How to Fix Greece

As Britain beats its retreat from Europe, the debate over preserving Greece's spot in the European Union takes on new meaning

July 26, 2016

If the United Kingdom can exit the European Union, why not Greece?

That was a question posed by a member of the audience to Professor John (Iannis) Mourmouras, a Deputy Governor of the Bank of Greece and a former deputy finance minister of Greece. Mourmouras replied that Greece belongs to the Eurozone because this is the mandate of the Greek people. Opinion polls over the years continuously record that two-thirds of the Greek people want to remain within the Eurozone, showing that their sacrifices during the last few years of austerity have been worth it, he said. He believes Greek debt should be correctly calculated using international accounting standards, based on present value terms, which would most accurately reflect the economic reality that most of Greek government debt is with the official sector and under concessional terms (low interest rates and long maturities).

But Greece, in particular, has reason to grumble. Austerity measures have been particularly fierce there since its balance sheet dove into chaos during the Eurodebt crisis. Mourmouras, who is a former chief economic advisor to the Greek Prime Minister, noted that the International Monetary Fund's assessment is that not only is Greece's public debt unsustainable, so are burdens on its populace.

It's All About Growth

Whether the European Union chooses to accept the IMF's proposed debt relief "remains to be seen," said Mourmouras. But, he added, transparency and accountability in budget reporting by adopting best international practices in public sector accounting would boost the confidence of investors, improve credit agencies' sovereign ratings, stabilize private sector expectations, get investment, and deliver jobs and growth.

Solving the country's balance sheet issues is one thing, said Mourmouras, but growth depends on bringing in new investments from outside the country. Beyond accounting tweaks, Greece needs to overhaul its economy on a massive scale. Here, he suggested, Greece could learn a lot … from Great Britain.

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Even as the UK exits the Union, Mourmouras suggested it offers many lessons that would improve Greece as a staging ground for FDI. “Greece should start resembling Britain in a number of ways, except in one area: Brexit,” he said.

Mourmouras acknowledged that Britain will face a few years of uncertainty as the divorce dust settles. But factors that made the British economy attractive to outside investors and kept its economy among the strongest of developed countries remain intact. He pointed to the country’s brawny mix of public and private sector accounting, transparency and financial management, relatively low tax rates, rule of law, product and labor market reforms and privatization practices. “These are all areas that Greece should emulate,” he said.

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