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## An issue of statistical significance in Greece

By Nick Malkoutzis & Yiannis Mouzakis\*

The head of Greece's statistics agency, Andreas Georgiou, is to face a criminal inquiry. An ex-employee of the Hellenic Statistical Authority (ELSTAT), Zoe Georganta, has accused him of colluding with the European Union's statistical arm, Eurostat, to inflate Greece's deficit figure for 2009, thereby justifying Greece's EU-IMF bailout, signed in May 2010, and its drastic austerity measures. Georgiou vehemently denies the charges.

Financial prosecutors have referred the matter to a special magistrate and the Greek justice system will have to decide on the validity of each side's arguments.



Beyond the judicial process, some observations about the case are needed as it goes to the very heart of understanding how Greece's public finances veered dramatically off course and the country turned to the eurozone and International Monetary Fund for emergency loans.

Georganta argues that Georgiou's main offense was to incorporate 17 public enterprises (known as DEKOs in Greece) into the general government budget, thereby inflating the 2009 deficit by 18.2 billion euros. She claims that Greece's deficit for that year should have been just under 4 percent of GDP, rather than the final figure of 15.6 percent, which came about after several revisions. Georganta, an econometrics professor at the University of Macedonia, says the final figure, which was announced on November 15, 2010, was pumped up so it would be bigger than Ireland's, which was 14.3 percent, and therefore the biggest in the eurozone. According to Georganta, this inflated figure was used to justify the tough austerity measures demanded by the troika.

Some Greek commentators and politicians have seized upon these allegations as evidence of a wider plot against Greece or proof that the country was a victim of sinister forces from within and abroad. The strength of their argument does not stack up against the facts and feeds a misleading narrative in the public debate. This prevents a proper appreciation of the grave economic and fiscal errors made in the buildup to the crisis.

Firstly, there are a few procedural points to clarify. Greece's statistics were repeatedly questioned between 2004 and 2010 by Eurostat. It was only after several checks by the Luxembourg-based statistical agency that the 2009 figure was approved, seeming to leave little scope for claims of it having been manipulated by Greek authorities. With regard to the inclusion of public utilities, Eurostat provides a manual (ESA95) that member states follow. It defines entities that should be part of the general government budget and appears to cover the inclusion of Greek public enterprises in the country's deficit calculations. It should also be noted that regardless of the merits regarding the addition of DEKOs to the budget, there can be no doubt that their debts were being paid from central government coffers. Even after the Private Sector Involvement (PSI) early in 2012, the Greek government is still paying in full the holders of bonds issued by the Hellenic Railways Organization (OSE), who refused to submit their paper for a haircut. Lastly, it is worth pointing out that Georgiou took over at ELSTAT in August 2010, three months after Greece had signed its first memorandum of understanding with the troika. While the final deficit figure published by Eurostat in November 2010 did play a significant part in the calculation of fiscal targets and austerity measures of 2011, it was not applicable to the terms of the first bailout.

Beyond these basic matters, it is important that there is an awareness of the magnitude of Greece's fiscal derailment in 2009. If for no other reason than that it is important to appreciate what led to the country and its people experiencing the most extensive economic crisis a developed economy has suffered for decades. The events of 2009 should be looked at with a critical eye so Greeks come out of this turbulent period not just battered but also wiser.

It is worth taking the sequence of events from the start.

In November 2008, just two months after the collapse of Lehman Brothers in the USA and as the financial crisis was unfolding around the globe, the New Democracy government of Costas Karamanlis submitted the 2009 budget to Parliament. It estimated growth of 5.9 percent of GDP and a state deficit of 8.8 billion euros or 3.4 percent of GDP.

Two months later, as the crisis was sweeping through one country after the other, the government was forced to submit an updated Stability and Growth Program. It revised the prospects of the Greek economy for 2009, lowering the growth rate to 3.8 percent of GDP and raising the state deficit to 12.7 billion euros. With a budget based on such a macroeconomic and fiscal framework, the Karamanlis government was setting itself up for a spectacular failure and, perhaps unknowingly, laid a foundation stone for the deepest crisis in the country's modern history.

Even as early as May 2009, the budget's unrealistic projections were exposed and it went off the rails. The state budget deficit was already at 14.4 billion euros, with 43 percent of the budgeted expenses already used up while revenues stood at just 31 percent of the annual target.

