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While Greece has made some progress in restoring its macroeconomic stability and implementing much-needed initial fiscal adjustments since 2009, the highly unproductive public sector accounts for more than 50 percent of gross domestic product (GDP), and the country continues to confront a daunting debt burden and severe erosion of competitiveness. Serious challenges remain in government spending and freedom in labor and product markets. The fiscal deficit remains approximately 4 percent of GDP, and public debt exceeds 170 percent of GDP. Fading business confidence and the lack of competitiveness are serious impediments to economic revival. The economy, stifled by powerful public unions, does not support entrepreneurship. The rigid labor market impedes productivity and job growth, and corruption continues to be a problem.

Empowered by a recklessly vague constitutional provision (Article 106), the threat of expropriation by the state of private property and private businesses perpetually hangs over the economy like a sword of Damocles—deeply damaging the investment climate. Article 106 must be repealed.

While Greece remains mired in political and economic uncertainty, unlike in the script of a Greek tragedy, it is not fated to remain so. The way for Greece to avoid this fate is to implement the policies outlined in The Heritage Foundation's annual *Index of Economic Freedom*. This *Special Report* analyzes those policy prescriptions, and the reasons why they are needed in Greece, in comprehensive detail. The sooner Greece's citizens take ownership of these reforms and their government implements them, the sooner the economic growth prospects of the country will brighten.

1. Background

When the 2008 international financial crisis washed ashore in Greece in 2009, the country's private sector was relatively healthy. According to calculations by the authors, the value added by the average Greek private-sector worker to the GDP was about 61,000 euros in 2011, not far below the equivalent figure in Germany, the most productive country in the European Union, at about 67,000 euros.

The 2009 crisis, however, exposed one of the biggest challenges facing Greece—the extremely low productivity of its public sector. In 2011, for example, the average public employee in Greece produced goods and services worth only about 25,000 euros, whereas the productivity of the average German public employee was much closer to that of the German private employee.

What these comparative statistics suggest is that, if successive governments in Greece had decided rationally how to best weather the crisis that erupted in 2009—ostensibly because of the public deficit and the huge public debt—the most obvious path would have been to place the brunt of the adjustment on the public sector by reducing that sector's employment, eliminating its wasteful expenditures, and carrying out much-needed structural transformations to bring government productivity on a par with the private sector. This policy would have been a strong stimulus for private-sector-led economic growth, and in a few years the country would likely have returned to normalcy.

Instead, the post-2009 governments chose to pile increasingly heavy tax burdens on citizens and businesses—as if Greece's problems could be solved by confiscating private wealth in order to preserve intact the public sector and the old political order. The result was that thousands of small and medium-size enterprises shut down, while unemployment shot up close to 30 percent (and, among the young, to nearly 60 percent). That high youth unemployment rate spurred an acute rise in the country's brain drain, from which it will take years to recover in a country already grappling with the consequences of an aging population and the lowest birth rate since World War I.

Other collateral damage from the post-2009 policies include a GDP contraction of more than 25 percent, sky-rocketing public debt to about 170 percent of GDP, and a steep rise in non-performing loans (NPLs) that perpetuated uncertainty over capital controls and, more generally, the stability of the banking sector. Did those government policymakers know that there was another faster and more effective way out of the 2009 crisis than to initiate an economic death spiral through the tax policy they sponsored? Most likely they did. But they did not consider it because it implied the abandonment of the statist model of economic and social organization that they had promoted since the end of World War II.

Having applied the "memoranda" (the conditions imposed on the Greek government in the three bailout accords with the EU and the International Monetary Fund (IMF) "troika") for eight years now, the light at the end of Greece's long social and economic crisis tunnel has yet to flicker into view. Although new examples of the state's hostility toward entrepreneurship surface daily, policymakers pretend not to understand how the public's lack of trust in the country's leadership keeps the business climate negative and increases polarization among citizens. Nothing short of a complete reversal of Greece's statist social and economic model will solve this hydra-headed problem and put the country on the path to true economic freedom.

Therefore, the sooner the government starts implementing structural reforms, such as those proposed below, the sooner more effective governance and stronger institutions will be reflected in the scores and rankings of The Heritage Foundation's annual *Index of Economic Freedom* and other international measures of the investment climate. Those improved scores will help Greek and foreign investors to regain their confidence, and their job-creating and wealth-producing investments will drive Greece toward robust economic growth.

