

The world's leading economists versus European policies on Greece

Greece's situation a “*nightmare*”; and policies meted out by Europe described as

“*beatings*”: In January 2015, responding to the election of Syriza, Greece's ruling anti-austerity party, 18 leading economists wrote to the FT to say that, “*We think that the whole of Europe will benefit from Greece being given the chance of a fresh start.*” In the same month, they were joined by Professor Paul Krugman, the Nobel Prize winner in Economics, who wrote in the New York Times, describing the situation in which Greece finds itself as a “*nightmare*” and the measures imposed on it by Europe as “*beatings*”.

[“*In calling for a major change, Mr. Tsipras [the current Greek Prime Minister] is being far more realistic than officials who want the beatings to continue until morale improves. The rest of Europe should give him a chance to end his country's nightmare.*”]

Consequences of European policies “*devastating*”: In February, Professor Joseph Stiglitz, Nobel Prize winner in Economics and former Chief Economist at the World Bank, wrote that, “*When the euro crisis began a half-decade ago, Keynesian economists predicted that the austerity that was being imposed on Greece and the other crisis countries would fail... The contraction in government spending has been predictably devastating: 25% unemployment, a 22% fall in GDP since 2009, and a 35% increase in the debt-to-GDP ratio.*” [The fall in GDP is now said to be 26%; unemployment 27%; youth unemployment 60%; number of suicides since imposition of the punitive measures 11,000. In contrast, the UK suffered a 6% fall in GDP.]

A terrible mistake: In May, Stiglitz tried again, telling the EU to admit the mistake it made imposing austerity on Greece and soften its stance or bear the consequences if the country exits the euro area. “*Europe should admit that it made a mistake. When you make a mistake of this depth, the worst thing in the world is not to admit it and not to change it.*”

26 world-renowned economists in “*plea for economic sanity and humanity*”: Then, on 5th June, as the crisis deepened, Joseph Stiglitz, Thomas Piketty and 24 other world-renowned economists demanded a major change of course, in a letter to the FT entitled “*a plea for economic sanity and humanity*”. They slammed the *status quo*, pointing out the abject failure of the austerity previously imposed on Greece and the terrible suffering which has resulted from it (with no prospect of improvement), and warning of the very real

prospect of the collapse of Greek democracy and the emergence of “*much more radical and dysfunctional challenges, fundamentally hostile to the EU*” – a reference to the alarming rise of out-and-out fascist parties in Greece.

Germany’s own debt crisis, and its resolution.

Leading economists have frequently drawn attention to the generous treatment given to Germany in the ‘London Agreement’ in 1953 – whilst Germany itself and its partners have studiously avoided all mention of the fact! Half its pre- and post-war debts were cancelled and, more important, it only had to service the remainder when it ran a trade surplus.

“It was after substantial debt relief that the German economy was able to grow — and reform itself— in the 1950s.” (Prof Joseph Stiglitz & 17 others, Jan 2015)

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“Germany was happy enough to accept massive debt cancellation after the second world war, under the Marshall plan. As the current German government itself seems incapable of even a modicum of humility on this score, surely this is something the world should be reminding it of before it succeeds singlehandedly in plunging Greece into the kind of crisis others helped Germany to avoid.” (Professor Naomi Eilan, University of Warwick)

For a more detailed account of debt cancellation under the Marshall Plan, browse for, “*Calling Germany on its hypocrisy in the Eurozone debt crisis*”, by Professor, Albrecht Ritschl, of the LSE.

Browse for: "Jubilee Debt Campaign: Sign the Europe-wide petition to Cancel Greek Debt"

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