In September 2009, before the elections that brought George Papandreou's PASOK to power, the state deficit was at 23 billion euros, almost twice the projected amount for the entire year.

With the inclusion of 1.5 billion euros for hospital arrears payments – the only decision of the newly elected Papandreou government contested by New Democracy – the 2009 deficit closed at 30.9 billion euros after a complete collapse of revenues, missing the annual target by 11 billion euros. Expenses increased by 10 billion euros compared to 2008. At the same time, Greece entered the first year of its long recession, with GDP contracting by 3.1 percent.

Sometimes the simplest explanation is the correct one. Even without the subsequent revision of the figures under the supervision of Eurostat, the 2009 public deficit reached double digits very early in the year and missed the initial budget targets by some distance because it was based on an unrealistic framework to start with. Also, by that time, the Karamanlis government had been shaken by a series of scandals, was trailing in opinion polls and had a very loose grip on the wheel.

The argument that had the shortfall been smaller than Ireland's, Greece might have avoided the bailout or an austerity package is unconvincing. Firstly, it should be pointed out that Ireland did not escape a bailout or austerity measures. Beyond that, the two countries were suffering from vastly different problems. Greece's debt was much larger than Ireland's. Whereas Greece owed 112.9 percent of its GDP in 2009, Ireland's debt-to-GDP ratio was just 44.5 percent. The Irish problem was in the financial sector, Greece's was predominantly fiscal and macroeconomic. By May 2010, Greece had a financing gap of 35 billion euros for the rest of the year, so it is difficult to see how there was any prospect of Athens borrowing from international markets at reasonable rates, staving off a financial assistance program.

Of course, if the Greek deficit for 2009 had been 3.9 percent of GDP, as Georganta has recently claimed, then events would certainly have turned out differently. It seems to be the wildest of claims considering the confirmed macroeconomic data from 2009 and the fact that Greece's interest payments alone for that year ended up at 5.2 percent of GDP. This means Georganta's scenario implies that the country ran a primary surplus of more than 1 percent of GDP in 2009.

To put things in perspective, the only period in the last 20 years that Greece produced a deficit under 4 percent was between 1999 and 2001, after a period of austerity to ensure the country met the criteria to join the euro. After joining in 2001, Greece's fiscal discipline slipped ever more dramatically as the decade progressed. To a large extent, this period of economic boom fueled by cheap credit and unsustainable fiscal laxity is where the narrative for Greece's troubles today can be found. To suggest otherwise is to dabble in fairy tales.

Greece and Greeks have suffered because of questions about the reliability of the country's statistics. This has included repeated misinformed and erroneous accusations concerning Greece's entry into the euro. It will take a long and consistent effort to restore credibility over this matter and the latest developments in the ELSTAT case are a serious blow.

There appears to be little that has been presented publicly so far to suggest there is any strength to the allegations of a conspiracy that intended to inflate Greece's deficit and lead the country into the arms of the troika. Perhaps the criminal inquiry to come will produce more compelling evidence that will shed new light on this issue. In the meantime, though, it is vital that there is a better appreciation of the circumstances surrounding the Greek fiscal disaster. A diet of half-truths and red herrings will only succeed in apportioning responsibility wrongly and planting the seeds for the next catastrophe.

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## L'"Insee" grec soupçonné d'avoir gonflé le déficit du pays

23.01.2013 à  
16h34



Un scandale politico-financier de plus pour la Grèce. Le directeur ainsi que deux autres cadres de l'Institut national de la statistique en Grèce (Elstat) ont fait l'objet de l'ouverture d'une enquête judiciaire par le parquet d'Athènes, mardi 22 janvier. Ils sont soupçonnés d'avoir gonflé artificiellement les chiffres du déficit public de la Grèce pour l'année 2009.

Ancien statisticien au Fonds monétaire international (FMI), le patron d'Elstat, Andreas Georgiou – qui rejette ces accusations – a reçu le soutien de l'agence des statistiques de l'Union européenne (Eurostat), qui souligne que les calculs ont été faits selon les normes comptables européennes.

M. Georgiou avait justement été nommé à la tête d'Elstat en 2010 dans le but de lui redonner de la crédibilité, après que ses statisticiens ont été violemment critiqués pour avoir masqué les difficultés financières du pays qui l'ont conduit tout droit à la faillite.

