

Views on the

**New Greek Recovery
Scheme**

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Athens, 2012

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INTRODUCTION

This text was written late in 2011- early 2012 and was presented at the A.C.C.I.¹ hall on February 16, 2012. In my opinion, the findings, proposals and messages contained in this text are absolutely current and they have led me, not only to revise the text in order to include any new developments that have taken place from February until the end of August this year, but also to publish it. In February I was satisfied with simply uploading the text on my personal website (www.loverdos.gr). I now hasten to point out, as I did back in February, that this is not a political party program proposal. I strongly believe that, the *Views on the New Greek Recovery Scheme* can constitute the foundation of our national plan for healing the wounds of the crisis and for the country's course towards prosperity and credibility. The preparation, though, of this much-needed national plan requires collaborative and coordinated work at political level. I will endeavour, with all my strength to ensure that this collective effort will not come late. I extend my warmest thanks to the publisher and friend Emmanuel Velitzanides and to 'Indictos' publications which have hosted my thoughts, as they were systemized in this book. I would also like to thank the writer and friend Costas Koutsourelis for his valuable help in all phases of this piece of writing.

Athens, 6/8/12

¹ Athens Chamber of Commerce and Industry

A. THE COURSE TO THE GREEK CRISIS

1. A brief summary of the Greek state and economy in the period prior to the political changeover²

The causes of the current Greek crisis are usually traced back to the political changeover period. The reality however, is different. Phenomena in contemporary Greece just like the unprofitable and heavily indebted government, the unproductive and parasitic retail-based economy, the overstuffed public sector, the unmeritocratic and inefficient public administration, the “client-oriented” practices of the Greek political parties and the uncontrolled partisanship, are long lasting problems that are common amongst different time periods in Greece’s modern history. Considering all that, it is easy to explain why the country has declared bankruptcy and has been put under close supervision repeatedly in its long history. Between 1827 and 1932 Greece declared sovereign default four times (1827, 1850, 1897, 1932). The international economic control that was imposed on the country in 1897 ended in 1978, 81 years later! In any case, after the Greek Civil War and up to the 1980’s, the country’s public debt was not a major problem.

Since the very beginning of its establishment, the modern Greek state, attempted to develop itself by “balancing between two boats”, taking one step forward and two steps back. What K.Simitis later referred to as the “two Greeces phenomenon”, was apparent right from the start of the modern Greek history, whether it related to the political, economic and social aspects of the local life or to the public administration. On one hand, Greece was inspired by advanced political movements and institutions well-established abroad, whilst it played the leading part in the introduction of the

² The term political changeover is used in the Greek history to describe the period following the fall of the Junta and the restoration of Democracy in 1974.

parliamentary system and the universal suffrage. It also enacted progressive Constitutions and strengthened the civil liberties. On the other hand however, and with regards to politics, the country relied heavily on relations deeply rooted in attitudes and mentalities of the past. Practices such as nepotism and regionalism in addition to the preurban patriarchal structure of the society and the corporate way of organizing the economic and social life dominated the modern Greek state since its foundation.

As a result, the country's long history was marked by significant achievements but also by unceasing tergiversations. Where the conditions were favorable, mainly in the Diaspora^{3,4} the Greeks managed to embark on the road to prosperity in no time. From Odessa to Vienna and from Constantinople to Alexandria, it is the first time that, next to commerce and shipping, the letters, the arts and the sciences flourish to such an amazing extend. This progressive intellectual movement, with great emphasis on education, managed to provide the Greeks with a strong competitive lead against other people in the area, a lead that is more or less apparent even today. Unlike the success of the Hellenic World abroad the road of the Greek independent state was full of obstacles right from the beginning. The modern Greek state repeatedly fell short in critical areas belonging to the core of the state's sovereignty, such as public order enforcement and tax collection procedures.

From Kapodistria's⁵ time, who among other reasons was murdered because he exercised the right of the central government to exploit the collected duties instead of

³ The term **Diaspora** (in Ancient Greek, **διασπορά** – "*a scattering or sowing of seeds*") refers to the forcing of any people or ethnic population to leave their traditional homelands, the dispersal of such people, and the ensuing developments in their culture. IGNCA (2007). *IGNCA - Diaspora Program* . Retrieved September 29,2012 from, [http://ignca.nic.in/id_aboutdiaspora.htm]

⁴ **Greek Diaspora** is the term that refers to the Greek communities that have formed outside the traditional homelands of the Greek people. Wikipedia (2012). *Greek diaspora* . Retrieved September 29,2012 from [http://en.wikipedia.org/wiki/Greek_diaspora]

⁵ Ioannis Kapodistrias was the first Governor of the Modern Greek State, 1828 - 1829.

the local notables, and until the timelessly and commonly accepted tax evasion of today the distance is not that great. Neither is the distance between the illegal groups that practiced criminal actions during the 19th century and the terrorists and destroyers of today. The Greek state, depending more or less heavily on small and large interests and being unable to define and defend the wealth of the general public, never gained that degree of functional independence and administrative rationality that would allow it to become sovereign and act meritocratically and efficiently. Of course there were serious and interesting exceptions to this rule but they were of a temporary and short-term nature.

Historically, it is the political class of the country i.e. the political parties and their representatives that should be mainly held responsible for the failure of the state to meet its obligations. Aside from certain important exceptions, the Greek politicians lacked the required autonomy, persistence, efficiency, political rationality and, most importantly, the spirit that would allow them to ensure the political and administrative continuity of the state, as did their counterparts in other countries. Instead, they were trapped within the “traditional” role of the “client-oriented” politician and within the polarization and the division tendencies of the political system that quite often seemed to have parasitic characteristics. For almost two centuries the political parties’ main concern was to please their voters by doing special personal or collective favours for them. In return, the voters expressed their gratitude to the politicians by entrusting them with their votes. And this relationship was so strong that not even their personal ideology managed to seriously affect it. Lest any faulty conclusions are drawn at this point, it should be kept in mind that I am currently referring to the period prior to 1974. The political conditions prevailing in the country during the political changeover period, for which I can partly be held responsible, will be discussed in the next section.

The aforementioned interdependence of politicians and voters can be attributed to the chronic recession and backwardness of the Greek economy. For a country like Greece whose population has experienced difficult economic, social and political conditions

for most of the state's modern history, ensuring employment in the public sector always seemed the safest solution. Many generations were brought up with having as an ultimate goal to secure a job in the public sector – considering that they were thus granted a sinecure. Especially, the educated and highly qualified Greek citizens strongly believed that Public Service was a one-way street to job security: as Kostis Palamas⁶ wrote in 1882, “any other thought, was capable of making them flush with anger”.

Given the fact that the Government remained the most reliable employer in Greece, the leading political parties attempted to gain control over it. If a political party failed to provide its followers with the benefits of “state protection”, it risked their loyalty and accordingly any chance of winning the next elections. The politicians considered themselves, first and foremost, as mediators between employers and employees or between Authority and citizens and next as head executives of the state. To avoid any misunderstanding it should be stressed that during that long period of almost two centuries, there were certain significant exceptions to this rule both in public administration and politics. Any work delivered during these periods was running the risk of being destroyed or undermined whenever there were governmental changes either due to the National Schism⁷ at the beginning of the 20th century or due to the interchange of leadership between the two major political parties in the political changeover period.

⁶ Kostis Palamas (1859 —1943) was a Greek poet who wrote the words to the Olympic Hymn. He was a central figure of the Greek literary generation of the 1880s and one of the cofounders of the so-called New Athenian School (or Palamian School, or Second Athenian School) along with Georgios Drosinis, Nikos Kampas, Ioanis Polemis. Wikipedia (2012). *Kostis Palamas* . Retrieved September 18,2012 from, [<http://en.wikipedia.org/wiki/index.html?curid=2047121>]

⁷ The **National Schism** (sometimes called *The Great Division*) was a series of disagreements between [King Constantine I](#) and [Prime Minister Eleftherios Venizelos](#) regarding the foreign policy of [Greece](#) in the period of 1910-22 of which the tipping point was whether Greece should enter World War I. Venizelos was in support of the [Allies](#) and wanted Greece to join the war on their side, while the pro-German King wanted Greece to remain neutral, which would favor the plans of the [Central Powers](#). The disagreement had wider implications, since it would also affect the character and role of the king in the state. The unconstitutional dismissal of Venizelos by the King resulted in a deep personal rift between the two and in subsequent events their followers divided into two radically opposed political camps affecting the wider Greek society. Wikipedia (2012) *National Schism*. Retrieved September 20,2012 from, [http://en.wikipedia.org/wiki/National_Schism]

Under such circumstances, the excessive growth of the Public Sector was inevitable, mainly because government jobs seemed as the ideal reward for politicians to grant to their voters in return for their votes. Equally inevitable was the intensification of opacity, favouritism and ultimately corruption. More often than not, the umbilical cord that connected the political parties to the government stood in the way of public administration to exercise its powers to the advantage of the general interest. Respectively, the chaotic organization and operation of the public administration often necessitated the “behind the scenes” intervention of politicians, so that citizens would receive a minimum degree of service.

Everything mentioned above constitutes a short list of the typical indications, sufferings and misfortunes of the modern Greek state from its establishment up until the political changeover period. Greece however, was much more than just its problems. During the governing of Ch.Trikoupis and E.Venizelos⁸, the country made significant steps in the direction of progress, development and modernization. Moreover, Greece was a country that, following the WWII and up until the political changeover, made significant efforts for its development, despite the fact that it did not adequately take advantage of the Marshall Plan. Farming, which provided food for the general population, along with shipping, building and constructions, industrialization and the remittances that were received from hundreds of thousands of immigrants, contributed to the country’s development. In addition to this, the low levels of private consumption and the frugal way of life that characterized Greeks during that period of time, allowed Greece to have a very low public debt by the end of the 1970s (It amounted to 28.4% of the GDP, which in any case was very limited, in 1980. In absolute numbers, the public debt equalled to just 1.7 billions!). In summary, during the 1970s Greece was facing many problems relating to government, public administration and politics but it also had a very promising private sector and a nation full of hard working people.

