Left and EU

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The Issue in Greece

	2013	2008	debt 2013/ GDP 2008	2013, 3% growth 2009-2013
debt/gdp	175	113	138	113

from 2015 on, debt/GDP 175, growth 3%

implicit interest rate	2.5

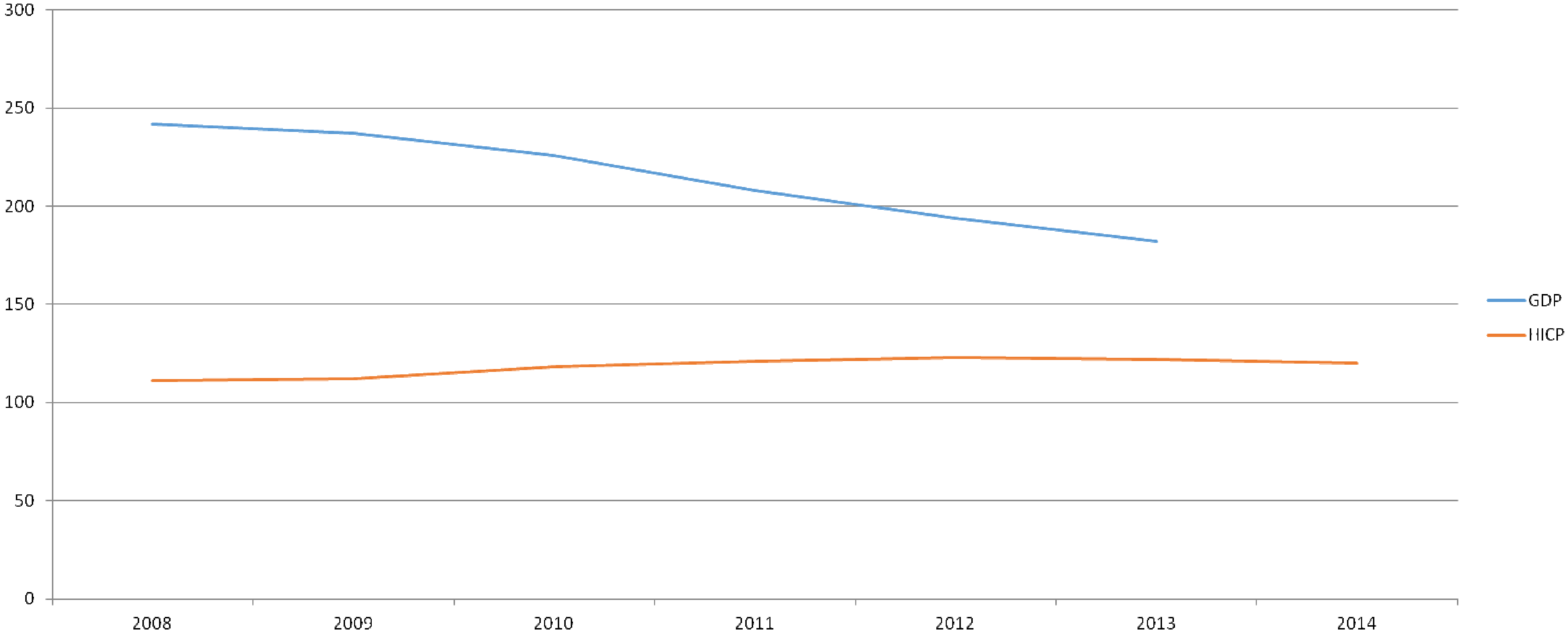
growth rate 2015 onwards	3
primary surplus	-1
fiscal deficit	5

programme	2013	2014	2015	2016
primary surplus	-1.5	2.6	3.3	4.3
interest payments	6	5.9	5.3	5.4
fiscal deficit	7.5	3.3	2	1.1

