



Joint Economic Committee *Republicans*

Representative Kevin Brady
Vice Chairman

MEMBER VIEWPOINT: SENATOR JIM DEMINT, EXECUTIVE SUMMARY

Greek to US?:

Lessons America Must Learn from Greece to Avoid Our Own Debt Crisis

October 25, 2011

Greece's economy hit a tipping point when its government debt reached 137% of GDP. Facing bankruptcy, Greece received a €110 billion (\$145 billion) bailout package, contingent on €14.32 billion in spending cuts and €14.09 billion in tax hikes over the next five years, including:

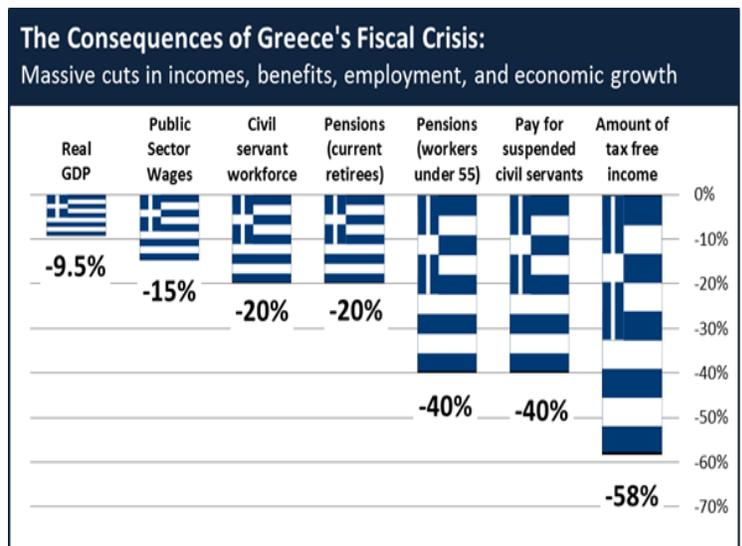
- **Cutting national defense** by 10%
- **Cutting social security spending** by about 10%, including **raising the retirement age** by four years and implementing **means testing**
- **Closing** or merging almost 2,000 schools
- **Raising property taxes**, Value-Added Tax (VAT) rates, and imposing new taxes on everything from income and consumption to property, homes and profitable businesses
- **Cutting 30,000 government jobs**, slashing government salaries by 15% or more, and reducing pensions for current retirees by 20%, and for future beneficiaries by 40%

The results? Since the onset of the Greek recession:

- **Real GDP has fallen nearly 10%**
- **The unemployment rate has doubled** from 8.3% to 16.7%, and the Greek economy employs fewer people today than it did in 2002
- **Default** of Greek debt **remains a real possibility**

Similar measures and results in the United States, an economy almost 50 times larger, would mean:

- **14 million fewer jobs** (and 25 million unemployed)
- **\$1 trillion reduction in GDP** from 2010
- **Raising the retirement age to 71**



We still have time to avert disaster through gradual reforms, but we must act soon. Greece once taught us how to create a democracy. Now, we must learn from their mistakes how to save one.