The EU pronouncement of a Greek success ignores the reality

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I keep reading ridiculous articles about Brexit in the UK Guardian. The latest was comparing it to pre-WWI Britain and suggesting there were no signs of a "Damascene moment remainers hoped for". I thought that reference was apposite – given the reference invokes St Paul's conversion after he was struck blind. Good analogy – blind and remainer. The Brexit imbroglio is all the more puzzling because it seems to be a massive mismatch of scale – a currency-issuing nation and an organisation with no currency and no democratic legitimacy. And that is before one even contemplates the nature of that organisation. On August 20. 2019, the European Union provided us with a perfect example of why no responsible government would want to be part of it. In its – Daily News 20/08/2019 – there were three items. The last item told us that construction output in the EU28 had declined by 0.3 per cent in June 2019. The first item was a sort of cock-a-hoop boast about how great Greece is after the EU saved it from disaster. Parallel universe sort of stuff. Britain will thank its lucky stars after October 31, 2019 when it goes free from that madness. Even though the remainers remain 'blind' without their Damascene moment"

The UK Guardian article (cited above) was full of emotional statements:

"lurid examples of prominent leavers' mendacity"

"collaborationist civil servants"

Europe "fractured by vandalistic nationalism"

Britain "criminal in failing to stay at the critical juncture" and all that sort of stuff.

"a critical mass of cowardice, ignorance and ideological prejudice"

The writer – Rafael Behr – has been getting more hysterical (not funny hysterical) each time he writes. He is now beside himself with dread.

And he supports an organisation (EU) that is now telling the world how Greece "successfully concluded its European Stability Mechanism (ESM) stability support programme" and "Greece's European partners" saved it from disaster.

I last wrote about the plight of the Greek economy (and nation) in these blog posts

1. As you were Greece – remain in permanent depression – commitments are commitments! (July 11, 2019).

2. The Greek colony remains in depression (June 25, 2019).

Much of what I wrote there remains relevant to today's theme.

The summary situation is that:

1. Real GDP has shrunk by 23.9 per cent since the crisis began and has been stuck around that mark since 2012. There has been virtually no growth at all since the trough was reached in the December-quarter 2013.

2. Private consumption spending is now by 24 per cent lower than it was when Greece entered the crisis. It remains below the level of the June-quarter 2012 and has been static for the best part of two years.

3. The decimation of Greece's productive capacity is on-going.

4. In the September-quarter 2008 (the peak employment quarter before the crisis), the ratio was 49.2 per cent. In the March-quarter 2019, the ratio was at 41.8 per cent. Had the ratio remained at 49.2 per cent, total employment would be 669 thousand larger than it currently is – that is, 17.5 per cent higher.

5. Total employment has fallen by 825.6 thousand (17.8 per cent) since the September-quarter 2008 peak.

6. Greece's working age population has declined over the period from the September-quarter 2008 to the March-quarter 2019 by some 314.4 thousand (or 3.4 per cent) – this includes the massive 'brain drain' where skilled workers have left for other nations.

7. Unemployment rate is still at 19.2 per cent.

8. This is a massive demand-side induced Depression that Greece has been dealing with – deliberately inflicted and persisted with by the Troika using the so-called socialist party, Syriza as its puppet.

9. There is no way that a unilateral exit would have been as costly as this catastrophe.

But according to the latest (boastful) EU News Update (link above) – "the efforts undertaken are delivering tangible benefits"?

How do we know that?

