

## Greece, from bad to worse

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No wonder Winston Churchill once won the Nobel Prize for Literature. He had a wonderful way of summing up political affairs, such as this famous quote: "You can always count on Americans to do the right thing – after they've tried everything else."

We can only wonder what Churchill would make of Europe's Greek crisis.

My guess is that it would sound quite like his American quip, with one exception: You can always count on Europeans to come up with the worst solution – after they have explored all other bad options.

For more than five years, Europe has been trying to find a response to the Greek crisis. In doing so, Europe managed to make a bad situation worse while burdening taxpayers with gargantuan liabilities.

To sum up the "success" of Europe's policies towards Greece, here are a few figures. In early 2010, the Greek unemployment rate was 10.8%; today it is 25.6%. Greek per capita GDP was US\$30,700 in 2010 but only US\$24,500 today. Debt-to-GDP stood at 129.7% in 2010 but is 180% today – despite a partial debt relief (a so-called haircut) in 2012.

To say it in non-technical terms – Europe's policies towards Greece were a total disaster. Of course, a sequence of bad Greek governments have to take their share of responsibility for the country's sad state of affairs as well. However, the EU's basic approach to fight excessive debt with more loans was idiotic to start with.

That was all pretty bad already – but wait! The Europeans managed to make it even worse. By allowing private creditors to effectively dump their Greek bonds on Europe's central banks and taxpayers, they turned a Greek crisis into a threat to the healthier euro economies.

As a result, we now have a situation where Greece is wrecked and the rest of Europe caught in a liability trap. Europe can now barely afford to do what it should have done five years ago – kick Greece out of the Eurozone.

Even that description doesn't quite do the policy disaster justice. The truth is that Greece should have never been admitted into the Eurozone. Well, actually, the Eurozone should have never been established in the first place.

Whatever the EU now decides at its summit on Sunday (the umpteenth, by my count), it will be costly. It is unlikely to work. And it was totally avoidable.

A pity that Churchill is not around to give us his verdict.

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