The Issue in Greece

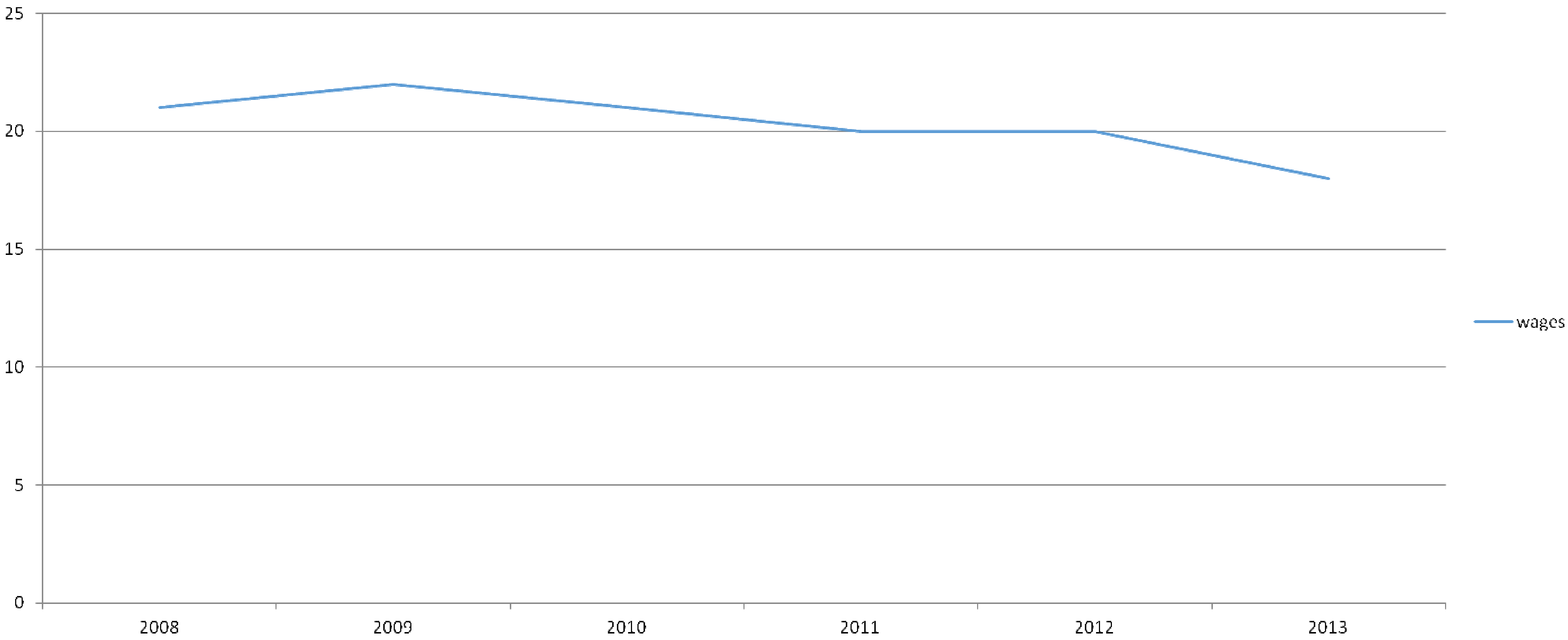
- With primary surpluses and supportive snowball effect (interest rate below the growth rate) - the difference between the interest rate and the growth rate - debt to GDP ratio should be declining secularly
- The issue then is how fast – if rather than running primary surpluses, deficit that sustain current debt to GDP ratio are required for the Troika Programme to continue, that would mean couple of percentages of GDP that the new Greek government could play with
- Syriza’s Thessaloniki Programme calls for 11.3 billion in extra spending, which they intend to pay for through higher revenues, but even if that money is to be borrowed initially, that would probably amount to a 2 percent of GDP additional fiscal deficit which would not threaten the sustainability of the public debt
- Especially if growth speeds up and employment increases
- This does not look as if it cannot be worked out with the EU, ECB, and the IMF

