

A discussion on greece's seemingly never-ending economic struggles, solutions and...

[Economics](#)



The Greek Crisis: Why? What? Who?

Some countries in Europe have been suffering economically in the past decade. Portugal, Spain, Ireland, Italy, among other countries have been experiencing economic distress because of unpaid debt. Among the other countries struggling economically in Europe is Greece. Greece, which is one of the most culturally enriching countries in the world, has been dealing with debt since 2008 when the “ Great Recession” hit Europe. Although Eurozone members have been providing the Greek government with billions in loans and packages, Greece still suffers deeply from its economic crisis. This paper will examine the reasons why there has been such economic distress regarding national debt in Greece, it will analyze the obstacles that prevent Greece from solving its issues, and will consider if Greek leaders and other countries in the Eurozone have taken the best actions to deal with the massive debt.

Greece became part of what is known today as the European Union on January 1st 1981, after becoming a member, it was considered to become an “ increasingly prosperous European nation” (Pappas, 2013, pg. 31). However in 2000, Greece borrowed massively from foreign lenders to fund its governmental budget and its current account deficits. After borrowing heavily in 2000, Greece experienced the “ Great Recession” of 2008, which had a strong economic impact that resulted in failure to repay their loans and its massive borrowed debt. After six years of economic recession, Greece maintains unemployment above 25 percent, government leaders are lacking authority, and Greece has experienced various riots and protests in

recent years. In addition, the troika (International Monetary Fund, European Commission, and European Central Bank) and keep bailing out Greece, which as a result, keeps amounting massive debt for the future.

One of the reasons why Greece has experienced difficulties to repay its national debt is Greece's political instability. Since 1981 two main political parties governed Greece, the PanHellenic Socialist Movement (PASOK) and the New Democracy (ND). In one hand the PASOK, has governed from 1981 to 1989, then from 1993 to 2004, and finally from 2009 to 2011. The PASOK is a socialist political party based on populism that mainly fought for their own political and electoral interests, fueling political unrest, corruption, and inefficiency. On the other hand the New Democracy, which ruled Greece from 1990 to 1993 and from 2004 to 2009. The New Democracy is a political party based on liberal policies that sought to implement reforms that would reinforce the economy and promote democracy, which resulted to be unsuccessful because of populist tendencies introduced by the PASOK. This political instability produced uncertainty in the people of Greece and it promoted numerous inefficient reforms that have resulted in the economic crisis in Greece nowadays.

This disruptive alternation of rival governments has not only weakened the legitimacy of the Greek government, but has also resulted in reforms that have only harmed the economy throughout the years. One of the main sources of spending that increased from the 1980's was the disbursement of pensions. The government increased its spending in pensions which " was

fixed at 20 times the minimum wage of unskilled workers” (Pappas, 2013, pg. 38).

Another inefficient source of spending were the efforts from the government to shield a long list of professions mainly to favor the interests of the elites. The list had among 130 closed-shop professions in 2011 (including: lawyers, engineers, auditors, financiers, etc.), which provided the members of the list with state-protected monopolies and profits. (Pappas, 2013, pg. 38)

Lastly a rather shocking way of ruling the Greek government was that the leaders would let the people expropriate resources with impunity, which strongly fuels corruption. The people in Greece could act illegally by evading taxes, committing pension fraud, or even constructing without government permission. Fiscal authorities have reportedly admitted that up to a third of the Greek population do not pay taxes. This peculiar way of governing deprives the government to collect tax money, which as a result generates less money than it should for governmental purposes (Pappas, 2013, pg. 39).

All of these failed forms of governing have fueled the economic distress that Greece suffers nowadays. Massive debt has amounted viciously because of the failed ways in which the Greek government decided to spend the money they borrowed from foreign institutions. As a result, when the “ Great Recession” came in late 2008, Greece was not economically prepared and suffered tremendously from the global crisis.

After examining the reasons why Greece has had such economic struggles, it is important to analyze the obstacles that Greece has to deal with to

overcome the crisis. The main obstacle that is in the way to solve the problem in Greece is the negative public response towards the harsh obligations that Greece has to comply with. The problem arises when the implications that are demanded by the Eurozone affect the public directly. Public discontent has been increasingly notable for the past few years and now it could get even stronger because of the increasing austerity measures. Since 2009 there has been violent public protests and strikes against the government decisions to comply with the demands attached to the bailouts and loans that Greece has received. Ranging from pension cuts to tax increases are some of the demands that the Eurozone is demanding for the release of bailout money. In particular, the agreement by Greek officials to revoke tax breaks and privileges to Greek farmers. As a result, Greek farmers and other workers have staged protests and Greece's two major labor unions have gone to the streets as well (Kitsantonis, 2015).

Public discontent is not only troubling for the safety of the Greek public, but is also dangerous for the political future and legacy of the new and current leader, Alexis Tsipras. The new Syriza government has promised the Greek people that they will fight the harsh austerity implications and will get to an agreement with the creditors, so that the public is not severely harmed. Therefore it becomes an obstacle that the Greek leaders and officials have to know how to deal with so economic solvency is achievable.

After reviewing the obstacles that Greece has to overcome to achieve economic stability, the next step is to analyze the actions that Greek leaders and other leading European countries have taken to counter the crisis. As

Greece has had tremendous issues paying its massive debt, European leading countries such as, France and Germany, and other members of the Eurozone have stepped in to bail Greece out several times. Since 2010, Greece's economic destiny has been primarily determined by the biggest European economy, Germany. In addition, the troika has provided Greece with bail out loans and packages since 2010. These packages bring with them the severe austerity measures mentioned earlier. Therefore the Eurozone has been acting upon the Greece crisis by providing funds to the Greek government so that the leaders can act towards growing its economy. However, the implications that the Eurozone leaders have been demanding to Greece have been too harsh sometimes and Greek leaders have not complied with some of them, which makes it harder for Greek leaders and Eurozone members to reach an agreement. In summary, previous Greek leaders have agreed with the austerity measures demanded by Eurozone members, but after getting the bail out money, they have only implemented some of the measures because of the impact that they pose to the Greek social classes. Today, Alexis Tsipras goal is to get to a reachable agreement where Greece implements reasonable austerity reforms in exchange of the bail out funds provided by the troika to finally plan a way out of the crisis.

Both parties, the troika and the Greek government, have acted towards reaching the goal of paying the national debt. However, neither of them have been efficient enough to finally start improving Greece's economic situation and Europe's overall crisis.

In conclusion, the Greek economic crisis has been a result of political instability surrounding its government since the 1980s and the “ Great Recession” was the event that ultimately triggered it. The main obstacle that the government has are the numerous violent riots and protests that are a result of the public discontent towards the severe austerity measures demanded by Eurozone members. And finally, the troika and the Greek government have not been able to reach an agreement were Greece reaches economic improvement and as a result the European Union becomes a more stable economy.