⁸ **Charilaos Trikoupis** (1832 –1896) was a Greek politician who served as a Prime Minister of Greece seven times from 1875 until 1895. **Eleftherios Venizelos** (1864 – 1936) was elected several times as Prime Minister of Greece and served from 1910 to 1920 and from 1928 to 1932

2. The political changeover period

The representatives of the political system, only rarely, managed to deviate from the traditional protective role of the government, or as A. Papandreou put it, of government paternalism. In fact, their reliance on the state became much stronger after 1974. The legalization of the Communist Party of Greece was accompanied by the adoption of a substantial part of its ideological concoctions by a number of political parties, including some of those in the opposite end of the political spectrum. Particularly the prevalence of the “People are always right” mentality led to the perception that all claims against the state, no matter how absurd or selfish they were, were legal and justified (“When it comes to holding someone responsible for that kind of attitude the Left Opposition parties are also liable. Over the last ten years that I am an MP, there was no clientele request that was not supported and voted by the Left, no matter whether it had to do with the conversion of indefinite time employment contracts to permanent ones, with hiring someone in the Public Sector or in a Public Utility Organization, or with the inclusion of someone in one of the insurance funds which however was struggling to make ends meet”). This is an extract from the speech I made during the parliamentary debate concerning the draft legislation: “Policy measures for the activation of the support mechanism for the Greek economy by the euro area Member States and the IMF”, 06-05-2010). What prevailed was the opinion that a politician’s main task should simply be to satisfy the popular demand. For decades, any claim that was made in a dynamic way would almost certainly enjoy broad social support. The “mortgaging” of the long-term interests of the country “took the form of a tacit but constant and largely conscious and shameful social contract, within which each political leadership [...] undertook the task to significantly improve in a short period of time and in a parasitic way the private consumption potential of the “people” in return for their political support” (Panagiotis Kondylis, 1992). Populism, therefore, became not only a key element of the political oratory of the parties but also the basis of action of trade unions, social organizations, pressure groups, guilds and the mass media.

The critical difference between this time period and the one immediately preceding it, was the fact that politicians and political parties could now afford populism. Greece, during the political changeover, was not the poor country of the past. As early as the 1950’s, the country had entered a new financial stage. Thanks to the allied aid, the

growth of tourism and shipping and the limited but quite significant industrialization that took place in the post-war years, a large section of the population started to experience a certain degree of prosperity. A growing middle class made a dynamic appearance. Both K. Karamanlis and A. Papandreou were greatly interested in it. Under different circumstances, such an event would have contributed to the weakening of the role of the government. In the case of Greece however, that didn't happen. The affluence that made its appearance in the country after 1974 cannot only be attributed to the development of the productive infrastructure as already mentioned, but also to an external source i.e. EU funds transfers and borrowing. As a result, the state, which had undertaken the responsibility to invest and distribute these funds, continued to grow, rather than decrease in power.

For a country like Greece that had faced extremely difficult conditions for nearly one and a half century, the amounts of money that poured into the country especially after 1981 were of substantial importance. At current prices, just, the net EU fund transfers to Greece during the last three decades amount to 203.47 billion euros. The financial aid granted to the country within the framework of the Common Agricultural Policy, during the period 1962-2009, amounted to 169 billion euros. We should also add to these amounts, the country's extensive public borrowing, which increased by almost 300 billion euros over the last thirty years. The majority of these loans, as we all know, came from foreign sources. At this point, however, to put the whole truth forward, we should also consider two important facts:

a. The beneficial amounts of money that poured into Greece via the EU fund transfers were exported out of the country through a huge number of imports.

For example, it should be noted that during 2009 the pharmaceutical costs rose, for a country belonging to the western world, to the outrageous amount of 5.6 billion euros, thus putting a serious strain on pension funds. Yet, almost 80% of the products bought were imported from Germany, France, UK, Denmark, U.S.A. e.t.c.

b. Much of Greece's external borrowing was intended to meet the armament needs of the country which reached astronomical levels for a member of the EU!!! In 2002 alone, military expenditure rose to 4.91% of the GDP, a figure even

higher than that of Turkey! During the decade 1998-2008, 74% of the defence's equipment was bought from the U.S.A, Germany and France, while between 1970 and 2008 Greece spent 200 billion euros on military expenditure!!!

Only a small part of the huge amount of money that poured into the country was used to finance the productive economy. Manufacturing and agriculture were steadily shrinking after 1980, the country de-industrialized and the countryside was abandoned. No sector of the economy managed to grow to an extent that would allow a modest return on investment of that amount of money. Most of these sums were directly diffused, through the state, to private consumption, especially of imported products. Even the increase in private investments concerned primarily the consumption and mainly the construction sector.

For decades, two thirds of government revenues were constantly directed to three target groups: the public sector employees, the pensioners and the subsidized farmers. **As a result, the country came to offer the highest pension replacement rate among all OECD countries. In 2010, Greece ranked thirtieth in the global table of consumption and only ninetieth in the global table of production. Its imports were steadily three times higher than its exports. It had the highest share of private consumption in GDP terms in the EU. On average, between 2000 and 2010 the import-export gap amounted to -11% of the GDP whereas the corresponding Eurozone ratio amounted to +1.5% of the GDP.** The over-borrowing of the state soon led to the shaping of new models of social behaviour. Among other things, the careless credit policy of many banks led the private household lending, which was also channelled into consumption, to soar from just 3.5 billion euros in 1995 to 110 billion euros in 2008 (an increase of 3,000%). In 2009, the external, private and public, borrowing of the country exceeded 400 billion euros corresponding to 168% of the GDP.

A specific feature of the parasitic nature of the Greek consumerism was its equalizing effect. Loans and subsidies were granted to many, not just the few: to the workers of the wider public sector on the basis of equalization, to pensioners of state subsidized funds, to all kinds of beneficiaries, to farmers. Considerable sums of money also went to the private sector in the form of state aids of all shapes and sizes, of various grants that did not contribute to development, of overpriced procurements and of extremely costly public works.

The result of all these, was a remarkable diffusion of wealth to a great part of the Greek population, many of which, however, did not pay any taxes. Consequently, in the period 1998-2008, the gap between low-income and high-income earners decreased instead of increasing. The development of the welfare state following the political changeover (1974) contributed also to the closing of the income gap. The possibility of early retirement on favourable terms, the uncontrollable allowances policy, the new born industry of educational seminars, retraining programs and programs offering temporary employment, provided hundreds of thousands of Greeks with a valuable source of income. Moreover the political protection provided to “closed” professions allowed guilds to strictly regulate access to the market and to overcharge for their products. **Therefore, the closing of the gap between social groups of different incomes was not based on rationalism. And no matter how welcome the result was, the reasoning behind it was not valid but a product of a financial and administrative irrationalism. So the collapse was a matter of time.** And the global financial crisis accelerated and aggravated it.

The distribution of income between different social groups in Greece is strongly reflected to the country’s social stratification. Apart from the large number of government employees, Greece also has the highest rate of self-employed and small entrepreneurs with a percentage twice as high as the EU average. Another typical characteristic of the country is the large number of people following a career in law or medicine. Equally segmented is the agriculture sector, where there are many farmers but each one of them owns a small piece of land. Across the economy, those

employed in companies of more than 250 employees, including Public Utility Organizations and banks, do not exceed 9% of the workforce. (see A. Doxiadis, *Family men, Gentlemen of leisure, Opportunists*, 2011). Large companies and large employers are quite rare. And even those that exist, are relatively small in comparison to their foreign competitors and usually – though not always – unable to stand on equal footing in international markets.

So, the excessive growth of the state and of the borrowing-dependent parasiticism on one hand, and the recession of the productive economy and of the private entrepreneurship on the other, were phenomena that acted together in a complementary way. Especially the bloated state bureaucracy further exacerbated the already weak production capacity of the economy, preventing real growth in a variety of ways. For example, public sector salaries, being more attractive than private sector ones, deprived companies from valuable employees that chose not to work in the private sector but in the public one, thus becoming sluggish and eventually useless. Bureaucracy and corruption stifled any investment initiative. The high liquidity of the government motivated individuals to claim government projects and procurement agreements and discouraged them from taking action in the free and international market. Within this context, I bear my own degree of responsibility as a citizen and as a politician. And I have publicly assumed that responsibility. I should remind you however, that I served the Greek government only between 2002 and 2004 as a Deputy Minister of Foreign Affairs, responsible for International Economy Relations and between 2009 and 2012 – that is, during the crisis - as Minister in two of the most challenging and demanding Ministries i.e. the Ministry of Labour and the Ministry of Health. During my tenure as a Deputy Minister of Foreign Affairs, I managed to transfer the tasks and services relating to the International Economic Relations from the Ministry of Finance to the Ministry of Foreign Affairs, so that the country's outward-looking economic activity could be supported by the Greek embassies abroad. That transfer, a twenty year unfulfilled goal at the time, was achieved within a period of three months. That was the economic diplomacy's starting point. I have always argued that Greece cannot have any future without an outward-looking entrepreneurship. Prime Minister K.

