

## GREECE ON THE FACE OF IT

Stephen Parsons  
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### Summary

In the end I just couldn't help trying to make some sort of sense of the Greek economic crisis for myself because I have by now completely lost trust in the reporting of economics by news media. I've used published statistics from the IMF and the OECD, and I've adjusted the presentation and made some supplementary calculations of my own where necessary. My conclusion based on this analysis is that even though Greece was relatively poorly placed to weather the economic storm of the great global financial crisis (2007-2010) it had actually managed not too badly in the circumstances. In fact it's been the events of the aftermath (2010-2015) that have done the damage; and in particular the absolute collapse of wage-payments (down by 20%) and the explosion of unemployment (the rate has doubled to over 25%). These twin developments, accounting for the 19% decline in Greek GDP, set Greece apart from other countries at the weaker end of the Eurozone where unemployment rates and pay have tended simply to stagnate. They do not seem to justify a punitive refusal to countenance further financial support or debt rescheduling on the part of multi-national agencies.

### Introduction

Some comparative data are presented in Table 1 to allow a preliminary survey of the situation.

**Table 1: Introductory/Background Data**

2014	GDP (\$bn)	GDP/hd (\$)	Pop'n (m)	Gov't/GDP (%)
<b>GREECE</b>	<b>238.0</b>	<b>21635</b>	<b>11.0</b>	<b>43.6</b>
Belgium	534.7	47722	11.2	51.4
France	2846.9	44538	63.9	53.3
Germany	3859.6	47590	81.1	44.6
Netherlands	866.4	51373	16.9	44.1
Ireland	246.4	53462	4.6	34.7
Italy	2148.0	35823	60.0	48.7
Portugal	230.0	22130	10.4	44.5
Spain	1406.9	30278	46.5	37.8
UK	2945.2	45653	64.5	35.8
USA	17418.9	54597	319.0	31.4
Japan	4616.3	36332	127.1	32.6

Source: IMF

Greece is a relatively small country in economic terms. Although its population numbers about the same as Belgium, Belgium's GDP is more double that of Greece. Greece's GDP is much the same as

Ireland's, but Ireland has less than half as many people. Hence both Belgium and Ireland enjoy much higher GDP per head than Greece; more like the levels of larger economies such as France and Germany, inside the Eurozone, or the United Kingdom (outside the Eurozone but within the European Union). Greece's economic situation is more similar to that of Portugal in terms of population and GDP (and hence also in terms of GDP per head).

When considering the significance of government revenues in relation to overall GDP, Greece (43.6%) and Portugal (44.5%) are in the middle of the range; government being neither as large as in France (53.6%) or Belgium (51.4%) nor as relatively small as in Ireland (34.7%) or Spain (37.8%), inside the Eurozone, never mind the even lower fractions displayed within countries outside the zone, such as the UK (35.8%), Japan (32.6%) or the USA (31.4%).

### Government Finances

In public discussion of the Greek economic crisis much has been made of public sector or government debt. The figures presented in Table 2 allow an assessment.

**Table 2: Public Sector/Government Debt (as % of government revenue)**

	2000	2005	2010	2015
<b>GREECE</b>	<b>266</b>	<b>292</b>	<b>314 (+8)</b>	<b>409 (+30)</b>
Belgium	248	224	222 (-1)	256 (+15)
France	145	165	195 (+19)	230 (+17)
Germany	131	164	195 (+19)	178 (-9)
Netherlands	138	136	157 (+15)	186 (+19)
Ireland	107	90	249 (+176)	333 (+33)
Italy	269	277	276 (0)	332 (+20)
Portugal	157	198	256 (+30)	329 (+29)
Spain	171	126	184 (+46)	312 (+70)
Eurozone	168	180	208 (+15)	239 (+15)
UK	127	128	226 (+76)	290 (+28)
USA	139	207	332 (+61)	331 (0)
Japan	436	536	597 (+11)	660 (+11)
OECD	176	214	277 (+30)	303 (+9)

Source: OECD with my own calculations

Note: figures in brackets give proportionate changes (as %) - in 2010 (since 2005); in 2015 (since 2010)

Although in the years before the global financial crisis Greece's public sector or government debt was, in relation to government revenue, relatively high, it was not much different from Italy's. And at the end of the crisis in 2010 Greece, Italy and Belgium, which had started out with the highest debt relativities, had controlled their debts better than the other countries considered here. Then in the aftermath years up to 2015 several other countries' debts grew proportionately as much as Greece's did (and in the case of Spain by much more). And no other country's debts approach the scale of Japan's! So despite Greece's public sector/government debt being relatively higher than other European states it does not seem exceptionally high nor exceptionally uncontrolled.

