

New Recession on Greek Economy

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Some of the side effects of the Greek recession reported in ekathimerini (April 14, 2013) include hospital closings. At Kalamata's General Hospital over a period of eight years. Experts recorded 1,084 heart attacks between 2008-2012 compared with just 841 in the four years before the outbreak of the crisis.

Ekathimerini reported on April 16, 2013, that Former Prime Minister George Papandreou is expected on Tuesday to respond with a missive to a summons from a Parliamentary committee investigating the handling of a list of Greeks with large deposits at HSBC in Geneva. I do not know the questions so I cannot suspect the answers. Greek politicians always have nice ways of claiming their innocence, in spite of the fact that they are the main actors in the drama of the Hellenic economy. They know the basic fact that it is today's sacrifices that will create tomorrow's abundance. The rate of saving out of today's income is the means of determining future income growth. This was the case in Adam Smith's time as well as today. Borrowing to satisfy today's consumption represents negative capital accumulation is necessary for both growth under existing technology and technological change.

Eurostat reported that as of March 2013, "The United Kingdom reclaimed its position as the largest maritime freight transport country in Europe" [\[1\]](#) With respect to passenger transport Italy and Greece are the leaders because of the proximity of heavily inhabited islands.

[\[2\]](#)

Labor costs varied substantially in EU27, and Greece is a high labor cost country.

Compared with average labor cost (wages plus fringe benefits) eurostat reports that “There was a major decrease in Greece (-11.2 %), while costs increased only slightly in Portugal (0.4 %) and Ireland (0.8 %).

[3]

Thus the three EU countries that experienced the severest recession are also the countries that experienced fall in labor cost. Still Greece, because of the absence of strong investment is the leader in labor cost fall for the years 2008-2012. There are different scenarios for the case of Greek labor cost. One is that wages and fringe benefits in Greece increased faster than in the rest of the euro countries. The current recession created such an unemployment rate much higher than the EU-7.

Writing in the English language Greek daily Dimitris Kontogiannis says “The protracted and deep recession of the Greek economy, mainly fuelled by excessive austerity, has pushed the country’s official jobless rate to a new record high of 27.2 percent in January, with some analysts predicting it will rise even further in the next few months or quarters.”

[4]

Indeed one page of the paper is dominated by middle-age men trying to sell a rose or two in a public square. For

the long run effects of unemployment of young people is more important

of middle-age people. Press reports that there are more tertiary education Greeks in the United Kingdom than in Greece is much more significant for the future growth and dynamism of the Greek economy.

Labor cost and unemployment are supposed to vary inversely through time. In the case of the Greek economy this flexibility seems to be very weak, if present at all. The standards of living have declined beyond microeconomic expectations. Even basic health has been eliminated by the state and its institutions on the name of recovery. There are many indicators that Europe has gone “too far” with austerity. In the case of Greece we have seen that there was no flexibility in labor cost in the presence of unemployment. Unemployment means you have an excess supply of labor at the current prices. On an essay under the title “Euro crisis: why Greece is the sick man of Europe BBC’s Anthea Carassava

wrote

“Brutal budget cuts have slashed hospital budgets by up to 40% and she quotes Dr. Kanakis, director of Medecine du Mode in Greece, saying “when you’re squeezed for survival, you’re bound to pass up on going to the doctor to check on a suspicious mole or cough.”

[5]

The severity of the recession affects not only income growth for the future but also income distribution. So, within Greece, income has become more unequally distributed. Within EU inequality among members has increased, too. With respect to relative labor cost, eurostat reports that:

Compared to 2008, the hourly labour costs in euro increased by 8.6 per cent in the EU-27. There were increases in 23 countries and decreases in 4. Within the EA-17, the labour costs per hour increased by 8.7 per cent. The largest increases were recorded for Austria (15.5 %), Slovakia (13.8 %), Finland (13.7 %) and Belgium (13.1 %). There was a major decrease in Greece (-11.2 %), while costs increased only slightly in Portugal (0.4 %) and Ireland (0.8 %).

IMF's

World Economic Outlook and the Challenges of Global Adjustment

shows that between 1997 and 2000 real GDP of Greece increased at an average of 3.4% per year., which is very close to the euro area average. At the same time, Greek unemployment rate was 10.2 versus 10.6 for the euro area.

In relative terms Greek per capita GDP has been traditionally below the average of EU 17, but, thanks to the recession it has fallen still lower Changes in per capita GDP were in 90 to 94% of the EU 27 between 2005 and 2009, in 2010 the ratio fell to 89%. [6] Thus the Greek economy had a recession deeper than the EU-27.

Today eurostat informs us that Greek unemployment rate is much higher than for the rest of the euro area. [7] Moreover, compared with 2011 unemployment rate increased by 6.6%, which is more than twice the rate for Portugal and Spain [8]. Male unemployment rate tend to be higher than for females, and the eurostat statistics show this to be the case for Greece, too. "The gap between male and female unemployment rates varied from -6.6 percentage points in Greece to +6.7 percentage points in Ireland."

[9]

There is no doubt that a good portion of Greeks pays a heavy price for the imbalances of the past. In introductory economics we emphasize that there is no free lunch. Still, the case is that those who over consumed are not the same with those who are asked to pay today for the excessive consumption of yesterday. Today's excessive austerity affects employment and income as well as Greece's ability to defend itself. In his summary of the Turkish proclamation of "Zero Problems with Neighbors Ilias Kouskouvelis says the slogan is "little more than a cover

for AKP's

reasserted neo-Ottoman ambitions"

[10]

Turkey, and the rest of the world know of the absence of Greek military might to defend itself, Turkey wishes to subjugate Greece both militarily and economically. While the growth in Greek per capita GDP was far above that of their own country the Turks learned the lessons of a freer enterprise system as an engine of economic growth al lesson that the Greeks under the socialist governance forgot.

[1] <http://epp.eurostat.ec.europa> .

[2] Ibid.

[3] http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Hourly_labour_costs

[4] ekathimerini.com 4/14/2013.

[5] <http://www.bbc.co.uk/news/world-europe> (1-22-12)

[6] <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init> .

[7] http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics#A_detailed_look_at_2012

[8] *ibid*

[9] *ibid*

[10] *Middle East Quarterly*
Winter 2013, pp. 47-56.