

# Myth versus Reality

Η ΕΛΛΑΔΑ ΣΤΗΝ ΟΝΕ

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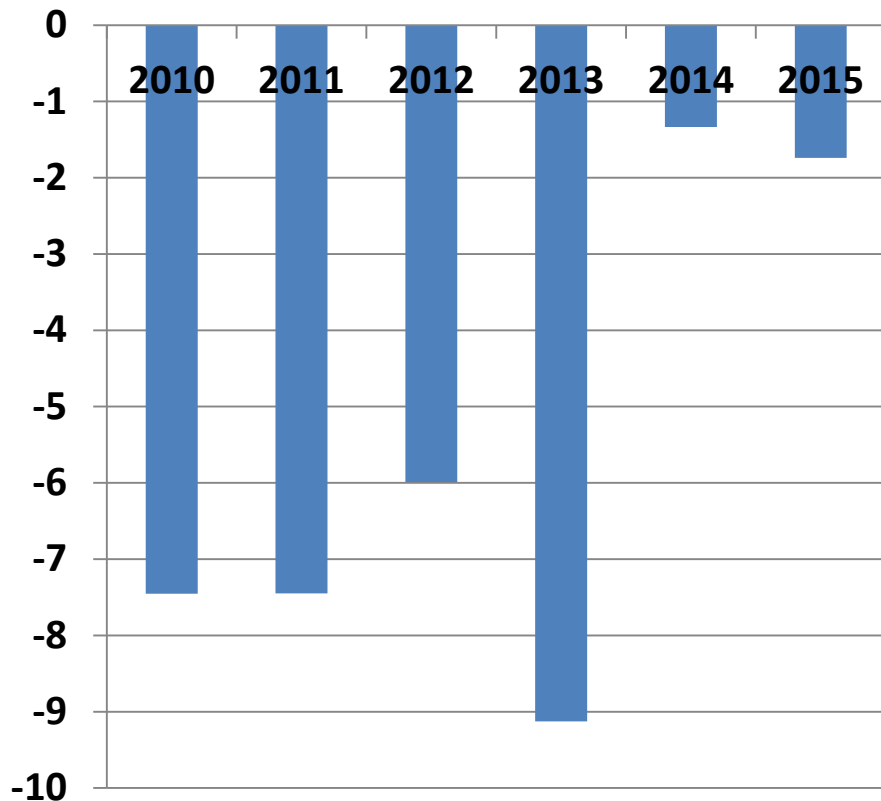
2017

# Myth 1

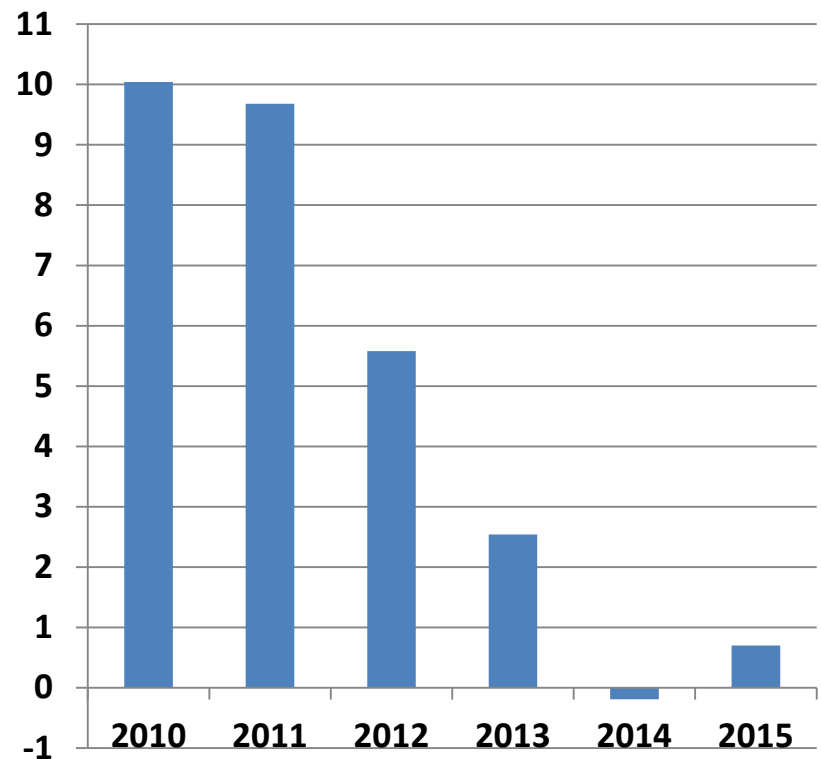
“The Greek adjustment programme failed because, unlike the Portuguese and Cypriot cases, it relied much more on tax increases than cuts in government spending”.