GDP, euro bn, and Inflation, HICP, 2005=100



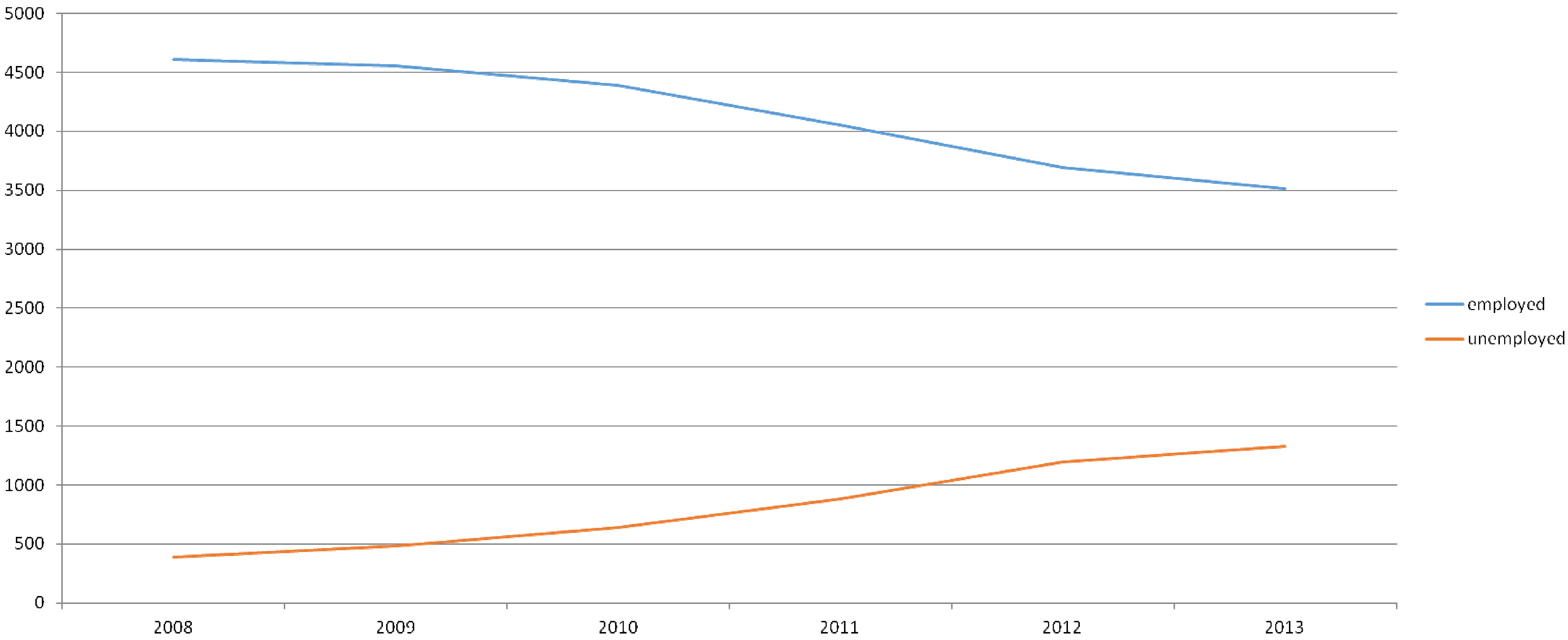
Sources: national statistics and Eurostat

