PRESS RELEASE
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ECONOMISTS’ MANIFESTO CHALLENGES WISDOM OF AUSTERITY

As the European Union summit gets underway, economics professors Paul Krugman and Richard Layard challenge the orthodoxy which says that public deficits are the main cause of the present economic stagnation.

In their ‘A Manifesto for Economic Sense’, published in the Financial Times today, they call on all economists to join on the Manifesto’s website in condemning excessive fiscal austerity.

They review the main arguments put forward in favour of austerity and find them contradicted by the evidence:

* Previous fiscal contractions have not stimulated recovery but have undermined confidence and productive investment, rather than restoring it.

* Structural issues are not a central cause of today’s unemployment, since it pervades all sectors of the economy.

* High deficits need not cause high interest rates. Rates of interest in the United States and the UK are extremely low despite high deficits and debt, and high rates in Spain and Italy are due to the absence of a normal central bank.

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Notes:
'A Manifesto for Economic Sense' is published in all editions of the Financial Times on Thursday 28 June 2012 and on the FT website. See: http://www.ft.com/cms/s/0/6c1d7960-bee6-11e1-8ccd-00144feabdc0.html#axzz1yyxkzG9d

The manifesto is also available on this website, where supporters can join: www.manifestoforeconomicsense.org

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