2. The Greek Statist Economic Model

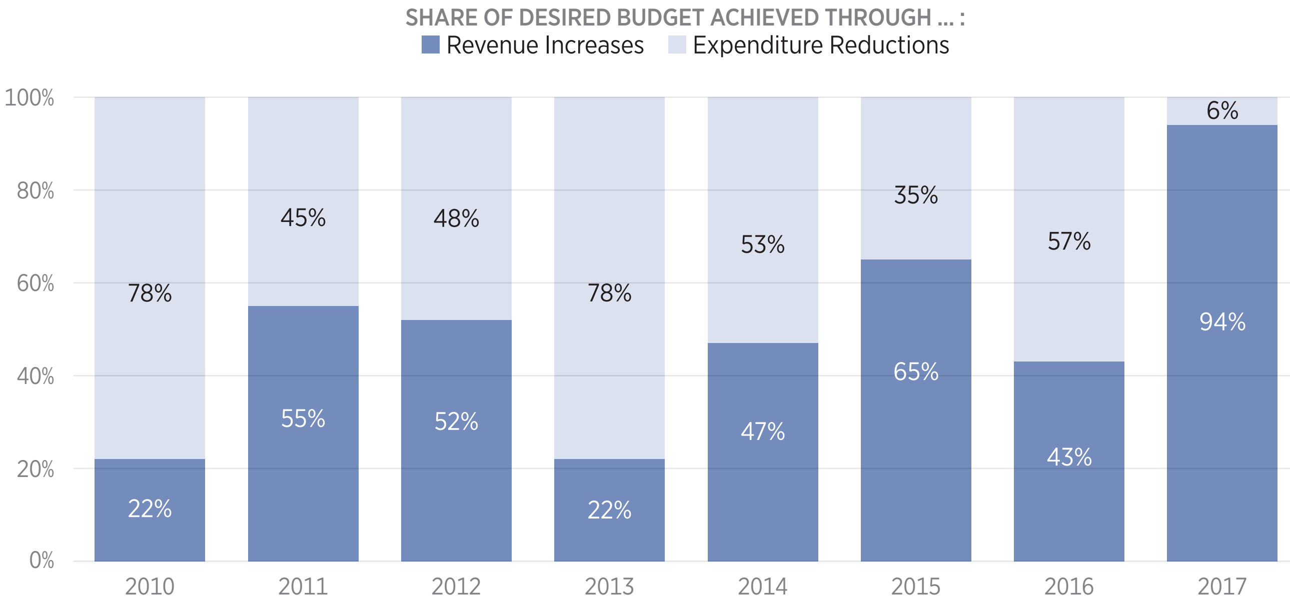
Greece's postwar political and economic order failed to address many structural and institutional challenges and yielded a relatively large and inefficient public sector in conjunction with a relatively small, inward looking, and predominantly state-controlled private sector. Over the decades, this governance arrangement came to resemble a collectivist state more than it did the republican form of democracy based on free markets that is mandated by the treaties Greece signed with the EU.

Unfortunately, in the 1980s, then–European Economic Community (EEC) authorities established the ill-conceived precedent of concessions toward Greece, which persisted until successive Greek governments finally committed a series of grave errors, if not outright mischief, that destabilized public finances, drove the competitiveness of Greek products to a nadir and, finally in 2009, led to the country's imminent default. At that precise juncture, when it became demonstrably clear that no Greek leader would be permitted to undermine the supranational goal of eurozone integration, the foreign creditors led by the EU gained the upper hand and started to dictate the terms for shifting Greece's social and economic order toward a more sustainable European standard.

CHART 1

How Greece Has Approached Its Budgetary Challenges

In recent years, Greece has used tax increases far more heavily than spending cuts to meet its budget objectives. Since 2010, annual tax increases have trended upwards to significantly more than 50 percent of budgetary policy mix.



SOURCE: Parliamentary Budget Office, "Quarterly Report January–March 2017," http://www.pbo.gr/en-gb/Reports/Quarterly-Reports/quarterly-report-january-march-2017 (accessed October 27, 2017).