Average annual wages in euro, thousands



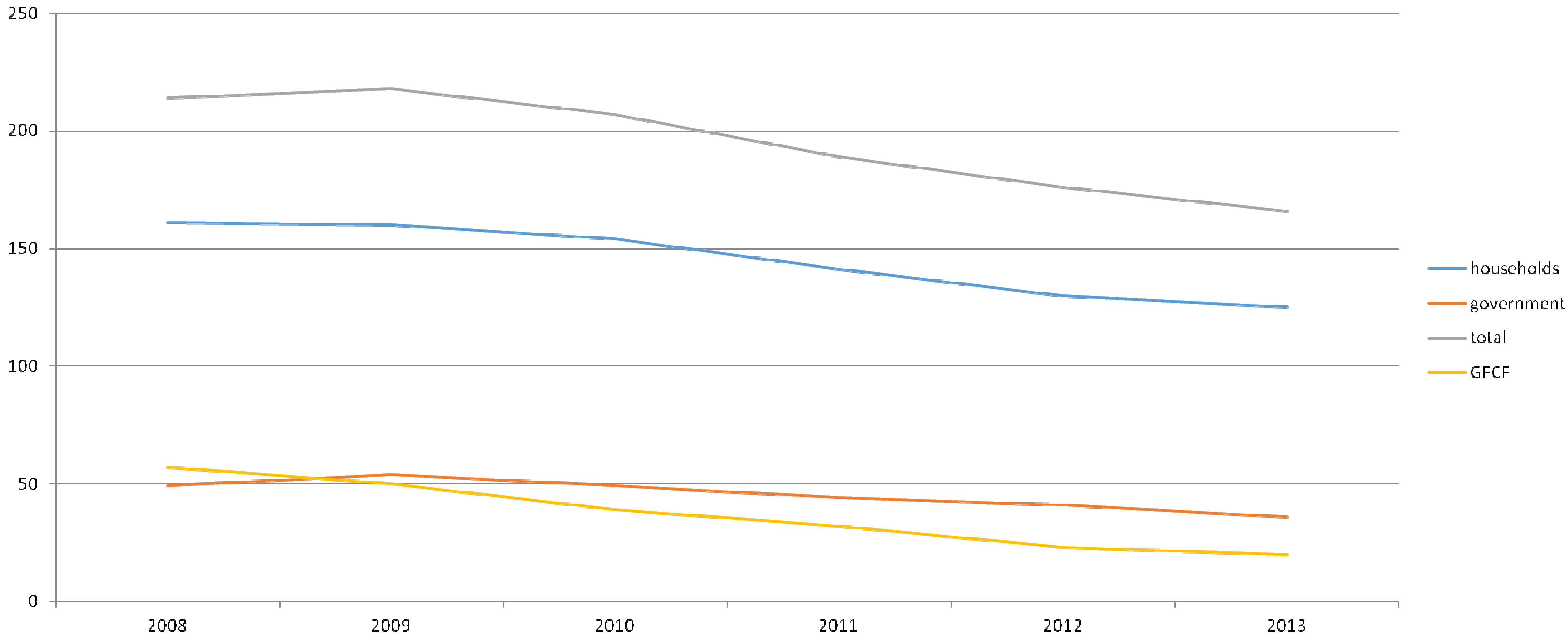
Source: OECD

Employed and Unemployed, LHS



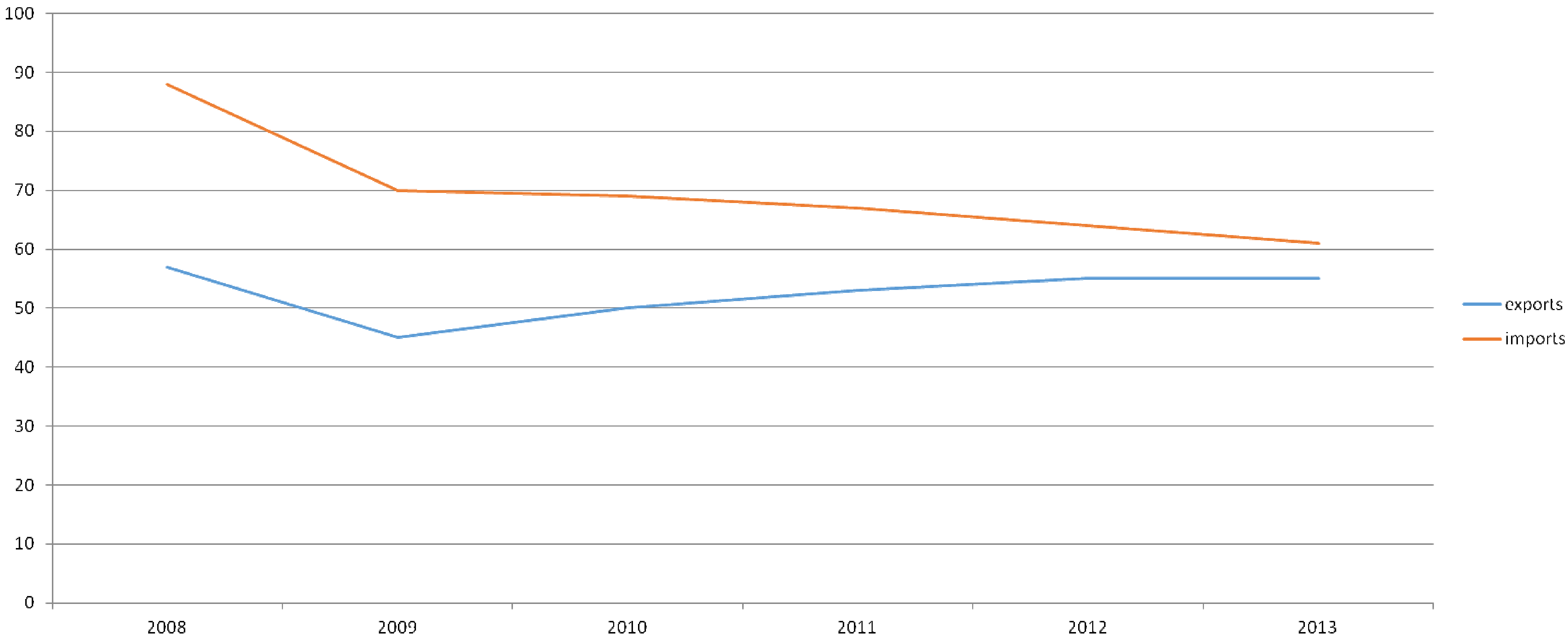