This diagram may explain why there was a little of GDP growth (0.6%) in 2014. The “measures” for 2014 were very small (only 1.33 bn cuts in expenditure and, for the first time since the MoUs, **decreases** in taxes by 0.19 bn). The “measures” for 2015, which were agreed before the end of 2014, were in total 2.14 bn (1.74 bn cuts in expenditure and 0.7 bn **increases** in taxes).

**Discretionary Changes in Current Government Expenditure (bn euros)**

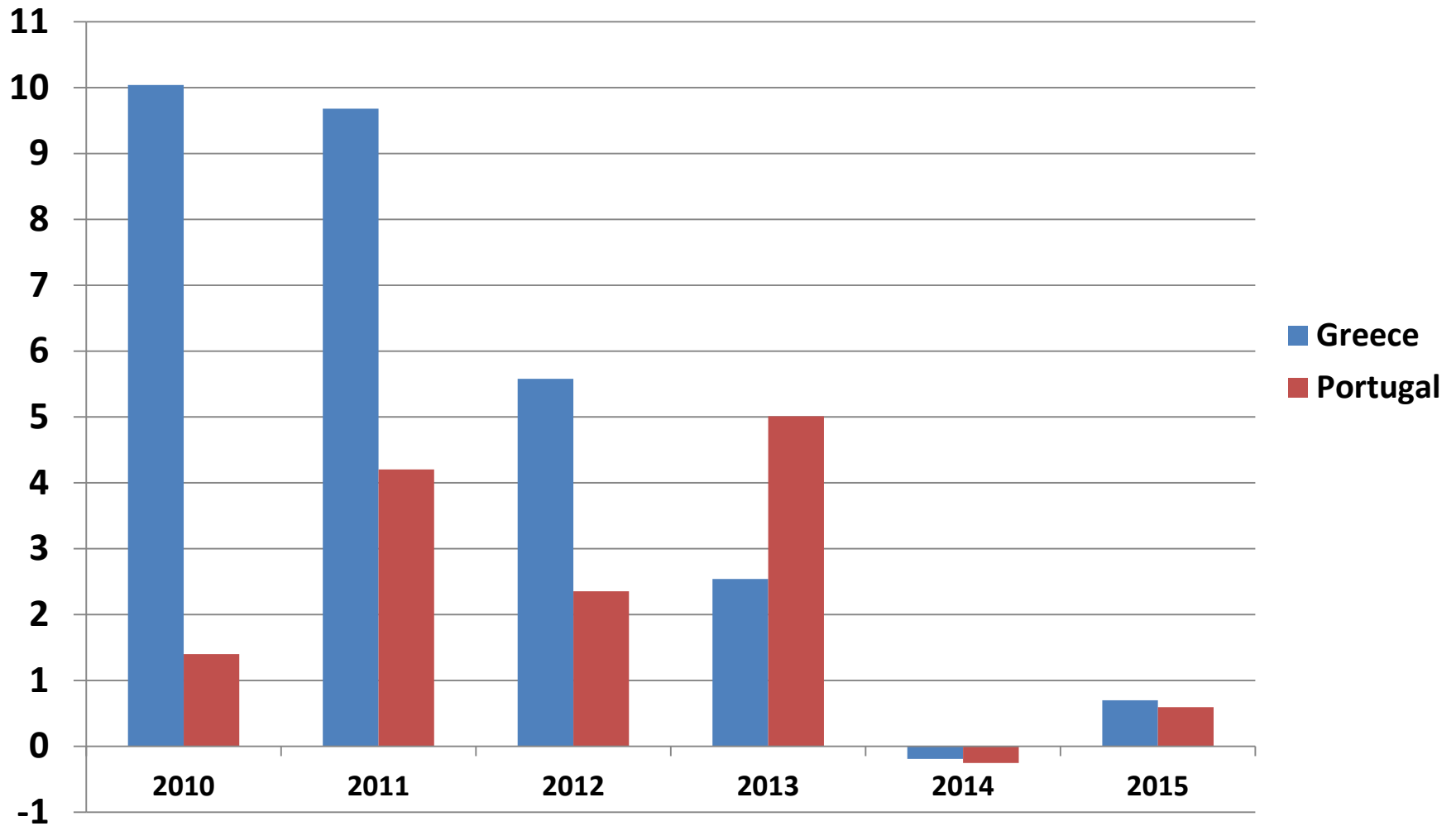


**Discretionary Changes in Current Government Revenue (bn euros)**



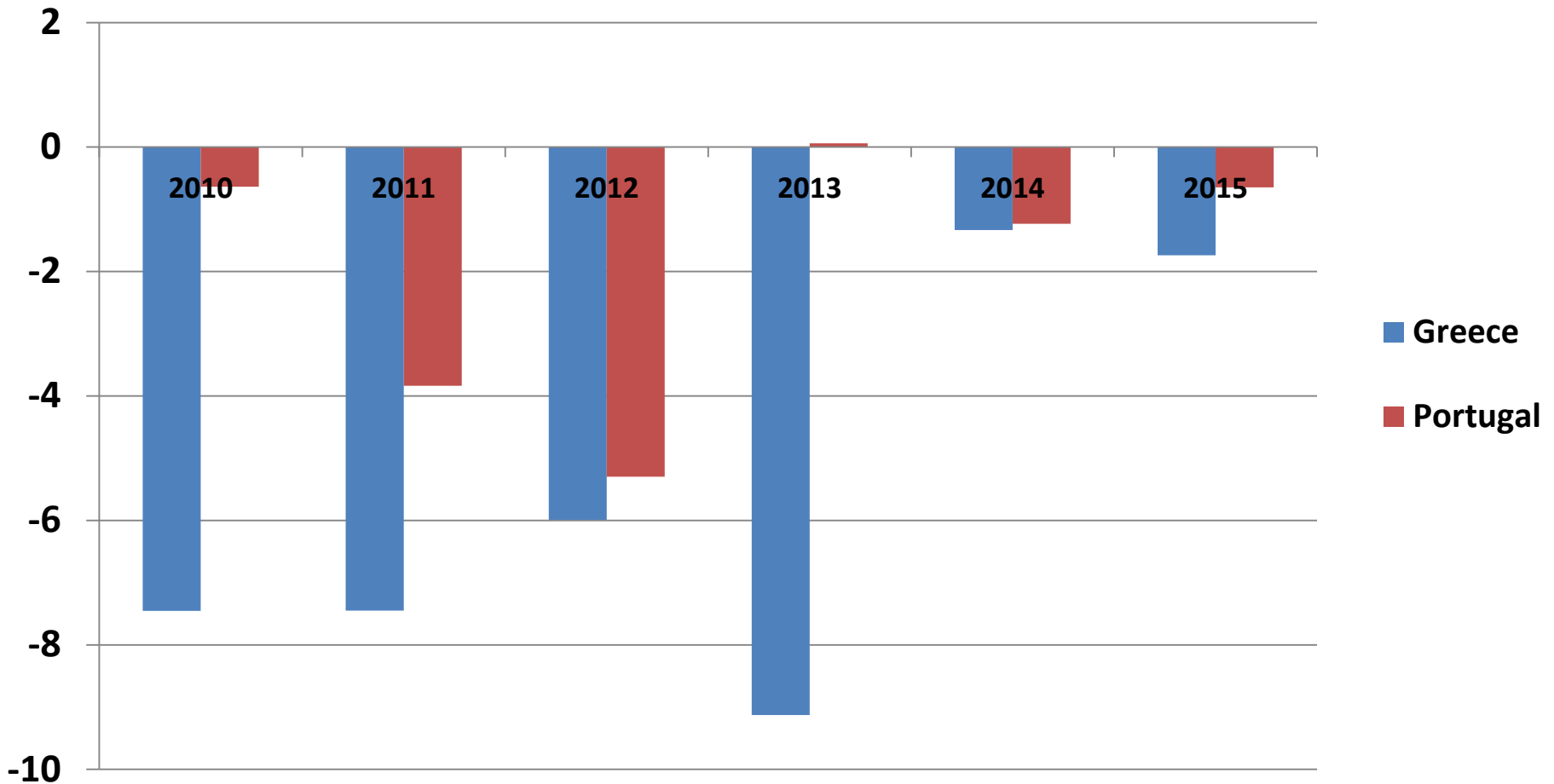
## Discretionary Changes in Current Government Revenue (bn euros)

Cumulative Changes 2010-2014: Greece: **27.65** ; Portugal: **12.7** .



