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**EUROPEAN DEBT CRISIS FAR FROM OVER,
NEW LEVY ECONOMICS INSTITUTE STUDY SAYS**

ANNANDALE-ON-HUDSON, N.Y.— While some policymakers have called last month's Greek bond swap a turning point in the European Union's sovereign debt crisis, a new study from the Levy Economics Institute of Bard College points to worsening situations in Greece, Portugal, and Spain as proof that the EU's debt crisis is far from over, and that its austerity policy prescription is failing.

In his paper "Eurozone Crisis 2.0.," Levy Research Associate and Policy Fellow C. J. Polychroniou writes that "it's widely acknowledged that the bond swap won't make any difference in [Greece's] overall ability to service its debt, and almost everyone anticipates another 'haircut' down the road—if not another bailout." He cites International Monetary Fund (IMF) estimates that Greece's funding gap after 2014 may range anywhere from 32 billion to 67 billion euros, and that the country's debt-to-GDP ratio will reach 171 percent in 2014 and remain close to 150 percent in 2020. In the meantime, the Greek government is expected to introduce eight billion euros' worth of austerity measures between 2013 and 2015, in an economy with a GDP that has shrunk by nearly 18 percent since 2009, an unemployment rate near 22 percent, and a standard of living rapidly declining to 1960s levels. Polychroniou finds a similar situation in Portugal, where the public deficit has tripled in the first two months of this year because of declining tax revenues directly related to the harsh austerity measures imposed as a condition of its EU/IMF bailout. Analyzing the situation in Spain, which has the highest unemployment rate in all of Europe (23 percent), he finds that yields on the country's 10-year bonds are trending upward again in spite of the government's decision to implement 27 billion euros in additional spending cuts.

"The EU periphery is a sinking ship, and even several core states are experiencing primary symptoms of post-traumatic stress disorder as a result of what we might call the transition to a new, maladjusted economic order," writes Polychroniou. "The crisis has since gotten much worse, because the focus was, and remains, expansionary fiscal consolidation and gut-wrenching austerity—part and parcel of a perverted effort to regain business confidence when growth-oriented policies would have had more immediate and long-lasting results. What's needed by Europe's economies, especially those in the periphery, are strong, proactive economic policies that will put people back to work, increase state revenues, and improve the standard of living."

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One-Pager No. 29: *Eurozone Crisis 2.0*

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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