



# AUSTERITY AS GREECE'S SYMPLEGADES: WHY THE PUSH FOR AUSTERITY?

Georgios Triantafillou

# Why the Push for Austerity?

- ▣ Ideology of Austerity
- ▣ National Interests
- ▣ Banking Sector Interests

# Where Greece Stands

- ▣ Rapid decrease in median income levels
- ▣ 38% of population at risk of poverty
- ▣ 26% unemployment (tripled since 2008)
- ▣ 60% youth unemployment
- ▣ Gov't gross debt 160% of GDP in 2014 and climbing

# Logic of Austerity

- ▣ Low wages
- ▣ Low inflation
- ▣ Currency devaluation
- ▣ Increase in competitiveness
- ▣ Increase in exports
- ▣ Economy expands

# National Interests



# National Interests

- ▣ German and French national elections
- ▣ Maintaining domestic popularity for austerity
- ▣ Core trade surpluses, periphery deficits
- ▣ Greek procurement of arms

# National Interests in Numbers

- ▣ 25% competitiveness gap between Greece and Germany within 10 years of adopting the Euro
- ▣ German trade surplus in 2000 was 46.6 billion Euros. Increased by 2007 to 126.5 billion Euros.
- ▣ Greece's trade deficit in 2007 with Germany was 5.5 billion Euros.



# Military Spending

- ▣ 4% of GDP post-crisis, EU average 1.7%
- ▣ 2007: 6.27 billion Euros spent on arm purchases from France and Germany
- ▣ 2010: 1.8 billion slashed from social spending, 7.1 billion spent on arms purchases from France and Germany

# Banking Sector Interests



# Banking Interests

- ▣ 82.5% of Greek public debt was held by foreign investors, 93.5% of which were held by European banks.
- ▣ German and French banks exposed to 1 trillion Euros in periphery bonds.
- ▣ Systemic risk/Moral Hazard
- ▣ Greek market share in Balkan banking sector: Bulgaria 30%, FYROM 30%, Albania 25%, Serbia 15% and Romania 17%.

