

## Is 2018 the year of the restoration of the Greek economy?

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**Abstract.** The exit of Greece from the eight-year programs is a landmark for the emergence of the country from the depths of austerity. But the country still has a lot of challenges to face. And we are referring to the country's commitments to primary long-term surpluses and the completion of reforms. Aristos Doxiadis<sup>1</sup> summarizes the challenges on the following: "We are coming from a place where local demand is dead. The biggest challenge now is to create an environment where investments can be made".

**Keywords.** Economic crisis, Memorandums, Greece.

**JEL.** A10, A11, A12.

### 1. An Introduction to: A critical view of the position of Greece following the time of memorandums

In 2018 it seemed like a year that was important as the country in August<sup>ii</sup> formally completed<sup>iii</sup> its "Memorandum"<sup>iv</sup> cycle. Indeed both from the side of creditors and from other international organizations and international financial institutions seem to be giving a vote of confidence in the Greek economy.

However, the issue requires us to look at it quite carefully as saying that the country is going out of the prolonged cycle of recession that caused a cumulative loss of 20-25% of GNP (2010-2017), a correspondingly in presentence established general unemployment with dramatic extensions to youth unemployment (around 50%), and a bleeding of the country's productive capacity, translated into about 500,000 Greek productive citizens who moved to foreign countries, are some of the elements that indicate the seriousness of the issue.

The personal appreciation of the writer is that the Greek economy does not have the potential or the momentum even better, even with the real bloody picture in economic terms that the social statistics present, to contain positive growth rates, even marginal, and to move away from the wave of the recession, as the performance of the next two financial years is particularly important.

This rationale is reinforced at least by three factors:

a) "The Italian crisis has been awaited for many years. Italy may have primary surpluses, but the most important thing was that its GDP has stagnated for nearly 20 years, creating a permanent risk factor for overthrowing its fiscal and financial balance. If there is a conclusion for Greece, but also for every national economy, the only medicine that heals all socio-economic diseases is growth, and indeed the development the results of which diffuse throughout the body of society, into all the social inclusive mattresses. The so-called "comprehensive growth". When it is absent, the problems accumulate and fatally occur at some point - even with political reasons."

b) The yield curve, which shows the gap between the 2-year and 10-year US bond rates, is seen by many investors as an indicator of an upcoming recession. As

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the gap between yields decreases and the curve becomes flat, the market estimates financial turmoil is coming.<sup>v</sup>

This becomes even worse when the 2-year bond yield is higher than the 10-year bond, a reversal of the curve. This is because it shows that the market sees increased risk for investment in short-term bonds rather than long-terms.

In a developing and healthy economy, long-term borrowing could be considered more risky because it is more difficult to predict what is expected to happen and

c)“the risk of further strengthening of current trade tensions... is in the short term the biggest threat to global growth,” says Maurice Obstfeld, chief economist at the IMF. A concern absolutely shared by the strongest central bank in the world, the US Fed. “If a trade war prolonged, it would have a negative impact on the confidence of entrepreneurs, investment spending and employment,” the central bank warns. And that which applies to America, applies to the whole world.

The country's production base is weak so that the private sector of the economy is restarted within a sustainable and sustainable level, while even foreign direct investments are absent at the moment when it is not decided to make a significant downgrade of the country's debt that will lead it safely in a manageable way. At this point we should mention that the debt reduction is associated with positive prospects not only with the yields of the bonds issued by the Greek government and the PDMA (Public Debt Management Agency) as a supervisory body, but also with the size and quality of the investments to be made in the country.

In addition, geopolitical conditions do not allow the country to transfer resources from national defense to the Greek masses that suffer as the situation appears to be literally in stretched rope and dilemmas do not fit into issues concerning the security and integrity of the country. After all, the history of the country has shown that even traditional allies (EU, NATO) hold a stance of neutrality, if not embarrassment and confusion, on critical issues of foreign defense and politics, and to be honest with ourselves, let us we also leave an asterisk on the inside of the country (National Policy Line).

In summary,<sup>vi</sup> to satisfy criteria such as the primary surplus or the debt-development clause for its manageability, as long as there is no substantive discussion that is commonly accepted by the partners for haircut, while at the diplomatic level we should seek out those honest friendships with countries that would like to lay back for the good of the country.

The tourism-culture sector<sup>vii</sup> is not enough to achieve our national strategic goals. Alternatively, I would say in my attempt to shake the waters and to emphasize the seriousness that should characterize the exercise of economic policy, that the Acropolis alone is not enough to achieve significant economic growth rates in the long run and households with a respectable available real income.

### Notes

- <sup>i</sup> Greek economist. He researches and writes on the Greek economy, and especially on the institutional aspects of the present Greek economic crisis.
- <sup>ii</sup> 20 August 2018
- <sup>iii</sup> The budgetary commitments imposed until 2022 through medium to long-term liabilities, but also due to the size of the debt of the Greek economy, determine to a significant extent the developments.
- <sup>iv</sup> In total, three loan programs totaling EUR 310.7 billion were approved.
- <sup>v</sup> From the official blog of Professor Konstantinos Gatsios.
- <sup>vi</sup> Economist Alexander S. Kritikos declared in Berlin that "the crisis is often characterized as an opportunity for a new beginning. With the completion of the third program, however, pressure for reforms is halted. Unfortunately, the Greek government has failed to exploit the crisis as an opportunity to lay the foundations for sustainable development. If the country exploited the existing potential, an economic growth of up to 5% would be possible".
- <sup>vii</sup> The performance of Greek tourism and culture shows that the Greek economy may record a quarterly GDP growth in Q3, but are not enough to start a sustainable economic recovery.

### References

- Kritikos, A., & Dreger, C. (2015). The Greek crisis: A Greek tragedy? *Vierteljahrshefte zur Wirtschaftsforschung*, 84, 5-8.



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