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**ECONOMIC CATASTROPHE IN GREECE HIGHLIGHTS FAILURE OF EU AND IMF
NEOLIBERAL ECONOMIC POLICIES AND CORRUPTION AND INEPTITUDE OF
GREECE'S DOMESTIC POLITICAL ELITE, NEW LEVY STUDY SAYS**

ANNANDALE-ON-HUDSON, N.Y.— In May 2010, when Greece's first bailout was approved and the austerity measures kicked in at full speed, the unemployment rate stood at 12 percent. That rate has since climbed to 27 percent, and the youth unemployment rate (for ages up to 25 years old) has surpassed the 60 percent mark. Poverty is spreading rapidly, and the country's GDP has plummeted, while its debt has grown from 126.8 percent to 180 percent over the past two years. A new policy note from the Levy Economics Institute of Bard College argues that the neoliberal economic policies applied by Germany, the European Union (EU), and the International Monetary Fund (IMF), combined with Greece's culture of political corruption, have produced a growing economic and social catastrophe of proportions unparalleled in peacetime Europe.

“The economic catastrophe unfolding in Greece—which is about to become a humanitarian crisis within the periphery of one of the wealthiest economic regions of the world—speaks volumes about the damage that the neoliberal-oriented policymakers of the IMF and European Union (EU) can deliver via the domestic political establishment,” writes Levy Research Associate and Policy Fellow C. J. Polychroniou in his new policy note, *The Tragedy of Greece: A Case against Neoliberal Economics, the Domestic Political Elite, and the EU/IMF Duo*. “At the heart of the neoliberal vision is a societal and world order based on the prioritization of corporate power, free markets, and the abandonment of public services.”

Polychroniou writes that, as a policy, the bailout scheme has proved to be a dismal failure on every possible front, save for ensuring that debt payments kept flowing to foreign banks. “The crude macrostabilization program and the harsh austerity measures that accompanied the loan to Greece (amounting to 11 percent of the country's GDP) had the opposite of the intended effect on the

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markets and choked off all prospects of recovery for the Greek economy: demand plummeted due to the deadly combination of massive budget spending cuts, reductions in wages and pensions, and sharp tax increases, causing thousands of small businesses to go bankrupt and forcing several multinationals to move their production facilities to nearby Balkan countries, thereby producing explosive unemployment rates, sharply diminishing state revenues, and substantially increasing the debt-to-GDP ratio,” he writes. “For the past three years, Greece has been a guinea pig for the policy prescriptions of a neoliberal EU under the command of Germany and its northern allies. A public debt crisis has been used as an opportunity to dismantle the social state, to sell off profitable public enterprises and state assets at bargain prices, to deprive labor of even its most basic rights after decades of hard-fought struggles against management, and to reduce substantially wages and pensions, creating a de facto banana republic—all with the support of a significant segment of the Greek industrial/financial class and with the assistance of the domestic political elite, which since the onset of the crisis has relied heavily on dictatorial action in order to carry out the commands of the country’s foreign creditors.”

Polychroniou contends that the Greek crisis is the story of the country’s own “excruciatingly amateurish and agonizingly incompetent government” as well as the general failure of the global neoliberal project, the financialization of the economy, and free-market orthodoxy. “How else could eurozone countries with such dissimilar economies (Greece, a statist and highly corrupt economy; Ireland, a poster child for neoliberal capitalism; Spain, a faithful follower of EU dictates about deficits and debt) end up suffering the same fate?” he writes. “The reason is rather simple: because they all orbited the same central entity, the black hole of European neoliberal capitalism.”

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Policy Note 2013/1: *The Tragedy of Greece: A Case against Neoliberal Economics, the Domestic Political Elite, and the EU/IMF Duo*

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=1707>.

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