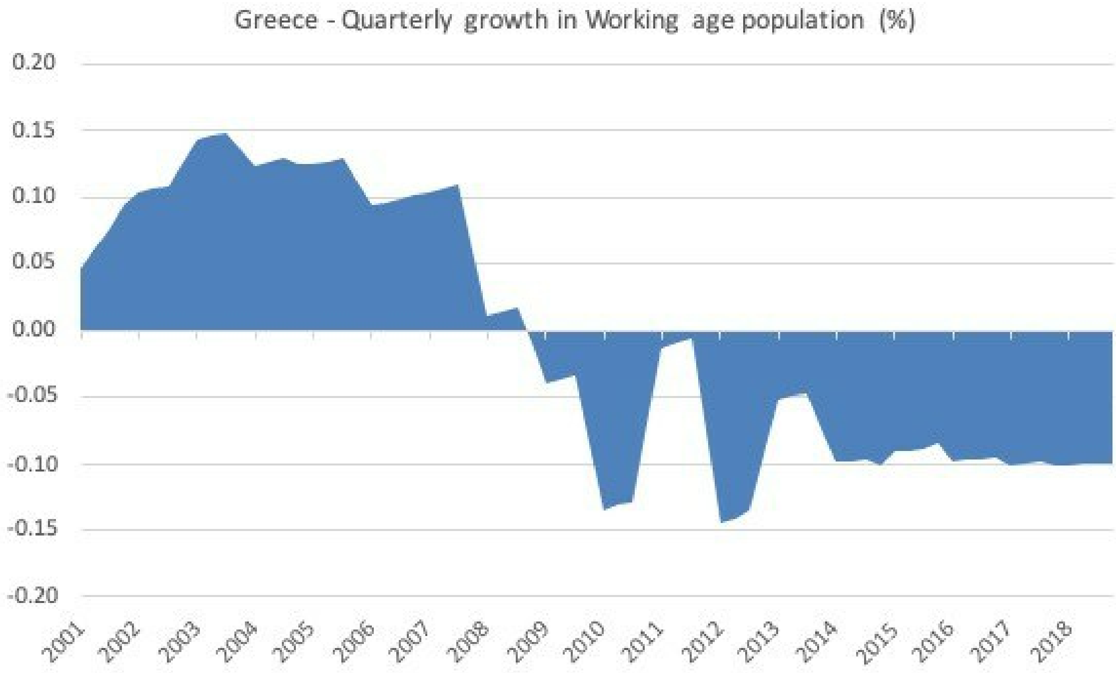
We are told by the EU:

> For instance, the unemployment rate fell to 17.6% in April 2019. Although this is still an unacceptably high rate, it is the first time this indicator has fallen below 18% since July 2011 and is down from a peak of 27.9% in July 2013.

Okay, lets think about that for a moment.

Consider the following graph, which shows the quarterly growth (per cent) in Greece's working age population (15 years and above) from the March-quarter 2001 to March-quarter 2019.

It was relatively steady before the crisis and since then the working age population has been continually shrinking.



Between 2007 and 2018, the 15-19 working age cohort declined by 12 per cent; the 20-24 by 25 per cent;
the 25-29 by 30 per cent; the 30-44 by 11 per cent; while the older categories have grown, reflecting the ageing population.

