The Greek Economic Crisis. An Honest Approach.

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Of all peoples the Greeks have dreamt the dream of life best. This quote, by the German polymath Johann Wolfgang von Goethe, perhaps best exemplifies the admiration and positive predisposition of the great European intellectuals towards the Greek civilization and the Greek nation. Over the course of its history, Greece has been conquered, bankrupted and ransacked, but it has always maintained its dignity through the courage and the willingness to fight of its people. However today, beyond its serious economic implications, Greece’s current sovereign debt crisis has managed to shake the Greeks’ psyche to its core, as they watch their country’s name become a source of ridicule in the international public opinion, while seeing themselves depicted as a group of lazy, corrupted, sybarite who prefer to spend European loans rather than work. But is this really the case? Taking as a guide Euripide’s quote “Blessed is the person who learned throughout his history”, we will try to examine the real reasons behind this unprecedented economic crisis.

The Birth of a nation in debt

By the time it manages to officially establish the Greek state in 1830, the revolutionary committee has already incurred 2 loans. These loans, first concluded in 1824, are commonly referred to as the “Loans of the revolution”, and their scandalous terms set a precedent for a series of similar loans. The first loan is in the amount of 800.000 GB, out of which only 298.000GB arrive in Greece, from which another 98.000 GB are kept as advance payment for the loan’s interests. The remaining 200.000 are spent, in insuring Kountouriotis’s party political control over the state under creation, rather than fulfilling the needs of the revolution. Later on, the same year, another loan is concluded in the amount of 2.000.000 GB. The management of the loan is assigned to British bankers. Out of this second loan, 232.558 GBP are sent to Greece, while 350.000 GBP are spent in the purchase of weapons and ships, a fraction of which will actually be sent to Greece. The reference to these first loans is not without specific connotation. It clearly illustrates two of the main reasons for Greece’s bankruptcy: on the one hand, foreign bankers seizing the opportunity to draft loan agreements with abusive and extremely profitable terms, withholding a great part of these loans, under a number of pretexts, to pocket the money; on the other hand, corrupted politicians recklessly spending public money to gain control over the newly emerged nation’s political scene, with the ulterior motive of securing even greater personal gains. As a result, the Greek state faces its first bankruptcy in 1827 before it is even officially created. To deal with this bankruptcy, new loans are concluded. However the Greek state is forced to declare bankruptcy once again in 1843, 1893 and 1932. Under pressure from the ongoing armed conflicts that are redrawing the region’s borders, the Greek state must declare bankruptcy 4
times over a period of 100 years.

**The Beginning of the political dynasties and the recognition of the public debt**

After the Second World War, Greece has grounds to hope that its pre-war debts will be erased in consideration of the heavy toll that it has just paid for siding with the allies. Far from this, after long negotiations and under strenuous pressure, the Government of Georgios Papandreou assumes responsibility for all the debts and loans concluded after 1881, including high retrospective interest rates. The minister of finances at the time is Mr Konstantinos Mitsotakis. Until 2009, Greece will still be in the process of repaying these loans. It is significant to note that two out of the three families that have been controlling the political life of the country from the end of WW2 until today (Papandreou and Mitsotakis) played important roles in this agreement. After 1974, with the fall of the dictatorship, Konstantinos Karamanlis becomes prime minister, beating out his main rival Andreas Papandreou. For the first time in its history, the country enters a long peaceful period of prosperity during which its accession to the European Community raises optimistic perspectives. However, despite this promising future, the political leaders in power completely disregarded the country’s development and corrupt the Greek society by establishing a system of mass hiring in the public sector, devoid of meritocracy. Membership to the party is the only qualification required. Salaries and pensions are significantly increased without any serious consideration of the long-term viability of such a scheme. Big enterprises shut down and the state assumes their debts, while a generalized conviction that tax evasion will remain unpunished establishes the norm. The public sector grows enormously, but remains surprisingly inefficient, slow and corrupted, while Greeks begin to accept the fact that the only way to get ahead is not through hard work and honesty, but through nepotism and party politics. PASOK and NEA DIMOCRATIA alternatively replace one another in the government. Every time that they come into power, they hire more public servants without firing old employees since firing a public servant is considered (until recently) anti-constitutional. In order to support this policy, new loans are taken out to cover the increased expenditure. At this time, EC funds are directed to Greece. However the government not only fails to supervise the use of these funds but also allows for unprecedented spending that lead to more loans. The new loans are concluded under the condition parallel commercial agreements. The most important of these agreements is the purchase of military equipment, first form France, then from Germany. This continues until 2001, at which time Greece resorts to questionable methods in order to comply to Euro zone standards. One such method involves hosting the Olympic Games in order to boost the labor market, and as a result, development indexes; another is to hire Goldman Sachs to guide Greece through the effort to attain these standards. Goldman Sachs introduces Greek politicians to “creative accounting”, teaching them how to “camouflage” economic indexes to simulate a positive outlook. In this way, the country manages to boast high development rates, which the public opinion greets as the “Greek Miracle”. No need to say that this approach has a high cost and the only way to recover it is through further loans. This self-destructive policy continues until the country has recourse to the IMF.

