

# **GREEK ECONOMY: A REVIEW**

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The necessary compromise so that Greece remains in the euro area was completed with the agreement on reforms submitted by the Greek Government a few days ago. Auspiciously the country closes five years in a program. All these years, society, public opinion, political parties and the political system in general have not been able to put up with the idea of the Memorandum. In other words, all this time the country is in a state of denial.

By the time George Papandreou had signed the first Memorandum of 2010, no one believed that something good could come out of this story. On one hand the Parliament voted the draft legislation of the Memorandum while on the other each government tried to make it practically inactive. Thus each government preferred easy, horizontal solutions such as wage and pension reductions, using as an excuse the pressure exerted by the Troika in order to obtain the coveted installment.

Alexis Tsipras denounced the Memorandum and convinced the Greek people that there is a third way of healing: deep “haircut”, expulsion of the Troika and other such “heroic” policies, which again the electorate was willing to accept and vote. But few days of tough negotiations between the newly elected Greek government and Eurogroup were enough to prove that we cannot proceed together without a program. It is now clear that there is no a third way. In the Eurozone context there are certain rules imposed by the majority of powerful countries which are difficult to change.

The major question that remains is in what way the debt payment will be serviced. However, before setting up this debate we will have to find ways to create a context of strong and sustainable economic growth. The latter is the necessary and sufficient condition in order to get our country into the path of prosperity and sustainable improvement of the Greek people’s living standards. But for this to happen there should be reforms which will make our economy more efficient.

The consolidation of stability in the economy, implementation of the right mix of fiscal policies and necessary reforms especially in the public sector together with the ongoing struggle against tax evasion, can lead to growth and increase tax revenues, restore the equilibrium relationship between the current public debt and the expected primary surpluses and ultimately reintroduce the concept of economic sustainability for the country, slowly but smoothly.

Growth rates have played a key role in the increase of our country's debt. According to EU studies, among the three factors that generally contribute to the increase of public debt (primary deficits, expenses for the repayment of the existing debt and poor growth rates) the last one (i.e. the poor growth rates) has played a key role in the dramatic growth of public debt over GDP (Gross Domestic Product) ratio, during the last few years.

***Therefore, a return to sustainable development is imperative in order to deescalate the Greek debt and revive our suffering economy. And sustainable development is primarily a matter of political and social choice, both in the national and European context.***