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DIMITRIS RAPIDIS

"Promoting Sustainable Growth under the shadow of a ballooning public debt: The Case of Greece"

Lots has been said about the necessarily tough measures that the Greek government has to undertake in order to rationalize its public debt rates and avoid state bankruptcy. The burden assumed to restrain public spending and serve the external loans will be inevitably hard and the damage occurred in terms of economic performance will be literally much more striking than initially expected. But what about the initiatives targeting sustainable production, pro-poor policies, and job creation strategies? The exit from the crisis has to be escorted with growth policies all along the three-year monitoring period led by the IMF and the EU Supporting Mechanism so that Greece can escape with the least possible side effects in terms of social and economic cohesion.

In order to achieve sustainable growth in the midst of this crisis, Greece's public economic policy has to be centered into three major and basic aspects of public economic policy: the increase of fiscal system's flexibility, the combat of the so-called bureaucratic demon, and the repatriation of Greek foreign capitals.

Referring to the first one, fiscal flexibility has to be especially implemented in direct taxation so that investments can be attracted. Such an effort entails the lowering of direct taxation on profits, the simplification and acceleration of the process needed to register, establish, and function a certain establishment, and the specification of the areas that investments are welcome. Low-income regions have to be preferably chosen as fields of investments so that the local labor force can benefit from and provide services that will be in the profit of the respective society. In addition to that, inflows have to be concentrated in neuralgic areas of the national industry, and where the country has the human and physical capital to develop, such as the field of energy, tourism infrastructures, urban planning based on green building concepts, and technological advancement issues like software engineering, biotechnology, and nanotechnology. The latter concerns the establishment of scientific institutions and foundations that will recruit specialists and PhD holders in order to follow up and work upon the latest developments in the field.

Concerning the combat of the bureaucratic demon, public management has to be modernized and simplified into a fast-paced system of services that unblocks the deadlock observed in the field of fiscal registration of businesses and individuals. Cost-efficient and internet-based mechanisms have to substitute the labyrinth of unnecessary paperwork processes that end up with insufficient results, frustration, and stalemate for the applicants. Furthermore, the size of the public sector has to be smoothly and progressively decreased, with a considerable number of the personnel to be fueled in the private sector in the basis of short-term contracts.

This shift has to be accompanied with a string of policies which would start from the upgrading of the higher education entry requirements and the creation of a system which would be field- and quality-oriented in terms of studies (e.g. promotion of shipping and tourism departments; decrease of the number of law departments) and which would re-evaluate the need of a workforce without university but technical degrees. By the same token, young entrepreneurship has to be particularly encouraged and give bright-minded people the opportunity to unfold their capacity and ideas. What is more, the EU funding programs need to be decentralized in order to support regions with strong youth potential in agricultural and coastal areas, especially in Macedonia, Thrace, and the Dodecanese where unemployment and poverty rates are comparatively and exceptionally much higher from the average national level.

Regarding the repatriation of Greek foreign capitals, we mainly refer to the big diaspora of ship-owners and entrepreneurs which develops its activities overseas. The return of such capitals can guarantee the creation of job opportunities, the increase of GDP rates, and more significantly the widening and broadening of the production market. This can be achieved through an incentive pact which would include an x-period of fiscal exemption for these companies so that they can augment their profits and be willing to re-invest. Alternatively, a certain quota of their gains could be retained as a percentage of taxation in order to serve the settlement of the public debt.

All things considered, Greece has to jointly implement a parallel framework of debt settlement and economic growth in the direction of counterbalancing the side effects of the tough economic measures. Otherwise, the national economy could be sunk into a long-term recession period with serious implications for the survival of the political establishment and the maintenance of social security and cohesion.

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Dimitris Rapidis is a Junior Research Fellow and Graduate Student at the University of Geneva, Switzerland.

Email: rapidisdim@gmail.com

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