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3. Coping with the Crisis: A Poor Prescription, Poorly Executed

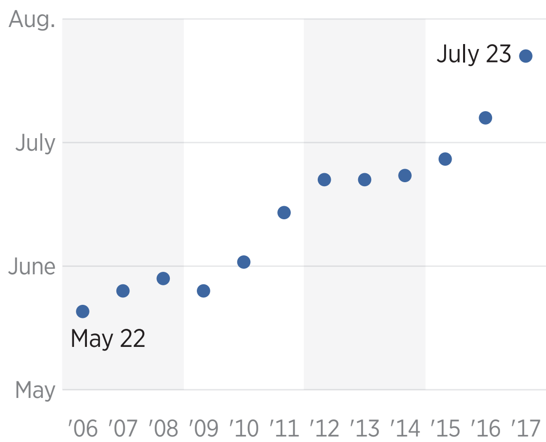
Greece has managed, for the time being, to avoid default and eurozone exit. Recently the economy has even begun to show some signs of stabilization. However, it is an economy that has been in limbo for eight long years. So, the question of whether the poor past performance is due to the adopted policy mix or to its poor implementation is mostly a rhetorical one, since both have contributed to the final result—which translates into a recovery that is too slow and that carries economic and social costs that are too high.

Lack of Trust and the General Aversion to Change. In a November 2015 European Commission's Eurobarometer survey, 74 percent of Greeks surveyed stated that they viewed favorably the implementation of reforms in the economy. However, many implemented reforms were met with both widespread and intense public resistance, especially prior to 2015 when the radical-left party SYRIZA formed a government coalition with a far-right populist party called the Independent Greeks. This can be attributed to reasons such as the lack of social capital, ideological barriers, and the institutional architecture prevailing in Greece. As a result, any proposed change is viewed not only as a zero-sum game, but as an effort to promote covertly the interests of groups having strong ties with the political system. However, lately there have been some promising signs of change, such as the public opinion survey published by the recently established Greek think tank Dianeosis that shows that Greeks are turning away from big government to embrace market-friendly policies as they seek jobs and growth.

Reforms Without Ownership and Accountability: Greek Lawmaking in Theory and Practice. Another decisive factor has been the reluctance of successive Greek governments to assume ownership of their reform programs. They have repeated endlessly to the Greek public some version

CHART 2

Tax Freedom Day in Greece



SOURCE: KEFiM, "Tax Freedom Day 2017," July 8, 2017, https://www.kefim.org/en/research/tax-freedom-day-2017 (accessed October 25, 2017).

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of the narrative that, since the various "memoranda" are an externally dictated *fait accompli* thrust upon poor little Greece by her wealthy, greedy, and cold-hearted neighbors from the north, the memoranda's policies can be safely ignored or implemented half-heartedly. Meanwhile, this narrative continues; since successive iterations of the memoranda lack legitimacy in Greece, they can be challenged and remain open to "renegotiation." Strict adherence to this narrative has been the default political practice of every Greek government since the beginning of the crisis.

This attitude in Athens has been occasionally reinforced by perhaps well-intentioned, but highly unfortunate, statements by foreign officials—such as EU Economic and Financial Affairs Commissioner Pierre Moscovici's recent statement that the Greek memoranda program is "a democratic scandal." Taken together, these narratives and statements have fueled widespread disbelief and cynicism among the Greek public that the memoranda reform programs could actually help Greece regain its economic momentum in a socially equitable way.

A Mixed Blessing: Assessing the Effects of the "Memoranda." The crisis in Greece erupted mainly because of excessive public deficits in conjunction with a huge and unsustainable public debt. To confront these problems, successive Greek governments have had the option to choose between raising taxes and spending cuts. The emphasis of the policy mix on the former consistently proved a more politically viable strategy, as taxing disperses costs among the general public and thus renders it the most politically viable. As documented by the Budget Bureau of the Greek Parliament (see Chart 1), the breakdown of legislation mandating tax revenue increases versus spending cuts is striking: 94 percent vs. 6 percent in 2017.

Moreover, the tax burden has now grown so heavy that the Center for Liberal Studies' (KEFIM) has estimated that Tax Freedom Day for Greeks in 2017 has slipped to July 23, meaning that, for all practical purposes, the average citizen must work to support the government for the first seven months of every year. This overtaxation has undermined recovery and growth and has aggravated deeply felt social problems. According to Eurostat data, 22.2 percent of the Greek population experienced "severe material deprivation" in 2015.

