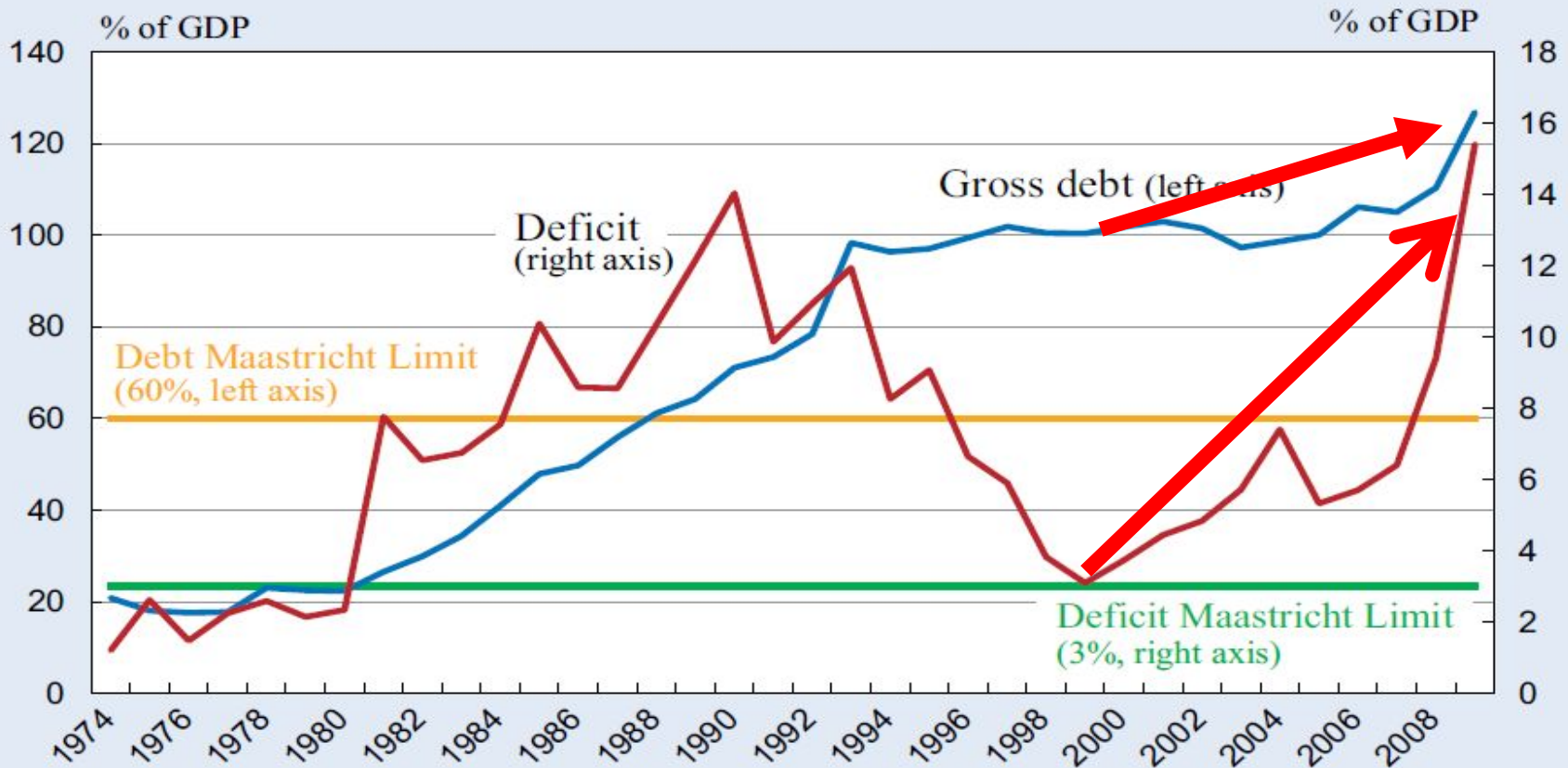


The Greek budget deficit *never* got below the 3% of GDP limit, nor did the debt ever decline toward the 60% limit