## Discretionary Changes in Current Government Expenditure (bn euros)

Cumulative Changes 2010-2014: Greece: **-31.4** ; Portugal: **-10.9**

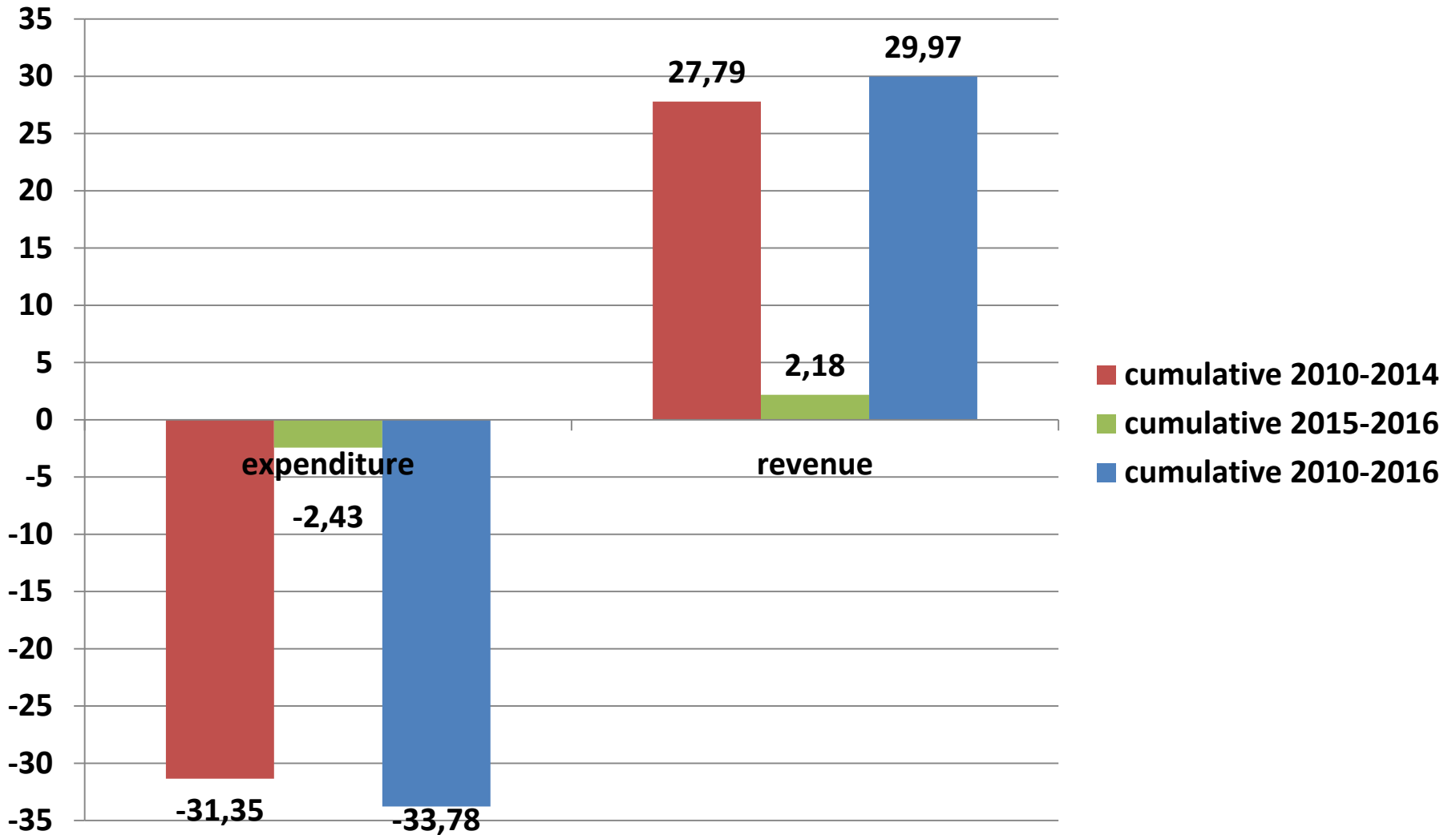


# Both the “Medicine” and its Effects were far stronger in Greece

- Total Size of Fiscal Measures 2010-2014 (% of GDP)  
Greece: 29.1% , Portugal: 13.8%  
(since it was part of yesterday’s “news”, Cyprus: 12.6% for 2011-2014)
- Percentage Drop in GDP 2010-2014  
Greece: 17.9% Portugal: 6.0%
- Proportion of Measures Involving Tax Increases  
Greece: 47.2% Portugal: 53.8%