Furthermore, as expected, overtaxing has fueled already extensive tax evasion. According to research by Germany's Institute for Applied Economic Research (IAW), the shadow economy in Greece now accounts for 21.5 percent of GDP.

The need to address the debt-sustainability problem cannot be denied or underrated. But placing the whole focus on the debt question, and using it as a means to convey a hardline stance towards the EU and IMF has overshadowed the importance of strengthening competitiveness and growth through "structural transformations." To be sure, some labor reforms have been implemented and several closed markets and professions have been opened to competition. Nevertheless, Greece fell to 61st place in the 2017 edition of the World Bank's annual Doing Business survey.

4. Continuing Challenges

Now eight years and three consecutive memoranda into the Greek debt crisis, the living standards of Greek citizens have recorded a very significant downward adjustment. Greece does not have much to show in terms of changes in its institutional arrangement—which are responsible for the bankruptcy of the country—either. As a result, most of the hard challenges lie ahead, and they will

TABLE 1

How Greece and Germany Compare in Quality of Institutions and Governance

	Germany	Greece
Government Effectiveness	1.74	0.25
Regulatory Quality	1.67	0.40
Rule of Law	1.78	0.24
Control of Corruption	1.82	–0.13

NOTES:
• **Government effectiveness** reflects perceptions of the quality of public services; the quality of the civil service and the degree of its independence from political pressures; the quality of policy formulation and implementation; and the credibility of the government's commitment to such policies.
• **Regulatory quality** captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private-sector development.
• **Rule of law** reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
• **Control of corruption** reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
SOURCE: World Bank, "Worldwide Governance Indicators," http://info.worldbank.org/governance/wgi/index.aspx#reports (accessed October 17, 2017).

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have to be confronted before the business climate changes for the better.

Too Much Government Is Government that Governs Badly. In 2011, Germans employed by the three levels of German government—local, state, and federal—accounted for roughly 11 percent of the labor force. By contrast, in the same year, government at all levels in Greece employed about 20 percent of the labor force. This obvious misallocation of resources reflects a wide range of pathologies that beset governance in Greece. (See Table 1 for a summary.) The stark contrast between Germany and Greece on the four key indicators leads to just one conclusion: In Greece the government is excessively large and ineffective.

Poor Protection of Property and Slow Application of the Rule of Law. With the possible exception of a handful of legal experts, very few people in Greece have an appreciation for how severely property rights were undermined in the 1970s, in particular, by Article 106 in the 1975 constitution, which opened the door to legal confiscation by the state. In addition to providing for the central planning of the economy, Article 106 also provides the judicial pretext for an expansion of the state deep into the economy by using nationalizations and funds from the state-controlled banking sector. Stories of abuses unleashed by bureaucrats across all economic sectors and activities using laws based on this constitutional provision are legion among pro-market researchers in Greece. The highest-profile examples of abuse, however, tend to obscure its banal but highly destructive day-to-day impact on small-property owners and entrepreneurs.

Moreover, aside from the poor protection of property rights, the courts are terribly slow in resolving civil conflicts in a timely and effective manner. The third column in Table 1 reports the World Bank's index for the rule of law in 2015. In addition to the protection of property rights and the courts, this index reflects Greek citizens' perceived confidence in, and willingness to abide by, the rules of society, in particular their perceptions of the quality of contract enforcement, the police, and the likelihood of crime and violence. It is apparent from the data that Greeks do not have much confidence in these very crucial institutions.

Regulatory Environment. Subsidies and the state's many other interventions in the economy—ostensibly to "save" jobs—rarely yield the promised results. All they really accomplish is to transfer income from the taxpaying citizens and private producers and consumers to the beneficiaries of the subsidized activities. In Greece, there is a plethora of ill-conceived government interventions on behalf of organized minorities and rent-seekers in the political parties. As Adam Smith wrote long ago, many of the state's economic regulations are not based on rational choice but are merely the result of the "skills of this treacherous and cunning animal, commonly named ruler or politician."