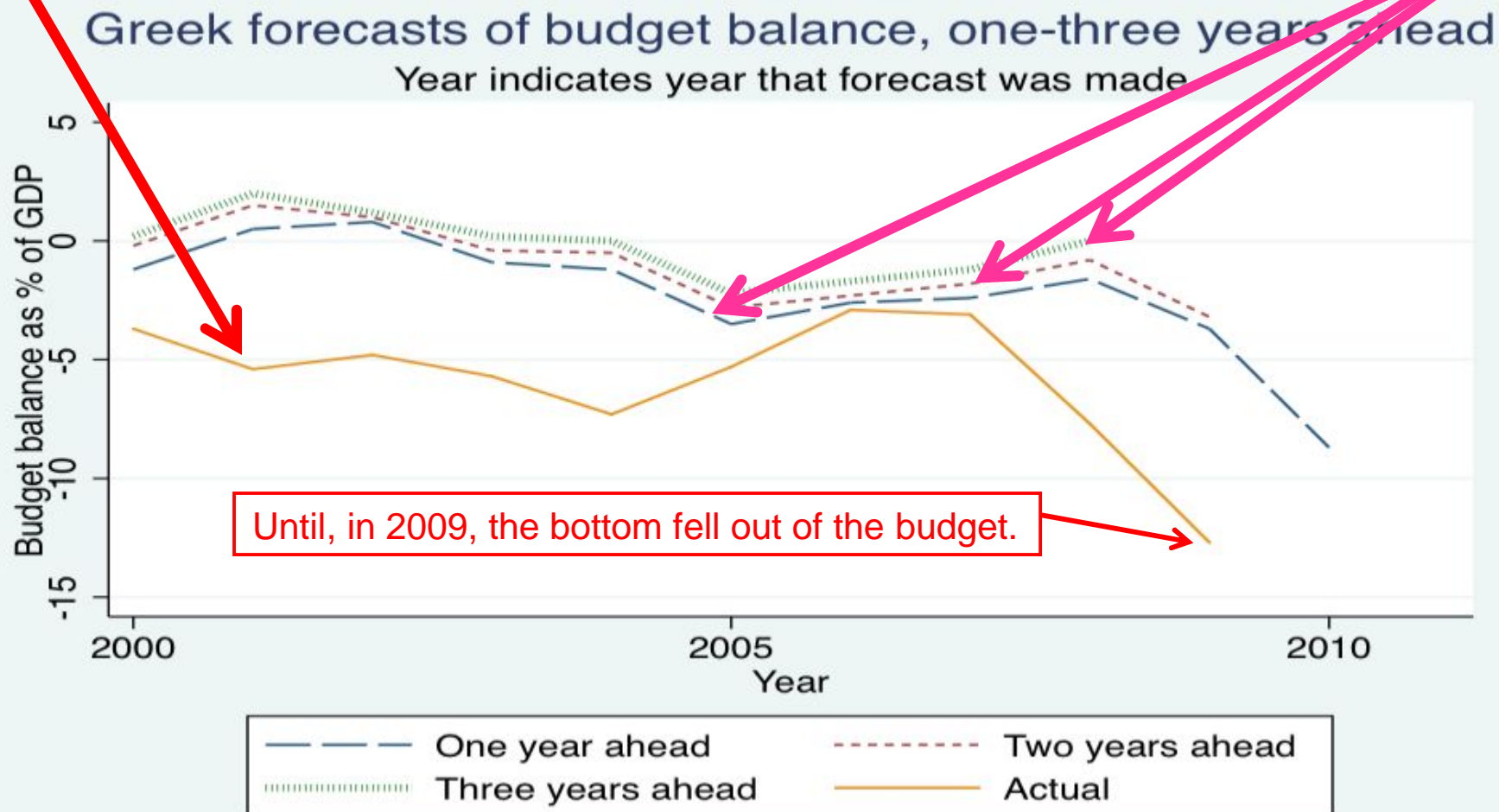
Greek gross debt and government budget deficit



EEAG (2011), *The EEAG Report on the European Economy*, "Greece", CESifo, Munich 2011, pp. 97–125.
Source: Ameco: General Government (S13), Expenditure (ESA95), ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm, data extracted on 11 January 2011; own calculations.