Simitis, who initiated and guided the aforementioned reform, proved to be a bright exception to the rule of those who stood in the way of the reform. Unfortunately, his efforts fell by the wayside after 2004. As far as my ministerial tenure in the period 2009-2012 is concerned, apart from what I tried or managed to achieve, for which I prefer not to make my own judgment or assessment but rather let others do it, I would like to remind you, hoping that this will not be deemed as a praise to myself, that I tried, with all the means I had in my power as a politician to give everyone concerned a fair warning of how critical the situation was. I notified everyone immediately, that there was no money and I turned all the efforts of the Ministry of Labour to the reorganization of our social security system and to the reform of working relations. Respectively, as a Minister of Health I managed to reduce the waste and corruption, saving, in that way, billion of euros of pension funds for the citizens' benefit. It should be noted however, that I was prepared, to a certain degree, to deal with economic crisis situations. The international financial crisis was an eye-opener for me. In fact, I can't help but wonder how is it possible that a remarkable number of political and financial executives as well as other key players of the Greek public life were caught totally unprepared. My speech on the 2009 budget debate as well as my intervention on March 2009, constitute the two most important efforts, on my behalf, to awake an embarrassed and "thriving" political party system that seemed unable to realize the oncoming disaster and to change its course. (The Greek Parliament, December 2008: "While we are in need of a quite aggressive fiscal policy to deal with the symptoms of the global financial crisis, our terrible financial situation does not allow us to exercise this type of aggressive policy. Greece will need money to meet its inherent obligations and needs and to apply the policies that the international economic conjuncture calls for, but it will not be able to find it. And this will happen because further borrowing will be impossible, since foreign investors' confidence on the country has been shaken, or if borrowing becomes feasible, this will come with one or another form of guardianship in the long run". See also my speech from a meeting that was organized on the 9th of March 2009 by the Centre for European Constitutional Law entitled: Greece, Recommendations on changes in the economic governance: "Greece missed the opportunity during the period of its economic growth and prosperity to make the necessary structural changes in the specific ten areas that I have already referred to (radical changes to the tax system, facilitating investments,

quick implementation of the National Strategic Reference Framework -NSRF, removing red tape for investments in renewable sources of energy, quick administration of justice in cases with a financial interest, establishment and licensing of companies in just one day, public-private partnerships, shifting of agriculture, making Greece seem more attractive as a tourist destination, improving government intervention to increase competitiveness). In that way, our country has trifled away its chance to meet the coming internal and external economic crisis on more favourable terms. And now that the storm has broken over Greece, it lies helpless and unable to do anything, paralyzed by the stiffness caused by the political, administrative and judicial system. We must, however, take action here and now. Greece is running out of time ").

At the same time, however, it is in this very environment within which the current crisis of the Greek economy and of the Greek public sector manifested itself, that the first, key elements, capable of playing a crucial role in overcoming the crisis and in resetting the country on a prosperity and credibility course, made their appearance. a. In the Public Sector, there are thousands of employees that are graduates of National Schools (such as the National School of Public Administration and the National School of Public Health, as well as the Diplomatic Academy and the Public School of Justice) that if they come to the forefront, they can support the New Greek Recovery . b. The current increase in exports reveals the dynamics of the new generation of Greek entrepreneurs. c. Many of those currently unemployed are graduates of some of the top educational institutions in Greece and abroad. Their willingness to accept a reasonable pay for their work constitutes a major investment stimulus, provided of course that a positive climate for investments is created. d. There are many but very specific areas in Greece, in relations to other EU countries, in which we can immediately show progress such as tourism, (representing about 20% of the GDP), agriculture which has a great export potential, renewable sources of energy (provided that administrative and judicial bureaucratic barriers are removed), food production, retail and wholesale trade and most importantly shipping. At this point, it should be taken into consideration, that there may be a possibility for Greece - following the example of Cyprus - to add to

the abovementioned list of sources of wealth, the hydrocarbon and natural gas reserves that are found in different parts of Greece especially once an E.E.Z (Exclusive Economic Zone) is defined. There is no doubt that Cyprus's greatest success following its entry in the EU is the definition of its exclusive economic zone and its exploitation along with companies of Israeli and American interests. This is a huge financial and political success that it even pushed Turkey to fall back. **There is no doubt that Greece's recovery is our own business.** Certain key features of the very promising Greek entrepreneurship also confirm this very optimistic view. The collapse of the Real Socialism in Eastern Europe and the opening up of the borders placed Greece to a dominant position during the decades of the 1990s and the 2000s. Being a member state of the EU, and also a member of the Eurozone and NATO, the country played a leading role in South-Eastern Europe. K.Simitis led the country in this course. At the same time, the representatives of the Greek banking and venture capital were very quick to turn their business interest in the seventy million inhabitants' market of South-Eastern Europe. Approximately 3,500 Greek companies engaged in trading or invested in countries of that domain. The main business activities in the area were undertaken by banks, industrial materials companies, food production companies, service providers and supermarket chains. This openness of the Greek entrepreneurship abroad was definitely associated with the more challenging opportunities offered by the new markets, but also with the climate prevailing in Greece that did not favour investments (tax system instability, high labour costs and charges, redtape etc.).

Our country has been, therefore, dragged in the most serious crisis since the Greek Civil War, having an unproductive and wayward public sector, a bureaucratized administration of Justice and a shrinking and uncompetitive private sector, but also enjoying a number of advantages relating to the dynamics of oppressed and well-hidden public sector resources, and a private sector ready to seize any development opportunities if and when they appear. In other words, Greece is facing the crisis from two different perspectives. On one hand there are the citizens who want to roll up their sleeves and work in order to contribute to the country's Recovery and on the other hand there are those who are nostalgic of Greece's recent past and they want to keep their bad habits going. The "two Greeces", in K. Simitis's words, are present even today while Greek people are making a hard effort to overcome the

crisis. During the last two elections of May and June 2012, the “two Greeces”, entered into a political debate and competed for the win. What is of vital importance for the country’s future is the crucial element of the balancing of the social forces as well as the citizens’ attitude towards the Euro which was depicted by 70% of the voters that chose for Greece to remain in the Euro and the Eurozone. This was the clear message that was sent through all public opinion polls that were conducted during the two months of the elections. **In order, however, for the success of the titanic effort of the Greeks to stand on their own feet and to help their country recover, they must excel in three quite distinct areas: First of all, the Third Hellenic Republic period (1974-2014) must come to an end and the Fourth Hellenic Republic must be proclaimed through a subversive and radical revision of the Constitution. Secondly, Greece should achieve an equally radical transformation of the Public Administration and Justice. And last but not least, the country should reject the eudemonism of the political changeover era and the distorted moral consciousness, which was initially promoted by the traditional Left and quickly spread through the post junta political system; a consciousness, according to which every politician should consider it his duty to endorse and satisfy any kind of demand without weighting it against the social responsibility and the public interest.**

B. THE ONSET OF THE CRISIS

1. From the crisis of the U.S. Banks to the Greek Debt Crisis

The global financial crisis that broke out in 2008 in the United States caught most European and North American countries off guard. In Greece however, it acted as a “catalyst”. It sped up the long-looming collapse of Greece’s economic model and, all of a sudden, brought the country face-to-face with its chronic deficiencies and weaknesses of its administrative and political system.

For years, Greece had been financing its deficits and its public debt by borrowing money on extremely favourable terms, due to its status as a member-state of the privileged single European currency club. Everybody, including the markets, the financial rating agencies, the European Commission, the European Central Bank and the country’s European partners, considered Greece a pretty much average EU member state, somewhat heavily indebted perhaps but otherwise reliable and solvent.

The crisis and its insufficient management proved, of course, that the country had far exceeded its capabilities. In addition, the actual refutation of the belief that the markets have the ability to regulate themselves, attested the fact that banks often lend money and that financial rating agencies often provide evaluations based on irrational incentives and short-term calculations. In fact, banks and financial rating agencies are more likely to reward rather than to criticize a debtor who can serve his short-term credit claims but is completely unable to meet his medium to long term obligations hence ending up declaring bankruptcy whilst on the contrary, it is possible that they might reprehend rather than praise a debtor who faces difficulties to meet his short-term obligations but is macro-economically sound.

Greece was destined to experience successively both these situations. For thirty years, being an EU member state and a regular payer, Greece was considered to be a sought-after client in the loan market. After entering the EMU, the country could easily borrow money at rates only slightly higher than those that the German government paid on its bonds. *Mutatis mutandis*, markets treated the Greek state as banks treated their depositors before the crisis, in other words as a potential over-consumer.

The situation changed dramatically in 2008. The collapse of the U.S. bank Lehman Brothers also dragged down many Icelandic banks, thus, erasing completely the surrounding euphoric atmosphere and bringing to light the major weaknesses of the global financial system. It became obvious that the deregulation process which was initiated in the 1970's and is still proceeding with increasing intensity, has deprived all countries and international organizations of the required control mechanisms. Moreover, handling huge amounts of money online and in real-time on a daily basis has rendered the global economy extremely vulnerable to organized speculation or, at best, to random mood swings. Consequently, in a short time period, over-optimism and unrealistic expectations gave their place to mistrust and reluctance.

This change in attitude meant that “easy” financing would no longer be available for Greece. And since the country was used to settle its old debts by obtaining new loans, it quickly found itself at a loose end. Standing in the middle of a risky financial game against the Euro, Greece was hit hard by both supporters and opponents of the single European currency, with the former blaming the Greek government for inappropriate financial management, hence putting the Euro at risk, and the latter trying to crush the Greeks with their ultimate purpose being to hurt the Euro.