In short, in keeping with the spirit of Article 106 of the 1975 constitution, one Greek government after another has systemically—through market interventions—destroyed the incentives necessary for the development of independent and outward-looking entrepreneurship, thus creating a statist

1975 Constitution of Greece

Part Four: Special, Final and Transitory Provisions
Section I: Special Provisions
Article 106

1. In order to consolidate social peace and protect the general interest, **the State shall plan and coordinate economic activity in the Country**, aiming at safeguarding the economic development of all sectors of the national economy. **The State shall take all measures necessary to develop sources of national wealth** in the atmosphere, in underground and underwater deposits, and to promote regional development and to further especially the economy of mountainous, insular and frontier areas.

2. **Private economic initiative shall not be permitted to develop at the expense of freedom and human dignity, or to the detriment of the national economy.**

3. With the reservation of the protection provided in article 107 in connection with the re-export of foreign capital**, the law may regulate the acquisition by purchase of enterprises or the compulsory participation therein of the State** or other public agencies, in the event these enterprises are of the nature of a monopoly or are of vital importance to the development of sources of national wealth or are primarily intended to offer services to the community as a whole.

4. The cost of purchase or the counterpart to the compulsory participation of the State or other public agencies must indispensably be determined by a court and must be in full, so as to correspond to the value of the purchased enterprise or the participation therein.

5. A shareholder, partner or owner of an enterprise, the control of which devolves upon the State or upon an agency controlled by the State as a result of compulsory participation in accordance with paragraph 3, shall be entitled to request the purchase of his share in the enterprise, as specified by law.

6. The law may specify matters pertaining to the contribution to the State expenditure by beneficiaries from the execution of public utility works or works of a more general significance for the economic development of the Country. *(Emphasis added.)*

Interpretative clause: The value specified in paragraph 4 does not include such value as is due to the monopolistic nature of the enterprise.*

* Hellenic Parliament, *The Constitution of Greece* (Athens, Greece: Eptalofos, 2004), http://www.wipo.int/edocs/lexdocs/laws/en/gr/gr220en.pdf (accessed November 20, 2017).

model wherein private agents are subservient to the plans and investment choices of government bureaucrats and their crony supporters. It should not come as a surprise, then, that the index of regulatory quality for Greece referenced in Table 1 lags so far behind that of Germany.

Excessive Rigidities in Product and Labor Markets. As the state sector in Greece expanded, the rigidities in its operation infected the entire economy. An obvious example is the evolution of ever-more powerful public-sector labor unions, which manage to extract job security, horizontal pay scales, and other perks and privileges from government. These extracted benefits, on the one hand, provided little or no incentive to increase productivity through greater work effort; on the other hand, they set the standard for the demands of the labor unions in the private sector, thus reducing Greece's global competitiveness and growth potential.

In the past eight years, under pressure from the creditors and the EU, the Greek government has relented somewhat, opening up select market sectors to competition. In particular, labor markets have acquired considerable flexibility. The private manufacturing sector, too, is slated for heavy reforms at the suggestion of the Organization for Economic Co-operation and Development (OECD).

Generally speaking and despite the many bitter lessons since the crisis began, the attraction of Greek citizens and politicians who represent them to the still-dominant model of statism has yet to wane. For now, though, the expansion of that model has slowed.

The Demographic Problem. The population of Greece is on a downward trend. The birthrate is falling, the average age of the workforce is rising, and the ranks of retirees and pensioners are swelling. The consequences are cause for serious concern because, given that new knowledge and skills enter into the economy mainly through the incorporation into the labor force of younger generations, as their numbers shrink, so do the prospects for strong labor productivity gains in the future.

If labor productivity improvements are blocked, the contributions of the working population to the retirement funds inexorably decline and the latter cannot cover the expenditures for the pensions of the retired people, whose life expectancy continues to increase. This sequence of onerous trends renders the demographic problem in Greece a time bomb with a short burning fuse. Something has to give, and do so quickly, to reverse the decline in the population.

Moreover, this problem is aggravated by two other trends linked to the country's bankruptcy. The first is the robust brain drain that has been observed in recent years, while the second springs from a large percentage of older workers who lost their jobs after the crisis and chose to retire, thus adding to the sustainability problem of the social security system.