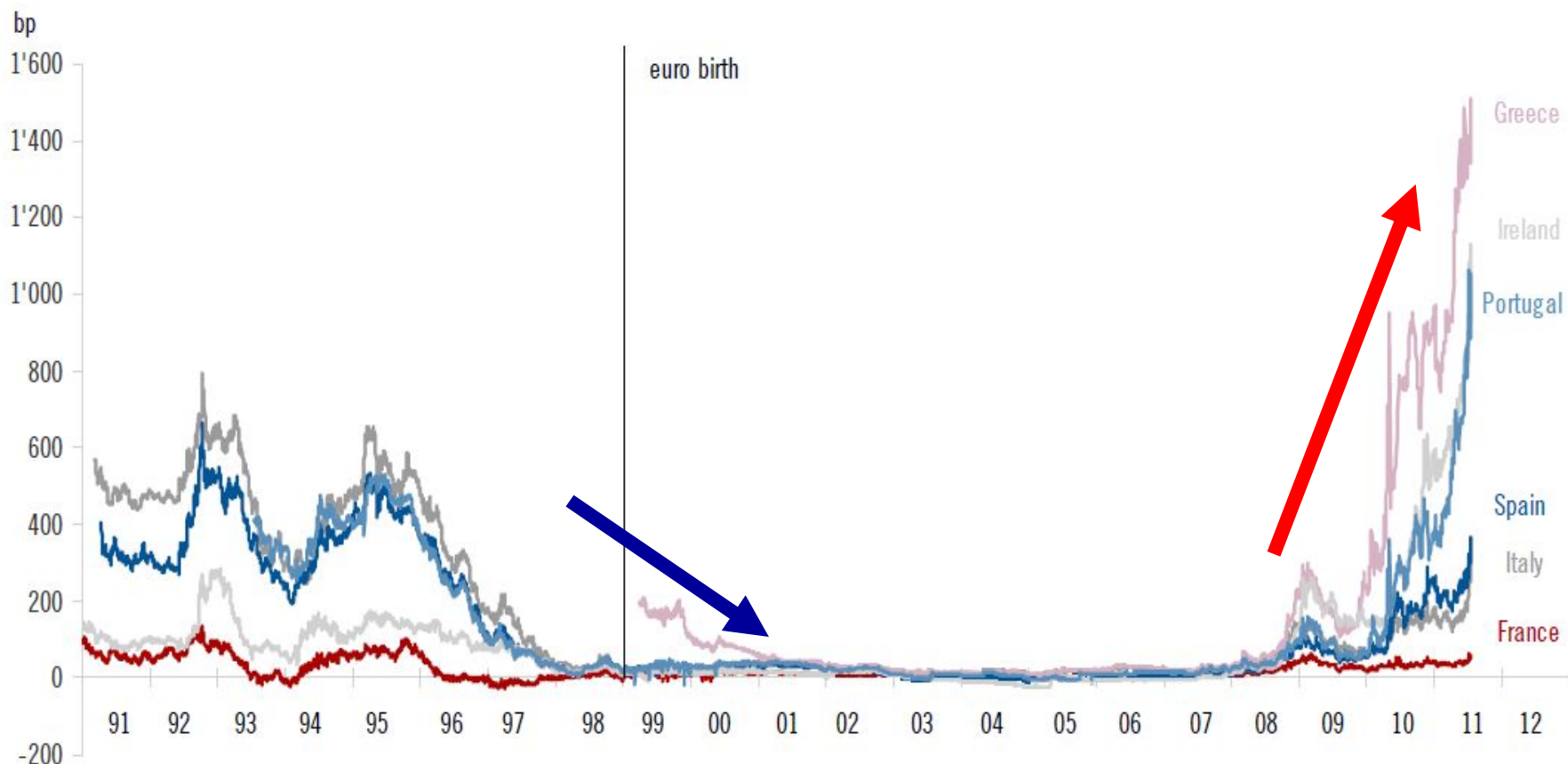
Even though in most years true Greek budget deficits were far in excess of the supposed limit (3% of GDP).

the official budget forecasts were always rosy.