Beyond any shadow of a doubt, the county’s greatest plagues are nepotism and corruption. Eva Jolly, a member of the European Parliament with the Green Party and a candidate for the French Presidential election, very accurately observed that the catharsis of the Greek society can only come about through the judiciary, which must bring charges against those harming the public sector through their acts. To attain this goal, the judiciary needs to demonstrate the necessary determination to carry out these procedures, while at the same time modernizing its functions. Jolly was left speechless upon the realization that Greek judges still issue handwritten deliveries in 2012.

It is a fact that the majority of the Greek people, by electing the same governments over and over since
1974, have contributed to the collapse of public finances. As a necessary side effect of the democratic regime, the majority’s responsibility must also be assumed by a minority that voted against these governments.

It is also a fact that since 1981, many Greeks evade their taxes, participate in a grey-market economy and generally disregard any rule meant to safeguard the proper functioning of state finances, secure in their conviction that their actions will remain unpunished. It is also true that in every single public service, alongside the average hard working public servant, one can find similarly-ranked employees who avoid work and neglect their duties. This corresponds in effect to the stereotypical image of Greeks one has in mind when hearing about the country’s economic crisis. However, at the other end of the spectrum, one can also find extremely hard working public servants who constantly fight against bureaucracy and corruption to provide the services that they are responsible for. One can also find Greek entrepreneurs and employees in the private sector who, according to the statistics of the Organisation for Economic Co-operation and Development, put in more hours of work than any other European worker (the average Greek in this sector works 2.017 hours per year, which is the highest rate among the 34 members of the OECD) while their salaries remain significantly lower. One can also find Greek business men who invest their money in their businesses without knowing the tax regime that they will have to assume for the oncoming year. At the same time, after the accession of Greece into the Eurozone, Greeks saw the cost of life adjusting to the one in Germany and France while their salary remained at the level of Greek Standards.

Another factor that has contributed to the economic crisis is the position of the EU and the European countries towards the corrupted Greek governments. The EU has completely failed to develop mechanisms to monitor its spending, while this lack of will and policies has allowed for the creation of enormous sovereign debts and deficits, with the tacit understanding that these deficits could always be dealt with through more loans. Moreover, the EU member states still fail to guarantee the security of Greece’s external borders (that are also the external borders of the EU), which would allow the state to limit its enormous military expenditure. This fact is not without reason. According to the Stockholm International Peace Research Institute (SIPRI), Greece has purchased 15% of Germany’s total military equipment export and 12% of the French equivalent for the years 2006-2010. The British newspaper, “The Independent”, has strongly criticized France and Germany for contributing to the creation of the Greek debt through costly arms transactions. At the same time, German enterprises like Siemens, HDW and Ferrostaal are behind big corruption scandals, which involve bribing Greek politicians to secure public procurements, which cost the Greek state pecuniary damages in the billions of euros. It should also be noted that the most expensive public infrastructure, the Athens airport, at a cost of 2,25 billion euros, was constructed through a joint cooperation lead by the German company Hochtief Aktiengesellschaft, as the French newspaper Le Soir observed in an article entitled “Who Did Greece Buy From?”. Of course these observations do not mean that the Greek debt was created by German and French enterprises. It is, however, indicative of the fact that the governments of these states knowingly provided corrupt Greek politicians with loans to allow them purchase products from their big export companies. A significant part of these loans were also used as bribes, while only a small portion ended up in the public treasury.

