

## **THE PHANTOM OF AUSTERITY**

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Euripides said that “the bold are helpless without cleverness”. But in a time of European calamity – political, economic, social and moral – the efforts of the bold, no matter how clever, are futile without political will and determination. That is perhaps the hardest of them all. Particularly at a time when the entire European system is confronted with a crisis of values, and the now-demonstrably-failed austerity policies serve to further distance the European Union (EU) and its institutions from the citizens it claims to represent. The very citizens who still look to the EU for a breath of optimism; something that will lighten their daily anguish. Yet, the EU remains firm in its tactics. And it insists on implementing the same austerity policies that have failed. The ones which plunged Greece and other peripheral countries deeper into recession and unemployment, engulfing them in a vicious circle of debt, austerity and recession. This was the general view that prevailed during a very interesting two-day conference recently organized in Athens by the Levy Economics Institute of Bard College in New York with the support of the Ford Foundation.

Entitled “The Eurozone crisis, Greece, and the experience of austerity”, economists, researchers, scholars, bankers, representatives from the International Labour Organisation (ILO), politicians and journalists from Greece and abroad, gathered to discuss proposals for alternative policies and effective solutions to the problems faced by Europe today.

And since the best way to change something is to first understand how it works, the conference began by exploring the economic imbalances and the broader deficits that led to this unprecedented crisis. A crisis which is more

than a mere financial one – it is also political, social, and humanitarian. A crisis of rules, values, and principles. A crisis that touches upon every aspect of our daily lives. And as an ILO representative thoroughly described, cuts in the National Health Service serve to perpetuate the misery that exists, both in the local economy, and in the psychology of its people.

It is by now evident that the citizens of the peripheral countries, most notably of Greece, have undergone great sacrifices for structural change; yet what is most needed are growth reforms, a policy focusing on combatting unemployment with substantive results such as immediate job creation. In fact with two thirds of the thousands of unemployed people in Greece today being long-term unemployed, the problem of structural unemployment becomes all the more pertinent, while remaining out of work for so long, these people progressively lose the necessary skills and require re-education. Something which consequently calls for further funding. But the primary problem in Greece and other crisis-struck countries is not the lack of an educated workforce, but rather the lack of demand for it.

The crisis of neo-liberalism is considered to be a 'source of evil' – a policy based on a structural reform model for all countries regardless of geographical location, and without taking into account the specific structure and organization of each country in which it was implemented. As the IMF and EU continue to stubbornly prescribe the same medicine for all ailing economies, they end up with patients in a coma. But the only way to exit this all-round crisis is through a profound institutional shift. A shift which Europe itself needs, as it did not rightly or timely predict for a European Supervisory Mechanism for the banks, or for a Single Banking Union, and since even the EU itself has become an elitist and undemocratic institution.

Yet in the midst of it all, the "fatal flaw of the Euro" also signifies the fact that the Eurozone was built on the foundations of an unequal financial system, where member states surrendered their independence together with their currency; the common policy implemented did not take into account the domestic circumstances of each country; and there was no shield of a broader guarantee of deposits (something which became particularly evident during the banking crisis in Cyprus). In this way, the austerity programmes were marked by an institutional deficit; one that the EU is now striving to rectify. But with the deterioration of living standards, and the rise of nationalism in its member states, the EU finds it extremely difficult to agree to common solutions. Growth is returning slowly if at all, and this leads to an even more divided Europe – of the centre and the periphery – and an all the more egocentric continent.

Austerity policies have not brought about the desired results, yet we continue to implement the same neo-liberal strategies. The majority of Europeans wonder why. Yet European Central Bank (ECB) representatives argue that the continuation of these reforms is necessary not only for the present generations, but in order to ease the burden on the future ones.

Five years in the midst of the crisis and Greece continues to lose GDP, unemployment is sprouting and the Troika continues to issue all the more pessimistic forecasts. It is by now commonly acknowledged, that austerity will not lead to recovery. Alternatives are needed, as for example the ones outlined during this conference: a new Marshall plan based on foreign funding and supervision by the EU, or the freezing of interest rate payments and public debt. Both proposals aim at creating at least 200,000 jobs and stimulating growth. But they also share a common denominator: political will. And this, in a Europe which is devouring itself through its own

inequalities, is hard to find. But as Greek Former Finance and Defence Minister and President of the Athens Development and Governance Institute ADGI-INERPOST Gerasimos Arsenis stated "if we want to build the future on solid foundations, we must not repeat the same mistakes".