Populism and the Threat of Authoritarianism. Since 1974, Greece has been enjoying an unprecedentedly long period of democracy, to which the pressure of the EEC/EU institutional *acquis* has contributed decisively and positively. And yet it was the deep-rooted and extensive rent-seeking in the years just after the entry of Greece into the eurozone, facilitated by political bargains with pressure groups and made worse by the easy credit at low interest rates that resulted also from the initial mispricing of the drachma-euro exchange rate, that have made it virtually impossible today to implement necessary fiscal, industrial, and institutional reforms.

The "tragedy of the commons" that Greece currently confronts is this: Because of a failure of political and social leadership, there no longer exists sufficient commonality of interests among a majority of voter groups. This balkanization of the Greek electorate, with many groups directly benefiting from the dysfunctional and unsustainable statism and cronyism model, is a major reason for the acute crisis of legitimacy when the financial crisis hit.

This crisis was felt most pointedly in the general election results, where the "anti-system" populist parties both on the right and the left of the political spectrum made unprecedented gains, while even the mainstream, moderate parties often tried to outdo each other with false or unrealistic promises about "ending austerity" or "tearing up the memoranda." In turn, these results reflected a widespread radicalization that was demonstrated in massive anti-austerity protests and the emergence of the so-called *Aganaktismenoi* (indignant citizens) movement, which peaked between 2010 and 2012.

While it is true that mass protests have greatly declined, especially since the September 2015 elections, the risk of a new outbreak of populism and authoritarianism that could impede Greece's recovery efforts should not be underestimated. It is notable that, in the 2016 Timbro Authoritarian Populism Index, Greece ranked second among European nations, just below Hungary, in electoral support for authoritarian and totalitarian parties, with more than 55 percent of voters surveyed supporting one of those parties. Even more noteworthy has been the emergence and endurance of the extreme right Golden Dawn Party, which won almost 7 percent of the votes in the 2015 election and 18 of the 300 seats in the Greek parliament.

5. What to Do

In the aftermath of the 2009 bankruptcy and its onerous social and economic consequences, the only way out of the low-growth equilibrium trap described in this *Special Report* is to implement the policies outlined in The Heritage Foundation's *Index of Economic Freedom*. Greece's government and its citizens must take ownership of a package of structural transformations that will liberate and mobilize the Greeks' entrepreneurial dynamism. In pursuing this goal, small-scale and short-term reforms, such as those prescribed by the memoranda, will not do. What is required are the reforms described below.

Constitutional and Other Structural Reforms. The sooner the government starts implementing the structural reforms outlined below, the sooner more effective governance and stronger institutions will be reflected in the scores and rankings of The Heritage Foundation's *Index of Economic Freedom* and other international measures of the investment climate. Those improved scores will help Greek and foreign investors to regain their confidence, and their job-creating and wealth-producing investments will drive Greece toward robust economic growth.

Highest Priority Reforms—Implement Immediately.

- Repeal the anti-market Article 106 of the 1975 constitution, which nearly extinguishes private property rights and creates profound uncertainty for both domestic and foreign investors by empowering the state to expropriate property on any whim.
- Implement legislation to terminate all outstanding cases of private property expropriation on unspecified "public interest" reasons that do not meet the burdens of eminent domain case law, and prohibit all such future expropriation efforts.
- Forbid repetition of expropriation procedures, for any reason, against any property previously targeted for a period of five years, within which the owner maintains full rights.
- Eliminate the uncertainty posed by the state archeological service to investors by delimiting its domain to a specific listing of land sites and zones to be created through a governmental process of transparent and widely advertised public hearings.

Reforms in the Medium Term (Next Three to Five Years).

- Decentralize decision making by introducing substantive elements of subsidiarity across local, regional, and national levels.
- Establish transparent and uncompromising systems for the selection, promotion, and dismissal of civil servants.
- Establish a target and implement a process to reduce public-sector employment to the same level as Germany's—11 percent of the labor force.
- Privatize all public services that can be performed better and at much lower cost through competitive market processes, such as garbage collection and waste management.
- Establish, through an open and transparent process, a set of independent criteria and benchmark parameters that will be used systematically to determine eligibility for public welfare benefits.
- Establish an independent government agency for the purpose of processing applications for welfare benefits according to these independent criteria, qualifying citizens to receive these benefits for specific and temporary periods of time, and ensuring they are removed from eligibility for benefits as soon as they no longer qualify for them.
- Maintain within that agency an independent fraud control unit with the power to refer violations of eligibility for welfare system benefits to law enforcement authorities for prosecution.
- Reduce overall government expenditures as a percentage of GDP, with a medium-term target of the five-year moving average of EU member states.

