

Writing

Literature, Russian Literature



Austerity Package An austerity package is a set of policies introduced to cut the government expenditure and increase the revenue to minimize the budget deficit. Recently, Greece has been in the headlines when it comes to the introduction of austerity packages. The Greek economy has been going through some tough years and it is now in so much debt that it needed injection of finance from other Euro zone countries just to stop the Greek economy from going bust. (Lowen, 2012)

It has been argued that the introduction of austerity packages is the right step forward to take the economy on road to recovery. However, numerous counter arguments have been presented to prove that these austerity packages actually take the economy many steps behind rather than forward.

The purpose of austerity packages is to reduce the budget deficit that is fiscal budget deficit to be specific. However, it can be seen that these packages have actually worsened the situation in Greece and budget deficits have increased. The first major aspect of this argument is that when an austerity package is implemented, the government expenditure decreases. When this happens, the investment in the economy decreases. This investment is a key factor in the calculation of the gross domestic product (GDP) and such a measure will indirectly decrease the GDP of the economy with the aid of a decrease in investments.

When the government expenditure goes down along with the investments, people go out of employment. This is what has happened in Greece where the investments have either been drawn out of the economy or the government is not spending enough money to help the employment rate.

This rise in unemployment leaves less number of people with the disposable income and the living standards of the people go down. Although this living standard cannot be measured with the assistance of budgets but this surely increases the anxiety and frustration in the society leading to poor law and order and eventually lower injection of funds due to poor confidence in the economy. (Tyson, 2012)

One thing that can negatively influence the budget deficit directly is the fact that when unemployment rises, people have less money to spend and the consumption in the economy goes down. This lowers the GDP of the economy and this causes the budget deficits to increase even further.

Another factor related to unemployment is that the unemployed people cannot pay taxes and this negatively influences a key source of revenue for the government. This results in even a greater fiscal budget deficit and a cycle seems to go on when all these factors continue to increase the budget deficit. As a result, the austerity package introduced by the Greek government seems to have worsened the economic situation and the confidence in the economy has gone down even further resulting in hesitation to release the funds from the International Monetary Fund, The European Central Bank and the Euro zone countries to aid the recovery of the Greek economy.

Bibliography

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