Today, almost four years after the bursting of the real estate bubble in the U.S that greatly affected investment banks, and two and a half years after the beginning of

the turmoil regarding the sovereign debt, the competitiveness and the banking systems in Greece, Ireland, Portugal, Italy, Spain and Cyprus, the crisis is now shaking the Euro and the foundations of the EU itself. What is more important though is that underneath all these, invisible to the naked eye, lies the radical decline of the West. The public debt of western countries is currently estimated at 50 trillion dollars while the private debt, which is often even greater, should also be added to this amount. One only needs to think that Great Britain's external private debt alone exceeds 300% of the GDP. Apparently, the West has been living beyond its means for decades. While Greece proved incomparable to all other European countries in terms of parasitic loan driven consumerism, phenomena such as de-structure and de-industrialization of the production process, were common elsewhere too. For a long time, Europe and America used to think that the so-called third sector of the economy - the sector closely related to the delivery of services - was more than enough to stimulate economic and social progress. The crisis has demonstrated that those countries that remained devoted to the industrialization proved more resistant to the recession. It is not by chance that "countries that produce vital commodities - food and energy and things like that - are doing very well and they're gradually climbing up the economic league table" (Douglas McWilliams, CEBR, December 2011). At any rate, what has become evident from the latest 2012 events, concerning some of the most influential entities of the international financial system, is that the recent experience of the ongoing crisis has not changed the mentality of the international economic status quo. Speculators - "gamblers" are still playing their game. Many prominent and "respectable" financial institutions along with their people in the mass media, the financial rating agencies, the universities, the international organizations and the political parties carry on playing games at the expense of the global economy and people's lives. Within the context of the global economy, the regulation of the markets, which can only be achieved by major entities (such as the EU), is now more than ever absolutely necessary. The so-called "banksters" must eventually take the same road that people of similar virtues and vices took at the end of the alcohol prohibition era in America!

The realization that the sovereign debt crisis is not limited to Greece should not be an excuse for complacency. **After all, apart from the debt crisis, Greeks**

experience an equally important competitiveness crisis. The structural weaknesses of the Greek economy are not a phenomenon detected solely in the narrow public sector. Though other countries are also affected by the sovereign debt crisis (eg Italy and ultimately Spain), at least they sustain significant productive potentials thanks, largely, to their sound private sector. Furthermore, the fact that Greece was amongst the first countries to show symptoms of severe economic crisis, largely due to errors or omissions already mentioned earlier, but amongst the last to make any effort to deal with it, has given rise to a punitive attitude towards the country by our European partners. It is exactly this negative attitude that we, Greeks, are struggling, often unsuccessfully, to reverse, as it seriously threatens to isolate the country from the rest of the world and to render it an international scapegoat. Such a thing, however, would be unfair, short-sighted and a dead-end with regards to the EU and the Eurozone, and would definitely prove inefficient for all the EU citizens. This is confirmed by sharp criticism on Chancellor Angela Merkel by major automotive industries of South Germany on the alleged parasitic and “lazy” reunited North Germany which received large fund transfers from the South. **At the end of the day, our responsibilities as Greeks and our own fight for Recovery is one matter, while the problems and the overall course of the Euro and the Eurozone, is essentially a different matter.**

Greece is being asked to put its house in order, in no time at all. Both the former coalition government, headed by Lucas Papadimos and the current Samaras’ tri-partisan coalition government which resulted after the last elections, have been asked to handle the consequences of the hitherto effort of the country and to effectively apply the MoU (Memorandum of Understanding) and the middle-term program measures as they were formulated and described in detail in the February 2012 agreement. **Mainly, they were asked, to draft a long term strategy based on the key fiscal indicators consolidation program, which not only would help Greece break the current deadlock and disengage itself from today’s distressful situation, but also open up a new viable perspective, provided it’s combined with an economic and social objective: the objective of DEVELOPMENT.** Unfortunately, such a development plan was not drawn under

Lucas Papadimos' government. And the present tri-partisan coalition government hasn't yet presented to the Greek people, such a vital plan which nowadays is deemed necessary. And the time that we don't have just goes by.

The political conditions for designing such a national development plan are: a) the accurate diagnosis of the reasons that led us to the May 2010 agreement and of those that followed; b) the clear-headed assessment of the achievements in addition to the errors and omissions of the Greek side as well as that of our partners that has marked the reform effort of the 2010-2012 biennium; c) the mapping out and implementation of development policies here and now; d) the need to measure up our negotiating capabilities against our creditors, especially within the new political and economic landscape that is being shaped throughout Europe. At this point, I deem it necessary to reiterate uncut and verbatim, one concern of mine that I had already pointed out in the text of *the views on a New Greek Recovery Scheme* in February 2012: "**We must be aware of the following risk: if the Lucas Papadimos' government is at the end of the day confined to the application of the October 26 decision, and the next government, if new, needs a six-month adjustment period, then the country will have lost the whole of 2012 and will welcome 2013 facing the same problems in terms of competitiveness and development**". Unluckily, not only did the remaining period of the Lucas Papadimos' government pass inactively in terms of shaping the national plan and not only are we experiencing the awkward first half of the Samaras' tri-partisan coalition government, but the country has also lived through a two-month election period dominated by the demagogues' populism and by political illusions. Meanwhile, the alleged fights to conquer deserted castles may have been the ideal setting for the Italian comedy highlights, but we cannot let it become the terrifying scene where important developments will take place regarding the Eurozone's most severely crisis burdened country. **But as I had repeatedly warned from my position as Minister of Health, the eventuality of welcoming 2013 without the slightest progress in terms of the fight against the recession, puts to immediate risk, a large part of all welfare state infrastructures which were so laboriously created.**

2. The measures and the strategy of the MoU (May 2010)

The MoU that was agreed between Greece, the European Commission, the European Central Bank and the International Monetary Fund and was authorized by the relevant law, voted by the Greek Parliament as a *sui generis* legislation in May 2010, was based on two facts. The first one was, that unless new direct loans were ensured, any overdue debt would remain outstanding and the country would be forced to declare unilateral stop of payments i.e. to officially go bankrupt. The second one was, that such a default would automatically lead to the imposition of even more onerous budget cuts and to the ultimate collapse of the domestic banking system. Greece's support was therefore a vital issue for Europe as a whole, but also our profound responsibility. An uncontrolled bankruptcy would have unpredictable consequences for the entire Eurozone area and the global economy, which was still reeling from the sock of Leman Brothers' collapse. On the other hand, for Greece, such a situation would lead the country and its citizens to an unprecedented political adventure and to generalized poverty.

Despite the warnings of experts and politicians, most European governments and the European Union itself were not willing or prepared to deal with the problem as a whole. They were confined to case-specific interventions requiring immediate action. The MoU with Greece was such an intervention. Certain key issues such as the lack of control mechanisms of the global financial system, the manipulation of the markets by the financial rating agencies, the role of the ECB, and the necessity for a common European fiscal policy were never raised. As Chancellor A. Merkel put it in May 2010, the main point was to "buy us some time". Taking that into consideration, the Greek government had, as things turned out, very limited space for negotiations.

The MoU was based on five fundamental assumptions:

1. The Greek debt is sustainable and thus it needs no “haircut”.
2. Greece can return to the markets in 2012.
3. The expected recession due to the imposition of measures would reach a peak in 2010, would continue with less intensity in 2011 and would be overcome in 2012 when the economy would start showing signs of recovery.
4. The planned measures which included a number of fiscal adjustments and structural changes could be fully implemented and start bearing fruit soon.
5. Under the above assumptions, the best solution for Greece would be a loan of 110 billion euros, coming from the EU member states and the IMF, granted on favourable terms and other than the ones applying in the markets.

The program that came with the loan of 110 billion euros, set as priority the stabilization of the public debt by 2013 and its subsequent decline, so that Greece could return to the markets. It was also anticipated that the country's primary deficit would become zero within two years, and that Greece would show primary surplus as early as 2012. For this reason, at the beginning of the program's implementation, most measures were intended to be undertaken within the years 2010-2011.

From a political point of view the aim was twofold: to improve the services provided by the state and, at the same time, to reduce the cost of operation. This would have been achieved through structural changes that would ensure, on a regular basis, an increase in revenues, a decrease in costs and the reduction of Public Administration malfunction, especially in the organization of the tax department, the social security funds, health care and the Public Utilities Organizations.

In practice, the implementation of the MoU meant that the Greek state could no longer operate as it did before. In the social field, the success of such an attempt presupposed a dramatic shift of balances. Within a very short period of time, the

state would ensure the transfer of resources from the public to the private sector, from consumption to investment and exports and from the protected and non-tradable services and professions to tradable goods and services (see the study of Chr. Iordanoglou, Memorandum, a post mortem, 2011). **Obviously, the overall mixture of development policies that were deemed necessary by the country in order to counterbalance the recession resulting from both the economic crisis and the reduction of public expenditures, was not included in the MoU and rightly so, since it was –and it still remains –an issue of the Greek state and not that of its creditors.** However, exactly this issue proved to be the root of our main problem and the basis for the criticism that has been developing since August 2010!

3. Successes and failures in planning and implementing the program.

Up until October 2010, the objectives of the MoU were met with only slight deviations from the original plan. The deficit eventually shrank by about five or more points of the GDP (six and a half at the end of 2011)!!! However, public expenditure cuts were much deeper than originally planned, and were mainly achieved by imposing horizontal cuts on wages, salaries and pensions. The top structural changes of 2010 involved the social security system, the labour relations and the reorganization of the local government.

The first outcomes following the implementation of the program were well received abroad. The interest rate on Greek government bonds fell sharply. Prime Minister George Papandreou was awarded a prize in Berlin for his struggle to boost reforms. Within the country, despite the repeated protests of the unions and the negative attitude of most opposition parties, the reform program seemed to have the consent or at least the tolerance of most social classes that understood how critical the situation was. In the municipal and Local Government elections of November, PASOK ranked first once again!