Turning to consideration of the government's budget deficit: comparative data are presented in Table 3.

**Table 3: Public Sector/Government Budget Deficit (as % government revenue)**

	2000	2005	2010	2015
<b>GREECE</b>	<b>-9.0</b>	<b>-14.3</b>	<b>-27.0</b>	<b>-7.5</b>
Belgium	-0.2	-5.4	-8.2	-4.8
France	-2.6	-6.4	-13.7	-7.1
Germany	+2.1	-7.6	-9.4	+1.2
Netherlands	+4.3	-0.7	-11.8	-4.2
Ireland	+13.6	+3.7	-96.9	-7.1
Italy	-3.0	-9.7	-9.3	-5.4
Portugal	-8.2	-15.3	-27.5	-6.5
Spain	-2.7	+3.1	-25.9	-11.8
Eurozone	-0.5	-5.8	-13.8	-4.4
UK	+14.1	-8.9	-24.9	-10.2
USA	+2.3	-13.0	-39.6	-11.9
Japan	-24.0	-15.2	-25.6	-19.7
OECD	-0.3	-7.6	-22.0	-8.1

Source: OECD with my own calculations

These figures show that, as with debt previously, although Greece was not particularly well positioned prior to the global financial crisis its 2005 deficit was much the same, relatively speaking, as in Portugal, the USA and Japan. And at the end of the crisis in 2010 there were several other countries in much the same situation as Greece, with deficits greater than 20%. Nor in the aftermath, in 2015, is the Greek budget deficit (7.5% of government revenue) exceptionally large; France and Ireland (both 7.1%) and Portugal (6.5%) are not dissimilar; the UK (10.2%), Spain (11.8%), the USA (11.9%) and Japan (19.7%) are all much worse cases on the face of it.

Having considered the level and development both of public sector or government debt and of the public sector or government budget deficit, there seems little justification for identifying the Greek economic situation as exceptionally unsustainable or threatening. It is certainly difficult however and perhaps deserving of special attention.

### **The Special Problems of Greece**

In order to appreciate the special difficulty of the Greek economic situation some further statistics will need to be considered. These are presented in Tables 4 and 5 below.

Table 4 allows us to review the evolution of different countries' GDP over the period of the global financial crisis and its aftermath.

These aggregate figures allow us to observe the special problem that has affected Greece. Although, in the years before the crisis, Greece's aggregate expansion (+41% between 2000 and 2005) was not

exceptional, Ireland (+57%) and Spain (+44%) exceeded it, and despite Greece maintaining expansion at the end of the crisis in 2010 to much the same extent as the other European countries considered here, in the years of the aftermath Greece has experienced a collapse in GDP (-19% to 2015) quite unlike any other country. And it is this special circumstance that justifies giving special attention to Greece's situation.

**Table 4: National GDP (national currency, billions)**

	2000	2005	2010	2015
<b>GREECE</b>	<b>141.7</b>	<b>199.2 (+41)</b>	<b>226.2 (+14)</b>	<b>183.0 (-19)</b>
Belgium	257.6	311.2 (+21)	365.7 (+18)	409.7 (+12)
France	1485.3	1772.0 (+21)	1998.5 (+13)	2181.5 (+9)
Germany	2113.5	2297.8 (+9)	2576.2 (+12)	3015.3 (+17)
Netherlands	448.7	540.7 (+20)	631.5 (+17)	662.0 (+5)
Ireland	107.8	169.2 (+57)	164.9 (-2)	194.3 (+18)
Italy	1239.8	1490.4 (+20)	1605.7 (+8)	1627.9 (+1)
Portugal	128.5	158.7 (+23)	179.9 (+13)	177.6 (-1)
Spain	646.3	930.6 (+44)	1080.9 (+16)	1086.7 (+1)
UK	1023.5	1326.7 (+30)	1558.4 (+17)	1852.7 (+19)
USA	10284.8	13093.7 (+27)	14964.4 (+14)	18124.7 (+21)
Japan	509860.0	503903.0 (-1)	482384.0 (-4)	500736.9 (+4)

Source: IMF with my own calculations

Note: figures in brackets give percentage changes - in 2005 (since 2000); in 2010 (since 2005); in 2015 (since 2010)

The explanation for Greece's unusual position lies in a unique conjunction of developments in relation to unemployment rates and to rates of pay. Table 5 gives data for unemployment rates.

