative and its policy options narrowing. The Levy Institute's Macro-Modeling Team analyzes the economic outlook for Greece and argues that meeting the International Monetary Fund's projections for deficit reduction in the midterm will result in a “spectacular failure in restoring employment and growth,” with unemployment soaring past 28 percent by 2015. The Levy scholars estimate that, at the current rate of net job creation, an employment level assumed to be at full employment would take approximately 15 years to achieve.

“What we can now clearly observe is that the harsh fiscal consolidation measures imposed on Greece show no convincing signs of a ‘light at the end of the tunnel,’” write Levy Institute President Dimitri B. Papadimitriou and Research Scholars Michalis Nikiforos and Gennaro Zezza in their Strategic Analysis, *Prospects and Policies for the Greek Economy*. Using the specially constructed Levy Institute macroeconomic model of the Greek economy, or LIMG—a stock-flow consistent model similar to the Institute's model of the US economy—the Levy scholars examine the likely impact of four policy options: (1) external help through Marshall Plan-type capital transfers from the European Union (EU) to the Greek government; (2) temporary suspension of interest payments on public debt and use of these resources to increase demand and employment; (3) introduction of a parallel financial system based on new government bonds, or “Geuros”; and (4) adoption of an employer-of-last-resort (ELR) program financed through this parallel financial system.

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Finding the prospects for a dramatic shift in European policy grim, the Levy team discounts the likelihood of a Marshall-type injection of external funding, and, instead, recommends an ELR jobs program financed through a parallel financial system that allows Greece to restore liquidity in domestic markets and liquidity for expansionary fiscal policy without exiting the euro and while keeping existing agreements on public debt. Under such a scenario, the authors contend that about 550,000 jobs would be created within one year and GDP would improve by 7 percent in 2014.

“We argue that since the first two policy options, though economically feasible, lack the necessary political will, a public job guarantee is the only option that could provide a relatively quick restoration of living standards to a large segment of the Greek population, with limited impact on foreign trade,” writes the Levy team. “While Brussels, Berlin, and Frankfurt, with no Greek representation, secretly debate what they should do with the country’s controversial bailout program, Greece should begin considering alternative options for exiting the crisis now.”

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Strategic Analysis: Prospects and Policies for the Greek Economy

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit <http://www.levyinstitute.org/publications/?docid=1996>.

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