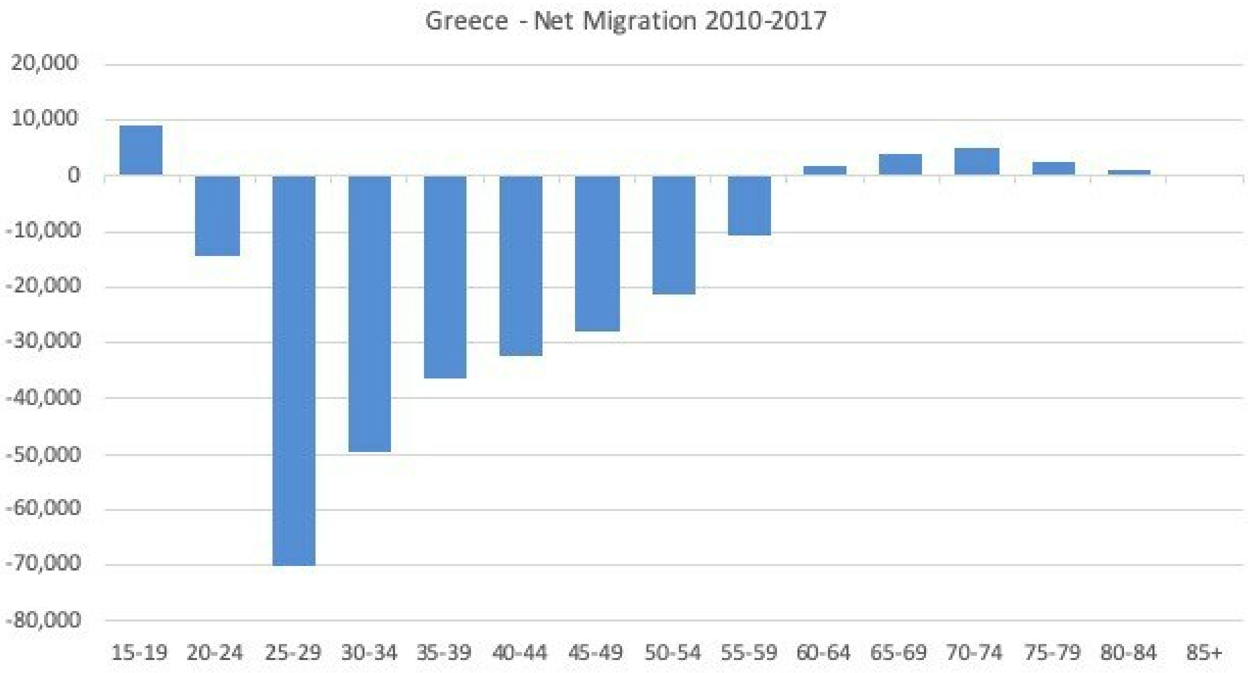
This attrition of productive workers will have long-lived negative impacts. As I show next, a significant proportion of the decline in the working age population arose from net emigration – people leaving the country in search of job opportunities elsewhere because of its hopeless state.

Some of them will come back but many will not.

The next graph shows the net emigration across the different working age population cohorts between 2010 and 2017 (latest data).

Over that period, Greece lost, in net terms, 239,360 persons of working age to other countries.

That is around 2.6 per cent of their 2017 working age population – gone.



Now why is all this relevant?

First, the average quarterly growth rate in the working age population between the March-quarter 2001 to March-quarter 2009 was 0.10 per cent.

Since then it has been -0.08 per cent.

If the GFC and subsequent fiscal austerity had not destroyed the nation, and the working age population continued to steadily grow, then in the March-quarter 2019 it would have been 9,833.6 thousand, instead of the actual amount of 9,117.3 thousand – **a difference of 716.3 thousand workers**.

Second, the crisis has led to a decline in an already low participation rate (the proportion of the working age population that is in the labour force).

In the December-quarter 2008, the participation rate was at a peak of 53 per cent.

In the March-quarter 2019, it was 51.8 per cent.

So not only has the working age population shrunk by 320 thousand in actual terms (3.4 per cent) – an a substantial portion of that shrinkage has left the country – the proportion of that population actually in the labour force is now much lower.

Now consider the following scenario.

1. The working age population grew steadily and by the March-quarter was 9,833.6 thousand instead of the actual amount of 9,117.3 thousand.

2. The participation rate remained at 53 per cent rather than the actual 51.8 per cent.

3. Under those scenarios, the labour force would have been 5,211.8 thousand in the March-quarter 2019, rather than the actual size of 4,721.1 thousand.

That is, 490.7 thousand workers extra would be in the labour force.

Now, given the employment level in the March-quarter of 3,814.0 thousand, a labour force of 5,211.8 thousand would generate a pool of unemployed of 26.8 per cent.

Read that out aloud – 26.8 per cent.