Reforms in the Longer Term (Next Five to 10 Years).

- The 1975 constitution should be replaced by a simpler and more precisely worded one founded on the principles of (1) limiting and enumerating the powers of the state so as to protect civil liberties; (2) embracing the four European freedoms (free movement of goods, capital, services, and labor); and (3) encouraging individual responsibility. A representative sample of reforms that would be consistent with these principles would include:
- Strict separation of state powers as well as the reinforcement of checks and balances to safeguard their independence;
- Abolition of state monopolies across all economic activities that demonstrably can be performed

more efficiently by the private sector, including higher education;

- Neutrality of the state vis-a-vis labor and trade organizations by transferring all regulatory functions to independent competition authorities;

- Constitutional safeguards regarding the stability and predictability of public policies; and

- A public debt ceiling that can be lifted only after approval by a two-thirds majority vote in the parliament.

To be sure, while public support for the current statism and cronyism model prevails, these initiatives would be considered politically untenable. But as the constraints on publicly funded welfare benefits inexorably tighten, these difficult reforms will become more politically viable.

Specific Reforms in the Product and Labor Markets. After years of cronyism and hollowing out, the private sector as presently constituted in Greece cannot be expected to provide the required spark to place the economy on a high-growth path. A quicker turnaround may be achieved by means of the following indicative reforms:

Highest Priority Reforms—Implement Immediately.

- Terminate all remaining direct price controls on products and services.

- Open up all remaining state monopolies to existing and potential competition.

Reforms in the Medium Term (Next Three to Five Years).

- Open up all remaining closed professions and abolish the obligation to register trade organizations and professional societies in order to acquire the right to provide a service or exercise some profession.

- Permit the following areas of potential labor–management disputes to be resolved through non-governmental, third-party private arbitration between employers and workers without unjustified interference from the state: (1) minimum wage; (2) conditions for recruiting employees (probationary period of employment, individual or collective contract, fixed or indefinite term of work assignment); (3) layoffs (massive layoffs, timing of warning, severance pay, consultation procedures prior to notification of redundancies); and (4) determination of working time (overtime, part-time, shift work, work on public holidays).

- Abolish all barriers to entry to, and exit from, all economic activities, and drastically lower the number and the cost of required state permits.

Reforms in the Longer Term (Next Five to 10 Years).

- Complete as quickly as possible a master land-use plan, including the highly specific demarcation of sites and zones of archeological interest.

- Establish codes specifying in advance all conditions for the protection of the environment, particularly regarding fishing, mining, quarrying, and other forms of natural resource extraction.

- Organize "one-stop" services for coordinating and monitoring prospective investment projects.

- Reform laws to enable "one-stop bankruptcy" proceedings to wind down failed businesses.

As part of the memoranda, Greek governments have agreed to a very long list of structural reforms known as the OECD Tool Kit. A few of them have been implemented, but most have been relegated to the future. The future has arrived in Greece, however, and the sooner the Greek people take ownership of these reforms, the sooner the economic growth prospects of the country will brighten.

Conclusion: Economic Growth in Greece Need Not Face a Tragic Stalemate

Unlike Greece's famous ancestors, modern-day Greeks are not fated to endure the economic tragedy that has befallen them. It was made fateful only by politicians and intellectuals who did not believe in the social merits of a free-market economy. Even now, when the country is under the supervision and guardianship of its creditors, successive governments procrastinate and refuse to take ownership of the free-market reforms to which they must ultimately agree. Yet, they will have no choice but to capitulate, because no Greek leader would dare risk an open bankruptcy default that would lead to Greece exiting the eurozone. Perhaps sooner than they would prefer, these Greek leaders will discover that their political self-interest coincides with that of the country, and they will take the lead in the replacement of the present hard-core statist model with one based on open markets and outward-looking, dynamic Greek entrepreneurship.

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