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INNOVATIVE STIMULUS POLICIES REQUIRED TO RESTORE GROWTH AND REDUCE UNCERTAINTY IN GREEK ECONOMY, NEW LEVY ECONOMICS INSTITUTE STUDY SAYS

Complementary Currency and Direct Job Creation Hold Key to Greek Recovery

ANNANDALE-ON-HUDSON, N.Y.— Restoring growth and employment to precrisis levels in Greece will take at least 15 years if the business-as-usual economic austerity policies currently being enforced are continued, according to a new report from the Levy Economics Institute of Bard College. And while a widely discussed public investment program funded by European institutions would help, a new Strategic Analysis, *How Long Before Growth and Employment Are Restored in Greece?,* argues that a more innovative, better-targeted solution geared toward direct job creation is required to address Greece's protracted economic crisis.

Under the continued austerity policies required under the new Memorandum of Understanding (MoU) between Greece and its European creditors, and using optimistic GDP projections for Greece's primary trading partners, the Levy Institute's Macro Modeling Team—President Dimitri B. Papadimitriou and Research Scholars Michalis Nikiforos and Gennaro Zezza—estimate in their baseline scenario that the Greek economy will start recovering in 2017 but will not achieve precrisis GDP and employment levels until 2030. "Under our optimistic baseline projections, the Greek economy will not grow fast enough to recover the lost ground—and eliminate unemployment—within a reasonable period of time," the authors write. Further, they stress that their baseline projections will have to be revised downward if the major European economies—which constitute the bulk of foreign markets for Greek exports of goods and originate most of the tourism flowing into Greece—do not grow as the International Monetary Fund expects. "An export-led recovery for the Greek economy will therefore be very fragile."

Contending that urgent stimulus is needed, but finding that a public investment program financed by European funds would fall short in job growth, Papadimitriou, Nikiforos, and Zezza recommend a third scenario in which the Greek government introduces a nonconvertible "fiscal currency"—the "Geuro." "The main purpose for the introduction of

the Geuro would be the gradual implementation of an employer-of-last-resort (ELR) program, where new jobs are provided—for the production of public goods—to anyone willing to work for a minimum wage, set in such a way as to be noncompetitive with employment in the private sector but sufficient for reaching a decent standard of living," they write, stressing that a 550,000-job ELR program would boost GDP growth and, more significantly, cut the number of unemployed by more than half. "Introducing a fiscal and complementary currency can put growth and employment on a faster track without at all jeopardizing Greece's membership in the eurozone. A complementary currency, as in the case of Switzerland, would not seek to replace the euro—which would be catastrophic—but circulate within the economy alongside it."

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Strategic Analysis: *How Long Before Growth and Employment Are Restored in Greece?*

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit http://www.levyinstitute.org/publications/how-long-before-growth-and-employment-are-restored-in-greece. A summary of its findings can be found at: http://www.levyinstitute.org/publications/a-complementary-currency-and-direct-job-creation-hold-the-key-to-greek-recovery. A more detailed discussion of complementary currencies can be found at: http://www.levyinstitute.org/publications/complementary-currencies-and-economic-stability.

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(2.2.16)