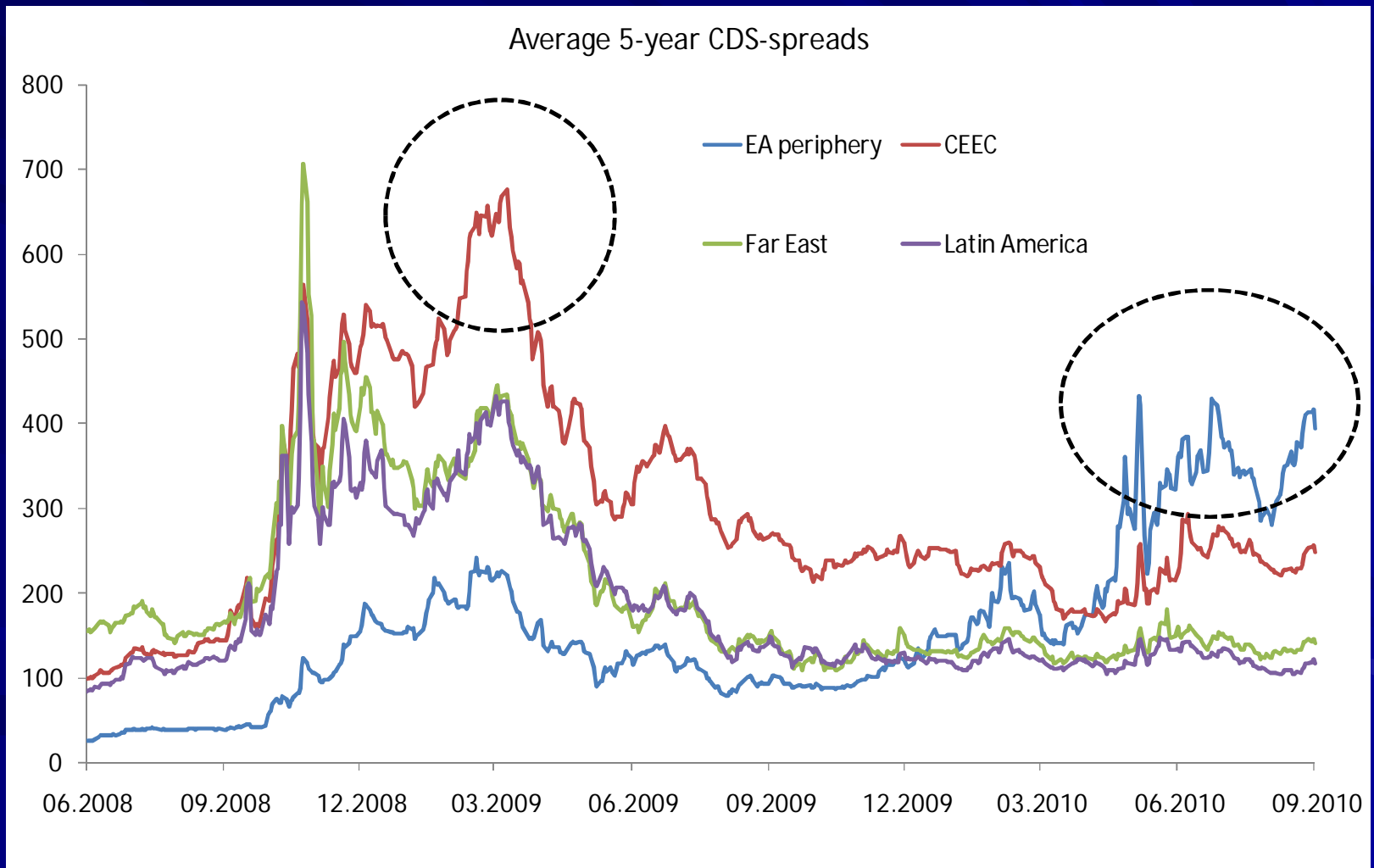


Spreads for Italy, Greece, & other Mediterranean members of € were near zero, from 2001 until 2008.

