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**LATEST EU/IMF BAILOUT FOR GREECE MAKES REDUCING LIVING STANDARDS AND INCREASING POVERTY THE PRICE FOR INCREASING COMPETITIVENESS, NEW LEVY STUDY SAYS**

ANNANDALE-ON-HUDSON, N.Y.— February 12, 2012—the day Greek lawmakers from the nation’s two major political parties agreed on more austerity measures in exchange for a new European Union/International Monetary Fund (EU/IMF) bailout—is a day that will live in infamy, says a new policy paper from the Levy Economics Institute of Bard College. In his paper “The New European Economic Dogma: Improving Competitiveness by Reducing Living Standards and Increasing Poverty,” Levy Research Associate and Policy Fellow C. J. Polychroniou argues that the new bailout will do absolutely nothing to address Greece’s economic crisis, and will in fact keep the nation locked in a vicious cycle of debt and lead to its exit from the eurozone.

“The problem is that today’s Europe is far more committed to economic dogma than to addressing economic realities,” writes Polychroniou. “The EU (Germany, if we are to call a spade a spade) has a particular fixation with bringing down labor costs in order to improve competitiveness. As far as Berlin is concerned, Greece, in order to recover economically, must reduce wage costs to levels that prevail in the economies of the Baltic states!” Polychroniou says Germany’s notion of competitiveness as misguided and highly dangerous. “There is a huge difference between a national economy and, say, Coca-Cola or Nokia,” he writes. “In the case of Greece, restoring international competitiveness is being engineered to take place through a major ‘internal devaluation.’ Cutting wages—and, by extension, reducing living standards and increasing poverty—is the surest way to enforce ‘competitiveness,’ according to the German way of economic thinking.”

He suggests that addressing Germany’s trade surplus and promoting growth policies in Europe would be a wiser course for the EU. “Germany’s main source of growth has been its current account surplus, a direct result of deficits in the economies of the southern eurozone members,” he writes. “Indeed, with competitiveness there are always winners and losers. As such, eurozone economies would benefit more if there were stronger economic growth in Europe, instead of having governments adopt ‘lean and mean’ survival tactics so that their economies can compete more effectively with one another.”

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One-Pager No. 26: *The New European Economic Dogma: Improving Competitiveness by Reducing Living Standards and Increasing Poverty*

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](http://www.levyinstitute.org).

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