But as early as the end of 2010, things got worse. The initial reform eagerness of the Government abated, while the powers of resistance or negligence inside the ruling party gained ground. Especially during the first semester of 2011, apart from some exceptions, the Government was giving the impression that it had put its “pencils down”. The problem was central. The so called fear that we couldn’t go on, overwhelmed many party members and, as it turned out, hesitance became the ruling attitude. At the same time, the fear of paying the political cost didn’t allow us to proceed with the recovery program in progress which was what the citizens wanted. The demagoguery of the opposition started gaining points, since the government was so eagerly giving them away. On the financial front, the target of maintaining the deficit to no higher than 7.5% of the GDP was moved upwards several times. In particular, cost cutting did not show any progress. On the revenue side, the fight against tax evasion and contribution evasion did not pay off. The tax law of April 2010 proved inadequate. Exactly at that time period, the writer of this text himself, made two distinct interventions: one that concerned, the reality around the 2011 deficits (“to tell the whole truth to the Greek people”), and one, on the reluctance of the government to proceed with the implementation of the program (“I have no place in cloudy politics. In any case, I am at the disposal of the Prime Minister”). May I remind you at this point that hesitant and disoriented behaviour, led to two errors: they provoked Troika’s (Representatives of the European Commission, the International Monetary Fund and the European Central Bank) disapproval which made public the 50 billion privatization program that the government had agreed on but hesitated to announce, and they generated a crisis with Troika, unknown to many, which burst just before the Easter Holiday period of 2011 regarding the Greek government’s ability to announce new measures (these measures were eventually enforced in June 2011, i.e. three months later).

Towards the end of 2011, the data indicated a deficit approaching 10% of the GDP and it eventually reached 9.1% of the GDP!!! It was a global feat that was achieved thanks to the efforts of the Papandreou government and above all, thanks to the sacrifices of the Greek people. Nevertheless, the State’s accumulated payment

arrears didn't cease, and they still continue, to disrupt the markets. The program's term specifying that all government arrears would be settled and all VAT arrears would be returned to the beneficiaries on receiving the instalment of 6.5 billion euros on 31st March, 2012, was not met by the country's creditors, mainly because the elections raised well founded doubts regarding the continuation of the program by Greece. Needless to say that this amount of money has not been yet paid, aggravating the recession which has far exceeded the expectations reaching 6-7% of the GDP. The inability of the government to fully proceed with the Budget implementation led to the inevitable decision, in September 2011, of imposing more measures of immediate return, such as the property tax measure, which however, deprived the market of its liquidity and deepened the recession even further. A major conflict also presented itself in the field of structural changes in the economy, for example, the privatization program remained inactive, and neither was there any progress in the opening of the energy market. At the same time, the absorption rate of the NSRF Community funds was improved but remained insufficient, since the government didn't take any central initiatives, hence, leaving each competent Minister acting without any support. More important though, the development policy aiming at the removal of any bureaucratic obstacles in the Public Administration and Justice, was not implemented and no policies were promoted in sectors where Greece has expertise and can immediately achieve spectacular results. The recession gripped the country. This internal clutter, led to a peculiar and intense political crisis, in the midst of the economic crisis. Greece's political staff showed lack of drive. All this prompted Prime Minister George Papandreou to consider and express his disposition to hand over his power to the leader of the opposition A.Samaras in the well-known talks that took place between the two of them; ultimately it led to a government reshuffle, which was marked by the appointment of Evangelos Venizelos as Deputy Prime Minister and Minister of Finance, and the new vote of confidence by the Greek parliament, etc.

The deterioration of the internal political climate was further enhanced since the international climate was reversed, when Germany asked for the establishment of a permanent crisis management mechanism that would include individual creditors

sharing some of the cost too. The German claim, although politically reasonable, intensified the distrust of the markets against heavily indebted countries and reduced considerably their creditworthiness.

The pre-mentioned problems relating to the implementation of the program clearly highlighted once again, the limited capacities of the country's political system and Public Administration. However, it also brought to the surface the initial planning's shortcomings which had to do with the fact that the implementation of the program was not accompanied with development policies which was the Government's responsibility. Over the last two years of the MoU implementation, the following results have been recorded:

- First of all, what is usually overseen is that Greece, managed to avoid a payment default, and consequently bankruptcy by obtaining a loan of 110 billion euros from the people of the Eurozone countries, which was granted on more favourable terms than the ones applying in the markets.
- The General Government deficit was reduced by 5.5 percentage points of the GDP in 2010. This success clearly indicates the country's ability to reduce its debts.
- The prediction that Greece would be able to return to the markets in 2012 was not confirmed.
- The prediction of a relatively modest increase in unemployment (in fact, it has already exceeded 20%) was not confirmed, with the Government's responsibility. During my tenure as Minister of Labour, I had already stated in a Cabinet meeting, that it will reach 20%.
- The prediction that inflation will fall (in fact, it eventually started to fall in early 2011 following an unexpected rise of 4.7% in 2010), was largely verified.
- The decline in investment activity proved greater than anticipated.

- The estimate that the Greek debt is sustainable proved wrong.

- The estimate regarding the course of the recession (which instead of dropping in 2010, reached a peak in 2011 and it is already expanding in 2012), was not correct. As it has turned out, 2012 did not prove to be the first year to achieve primary surplus. This estimate, which was also believed by Prime Minister L. Papademos, proved to be wrong. If, however, we take into consideration the structural deficit -that is, the recorded deficit resulting without taking into account the effects of the recession on revenues and costs- the overall picture of our efforts to achieve financial rationalization is much better. This is due to the fact that the primary surplus target would have been achieved if the recession hadn't reached 6.8% of the GDP in 2011. Though unnecessarily, it should be noted that any responsibility regarding accurate and inaccurate predictions should be shared among the Greek government and the representatives of our creditors.

Today, the factors mainly held responsible for the exacerbation of the prolonged recession are: a decrease in consumption, the continuing credit crunch, the uncertainty regarding the future of the economy, the over-taxation, the overall decline in economic activity, and especially in the case of Athens, the continuous public demonstrations (as Ch.Papoutsis, former Minister of Citizen Protection said to the Council of Ministers, over 1,300 demonstrations took place in Athens between September 2010 and February 2012!!!). Another prediction of the MoU which was verified had to do with the openness of the Greek economy. The sharp increase in exports coupled with a similar drop in imports led to a significant improvement in the Current Transaction Balance. Positive effects were also recorded in the tourist sector, where there was an increase both in arrivals and revenues during 2011 and a further increase is expected in 2012, despite the problems that were caused by the prolonged electoral period at the beginning of the season.

In terms of failures in implementing the program, they can only partly be attributed to the insufficiency of the Greek state to effectively apply it. In fact, they can be equally attributed to the inability of our creditors to understand the particularities of the Greek economy. However, neither we nor they, took into account the shortcomings of the Greek administrative and political system, the various reactions of certain interest groups, or the demagoguery of the mass media, in certain issues.

The general inefficiency in implementing the program was further exacerbated by the split in the leadership of the Eurozone countries in regards to the handling of the Greek issue. And especially, Germany's insistence, on a completely restrictive policy mix, free of any development aspect or any possibility to appeal to effective financial instruments, such as Eurobonds.

As it turned out in the cases of Portugal and Ireland too, the programs that were implemented there respectively, just provided a mere temporary suspension of the symptoms of the crisis without being able to eliminate them and the consequent sharp reduction in government spending plunged the whole economy in deep recession, which in turn, through a reduction in tax revenue, enhanced further the budget deficit and debt. Meanwhile, most EU member states have fallen into the vicious circle of self-sustaining recession, while the crisis, which has now turned into a crisis of confidence in the euro, has a negative influence in the global economy. The European retractions in dealing with the Greek issue have highlighted the structural weakness of the European Union to respond effectively and timely to crises of such magnitude. The lack of foreseeing the inclusion of a relevant clause in the treaties for a support mechanism for the member states that are affected by a severe economic crisis and are threatened with bankruptcy, what is now referred to as «no bail out» clause, caused dramatic delays in the EU's response to the crisis. Moreover, the aforementioned retractions revealed the deep contradictions in the strategy employed by the large countries concerning the future of the monetary union and the euro. The European institutions' reaction proved once again very slow against the rapid succession of developments taking place in the global markets on a daily basis. The EU member states were divided into two distinct groups, into the "reliable" North and the "problematic" South, into the

countries that maintained their triple A credit rating and into the so-called «PIIGS», to which both France and Austria were added. Especially the attitude of the German government, which for internal political reasons repeatedly stood in the way of the necessary decision-making processes, led not only to the maintenance but also to the further enhancement of the political discrediting of Europe and the institutions of the EU. The sharing of the responsibilities should be done in an objective way including all the parties involved. Only in this way we can correct our mistakes and move on with the Recovery of the country. Practices such as demagoguery, populism and engaging in meaningless politics, cannot provide solutions to our problem. Besides, this became clear both in the second half of 2011 and in the first eight months of 2012!

4. The Medium Term Fiscal Strategy Framework, the “Second MoU” Agreement, and the new Loan Agreement.

The official confession, that the MoU measures were not adequate to resolve the Greek debt problem, was made during the summer Summit of the Eurozone countries. With the agreement of July 21, 2011, an additional loan of 109 billion euros was granted to Greece, while the Greek bonds in private hands were exchanged with new ones, whose nominal value was reduced by 21%. With this restructuring, which was called voluntary in order to avoid activation of CDS (Credit Default Swaps), the EU admitted for the first time, that the Greek debt could hardly be serviced. Under the pressure of Germany, and despite the strong opposition of other countries and banks, private bondholders were for the first time asked to bear part of the cost of aid provided to Greece. Earlier on, with the approval of the Medium Term Fiscal Strategy Framework by the Greek Parliament before the Summit of July, the country was reaffirming its commitment to start showing primary surplus by 2012, to promote privatizations and to proceed with the reforms. At the same time, it approved new difficult fiscal measures and it consented to its supervision by foreign consultants.

The agreement of July 21 proved short-lived. Most independent observers had foreseen right from the very beginning that the 21% "haircut" and the decrease in interest rates would not substantially relieve the country from its excessive debt obligations. Furthermore, in-house, the reform effort, which was a condition for the successful implementation of the Medium Term Fiscal Strategy Framework, instead of being intensified continued to stagnate, while all attempts to renegotiate our country's position failed one after another.