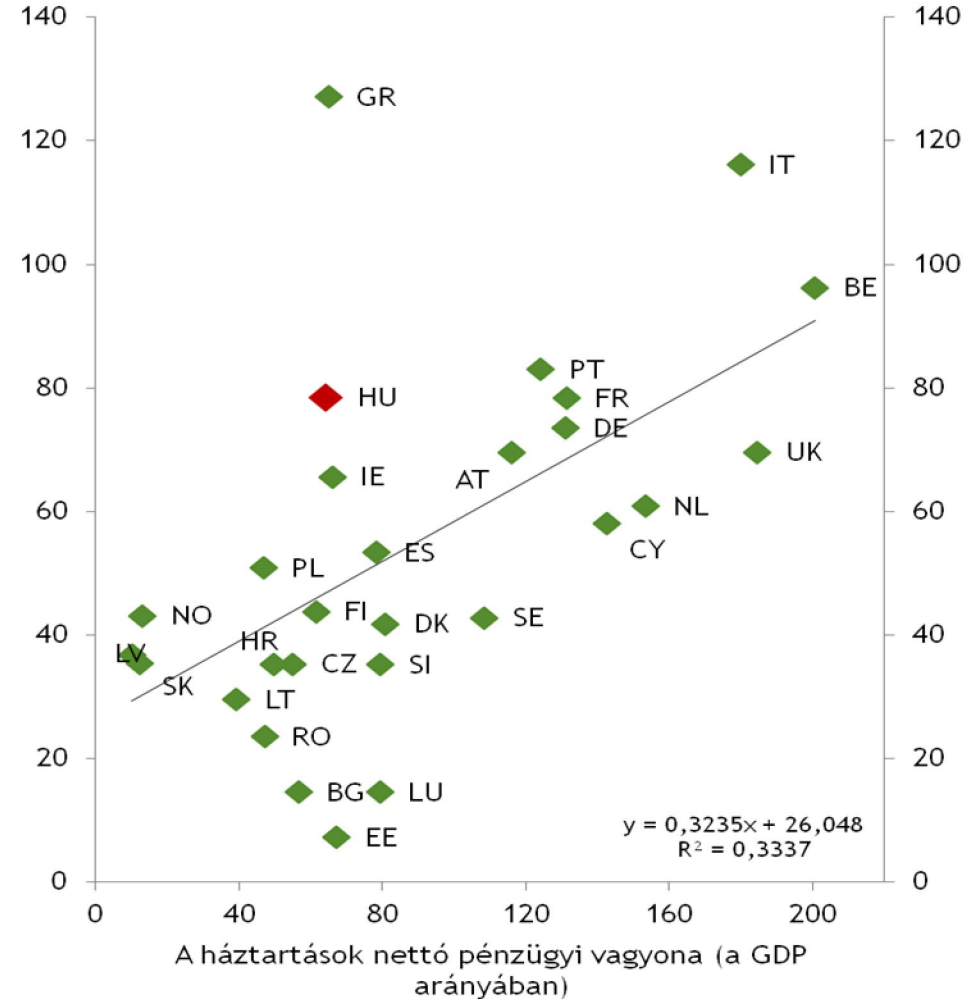
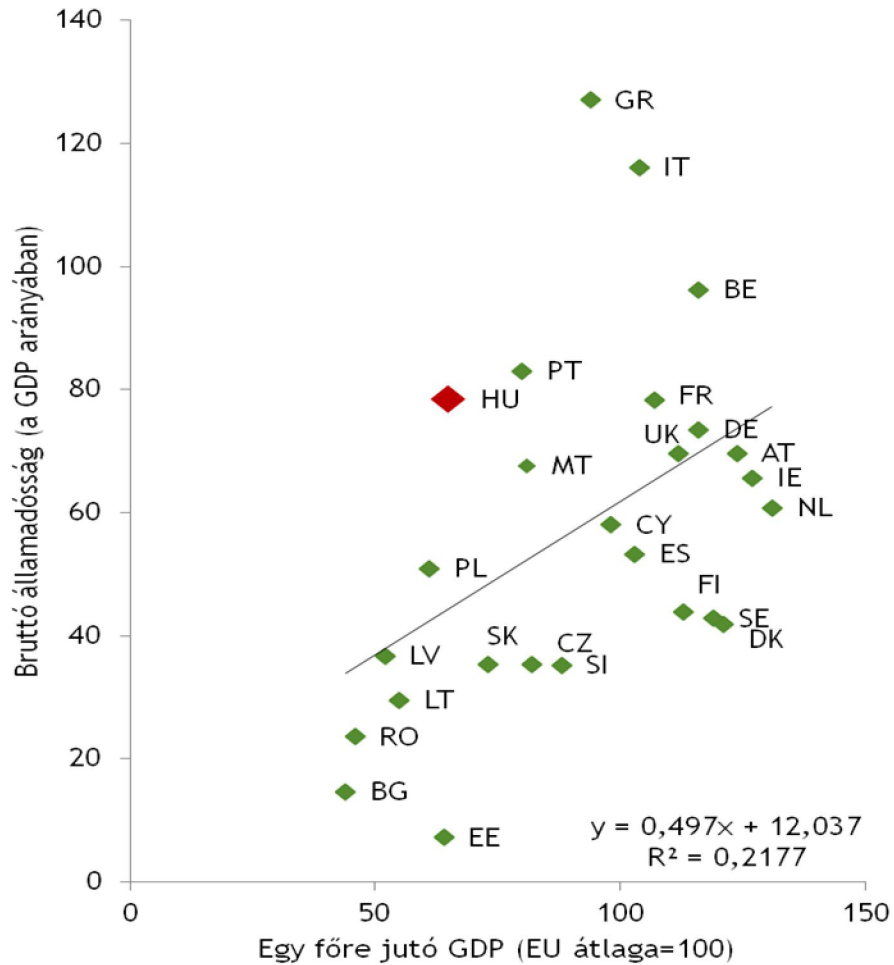
Euro area: Sovereign spreads vs. 10Y Bunds