### JUSTIFIER LA CURE D'AUSTÉRITÉ

L'accusation s'appuie sur le témoignage d'une ancienne employée de l'institut, Zoe Georganta, professeure grecque de statistiques, licenciée en 2011 par l'ancien ministre des finances, Evangelos Vénizelos. Selon elle, l'objectif de cette manipulation était d'aboutir à un déficit record au sein de la zone euro, afin de choquer l'opinion publique et, ainsi, de justifier la cure d'austérité infligée par la troïka (UE-BCE-FMI), explique le quotidien britannique *Financial Times*. Certains médias, comme Reuters, évoquent un complot inspiré par l'Allemagne.

L'ex-employée affirme que M. Georgiou a "insisté pour faire entrer dans le déficit public de l'État les dettes des entreprises publiques de la péninsule hellénique", précise de son côté La Tribune.fr. Sans cette manipulation, à laquelle elle dit s'être opposée, "le déficit public pour l'année 2009 ne dépassait pas 12,5 %, au lieu des 15,4 % annoncés, et aurait pu être aisément ramené en dessous des 10% à l'aide de mesures immédiates", rapporte encore le site.

Mme Georganta va même jusqu'à assurer que l'ancien gouvernement socialiste de Georges Papandréou ainsi que le ministre des finances de l'époque, Georges Papaconstantinou, avaient approuvé le maquillage – sans toutefois les accuser d'y avoir participé.

## Tag Archives: Zoe Georganta

22/01/2012

It seems that the investigation on the alteration of Greek Statistics (in 2010) has bumped into some sort of political involvement. The case began last September after the complaint of Zoe Georganta, a professor of Econometry at the University of Macedonia (Thessaloniki) & a member of ELSTAT (the Greek Statistical Authority), who said that the 2009 deficit was artificially augmented. She underlined that in November 2010 ELSTAT accepted pressures from Eurostat and produced a higher number for the country's 2009 deficit, at 15,4% instead of 12-13% which was the real number. The goal was to make it politically more feasible to pass further economic reforms (cuts in salaries & pensions as well as taxes).



Financial prosecutor Grigoris Peponis

Financial prosecutor Grigoris Peponis has collected testimonies from 17 people who were involved in the case. His conclusion was included in the letter accompanying the case file on its way to Greece's Supreme Court ([Areios Pagos](#), the descendant of ancient [Areopagus](#)). In this letter Peponis says that there is evidence concerning criminal offences (under the Law on Ministerial Responsibility) by members of the the Greek government. He also wrote that in the testimonies there is explicit reference to an augmentation and an arbitrary determination of the 2009 public debt. The blame for this, according to the testimonies submitted to Mr. Peponis, is targeting the then Prime Minister, members of his government and the respective Finance Ministers.

After the Supreme Court, the case file will be transferred to the Greek Parliament which will decide on possible political responsibilities. In other words, this could be the beginning of a Special Investigative Committee and, if responsibilities are found, a Special Court for George Papandreou and his administration.

The names of those who testified were also made publicly available. Mr. Peponis had also invited current ELSTAT chairman, Andreas Georgiou, to testify but the latter did not provide a sworn testimony. In addition, George Papaconstantinou, Finance Minister during the examined period, rejected any claims against himself. In a public statement, he concluded that "*there is an attempt to penalize the truth about the grave situation Greece was in 2009*". Mr Papaconstantinou is now Greece's Minister for the Environment.

# The Greek Lesson

Evaggelos Vallianatos

Zoe Georganta is a professor of applied econometrics and productivity at the University of Macedonia. She also consults with businesses in Greece and abroad. In 2010, the Greek parliament appointed her to the Greek Statistical Authority, the agency that calculates and publishes the numbers of the country on deficit, debt and other vital information.

In 2010, the Greek Statistical Authority also got its chairman, Andreas Georgiou, an employee of the International Monetary Fund. This incensed Georganta and her colleagues, professional statisticians who, like the rest of the Greeks, have been living the dreadful consequences of their country being under the thumb of IMF and its two European partners -- the European Commission and the European Central Bank, collectively going under the name of troika.



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In a Dec. 9, 2012 [radio interview](#), Georganta says Georgiou is pushing the IMF agenda, not the interests of Greece. She alleges a far more serious charge against the former prime minister, George Papandreou. She says that, in 2009, he "artificially augmented" the Greek deficit and, otherwise, indulged in an unprecedented and irresponsible attack against the country he was heading, saying that Greece was corrupt and untrustworthy. This toxic rhetoric did have its intended effect -- forcing Greece into the "structural reform" of the troika with the result of Greece losing her sovereignty and being impoverished to conditions of extreme poverty.

