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Greece will not stay in euro, expert says

Taylan Bilgiç**ISTANBUL - Hürriyet Daily News****Tuesday, October 11, 2011**

European Union leaders may like to believe that the eurozone may continue in its current form, but according to a top Greek economist, it is almost certain that Greece will have to exit the eurozone, thus opening a new chapter in Europe's history.

The chances that Greece can climb out of its debt crisis while also staying within the 17-member euro are "almost none," according to Costas Azariadis, an economics professor at the Washington University in St. Louis. Azariadis, 68, is well-known for his work on important topics such as labor markets, business cycles and economic growth.

Growth not promising

"The structural reforms Greece needs in order to become internationally competitive will be too slow and painful without a devaluation and a return to the drachma," Azariadis told the Hürriyet Daily News in an interview. "Public debt is just too big and growth prospects are dim."

The Greek government has a public deficit amounting to 10.5 of its gross domestic product (GDP) and a government debt that has hit 143 percent of GDP in 2010. Last year, its economy contracted by 4.5 percent, after a 2 percent contraction in 2009. The unemployment rate in the country stands at 15 percent, as of the first quarter of this year.

According to government estimates, the 2011 deficit will be at 8.5 percent of GDP, missing the 7.6 percent target set by the EU and the International Monetary Fund.

"The government is trying hard to pay its bills," Azariadis said. "But it is not having much success in persuading citizens that the future holds some hope. Tax revenue is in a tailspin. Labor unions and opposition parties are uniformly hostile to austerity."

According to Azariadis, a future "national unity coalition" is "more agreeable" to the Greek voter. However, politicians seem to be unwilling to compromise to that end, he added.

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