Under these circumstances, the need for a new radical settlement of the Greek debt became obvious. Acknowledging this fact, the member states of the Eurozone, proceeded, in the Summit of October 26, 2011, to approve a new loan agreement, this time amounting to 130 billion euros. The "haircut" on Greek bonds, to which the private sector gave its consent (Private Sector Involvement, PSI), reached 50% of their nominal value, while it was officially acknowledged that Greece could not return to the markets before 2021. The new agreement was greeted with relief from the governments and markets alike, but relief quickly turned to frustration and anger, following the surprising announcement of the PM's intention to lead the country into holding a "referendum", an announcement which shook the global economy. (As it became known, I immediately asked for the withdrawal of the Referendum proposal in the Cabinet. I used harsh words for this proposal. I also insisted on my position, the following day in the Greek Parliament: "I supported this position last night during the discussion of the referendum in the Cabinet. And I will also stand by this position today, in front of you, regardless of the cause, and I will keep on supporting it tomorrow and all days ahead. It is unthinkable for a Greek, man or woman, belonging to the mainstream political forces, to stray even an inch out of this position. Whoever does so will endanger the country's public goods and its future perspective, while no one has been given such authority." Extract from the parliamentary debate on the vote of confidence to the Government, 2/11/2011).

For the first time, the issue of halting aid to Greece and of expelling it from the Eurozone was raised. The turmoil caused within and outside the country and the

dramatic meeting that followed in Cannes forced the Prime Minister to resign, which led the New Democracy and the Popular Orthodox Rally parties to consent, together with PASOK in supporting a short-term government under Lucas Papademos' leadership. The proposal to conduct a referendum was, however, the straw that broke the camel's back. The key weaknesses of the Government under G. Papandreou's governance were the following: a) The false demagogic oppositional practices on our part before 2009, caused a significant delay in taking appropriate action when we assumed government (I myself, both as a member of the party and as Minister, strongly disagreed with both of these policies). b) Our weakness and fear to speak the truth to the public, led us to an inability of maintaining the political ascendancy which we gained in 2009. Thus, after the municipal elections of 2010, guilt and hesitation stood in the way of the government in carrying out its mission. We lost time and opportunities and we were discredited abroad, while the Greek people were making sacrifices. c) The need to run to the EU to provide solutions to our problems came in contradiction with Papandreou's government foreign policy. Instead of turning ourselves towards the core European correlation of forces, we sent contradictory and difficult to interpret messages. d) The lack of quick return development policies. e) The absolutely wrong choice of the referendum, which had disastrous consequences. And as to these latter failures, the writer of this book exercised criticism on a constant basis to push things to the right direction. My speeches in the Greek Parliament, my occasional interviews, as well as reports from the meetings of the governmental bodies, prove the truth of my words. However, the responsibility for the effective operation of the whole of the government is collective. I assume, therefore, my share of responsibility. People will judge each one of us. However, it should be credited to G. Papandreou and his struggle as Prime Minister that: a) During his tenure, he was asked to resolve decade-long problems and delays, within a few months! b) As Prime Minister, he encouraged those Ministers who attempted to promote important and difficult structural changes. c) In July and October 2011, he contributed to the shaping of two important EU decisions for our country. And let's not forget: if it hadn't been for the MoU and the 110 billion euros in May 2010, the country would have gone bankrupt within a very short time period. d) He managed to hold the governing party united despite taking decisions contradictory to the party's past, which was not at all anticipated, and he played a crucial role in shaping a multi-party government

(something he had also attempted in June 2011). **In short, if there was no crisis, the Papandreou government would have been one of the best governments in the EU at the time. Under such circumstances of sovereign debt crisis and competitiveness crisis, however, it proved to be insufficient to meet great needs, especially needs regarding development. I certainly hope, that something which currently seems quite likely, not to be proved true, the fact that the Papandreou government was the best one in the years of the crisis.** With everything mentioned above, I obviously do not aspire to make an assessment of the period 2009-2012. The assessment of that period will need time and certainly a more objective approach than that of a Minister of the 2009-2012 Governments. However, since I experienced the recent governmental tenure from a forefront position, my views are not “self-evident”, they are merely presumptions. I endeavour to present them at a later stage and they will be based on the political calendar that I have kept and on more objective conclusions that usually come with time. I will confine myself though to referring to certain key issues, in light of the current developments of this year.

Meanwhile, the so-called "second MoU" was drawn up, leading to the withdrawal of the Popular Orthodox Rally party from the government and to the political crisis of the period 9-12 of February. The negotiations, agreements and disagreements over this issue, as well as the related dramatic political developments are recent. There is no need for special reference to them. It only suffices to note that everything that happened represents the real "end of an era." From Monday 13-02-2012, a lot has changed and almost nothing will ever be the same again. For Greece, for society and for its political forces, a new, rocky road is ahead of us. The political convergences between the main bodies of the two consistently polarized leading political parties took place in a way quite peculiar for the post-junta habits of the country. The majority that ultimately consented to give all its strength so that the country would not go bankrupt, although more limited than the one of November 2011, remained wide enough since it comprises the 2/3 of the Greek Parliament.

Under this majority, a number of laws were voted, receiving an unprecedented parliamentary legitimacy, such as those concerning the reduction of the

pharmaceutical expenditures, the enforcement of European consumer standards on factors relating to the speculative increase of pharmaceutical expenditures (with the claw back mechanism being the most important one), the appointment of just a single Ministry as the only one responsible for the provision of health services, the integration of all Health Insurance Funds in E.O.P.Y.Y. (National Organization for Health Care) (which was prevented by the “caretaker” Minister of Labour A.Roupakiotis, who stole regulatory powers of the Minister of Health and violated the constitutional limits of his official responsibilities), the consolidation of supplementary insurance funds etc. During that period, the Deputy Prime Minister and Minister of Finance Ev. Venizelos with his political and administrative staff, carried out with an unprecedented success, the implementation of the PSI, which meant in practice, the greater ever global deletion of debt amounting to 106 billion euros!!! On March 18, Ev.Venizelos became President of PASOK, while on April 14 the Greek Parliament was dissolved. The writer of this book had the honour to be the Minister who closed with his speech that eventful parliamentary term, by applying the program which had just been adopted, and by issuing, on the very next day of the adoption and publication of the implementation law, fifteen Ministerial Decisions, almost all dedicated to the reduction of the pharmaceutical expenditure. This was the approach I took while I was in charge of the Ministry of Labour and of the Ministry of Health. Instead of trying to "win" time, without doing anything and before things sink in embarrassment and stillness, causing the discrediting of Greece abroad and sacrificing the toil, the sweat and the suffering of the Greek people, I did as many things as I could immediately so that I could meet my obligations on time, 90% of which consisted of Greece's obligations of past years or decades for which nothing had been done (eg the reform of the social security or the reduction of the pharmaceutical expenditure).

As far as the tri-partisan and eventually the bipartisan government of Lucas Papademos and its work are concerned, our assessment could be summarized in two main points: as a special purpose government it succeeded marvellously at its task, which was no other than to implement the decisions of October 26. The country got a 130 billion euros loan, while 106 billion euros of its public debt were deleted. The

Prime Minister with the recognition he enjoyed abroad, but also with the appreciation he was given by the Greek men and women, succeeded perfectly to carry out the special mission for which the Greek Parliament gave his government a vote of confidence with a wide majority. One of the disadvantages of the Prime Minister Papademos' government was, in my opinion, the non-utilization of the semester it remained in power to prepare the development plan that the country needed. If the Samaras' tri-partisan coalition government had received such a plan, there might have been greater hopes for a quicker response against the recession. Finally, one weakness of Papademos' governance, for which however, he himself as the Prime Minister had no responsibility for, was the unwillingness of the New Democracy party to support, in the Greek Parliament, anything that was not included in the MoU. An extreme example of such a counterproductive attitude was the non-support – and thus the withdrawal – of the law provision which initiated the great project of 40,000 refunds from people who were illegally receiving welfare benefits (the self proclaimed blinds, etc.)!!!

The Papademos' government was driven to resign in order for the elections of June 17 to take place by a caretaker government. The political leaders that led the country to this harmful decision were F. Kouvelis and P. Kammenos. The country found itself, at a crucial stage with regards to the fulfilment of its international obligations, to be governed, for over a month, by people who basically wished that nothing they could not cope with, would happen to them. The caretaker Prime Minister, however, the former Chairman of the State Council, P.Pikramenos, manifested admirable readiness, and management skills, while his political speech, during the few times he spoke publicly, was vital and politically sensitive.

The country, thus, moved ahead to the double elections of May 6 and June 17. Two months full of delusions and hallucinations. Two months full of demagoguery and populism. The election results of May 6 were not considered by the political leaders important enough to constitute the basis for the establishment of a new government, though the New Democracy, PASOK and DIM.AR together, had a clear majority in

parliament. I argued that the second elections should have been avoided. Typically, it is the leader of DIM.AR., F.Kouvelis who is responsible for these elections. Essentially, of course, he was not the only one responsible. There is a lot that I would like to mention regarding the April-June 2012 period, but I will not fall into temptation and neither will I make any kind of allusive effort. My political views in which I believed and I still believe are necessary for Greece during the period that we are currently undergoing, are clearly pointed out in an article of mine in the Sunday paper of "Kathimerini", on June 3, 2012. I quote word for word: "Within fifteen days, the Greek people will be asked to put an end to a two-month period of no governance, hallucinations and conscious creation of delusions. Greece and its citizens, after two and a half years of hard struggles and sacrifices, successes, errors and omissions, are standing at a crossroad: one direction leads to the difficult but thorough course of working hard for economic growth and fiscal rationalization, which will bring prosperity. While the other direction leads to losing whatever time we have left, by choosing governments that will collapse, leading the country to new elections, with whatever this entails. On the 18 of June, Greece should have a Prime Minister and on the 19th, it should have a Government. Further delays will exacerbate our problems. The lack of governance will serve as a catalyst for the political crisis. And the political crisis worsens the economic crisis. Since the announcement of the elections in April, the Greek relaxation of the political supervision has already led to administrative relaxation. And that is already being reflected in the field of reduced revenues. I am sure that it will be also reflected in the field of general government expenditures. However, this situation increases the deficit of 2012, increasing thus our problems.