Spreads for Italy, Greece, & other Mediterranean members

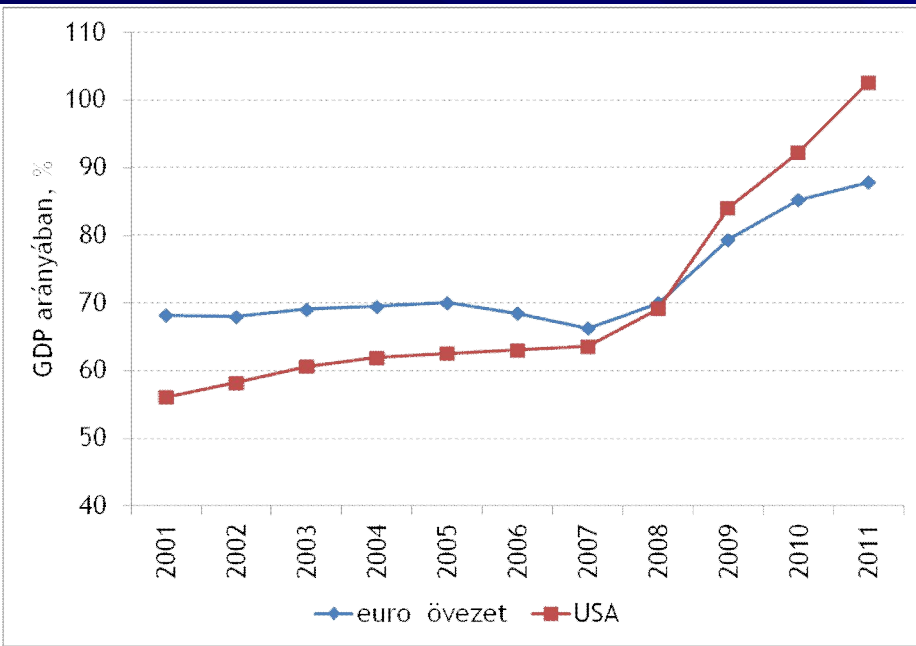


Sustainable debt depends on the economic performance (tax) and financial assets of households (vulnerable above the trends)



Paradox situation: better fiscal position worse CDS

Government debt of the eurozone and the USA



CDS of the eurozone and the USA

