Globalization on trial.
Globalization, Capitalism, and Greece. Arthur Chung

Abstract

“If we cannot pay today, we can pay tomorrow.”

Using globalization lenses, what can we learn from the Greece Debt Crisis about our modern economic system?

The Past—Essential Background Information

• The Euro Currency was adopted in 1999, by initially 11 member states
• Greece joined the EU in 2001, abandoning the Greek Drachma, accessing low interest rates
• The European Union is mandated to follow a monetary union, by which the European Central Banking acts as the central bank for all EU members
• The European Union has never agreed to impose fiscal union (i.e. public spending regulations)

The Present—Greece Recently

• After joining the EU, Greece excessively borrowed due to lower interest rates (sponsored higher pensions, ‘04 Athens Olympics, etc)
• Today, Greece has more than € 240 billion due by the end of February; with 3 bailout packages to date (Severe Austerity Measures)
• The IMF and ECB recently extended its loan terms by another 4 months on February 20th, 2015

The Impact—The State of Greece

Initial Hypothesis: “It is Greece’s fault”

The Data & Findings

1. The cultural temptation of debt (consumers)
   “Greek people would take out a loan to buy a luxury car so they could say, ‘I have money’”
   Since 2003, Greece had the lowest net savings per capita in the EU (FIGURE 3)

2. The overpromise of glory (politicians)
   • Public Sector Wages Rose 50% from 1999 to 2007 (fastest in the EU)
   • Early Retirement Ages + Generous Pension Plans
   • 2004 Athens Olympics (€9 billion during that time)

3. The absence of fiscal union
   When merging economies together, each member must indiscriminately adhere to the same monetary and fiscal policies.
   “All members must play the game by the same rules”
   PROBLEM: Who is going to regulate who? Which country sets the fiscal policies? Simple philosophy, near impossible execution.

CONCLUSIONS

1) There is an inherent structural problem in the EU; an incomplete union
2) Debt is capitalism’s “dirty little secret” by which excessive borrowing promises higher growth, and gratification; abuse is easy
3) Globalization only promotes neoliberal economic policies, promoting global debt everywhere