Cyprus: 51.8% for 2011-2014; so, the reported “news” is wrong that “Cyprus managed to exit from the MoU by cutting government spending and not increasing taxes”

## Greece: Cumulative Discretionary Changes in Current Government Expenditure and Revenue (bn euros)

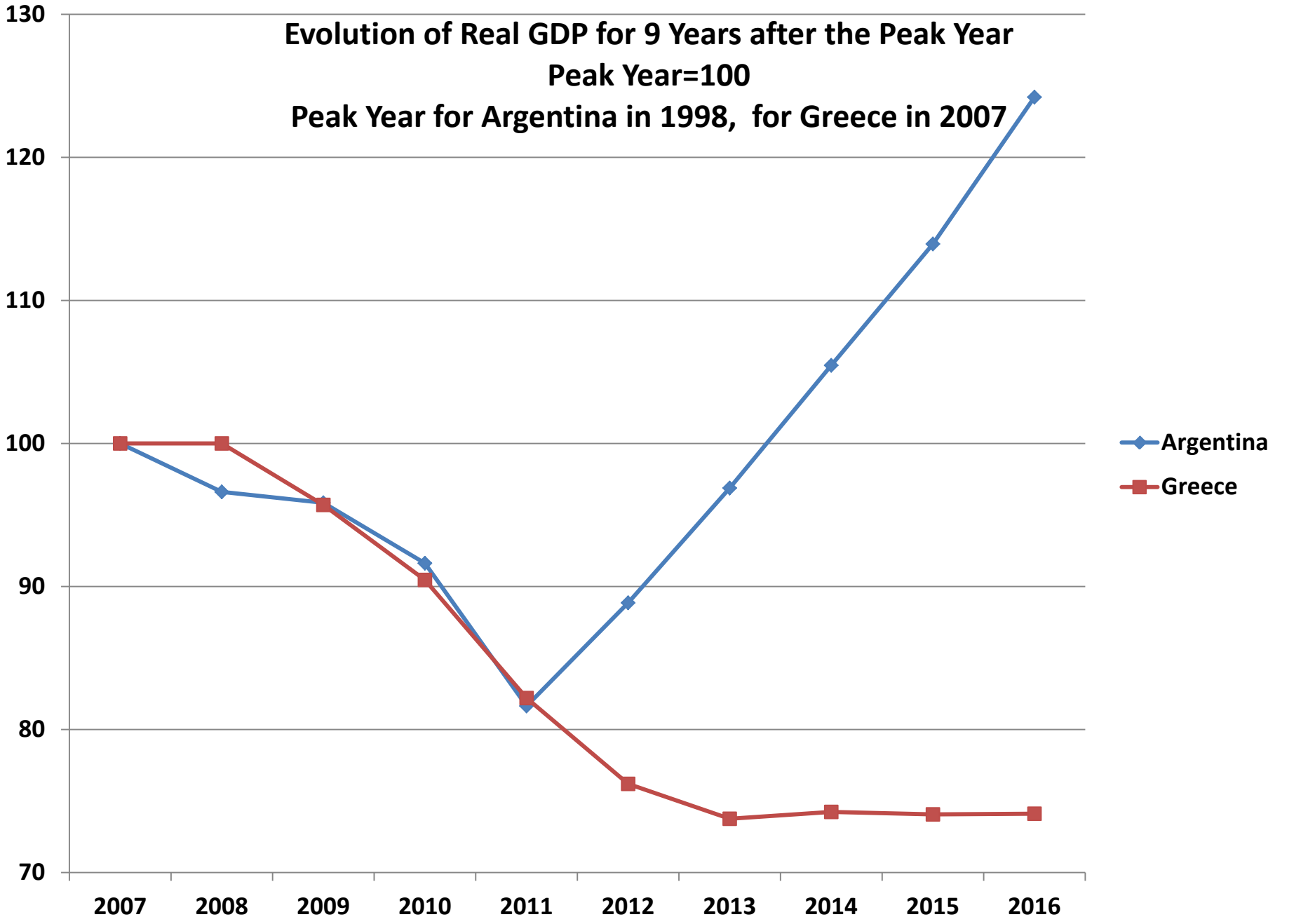


# Myth 2

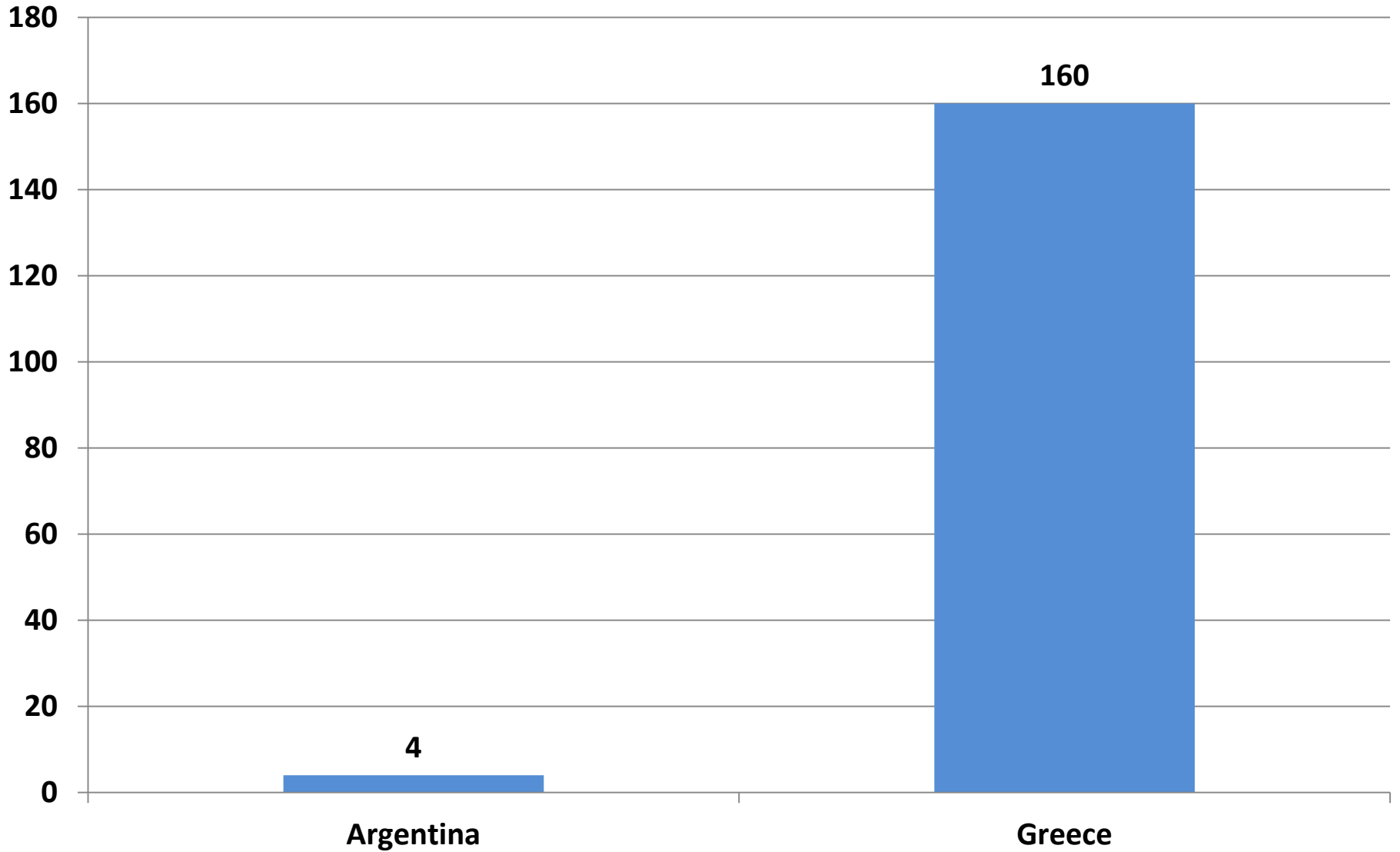
“Greece, by staying in the eurozone, avoided facing a crisis like Argentina’s, after the latter’s break from the dollar peg and default in December 2001.”



**Evolution of Real GDP for 9 Years after the Peak Year**  
**Peak Year=100**  
**Peak Year for Argentina in 1998, for Greece in 2007**



**Cumulative Percentage Loss in Real GDP  
(9 years after the peak, and relative to peak year GDP)**



**Cumulative Percentage (%) Gain/Loss in Real GDP**  
**(17 years after the peak: Real data (IMF) for Argentina; for Greece we**  
**assume a 3% growth rate per annum for the next 8 years (2017-2024);**  
**cumulative is calculated relative to peak year GDP )**