The Disease and the Cure

The faulty system described above could theoretically have gone on forever. But the 2008 world economic crisis put an end to it. From that point on, the frivolous loans given to Greece stop. Greece, along with other states, can no longer find cheap easy loans to pay for their previous debts, and finally end up seeking the help of the IMF and the EU. The salvation package for the Greek
The Greek economy is drawn up, and in exchange, Greece undertakes to adopt a series of measures that include budget cuts, a reduction of the public sector, the sale of public property, tax reforms as well as salaries and pension cuts. These measures result in an unprecedented recession that leads to an even bigger salvation package. Many political analysts believe that this is nothing but a vicious circle. Spiegel suggests that this new salvation package will only help Greece’s creditors: “Greece is bankrupt. It does not need a 50% or 70% debt haircut but a 100% debt elimination to allow the country to reset its economy. Germany and the other EU members should demonstrate real solidarity by implementing a new Marshall Project for Greece without any surrealistic ideas that their current agenda can still be achieved”. In an interview for Spiegel, the head of the IFO (Ifo Institute – Leibniz Institute for Economic Research at the University of Munich), Hans-Werner Sinn, suggests that the restructuring of the Greek debt is an illusion if Greece does not exit from the Euro zone, and he accuses French and German politicians of using this scheme to gain time until the next election. He also suggests that Greece’s potential exit from the currency union would cause a turmoil that would only be temporary, allowing the Greek economy to become competitive again after a short period of time, and enabling Greeks to buy their tomatoes and olive oil from their own farmers instead of from Holland or Italy. The Greek economist Yiannis Varoufakis has described the inefficiency of the approach to the Greek economic crisis in his own personal style: “Let me repeat it as it is hard to believe it myself”, he says. “A small State of the Eurozone had a debt of 300 Billion Euro. The troika (The troika is a slang term for the three organizations which have the most power over Greece's financial future - or at least that future as it is defined within the European Union. The three groups are the European Commission (EC), the International Monetary Fund (IMF), and the European Central Bank (ECB).) has offered Greece 340 Billion Euro to help it. After 2 years Greece now has a debt of 340 Billion Euro. So if 2 years ago Merkel and Sarkozy had offered to fully pay Greece's debt they would have economize 40 billion euros and Greece would have been debt free. To defend their plan (their unbelievable non-sense) they claim that Greece did not fulfill its obligations under the agreement. This is undeniable. Yet Greece, even though it failed to conclude reforms pending for decades, did reduce its primary deficit (through inhuman cut downs of middle and lower class incomes) by 9%. Such a decrease has never been achieved anywhere before during times of peace and in the middle of an economic recession. So notwithstanding the fact that the Greek state is useless (and it is useless), it remains a fact that on may 2010 the Troika was called to deal with a debt of 300 Billion. They submitted the Greek people to inhuman financial sacrifices, they imposed on Europeans a heavy burden of 300 billions to help Greece and yet they managed to increase the debt by 40 billion while they also managed to decrease the Greek average revenue – through which this debt is to be repaid- by 15%. Bravo Troika!”. Another view of the Greek problem is offered by the journalist Giannis Papaioannou in his post on the Goethe Institute’s webpage. He suggests that there is something missing in the structure of Modern Greek society: namely, a strong and independent civil society acting as an intermediary between the political elite and the people. This simple structure, which is actively present in most EU coun
tries, is simply inexistent in Greece. Individualism, as an element of the western world’s social structure, is interpreted in Greece as a licence for people to act in full disregard of the public interest, obeying instead to a complex system of personal and family rules and ties. As a result, faced with today’s economic crisis, the Greeks are not only dealing with the reality of their new-poor everyday life, but also with an important “family drama” that is taking place in the heart of the European Union. Most Greeks have realized the need for a social contract, and the establishment of a regulatory framework legislating it. Adopting and strictly implementing such a rationalized framework to regulate the relationship between the citizen and society is more than necessary. The improvement of the current situation might be out of sight for the time being, but Greeks should nonetheless have as a goal a “new reality”, the attainment of which will obviously require
serious sacrifices aimed at re-boosting economic indexes. At the same time, the Greek society has to prove that it can put an end to the politicians’ inefficiency, untrustworthiness, corruption and indifference, as these elements are reflected in daily public opinion surveys, albeit subjective. To change the common people’s mentality, a new political rational is also needed, as over the past 30 years, Greece has never experienced the merits of realistic and rational politics. This is the only way to clear the air and guarantee a better future for the next generation, notwithstanding the fact that, according to political analysts, the worst is yet to come. From that perspective, some of the most important French intellectuals have put their views forward in a common text on the economic crisis, stating: “We are at the point of no return. It is urgent to fight the battle of numbers and the war of words to counter ultra-liberal rhetoric of fear and misinformation. There is urgent need to deconstruct the moral lessons that obscure the actual process at work in society. It becomes more than urgent to demystify the racist insistence on the “Greek specificity” that allegedly is the supposed national character of a people (laziness and cunning at will) the root cause of a crisis in global reality. What matters today is not the specifics, whether they are real or imaginary, but the common: the fate of a people that will affect all others.”

As an epilogue I have chosen to quote from a text by G. Grammatikakis, a Greek author and philosopher: “There is but one way: The Exit. Exit from the Greece of meaningless public speech and frenzy reactions and towards another Greece that still exists beside and inside us. And even though the path to follow is clearly marked by neon signs, let us not be fooled that this is an easy and safe way. Mostly because at every turn and every passage we should stop, look straight into the eyes of young people and whisper our apologies”.