**Table 5: Unemployment rates (%)**

	2001	2005	2010	2015
<b>GREECE</b>	<b>10.8</b>	<b>10.0</b>	<b>12.7</b>	<b>25.2</b>
Belgium	6.7	8.4	8.3	8.4
France	7.4	8.5	8.9	10.1
Germany	7.9	11.3	7.1	5.1
Netherlands	2.4	5.1	4.3	6.6
Ireland	3.9	4.3	13.9	10.5
Italy	9.0	7.7	8.4	12.3
Portugal	4.0	7.6	10.8	12.8
Spain	10.5	9.1	19.9	23.1
Eurozone	8.0	9.0	9.9	11.1
UK	5.1	4.8	7.9	5.6
USA	4.8	5.1	9.6	5.6
Japan	5.0	4.4	5.0	3.5

OECD	6.2	6.6	8.3	7.0
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Source: OECD

Before the global financial crisis Greece's unemployment rate, whilst quite high (10.8% in 2001; 10.0% in 2005) was not exceptional (Germany had a higher rate, 11.3%, in 2005). And even after the crisis in 2010 Ireland (13.9%) and Spain (19.9%) had higher rates than Greece (12.7%). But in the years of the aftermath, to 2015, the unemployment rate in Greece grew much more rapidly than anywhere else, reaching 25.2%. Certainly unemployment rates did rise in other countries, including other countries identified as economically weaker members of the Eurozone (in terms of government debts and deficits), but not so swiftly as in Greece.

In addition, Greece experienced a further exceptional development: workers' pay fell continuously across the years of the aftermath; this caused a cumulative reduction in pay of almost 20% by 2015. In the other weaker countries of the Eurozone workers' pay was stagnant but it did not cumulatively fall. The evidence is presented in Table 6. On the face of it, this continuous fall in workers' pay is a classic Keynesian unvirtuous spiral of economic depression: a self-reinforcing reduction in economic activity.

**Table 6: Annual change in level of pay ( $\Delta$ Pay%) and annual rate of unemployment (U%)**

	GREECE		Portugal		Spain		Ireland		Italy	
	$\Delta$ Pay%	U%	$\Delta$ Pay%	U%	$\Delta$ Pay%	U%	$\Delta$ Pay%	U%	$\Delta$ Pay%	U%
2010	-2.6	12.7	+2.4	10.8	+0.7	19.9	-3.9	13.9	+2.3	8.4
2011	-3.4	17.9	-2.5	12.6	-0.1	21.4	+1.3	14.6	+1.0	8.4
2012	-3.7	24.4	-2.0	15.5	-0.4	24.8	+0.7	14.7	0.0	10.7
2013	-6.6	27.5	+3.5	16.2	+1.3	26.1	+2.1	13.0	+1.3	12.2
2014	-2.9	26.4	-1.2	13.7	+0.5	24.5	+4.0	11.5	+1.4	12.4
2015	-1.2	25.2	+1.1	12.8	+0.6	23.1	+2.8	10.5	+0.9	12.3

Source: OECD

## Conclusion

The depressing impact of these twin developments, rising unemployment rates and collapsing rates of pay, constitutes the economic crisis facing Greece. Its resolution requires the same thing as the rest of Europe needs: an expansion of demand in the outside world or a co-ordinated programme of public sector expansion across Europe as a whole. Unfortunately neither of these desirable events is visibly on the horizon. This is tragic: a condemnation of the western political process. Singling out Greece for punitive sanctions rather than co-ordinating a programme of debt rescheduling across Europe (and maybe beyond) is a failure of imagination against which protests are entirely justifiable. Greece's problem is just the most obviously painful instance of a situation that, in the absence of good fortune in terms of external circumstances (i.e. overseas economic expansion), will blight other weaker economies in their turn. On the face of it the crisis belongs to Greece. But in reality it's a crisis that faces us all. Picking on Greece is a distraction.