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Avrupa Birliği Çevre Ülkeleri Özelinde Kemer Sıkma Politikalarına Eleştirel Bir Bakış / A Critical Review Of Austerity Policies In The Peripheral European Countries

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ABSTRACT

The austerity policies have been started to implement from 2010 instead of expansionary fiscal policies which were used after 2008 global crisis. Austerity policies have created an illusion as the public sector is responsible for economic crisis. However, the reason of economic crisis was financial sector; it was the crisis itself which was deteriorated public balances. Austerity policies which were applied for preventing public debt to become unsustainable are based on “expansionary fiscal contraction” hypothesis. According to the hypothesis, contractionary fiscal policies increase private consumption and investment expenditure through a trust effect by falling interest rates and it also creates competitive advantage for suppliers by decreasing labour costs. Thus decreasing aggregate demand due to cuts in public sector demand is expected compensate with increase in private spending and export. However, interest rates are already very low nowadays. Therefore, interest rate is a useless channel for stimulating domestic aggregate demand. Growth and employment increase can only be achieved by net export. The effort of the countries to increase their income and employment with competitive policies at foreign trade is called “neo mercantilism”. This effort to increase their competitiveness by reducing unit labour cost with flexible labour markets creates negative externality for neighbours imposing same implementations. These implementations reveal results that have impoverished employees in local as well as other countries. Consequently, economic crisis gets deep under these conditions. On this regards the study aims to explain deepening crisis in the context of fiscal trap by evaluating the austerity measure which have applied in peripheral European countries.

KEYWORDS Austerity policies; fiscal trap; neo mercantilism; crisis; peripheral European countries

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