But, what are the tasks of the new government and of the new parliament? I firmly believe that any attempt to continue the work from where we left off when the Parliament was dissolved in April, will lead to an immediate collapse of the new Government. And that's because one of the tasks it should immediately undertake, is to submit to the Greek Parliament the Law regarding new cuts to special payrolls, as well as to promote the law regarding fiscal savings of 11.5 billion euros for the years 2013-2014. Therefore, in order for Greece to move forward and to come out of the worst crisis since the end of the civil war, by 2015, it is imperative to revise the terms of the loan agreement. This agreement is undeniably the oxygen that

keeps us alive. Its conditions, however, need urgent revision. As we know, these conditions constitute the second program of economic reconstruction, the so-called "second MoU". We have two years of experience. Leaving aside the illusionary and delusive debate of unilateral termination, political or legal termination of the loan agreement etc, I proceed immediately to the agenda of the effort to revise the "second MoU" and to the way this will be achieved.

First of all, we have to decide how to proceed with this negotiation. The two year experience lays the ground for changing the way that we conduct negotiation. Until now, there have been two major rounds of negotiations (May 2010 and February 2012), and six smaller ones regarding the quarterly updates of the agreements. The changes to be made are the following:

a. The Greek Parliament, upon a proposal by the Government, selects the National Negotiator and sets up his team. The underlying idea was made by a Greek technocrat in the EU Commission. The National Negotiator with his small team, immediately after the elections and according to the Government's orders, engages in negotiations about both the revision of the loan agreement and the quarterly updates of it. Additionally, he coordinates along with his team the cooperation of the country with the EU Task Force for the provision of technical assistance. To grasp the dynamics of such a proposal, let's consider the Cypriot Nobel Prize Winner Christoforos Pissarides as the national negotiator! And before someone hurries to object to this proposal on account of suspicious thoughts, he should be reminded, for clarification purposes that the negotiations on behalf of the E.U. are not conducted by J.M. Barroso neither by the Commissioner O. Renh.

b. The negotiations are held in Brussels. It should put an end to the comings and goings of the Troika Heads to Athens on a regular basis, to their meetings with the Ministers, to the interviews, to the actual or supposed leaks to the press and the like. All these actions therefore, should be taking place in Brussels. The meetings in Athens should just be at technical level.

c. Especially as far as the revision of the program is concerned, a high-level international conference should be organized in Athens before the beginning of the

negotiations but definitely after Greece has shaped a proposal, where the Government and the National Negotiator will present its key components.

d. The revised program should be the core of the national five-year reconstruction and development program, which will constitute our fundamental planning for returning to prosperity.

Let's see now, which are the points of the plan that should be revised. Initially, let's keep in mind that in Greece there can be no government that will take today or tomorrow revenue collection measures of 11.5 billion euros for the next two or three years. So, the key issue is to extend the adjustment time limits from two+ one year, to two+ more years, ie as many years as we can get during the revision. At this point, it should be taken into account that increasing the years of adjustment does not have as a sole objective to increase the number by which the 11.5 billion euros will be divided by, which is of course of vital importance, but it is: to implement, in the meantime, effective development policies, so that development can replenish the treasury of the Greek state and of the social security funds, and stop the need for wages, pensions, as well as welfare state infrastructure (health, education, social programs, ports, airports etc.) cuts.

To be clear, therefore, it should be noted that the second point of the revision of the program, i.e. the non-trimming of wages and pensions, presupposes on one hand the extension of the adjustment time period and on the other the shifting of cuts at a later stage, with the hope that the development policies will render them unnecessary.

Which are those development policies that should be immediately implemented? They can be distinguished between these that require revision of the plan and those that fall exclusively under our responsibility. The development policies that require revision are suggestively the following: First of all, the completion of the NSRF Projects within two years along with the absorption of 12.5 billion euros. Since, however, the Greek government and the Local Government, stand in the way of such an effort, the only solution left is to deploy almost all NSRF funds through the banks. This method guarantees direct absorption of Community funds. Second, the release of the funds for the operation of major projects can result in the flow of the relevant funds in the Greek market during the spring of 2013 provided that any

reluctance of the international banking system to invest in Greece is met through the provision of warranties. Third, directing a portion of the 50 billion euros recapitalization money through the banking system to the market immediately, i.e. within 2012 and maybe directing as much money as possible from the European Investment Bank for development purposes. Fourth, the EU Commission must accelerate the approvals on privatizations that have been promoted by the country but have been "stuck" in Brussels. Fifth, the need for development and implementation of programs that aim to tackle youth unemployment which apart from its social dimension also results in low mobility consumption. Sixth, the taxes in sectors such as the tourism and restaurant industries should be reduced.

Besides everything mentioned above, there are certainly policies that we ought to exercise independently in order to establish our development perspective: First, a means of both relieving the heavily indebted households and also facilitating liquidity, is the extension by 25 years or more of the housing loans whilst keeping the interest rate constant. This issue has been checked with the banks, and it seems it does not cause any problems, neither to the public nor to the private sector. Second, the lifting of all bureaucratic barriers in the public sector, with emphasis on shortening and keeping the given deadlines, on the abolition of co-responsibilities and on implementing the "second MoU" which relies heavily on immediate enforcement of changes in our tax system, in the health care etc. Third, initially, all bureaucratic barriers must be eliminated in the areas of rural development, food production, tourism and energy.

The list could be extended. What I have recorded is a combination of, on one hand, the proposals of the party to which I belong to (I refer to the six points for the revision of the program) and on the other hand, my personal experiences and points of view.

Finally, it is necessary to set as a strategic goal of the revised program, the rapid, within three years, full repayment of the total debt of the country to the IMF, which currently amounts to 20 billion euros. What might help is to accelerate the privatization program. The political reasons for achieving a disengagement from the IMF are obvious, both for Greece and the EU.

It is obvious that in order to achieve such a difficult task, all internal and external factors that are critical for Greece's course should help. And above all, all Greek collegialities of political parties, trade unions, intellectuals, government, media, etc. should give it their best shot. And if that is not enough, they should go beyond it. As PASOK, we are fighting the battle from the political position of the responsible Centre-Left. One cannot think that a battle of rearguard action and reservations, of personal or party considerations, can exist today. All the country's forces should be harnessed so that the unwavering path towards the country's exit from the crisis and the avoidance of disaster can be shaped and all political obstacles and opponents are swept away. Demagoguery, populism, cultivation of hallucinations along with the speculators of the Drachma must be defeated politically, in the most solemn manner."

Finally, in recording the main events of the recent post-election period, special mention should be made to the decisions of the Summit of June 29, 2012. One of the most important decisions was related to Mr. Van Rompuy's report, which laid a number of proposals for deepening the European integration. These proposals were not discussed. Perhaps, they will be addressed in the forthcoming Summit of October 2012. **However, their reference at this point serves to underline the fact that the effective response to the current euro crisis and the much desired exit from it, can only be achieved if the one thing that is missing comes true, that is the political union of the Eurozone countries. There is a common currency, there is a European Central Bank, but there is no single political authority at least when it comes to dealing with financial matters. It's missing. And this constitutes the major weakness of the Euro.** Those of us who suffer the consequences of the crisis are well aware of how vital this weakness is. We are as well aware of it, as the speculators who are playing games at the expense of the fate of the people and the common European course. Greece has been pleasantly surprised by the decisions of June 29. Being lost in demagoguery, illusions and mock heroics, it played no central role in the developments. It remains to be seen whether or not it will acquire such a role in the coming months. **However, I can't help but wonder for how much longer will we be going down the road of**

beggary? When will we realize that participation in European developments as well as in international developments in the areas of Eastern Europe and East Mediterranean is the only antidote to falling into beggary, that results in indignity, embarrassment and insecurity? It is obvious, that something really important must change in politics. We must hurry up to fill in this gap.

C. ESCAPING THE CRISIS. VIEWS ON A NEW GREEK RECOVERY SCHEME

1. After the EU decision of October 26 and the relevant agreements. A first assessment

Just a few years after the outburst of the crisis, the Greek debt management has rendered the country economically broken. The experience of the last couple of years has taught us that the crisis is not just economic. It involves equally or mainly the country's political system, public administration and organized social groups. After all, the crisis has to do with our collective values, our lifestyle and our self-understanding. In this sense, the country is experiencing a full-blown crisis, and only if we realize that we will be able to overcome it. Of course, there are those who insist that things should be left exactly as they are! There are people who claim that nothing needs to change! But then again, there will always be people who think like that. We must defeat these people in the battle of ideas, political discourse and political correlations, we must defeat them in the battle to overcome the crisis and regain dignity, and we must also defeat them in the struggle to restore prosperity. I am deeply convinced that the core of the Greek society is fully aware of its problems, is more than willing to make its contribution to the Greek recovery and is in desperate quest of a political leadership that will prove capable of pulling this off. I am referring to those citizens who according to opinion polls represent the 70% of the Greek population being in favour of the country staying in the Eurozone. And to anyone who

hastens to argue that the very same 70% of the population is also against the “Memorandums of Understanding”, the reply is as simple as that: nobody wants difficulties when he sees no way out of them. Of course, bearing in mind the aforementioned analysis on errors and omissions of the country’s recent history, we can only comprehend the reluctance and negativism of the citizens.