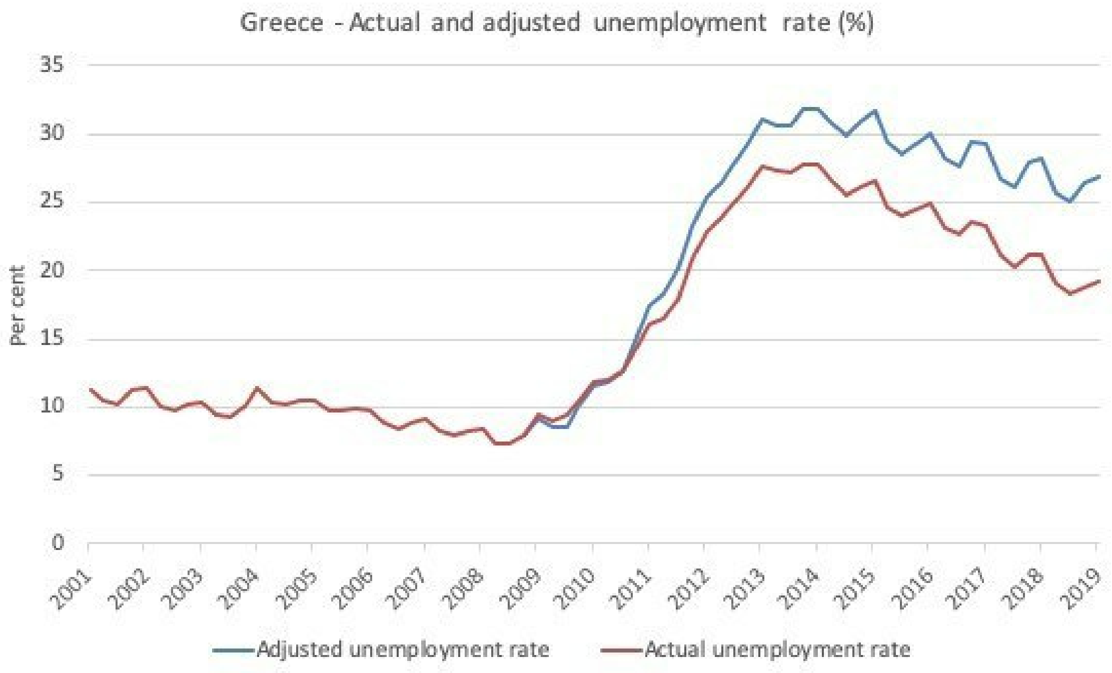
This graph tells the story.

It shows the actual evolution of the unemployment rate in Greece from the outset of their accesssion to the Eurozone (red line) to the March-quarter 2019 and the adjusted unemployment (blue line calculated as above).

The overall trajectory of the lines reflects the economic cycle – the descent into sustained Depression after a period of modest growth before the GFC.

The difference between the two lines reflects the supply-side damage arising from the crisis and the fiscal austerity that the Troika imposed on Greece instead of allowing it to recover.

The supply-side damage is the collapse in the participation rate and the decline in the working age population (significantly as a result of net emigration).



Conclusion

Put all that together with the claims by the EU in its news update that they have put "in place the fundamental conditions needed for sustained growth, job creation and sound public finances" and a nauseated feeling becomes overwhelming.

As I suggested at the outset of the crisis, the EU officials in charge of Greece (now that it is a colony) and the IMF officials who swan in and out of the place bullying all and sundry should have had their own salaries indexed against GDP output growth and the unemployment rate (for example).

Their salaries would be docked progressively for level and duration effects – the extent to which the unemployment rate exceeds some low full employment level and the time it stays away from that level with a termination clause becoming operative after a short period.

They would be joining the unemployment queue they seem to love imposing on others fairly quickly or actually doing something constructive for a change to bring down unemployment with job creation policies.

Sydney Modern Monetary Theory (MMT) Event

The Modern Money Australia NSW Branch is organising their first major event on August 24, 2019 in Sydney.

Details of the event are available – HERE.

I will be speaking as will Rohan Grey.

Tickets to the event are free – which doesn't tell you anything about the quality of the speakers (-:

It will be held between 14:00 and 16:00 at:

Theatre 203, Pioneer House, Notre Dame University Broadway Campus
128-140 Broadway
Chippendale, NSW 2008

Please support this group as they become part of the national MMT network – joining the excellent work being done by the Melbourne Chapter of Modern Money Australia.

I am donating a copy of Reclaiming the State: A Progressive Vision of Sovereignty for a Post-Neoliberal World (Pluto Books, 2017) – as a door prize.

That is enough for today!