



Speech by George A. Papandreou, prime minister of Greece

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Growth strategies after the global crisis



"Ladies and gentlemen, dear colleagues, thank you for the invitation.

Can we go back to business as usual after the crisis? I would say certainly not. First of all, the crisis isn't over yet. Greece is but one example. Secondly, it would mean making the great mistake of overlooking the roots of the problem we faced in 2008.

Let me state the obvious. A credit card or a piece of paper called the pound or the euro is intrinsically worth nothing. Its worth amounts to the credibility and the trust it is backed up by. The failures of our financial system, first and foremost, created deep insecurities undermining credibility and trust. And trust is essential. It is essential for the health of our financial system.

So how has trust been, partially at least, restored? It was the government that restored, even if partially, the trust of our people in our economies. First of all it backed the banks with millions or trillions in bailouts. Secondly, it fiscally stimulated our economies to avoid moving from a recession into a deep depression. Let us not forget that.

And let us not forget that it was the Great Britain's Prime Minister, Gordon Brown, who took the initiative in Europe and in the G20 to promote these policies, to convince a highly conservative-thinking world leadership that their ways and their thinking must change. And he was successful. So credit is due to you, Gordon, for your genuine and effective efforts.

But was that it? Is it over? Are we out of the tunnel? I believe it would be irresponsible towards our citizens if we were to say everything is now on track. We need to tackle three challenges in a concerted and systematic way, which I believe are at the root of the basic challenges facing us in this new era to avoid another global financial crisis.

How do we restore trust? I believe by important change, and I'll highlight three problems, just to see the areas I think we need to focus on:

Firstly, we need to tackle speculation, parallel banking systems and a lack of transparency. These were areas which created the financial crisis. They continue to exist, and in Greece feel the brunt of this problem daily.

Secondly, there is inequality around the world, poverty, unemployment in the developed world, layoffs, small and medium-sized enterprises folding. The insecurity this creates has shaped a vicious circle of diminishing savings in the banks, which, at the same time, are not being used in a way to stimulate investment in our economy and create new jobs.

That brings me to the third point, our failure to decide on concerted action on global warming, particularly in Copenhagen, despite some of the important steps we made.

That has not helped create a secure framework for investment in this area, to mobilise capital around the world and to allow both of our countries and our economies and the world to boost growth in a sustainable and green way.

I would group the issues under three titles:

- a) Global democratic governance bound by the rules and regulations necessary to create a more secure financial system on an equal footing around the world.
- b) Tackling inequality to create a more just society, more redistributive, around the world and
- c) A new model of green growth, a green economy, which will bring us green jobs.

These are certainly not simply technical financial questions. These are highly political issues.

So progressive leaders here such as Gordon Brown, participating with José Luis Zapatero in the G20 will be very important in the next meetings due to what their decisions are going to be.

As head of the Socialist International, I have worked over the past year with a number of leaders, and with the help of Joe Stiglitz, we come up with quite a few proposals on these issues, on questions of systemic risk, on how we need to re-evaluate financial tools, attack speculation, rethink the role and accountability of credit-rating agencies, to take drastic action on offshore companies and tax havens, to make sure that hedge funds play by the rules, and to see how we can look at more innovative ways of financing both the climate change programmes and our economies through, for example, carbon taxes, transaction taxes, and a number of other means.

I also believe that we in the progressive camp know how to deal with the market in a much better way than the conservatives, for one very simple reason. For them, the market is God, and you don't fool around with God. For us, it is simply a tool, a tool in order to serve our people and our economies in a better way.

That's why I think we are the ones who can be much more effective in regulating our economies and the world in the challenge that we have ahead of us.

Let me just finishing by relating these issues to Greece.

First of all, in Greece our problem is our problem, our responsibility. It is a political one. But there are also some fallacies which I think are highly political, but also highly biased.

Yes, the previous Greek government was reckless, a conservative government with a lack of transparency, corruption, cronyism, extreme social inequalities, a lack of cohesion, the poor getting poorer, the rich richer.

And rather than re-shaping our economy into a green economy, there were simply short-term profits, for example by land profiteering.

It is a fallacy, however, to say that Greeks are reckless, because that would mean that the problem is simply one of DNA. This would be to ignore the fact that that was a conservative government, that we have had elections in a democratic society and that the Greek populace has voted for change, handing down a mandate of change and that our programme is a programme of change.

In fact today, with the difficult measures we are taking, in order to change, in order to fight corruption, in order to become a green economy, in order to make Greece a more viable economy, with these difficult measures, Greece, our government today has a popularity rating of between 62% and 69%.

A second fallacy is that the problem is only Greek. It would be very cosy to say that it is only Greek. However, there is a fear of contagion. Higher interest rates for us in borrowing mean higher interest rates for others in Europe, and that undermines the growth potential of our economies, the credibility of the European economy, and of course creates problems with currencies.

A third fallacy is that we are looking for bailouts, as the banks were bailed out. We are not looking for bailouts. We are not looking for money from other countries.

We are simply saying we have a programme, a progressive programme for change – it's called the Growth and Stability Pact in the European Union – and we can support this programme to implement it effectively and we will do whatever is necessary and take whatever measures are necessary to make sure that we reach the targets we have set, for example for deficit reduction,

but also for growth.

I say this because what we are saying is simply that we would like to be able to borrow on the same terms as other countries in the European Union and the Eurozone.

So I think a very important decision was taken last week, when all 27 countries said, "We will be together, we will stand together. We will support Greece in its implementation of this programme. We will fight against possible speculation."

And we also have said that we will take up our responsibilities, so in fact Greece does become a very good investment, a much more transparent country, with social cohesion and with a future green economy.

So, as a progressive leader, I would say that the crisis in Greece is also an opportunity for Greece. And the crisis around the world, whether it is the financial crisis or the global climate change crisis or the question of poverty and inequality, should be and can be an opportunity for change for our world, for making this world a better world. And that is our task as progressive global leaders. Thank you very much."