Sources: National statistics and Eurostat

Consumption and Investment, euro bn



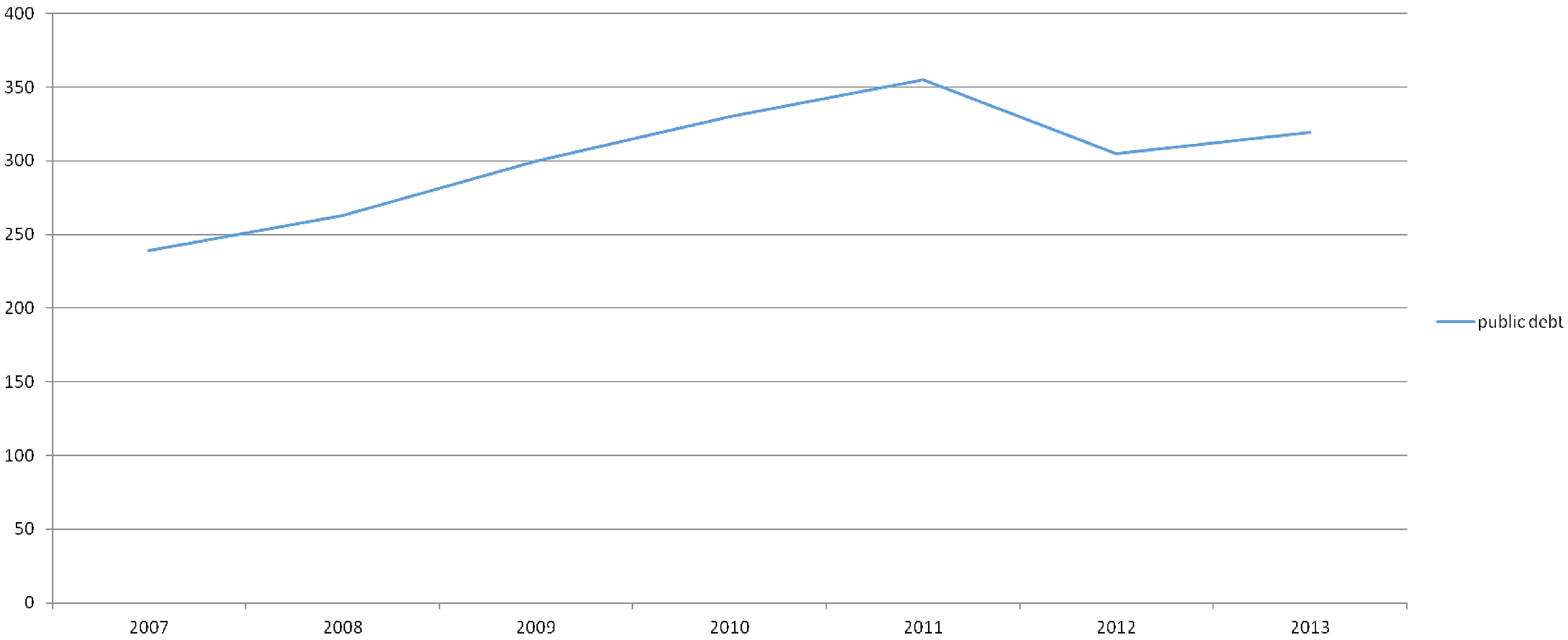
Sources: National statistics and Eurostat

