



Economist Speech

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Dear all,

We are speaking today about Hellenism in crisis. A crisis of such serious implications as the catastrophe of Asia Minor.

The damage is done. And it is irrecoverable. Not quickly at any rate

In the short term;

There will be no investments

There is no planned or anticipated growth

The current processes is not achieving sufficient results

Why?

Because the current processes are focused on managing the debt and nothing more. They are led by bankers, economists and political specialists.

What we are doing wrong

Taking too long has made the loan more expensive and unserviceable

Making the political survival decision more important than the national survival decision has not helped and will not help anybody. Greece should have shed 30% of its public sector at the outset. May be that percentage is now higher. Instead it has employed horizontal revenue contraction, in order not to upset any embedded interests. It has sacrificed private enterprise by overtaxing and offering no stimulus hence entering a death spiral of ever lower demand. It has not focused on protecting vital activities in favour of appeasement, misplaced efficiency drives, and dangerous neglect and corruption.

An example of appeasement is the public TV and radio. We have 3 institutions. You might argue that we need one. They strike we keep them employed. Yet if we rationalised we would cut the budget by 5-10 billion a year. Similarly we have 4-5 institutions for public buildings from schools to courts. They are all under-invested, with a crumbling infrastructure a fact which makes many Greeks ashamed of their country. Just one institution with proper technology, and a strategic plan, which it develops and applies over the years would deliver a better result at a fraction of the cost. An example of misplaced and destructive pretence to efficiency is the focus on the taxi sector in the middle of the tourist season. And an example of dangerous neglect is the total squeeze on defence resources.



An example of corruption is an oversized and over expensive public sector. Salaries have been high not because public sector workers are adding value to the economy through the application of technology and innovation by the appropriate ministries, but because cash was available to employ them using a network of favours that organised political loyalty instead of economic development and efficiency. This is addition to pension and other ancillary benefits have created a disaster in at least 3 ways. It starved the private sector from high quality workforce, who saw employment in the public sector as a position of superiority due to contractual benefits, it made the private sector dependent on the public sector, and vulnerable to any economic crisis, it prevented rationalisation of any industry, or ministry, or sector of the economy. So you can see that the corruption of Greece is not just in the tax collection system.

Everyone can say many things about Greece at the moment. For example that Greece is being run by an unelected government. This is not true. Elected politicians from across the spectrum of orientation have to work together, see the problem together and deliver a result together, when any party alone would not be able to implement the measures required with any level of expected political stability. Our politicians know that, and yet they keep talking about elections. And here is the difficulty. Why do they think that after so many years of failing to install order and discipline in the country, they will be able to do so now, at the time of greatest difficulty? Nothing has changed in the political environment to indicate that the will power is there to deliver both evolution and long term stability through the correct strategic plan.

An interim government has been created but it has not yet been able to make any of the changes required and it has demonstrated no power to enforce them. The 2 year plan and budget has to be finalised in detail and it will have to be followed by whoever is in power without fail. This is what the people of Greece are expecting from the current government scheme.

There is one other well-known state in the world where the citizens are rich but the public treasury out of balance. California, the state of innovation. But there is no talk of throwing it out of the USA or the currency not being the dollar. Yet the problem of California has been very substantial.

Bankruptcy does not occur because a state is not able to produce, or because there is a north south divide in production and demand, or because the people are not hard-working, or its economy independent from a federal state- all fever pills offered to Greece. Bankruptcy occurs because of long term inadequate planning which leaves a budget unable to deal with an economic crisis. Spending too much on the public sector, and on benefits, without building reserves, and without revenue growth exceeding or at least matching spending growth will sooner or later get you into trouble.

Going back to California. They saw the one-time dot.com surplus at the end of the last decade and started spending like it would always be there. 9/11 and recession? They kept spending, kept hiring state workers kept issuing bonds to balance the budget. Financial meltdown? They kept spending and raised taxes.



So this is where we are. How do we get out of it?

I logged on the internet to see the California government state budget. Here is what their Governor has written in his introduction,

“The 2011 budget did ... lay the foundation for fiscal stability. **It cut the annual budget shortfall by three-quarters — from \$20 billion to \$5 billion or less.** It shrunk state government, reduced our borrowing costs and gave local governments more authority to make decisions.

The budget that I am submitting today keeps the cuts made last year and adds new ones. The stark truth is that without some new taxes, damaging cuts to schools, universities, public safety and our courts will only increase. That is why I will ask the voters to approve a temporary tax increase on the wealthy, a modest and temporary increase in the sales tax and to guarantee that the new revenues be spent only on education.”

And more detailed information is provided on the website about each sector of the economy and those services under government control and their rationalisation as well as the growth plans.

When one looks at Greece, the PSI, and the international effort made for stability, one realises that evolution and adaptation must be achieved by Greek society at an unprecedented scale. The Greeks do not want change, naturally as any people, and yet this could be helped if they are offered the hope of stability and the vision of the advantages and benefits of change. Let us allow the spirit of improved management which controls the unions, eliminates senseless benefits, and delivers severe contraction of the size of the public sector, together with a growth led approach. But the second cannot and will not happen until the first is more than words on paper, and becomes a reality.

What about the future of Europe and Greece within it? In the banking sector, Goldman Sachs, JP Morgan as an example, expect that the Euro will hold and Europe will hold whatever the pain and conceptual, structural, and political adjustment for all Europeans. So the Euro is here to stay for Greece, the borders of Europe are the borders of Greece; the population of Europe is the brethren of Greece. Let us not be afraid to make that commitment to our future, to our allies, and to ourselves. It takes courage to accept what is wrong, and even more courage to subject oneself to the operating table without anaesthetic. But without it, there is no chance of survival.