

The seven wounds of Greece and the next day

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After years of mismanagement, corruption, lack of meritocracy, and multiple step-backs on national issues, the government supported by Syriza and defectors from other parties, Greeks will soon have an opportunity to elect a parliament. It is very likely that the new government will be under the New Democracy leader, Kyriakos Mitsotakis.

The superior quality of a Mitsotakis government compared to the government of Syriza and defectors will be obvious. However, Syriza leaves Greece in a chaotic condition with huge problems that require immediate and decisive solutions.

First Problem: Turkey attempts to re-establish the Ottoman Empire. Its major opponents are Israel, Greece, the United States, Cyprus, Egypt, Saudi Arabia, UAE, the Christian countries of the Balkans, and others. Mainly, these are countries of the region that were occupied by the Ottomans. The solution is simple: Greece should establish the closest possible military cooperation with Israel, even leading to a treaty of mutual defense. Closer cooperation with the United States and moving US bases from Turkey to Greece. The climate in the United States is very favorable for Greece. Greece needs to spearhead the creation of an anti-Turkish coalition with the Arab and Balkan countries that see the Turkish territorial ambitions against them.

Second Problem: The devastatingly huge primary surplus signed by PM Tsipras after the fiasco of the Varoufakis negotiation. Tsipras accepted onerous terms for a massive surplus for decades. Everyone, including the EU and the IMF, knows that these terms are unfeasible and no country in history was ever able to achieve them. The new PM has to start his term by asking the EU for a decrease of the primary surplus to 1.5% or less of GDP. Of the 2% of GDP savings, about €3.5 to €4 billion yearly, half should be put in public investments, and half should be used to lighten corporate and personal taxes, creating savings and incentives for private investment. It would be a major catastrophe if these moneys were wasted in hiring civil servants, on handouts, and on Keynesian myths.

Third Problem: To recover, Greece needs, besides new public investment, over \$100 billion new private investment during the first year of the new government. If this target is only partially achieved, it will result in fast economic growth of 4-5% that will radically change the landscape of the Greek economy. Investing in Greece is thwarted by bureaucracy and high taxes. The Ministry of Development has to become the exterminator of the Lernaean Hydra of bureaucracy in all its forms (regional planning, forestry, archaeological, local authorities' interventions, etc.).

Fourth problem: Pensions. Despite the very high contributions by employees and employers, the State pays a very high percentage of pensions. To some extent this will diminish if we achieve fast growth and a significant decrease in unemployment. But we also need a radical change, the creation of a new, clean and just pension system where you receive as pension your contributions plus their investment returns. Older workers and present pensioners will stay in the present pension system. Changing the system for young workers will limit the losses of the present system and create the possibility of a self-financed pension system for young workers, and eventually for all.

Fifth problem: Non-performing loans. Greek banks fail in their main function of supporting economic growth because they cannot lend much since a high percentage of their capital is committed to non-

performing loans. Banks have reserved an amount equal to half of the amount of non-performing loans. This implies that it is necessary for banks to be re-capitalized, dispose of the non-performing loans, and then function normally to help the growth effort of the Greek economy. This is an issue of national importance that requires an immediate solution, and should not be stopped or delayed by concerns of private losses of bank shareholders.

Sixth problem: Lawlessness reigns in parts of central Athens that have become off-limits to police and citizens alike. University campuses have been taken over by non-students producing petrol bombs, and the present government sees anarchist violence and terrorism favorably. The vast majority of Greeks looks forward to the new government to re-establish law and order in the whole territory of Greece. A second important issue of lack of rule of law is the multi-year delays in final adjudication of justice, which, in essence, makes justice non-existent.

Seventh problem: Education reform and opening to competition. As an academic, I am very sad to see the destruction of university and high-school education. We should not forget that the high levels of education of Greeks starting in the 19th century were decisive in resulting in significantly faster growth of Greece compared with other Balkan and Middle East countries. After a long delay, now it is time to establish competition among universities for students and professors through the free creation of private non-profit universities.

Despite these big problems facing Greece, I am optimistic! If we apply the solutions I described, there is the credible expectation of very fast growth that Greece has not seen in decades. We need a change in the mentality, an end to the lack of valuing excellence, and the start of cooperative work. We also need strong political will. Even if the new government enjoys a parliamentary majority with only party votes, which is likely, the success of the Mitsotakis government will increase if it receives the post-election political support of other democratic forces. And it should receive it, because this is a national effort and Greece will not have another chance to recover. If Greece is unable to achieve super-fast growth, it will not be able to pay back its debt, and will be soon begging the EU for a new bailout.

Published in Kathimerini 5/5/2019 in Greek

<http://www.kathimerini.gr/1022396/article/epikairothta/politikh/nikos-oikonomidhs-oi-epta-plhges-ths-elladas-kai-h-epomenh-hmera>