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## So, what is the real truth about the Greek catastrophe?

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In late 2009, Europe and the world discovered that Greece was a “fraud” and a “deceiver” that had never stopped its economic performance in order to enjoy the benefits of membership of a privileged club, at the expense of its partners.

But how accurate is this really? Due to the advancing international economic crisis at the time, the majority of Euro governments were inaccurate in their deficit estimations. For example, in their Stability Programmes, at the beginning Britain had predicted a deficit of 8.2% that finally reached 11.4%, the Netherlands predicted a surplus of 1.2% that became a deficit of 5.4% and Portugal predicted a deficit of 3.9% that rose to 9.3%.

### Why was Greece alone in the dock?

Also, in the years 2008-2009, the deficit in Spain extended to 11.1% and in the United States to 12.9%. In April 2009, the latter predicted a deficit of 11.7% for 2009 and 11.6% for 2010, while the latter finally reached 32%. However, it was only Greece that was accused of falsifying its data and being unreliable. And that by its own government! One wonders what caused this and precipitous self-criticism.

At a time of global economic crisis, the newly elected government in Greece had structured its entire electoral campaign on the motto 'There is money', in order to topple the governing party's campaign that highlighted the need for a painful line with its election commitments, the budget drafted by the new government for the year 2010 included a whole series of allocations, such as wage and pension increases, public expenditure increases, a solidarity allowance and pledges of imposing additional taxes.

Furthermore, the previous government had estimated that the 2009 deficit figure could finally reach 6-8%, because escalation of the crisis, and therefore, in an already turbulent internal political environment, it called for elections, its next government should take such measures.

The new government's estimation at the end of the year that the deficit had finally reached 12.7% reveals a considerable difference between estimations. However, this difference takes into account a number of expenditures made by the government in the last few months of the year totalling around €9 billion, among which was €1.5bn worth of tax refund for the solidarity allowance, €1.2bn for contestable hospital debts, €2bn from withdrawing regulations of the government and €1.7bn in revenue shortfalls.

### Not 'irregularities' but 'reclassification'

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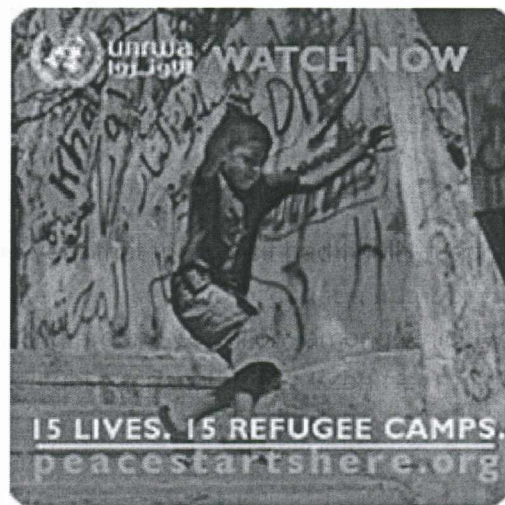
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Moreover, as the head of the Eurogroup Jean-Claude Juncker observed, any revision of the deficit by Eurostat, the union's statistics office, was not the result of irregularities, but of the reclassification of certain public expenditures, inclusion of the deficits of the wider public sector and public utility companies.

The former secretary-general of the national statistical service of Greece, Manolis Kontopirakis, accused the finance minister of seeking to exert undue political influence over the statistics office, in order to revise the final 2008 deficit figure as a projected deficit figure for 2009, as it seemed that they wanted to discredit the previous government. Similar accusations were made later by other members of the service. The issue is of much importance considering that an Athenian public prosecutor is conducting an official inquiry into these allegations.

At the end of 2009, Greek and EU officials had repeatedly warned the Greek government that the deficit could be a single digit number, if measures were taken in this direction. The head of the European Central Bank (ECB), Jean-Claude Trichet, has held the then-government responsible for postponing the necessary measures despite the bank's warnings. The director of the International Monetary Fund (IMF), Dominique Strauss-Kahn, was convinced that, had the measures been taken earlier, the solution to the problem would have been less expensive.

### Talking the country down

At the same time, the government almost transferred to the international markets it needed to borrow from, the idea of a bankrupt country with a "huge systemic corruption, clientelism, parasitic economy, enormous iniquity and artifice" even by comparing it to a sinking *Titanic*, thus skyrocketing spreads! Hence, she managed to transform a deficit issue into a borrowing issue, leading Greece to the IMF.

The truth is that the previous government constantly pointed to the need to take measures on time. It repeatedly sought consensus with the opposition, given its thin parliamentary majority of 151 MPs out of 300. In March 2009, the then minister Kostas Karamanlis warned that the international crisis, and the country's excessive debt, posed serious threats that made a futile effort to reach consensus on the basis of cutting expenditure and of restraint by parties and syndicates.

Finally, he went to the polls, after the opposition made clear that it would vote against the re-election of the president in 2010, in order to provoke elections and despite pledging to vote for him after coming to power, this being a decision going to lead the country to an extended pre-election period that would torpedo any possibility for taking measures.

It is also true that despite upcoming elections, both national in October, and European in June, the previous government announced a comprehensive set of measures in three different occasions, in February, March and June 2009, met with the opposition that, at a time of crisis, there should be increases in expenditure instead of cuts. Part of these measures included a €28bn support package for the banking sector, the first approved in Europe, for which Greece was congratulated by its partners, but fiercely attacked by the opposition.

Meanwhile, in March 2009, despite the global crisis reaching its peak and the images of a rioting Greece beamed across the world in December, Greece went to the markets convincingly enough not only to cover its borrowing needs but also securing a reserve as a safety net for the remaining of the year.

No one can deny the immense systemic problems faced by Greece over the past decades that ought to have been solved before they became uncontrollable.

The public sector in Greece has long been excessive and counterproductive with bureaucracy, low efficiency, over-indebtedness and para-economy becoming endemic. The excessive public sector, and also increased armament procurements, are a big part of the huge public debt. Greece, together with the USA and Turkey, is at the top of the list of NATO members on armaments as a percentage of their GDP, that costs almost €6bn or more annually.

However, it is worth noting that, in the years 2004-2009, €50bn was spent only to service the interests of past debt. It is true that Eurostat has concluded that, before 2004, the Greek government falsified statistics in eleven different sectors, accounting for deficit deviations of more than 3%. According to its revision for the year 2008, after the 2009 elections and 'revelations' from the new government, of the 2% deviation professed by the latter, Eurostat acknowledged only a 0.6%, while it expressed serious reservations for the rest. For the year 2009, Eurostat declined to make any revisions, as they were only the estimations of the previous government, and one could not speak of falsification on that basis.

### **Self-accusations, but why?**

And here comes an obvious question. Why was Greece accused of forgery, corruption and all the rest by its own government? Why did it evidently inflate its own deficit at the end of 2009? Clearly, despite being briefed by both Greek and foreign analysts about the situation before elections, it had created expectations and it had given promises, on which it could not deliver. The secretary-general of the national statistical service of Greece has noted that the huge discrepancy between the initial 2009 deficit and the final figure was the product of two factors: the excessive optimism of the previous government and the new government's desire to put the blame on its predecessor and make any economic rebound seem more impressive.

Unfortunately, the latter failed to anticipate the impact the new figure, and her allegations, would have on world financial markets, their reaction, and the disaster it would provoke for Greece and the EU.

### **#TAGGED**

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