

# 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 join 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 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



## The Analysis

**Initial Hypothesis:** “It is Greece’s fault”

## The Data & Findings

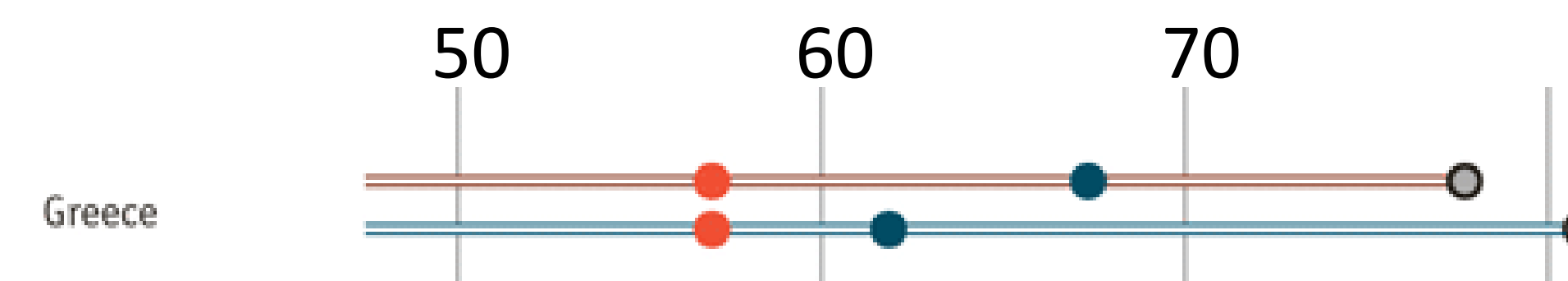
### 1. The cultural temptation of debt (consumers)

“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.

