

Greeks Discourage Economic Growth

Author: Anonymous

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Abstract: Regarding your editorial "The Price of Greece" (April 30): Greece's economic problem is not chiefly the requirement for a foreign aid package, such as the European Union-International Monetary Fund bailout fund, it is the fact that there are no growth prospects in Greece.

Full text: Regarding your editorial "The Price of Greece" (April 30): Greece's economic problem is not chiefly the requirement for a foreign aid package, such as the European Union-International Monetary Fund bailout fund, it is the fact that there are no growth prospects in Greece. This is why the financial markets are still so skeptical about Greece, and it is why the cost of borrowing from the financial markets is so prohibitive for the Greek state.

The financial markets are concerned about what happens after the EU-IMF bailout is used. The markets are concerned, not just with the size of the bailout, but with Greece's own strategy, or lack thereof, for economic growth. Cutting government spending is crucial, but there are currently no pro-enterprise, progrowth fiscal policies being implemented or even being proposed by the Greek government. In addition to being chained to the monetary union, Greece is still a high income tax, high business tax country. The markets know that there will be no stable economic growth in Greece for the foreseeable future.

The financial markets know that Greece needs independently generated, domestic economic growth to both carry it out of recession and to replenish its public finances. Greece can still use its sovereign fiscal powers to achieve this, by slashing income and business tax rates, if the political will is there to do so.

Relying on a drip feed of aid from foreign countries or the financial markets will simply compound Greece's problems for the long term. It is the sovereign equivalent of living off the dole: it just keeps you poor in the longrun. The markets want to see domestically generated growth.

John B. Reid,
Dun Laoghaire, Co. Dublin,
Ireland

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