In addition, Georganta alleges that Papandreou's behavior has had the approval of the EU and the IMF, which now are using Greece to test their anti-labor standards. If this experiment succeeds in Greece and the country is dismembered into "free trade" zones, the troika will then inject its Greek medicine onto Ireland, Portugal, Spain and Italy.

Georganta is not a conspiracy theorist. She is a respected and published scholar. She is straightforward about the foreign influence wrecking Greece under the guise of statistics modernization and debt management by, of all people, European and American allies of Greece.

Her allegations are being taken seriously. According to a Jan. 20, 2012 report by Athens News, the Greek financial prosecutor, Grigoris Peponis, [recommended](#) the Greek government investigate if Papandreou and members of his administration might have tinkered the government's statistics to "inflate the Greek deficit."

As for Papandreou, one day he may be put on trial, though it's a far-fetched possibility now that he is in the comfortable environment of the Harvard Kennedy School of Government.

Georganta recognizes the weaknesses of the Greek economy -- practically no industry, limited exports, tax evasion by those who have the most money, and over-reliance on tourism. Second, she lashes at the troika for "creative accounting," arbitrariness and lack of transparency.

It is possible, then, that the EU is no longer the EU but a subsidiary of the big banks. They not only want back every penny they lent Greece, but they want to radically reorganize Europe and the rest of the world to their advantage -- crush the Greeks to lessen labor costs in the lucrative European market.

But why is the IMF involved in an intra-European dispute? Because the IMF has a huge experience in reorganizing Africa and Asia -- the so-called Third World -- and converting the two continents into capitalism-friendly colonies.

Africa is now hungry because its best land is producing cash crops for the euro-holders and Asia is producing all these gadgets and clothes for the dollars of America. Exporting American jobs to China has been immensely profitable to Chinese capitalists as well as to American corporations. Not a little credit for this strategy goes to IMF.

However, do we want this world that resembles medieval feudalism? Should we continue giving unlimited power to giant conglomerates that sacrifice societies and, indeed, the Earth on the altar of money?

The alternative for me is to support the Greeks. President Obama ought to order IMF out of Greece. And the Europeans ought to demand the end of the killing "austerity" both in Greece and elsewhere. If only American and European corporations join Greek companies, they could invest in the development of the country's mineral wealth. That would more than pay off the Greek debt. Out of this struggle, we will have more, not less, democracy and prosperity. We will also have more economic justice while putting a leash on hubris -- break down to modest size businesses banks and other corporations "too large to fail."

Recreating feudalism is not an option, especially in Europe and America. The Greeks would fight to the death defending their country. In addition, neither civilized societies nor the Earth can afford the policies the troika is pushing in Greece.

## Grèce : le kafkaïen retour au pays d'Andréas Giorgiou

07.12.2011 à  
13h39

A lui tout seul, le chef des statistiques grecques, Andréas Giorgiou, résume les trois romans de Franz Kafka. A 18 ans, il est parti aux Etats-Unis pour s'y installer, comme Karl Rossman, le héros de *L'Amérique*. Il est rentré en Grèce, trente ans après, pour prendre la tête d'Elstat, une grande machine à produire des chiffres et à les réviser sans fin, comme les lois du *Château*. Il est aujourd'hui plongé dans *Le Procès*, convoqué par la justice.

Depuis son retour au pays en août 2010, il a travaillé avec Eurostat, l'organisme de la Commission européenne chargé des statistiques, pour rendre les données hellènes conformes aux normes européennes. Les comptes de tous les ministères et de toutes les entreprises publiques ont été passés au peigne fin. "On a rétabli la crédibilité du système de statistiques grecques", se réjouit M. Giorgiou, qui voudrait faire oublier au monde entier que la Grèce a maquillé ses comptes pour rejoindre la zone euro.

Mais s'il en a fini avec la suspicion permanente de Bruxelles, sur les déficits et les dettes cachés, il doit désormais affronter les doutes de son pays. Plusieurs anciens membres de son conseil d'administration, brutalement limogés début septembre par le ministre des finances, l'accusent d'avoir gonflé les chiffres du déficit.