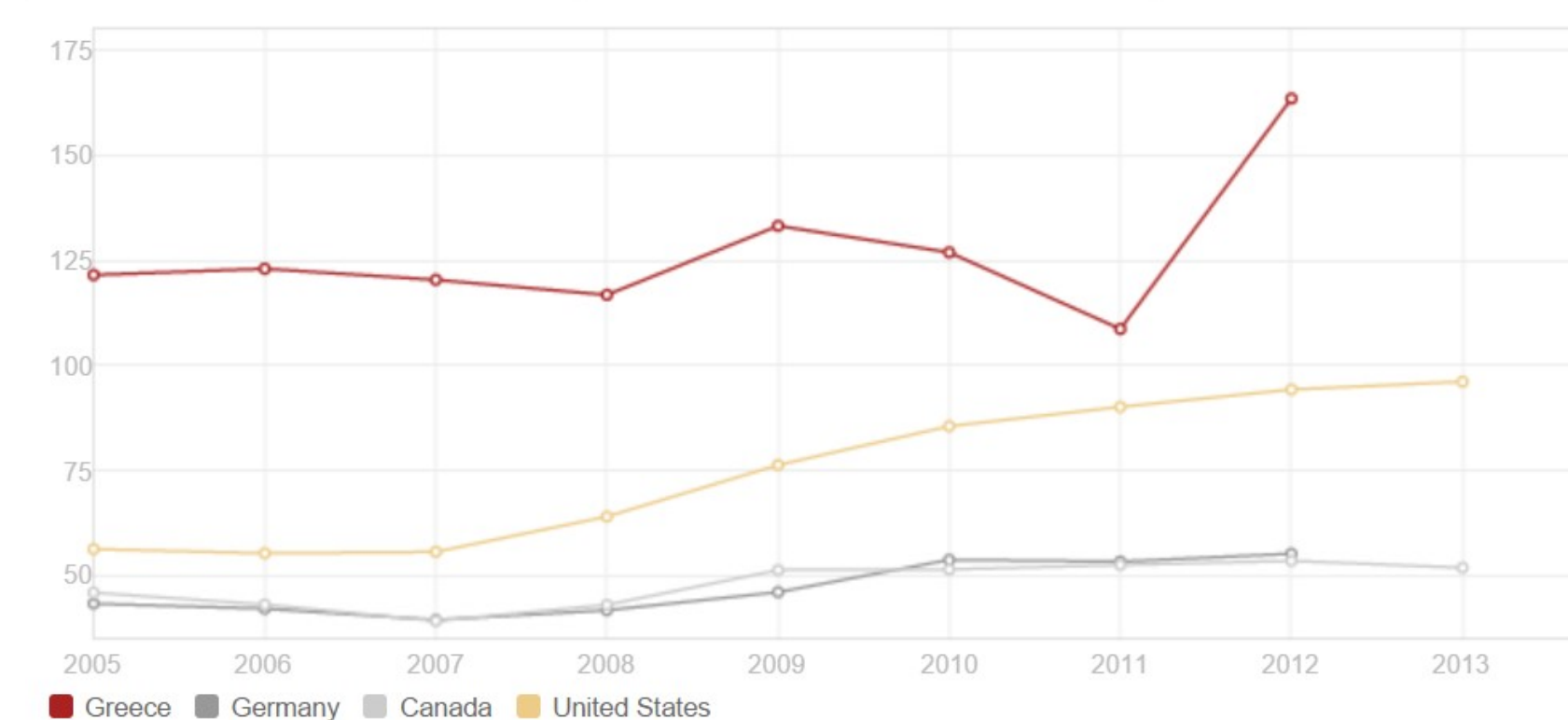
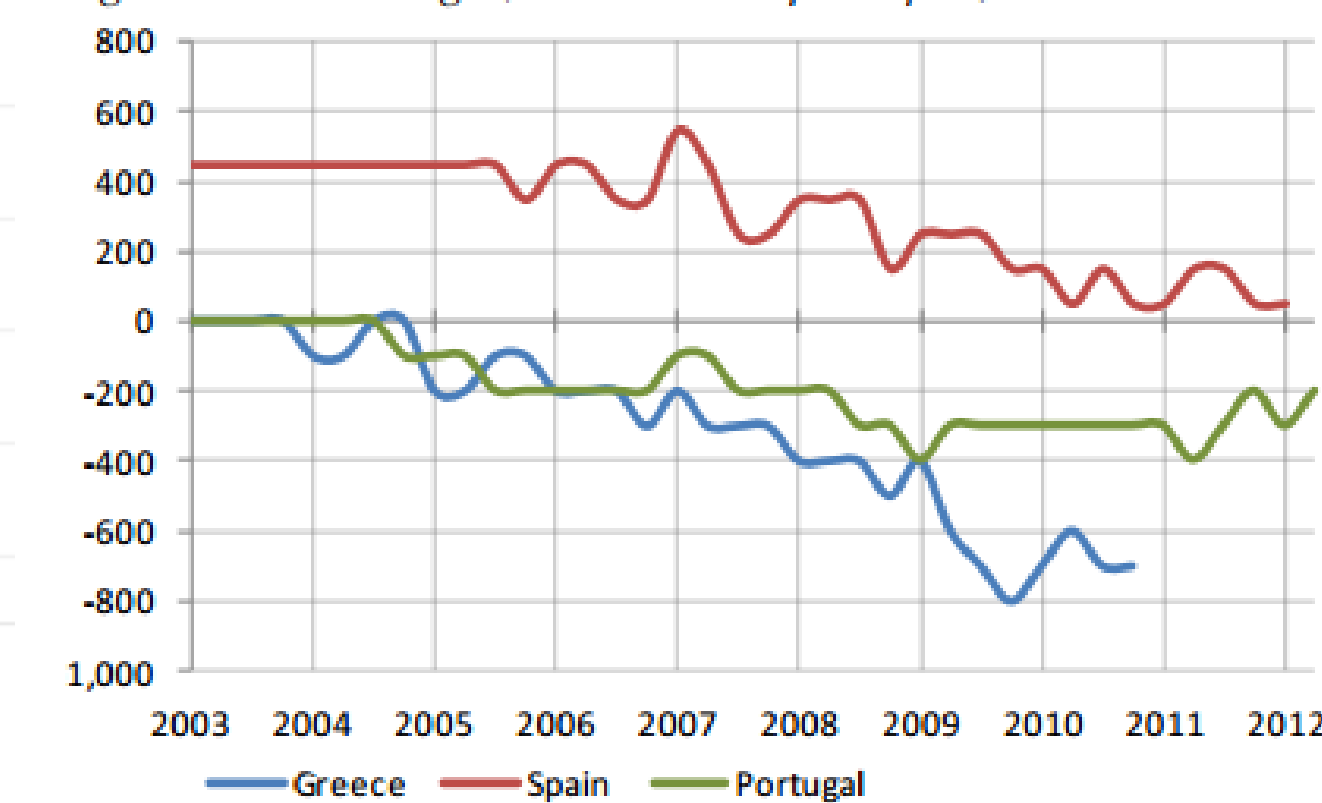


Figure 3. Net savings (current euros per capita)



Sources: Eurostat and ECRI.



## 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 polices, **promoting global debt everywhere**