Trade in Goods and Services, euro bn



ources: National statistics and Eurostat

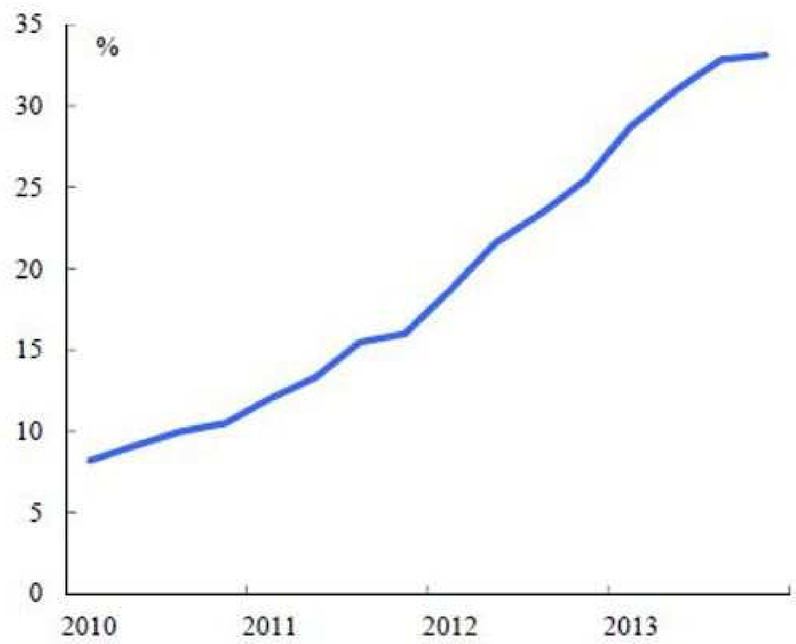
Public Debt, euro bn



Sources: National statistics and Eurostat

NPLs

Graph 14. Non-performing loans ratio



Source: Banks' financial statements.

EU June review of the Programme

Growth and the Left

- Syriza aims at increased consumption, increased investments, and fairer system of taxation and social transfers
- The aim is, in the first place, domestic spending
- Then, more progressive taxation and strengthening of the social safety net
- And finally, competitiveness and exporting capacity
- How the latter is to be achieved is unclear

EU meets the Left

- EU, on its part, is moving to a three pronged strategy
- QE (also part of Syriza’s programme)
- Investment, Juncker Plan (also in Syriza’s Programme)
- Structural reforms, i.e. industrial policies (not much in evidence in Syriza’s Programme, but is generally supported by the Left)
- In addition, there is discussion on euro-wide unemployment insurance
- So, there is no incompatibility
- As long as Common Market and the euro are preserved