A commencer par cette professeur d'économétrie à l'université de Salonique, Zoé Georganta, pour qui la révision à la hausse du déficit de 2009 - porté à 15,4 % du produit intérieur brut (PIB) - à laquelle a procédé M. Giorgiou fin 2010 n'avait qu'un seul objectif : faire en sorte que "*le pays ait le plus fort déficit budgétaire en Europe, supérieur au 14 % de l'Irlande, afin d'obliger la Grèce à accepter des mesures d'austérité douloureuses*".

Proche du Pasok, M<sup>me</sup> Georganta dénonce un "*nouveau type d'occupation allemande*", avec la complicité de M. Giorgiou, qui a d'ailleurs, argue-t-elle, travaillé vingt ans au FMI, où il était chef adjoint des statistiques. La justice a ouvert une enquête criminelle préliminaire. Le chef des statistiques a été entendu comme suspect par un procureur, de même que deux autres cadres d'Elstat, et il a jusqu'au 12 décembre pour adresser une réponse écrite au parquet. "*Nous avons suivi les règles européennes, en toute transparence*", plaide aujourd'hui M. Giorgiou.

Et ce dans une ambiance souvent délétère, alors que plusieurs des membres - dont M<sup>me</sup> Georganta - du conseil d'administration, désormais limogé, avaient été candidats à son poste et critiquaient ses méthodes.

"*Un jour, en octobre 2010, se souvient-il, un représentant syndical me montre un email que j'avais envoyé à un avocat. Je lui demande comment il en a eu possession.*" Le syndicaliste de lui répliquer : "*Ça arrive en Grèce !*"

"*J'ai porté plainte, et j'ai découvert que quelqu'un s'introduisait régulièrement dans ma messagerie. J'étais espionné*", explique M. Giorgiou. Un policier lui explique même que la personne en question consultait ses mails plus souvent que lui-même. M. Giorgiou soupçonne l'ancien vice-président du conseil d'administration, qui dément. L'enquête est en cours.

Si ce quinquagénaire connaît par cœur les numéros des articles qui régissent les normes statistiques européennes, il est moins rodé à ce genre d'expériences. Et moins à l'aise pour citer le code pénal et se défendre d'être "*suspect*" pour "*rupture de confiance*" à l'égard de l'Etat.

Eurostat a volé au secours de M. Giorgiou en déclarant dans un communiqué, le 1<sup>er</sup> décembre, qu'Elstat avait "*appliqué les règles en vigueur dans tous les Etats membres*". Auparavant, le président du groupe de partenariat de la statistique européenne, et président de L'Insee, Jean-Philippe Cotis, avait salué dans une lettre au président du Parlement grec, "*la crédibilité retrouvée des statistiques de finances publiques en Grèce*".

Dans son pays, en revanche, les voix sont rares pour le défendre. La classe politique, quand elle n'est pas critique, est, au mieux, silencieuse. Il faut dire qu'elle manque de crédibilité sur le sujet des statistiques et que la mise en cause de M. Georgiou, qui s'est mis en tête de rompre avec les pratiques peu scrupuleuses du passé en la matière, n'est pas pour leur déplaire.

En 2010, alors qu'il s'agit de réévaluer le déficit 2009, "*nous sommes allés avec Eurostat dans tous les ministères* raconte M. Georgiou, *pour rechercher pour la première fois dans l'histoire grecque, ce qui a été dépensé par chaque ministère et quand cela a été payé. Tout a été vérifié trois fois par Eurostat*".

La démarche s'avère utile : M. Georgiou, ses équipes et Eurostat découvrent de nouveaux déficits et de nouvelles dettes. Ainsi, certaines données ont été comptées deux fois dans les caisses de sécurité sociale. Il y a aussi l'opération comptable organisée par Goldman Sachs qui avait permis à Athènes de dissimuler une partie de la dette qu'il faut dénouer.

Enfin, le chef des statistiques grecques décide d'intégrer dans les comptes de l'Etat, comme le prévoient les règles européennes, explique-t-il, ceux de certaines entreprises publiques : les organismes de transport, de télévision et radio publiques ou la société de défense Hellenic Defence Systems.

C'est ce dernier point que M<sup>me</sup> Georganta, comme l'essentiel du conseil d'administration désormais limogé, conteste aujourd'hui devant la justice.

M. Georgiou persiste : "*La Grèce est revenue dans la famille des statistiques européennes.*" Son retour au pays, lui, a un goût amer.