At any rate, it should be pointed out that one of the beneficial effects of the crisis was that it shattered our illusions. We were hit by the sudden and striking realization that we are not as wealthy as we thought we were. And by realizing that, we also became conscious of the fact that most of the loans granted to the country were spent, or more correctly put, wasted on unproductive purposes, hence “mortgaging” our future and the future of generations to come. As a result, our worldview was turned completely upside-down. Relying on the false belief that we would always have a financial safety net if we needed it, we were surprised to discover that unless immediate action is taken, we would run the risk of inextricably linking our life and more importantly, young people’s lives to uncertainty and peril. The state which, up to now, generously offered well-paid jobs in the narrow or broader public sector, supported state-dependent enterprises and “subsidized” private enterprises and freelancers by having adopted a tolerance stance towards contribution evasion and tax evasion, belongs in the past. The reverse course has begun. **For the first time in recent decades, the current generation is compelled by necessity to pay its debts, in favour of generations to come, by experiencing reforms such as the cuts to the so-called 13th and 14th monthly salary in the Public Sector and the issuing of the Law regarding the new Social Security System (May and July 2010)!!!**

As we have already seen, twenty seven months after the MoU, the first results indicate that our expectations regarding the viability of the Greek debt, the quick return to the markets, the recovering of the country and the successful implementation of fast track reforms, were not verified. On the other hand, now we can clearly distinguish the two major financial goals we want to accomplish, as well as the importance of our political goals: a) **to achieve a primary surplus in 2013 and to**

start issuing balanced budgets from 2015 onwards, when the loan agreement will reach its maturity date and Greece will be asked to stand on its own feet. That is, of course, unless we achieve, as we are all aiming for, an extension of the adjustment program for a longer period of time (in other words, unless there is a new program, since a more than one year extension would signify the implementation of a new program, which would also have to be approved by the parliaments of the member states of the Eurozone, probably along with the programs of other countries also suffering from the crisis.) b) **To reinstate the Greek economy in a path of growth.** It is obvious that if the country is expected to show primary budget surpluses of more than 4% of the GDP on an annual basis during the period 2014-2020 and slightly smaller ones during the period 2020-2030, strict fiscal discipline should be implemented, and major and successful development efforts are required. These goals may sound ambitious, but they are entirely achievable and efficient, and in any case we should come as close to them as possible. At this moment, given the balance of forces within and outside the EU, no alternative is offered. And let's not forget: without our partners' assistance, the country would have had to declare a debt moratorium immediately, and proceed therefore to the adoption of even more onerous measures, affecting mainly the socially weak. Furthermore, Greece would have to survive economically in an increasingly adverse international environment, isolated from its natural allies. Obviously, this kind of perspective does not offer a solution. And those articulating or implying or even objectively leading us towards it, offer the worst possible service to the Greek people and our homeland.

2. What must be done...

What follows is not part of a government program proposal. Therefore, a number of government actions undertaken by various government sectors are not covered. Regarding what should be done as soon as possible **the text of the views only focuses on the main issues where the state meets the economy.** Greece stands before the making of historic decisions. We, as Greeks, are asked to fight three very significant battles. The first one is to restore the prestige of the country abroad whilst keeping the European perspective open at all expense. Greece isolated and

discredited, away from the central European powers, would risk being a permanent pariah of the international economic system. The reversal of this situation is a national imperative. The effort required is enormous, but is not a long term one and neither does it concern only the leading political forces. The irresponsible isolation, with which some people flirt, must be halted in time. No one can imagine how anyone could cancel an over half a century established European strategies for which Greeks have successfully worked for so hard.

Our second battle is to finally stop spending more than what we earn. And as a matter of fact no one is willing to keep lending us money in order for us to maintain our consumption levels. The dilemma is simple: either we rebuild the productive sector of the country or we settle for the dramatic drop in our living standards, which will impoverish the country for many decades to come. It seems like we will win this battle, however, not in the first half of 2012, as estimated, but in 2013 or later. And when this happens, I think, it will be the beginning of a course towards recovery.

The third battle is to finally form a serious and reliable state. This talk about "reinvention of the state" and the inactive reforms of our recent past have given a very hilarious tone to all discussions. However, **the radical transformation of the public administration is a sine qua non. A state whose major decisions in matters of taxation and public safety constantly depend upon certain conditions cannot exist. A state that shares its revenue with tax evaders and contribution evaders, with abusers and perjurers, cannot exist. A state that "meritoriously" rejects requests for financial activities, or is slow to respond or whose employees are constantly going unpunished while working against the private sector cannot exist.** What we should do is get rid of our ideological blinders. **The State we need is not the father – state of the left wing supporters, where the Public sector takes charge of everything, nor is the night watch – state of the hyperliberals, which only looks out for the entrepreneurs.** We need a strong, interventionist state with contemporary and flexible employees, an

executive state, capable of long term planning for all public interest areas, from economy to education and social policies. **This state cannot be "too much" or "too little", "small" or "large", but it must be intelligent, fast and efficient.** I have been insisting for years that the radical transformation of our state is now our major national goal. My speech, in March 2009, with detailed proposals on this matter was heard with tension in the political system, it seemed for a moment that it could affect PASOK's government program, but the party didn't respond. **Yet our country needs quickly, even tomorrow, a state that on one hand it will fulfil the main aim of the rapid and equitable treatment of many matters regarding our citizens and on the other it will perform a regulatory redistributive role of the market while also performing the role as a welfare state. Greece does not fulfil any of these roles.** Eight out of ten people who submit some kind of request to the public sector receive a negative and very late response. The food on the supermarket shelves gets more and more expensive. And the health, education and social security sectors spend a part of their budget, even if it is much smaller than what it was in 2009, in the service of structures and their people and not on the citizens.

In politics, the country's future will be decided by whether new leaderships with moral credentials and willingness to clash directly with our misfortune will emerge. By whether, new determined and effective parties, founded on the basis of reputable beliefs will be formed. Or by whether, the nation will ultimately find the driving forces that will come forward as the subjects of the change, isolating all those who base their arguments on the country's disaster. Without crushing the forces of regression and fixation, the country will hardly extricate itself. It is well known that the period 2009-2012 gave the opportunity to new politicians to emerge with the ability to manage major crises. And as a matter of fact this has led to the marginalization of the politician, the one whose only skill was to demagogue the people and to distribute the spoils of the state after every electoral victory. However, these politicians are few in each government. Most were and still are trying to buy time. And as we saw in the recent elections demagoguery found new bodies and protectors, both in the Left and Right wing parties. The country, however, needs to gather its power. Not many people are needed. A

powerful, revolutionary Prime Minister, 8-10 very active Ministers and 30-40 energetic executives can form a government that can make it all happen.

In the field of the necessary direct and crucial decisions it is of vital importance the promotion of structural changes and reforms and the restoration of the liquidity of the economy. By exchanging bonds and recapitalizing the Greek banks, we ensure an effective financial benefit and, above all, we gain time. Until 2021, there is no need to resort to the international market to refinance our debt, and until 2014 or until the year that will be defined by the new program, i.e. the elongation or the extension of the current one, the new treaty covers our borrowing needs including the accumulating interest.

In return, we need to leave behind our entrenched attitudes and behaviours. In other words we need:

- To overcome the paralysis of the government, which was already ineffective before the crisis and proved twice as ineffective during the crisis.
- To strengthen the development of the five key activity areas by removing all bureaucratic obstacles.
- To strengthen the development of entrepreneurships and to break all relations with the economic parasitism.
- To overcome the weaknesses of our political system.
- To address the reactions of all guilds.
- To prove to the rest of Europe that we want and we can honour our signatures and our position in the Eurozone.

- To counteract the negativity and often the nihilistic criticism of the mass media.

Above all, the Greek community is invited to finally detoxify itself by the perceptions of rampant consumption, entrepreneurial parasitism and corporatism. We have already taken the first effective steps. We must familiarise ourselves again with values that were sublimed into the maelstrom of constantly borrowing money and the illusion of a never ending prosperity: values such as discipline, meritocracy, recognizing the importance of excellence and hard work, respect for hierarchy, the sense of mission and duty, mutual aid, patriotism, collective and intergenerational solidarity.

"Even the simplest thought and knowledge indicates that national development can only be achieved by increasing productive investments, and with the corresponding reduction in consumption, especially when the consumer goods are not produced in the country but are imported and in order to import them, the country has to borrow money, hence in that way it assigns the decisions about its future to its creditors. The way to development is the way to accumulation, intensive labour and (partial) temporary withdrawal, while the way to (only short term) prosperity is the way of parasitism and the sale of the country's assets. This rigorous economic truth remains valid regardless of the social and moral problem of the distribution of the weight and the hierarchy of hardships." (Panagiotis Kondylis, 1991). Twenty years later and in the midst of a dramatic crisis I find it hard to believe that any intelligent person, and more so a politician, would want to add or remove even a single word from the phrase of P. Kondylis.

Our responsibility is to make it clear now that no one is willing to lend us any more money, that the only way to maintain our high standard of living is to make a conscious move towards the values of labour, productivity, development and therefore make it an individual and at the same time a collective effort. Above all

the innovative laws and ambitious measures, the country needs a strong sense of individual and collective effort. We must all make a conscious effort to regain our reputation in Europe and the world, our credibility as a country and to return to prosperity individually and collectively. We will succeed if we stop wasting time and if we understand that each day that passes by is to give another battle. The political speech, however, that developed during the period of the two elections was by large disappointing. But disappointment is not an option and neither does it show the way. We have to fight regardless of the conditions.

3. Greeks and their place in the United Europe

a. The National State and the European Union

We are Greeks and we are part of the United Europe. We are a nation that has a long history, aspirations for the future, is conscious of its individuality, is aware of its offer to others and its culture. However, at the same time, we are part of a global environment that is constantly changing. A universal network, whose even the most distant points are increasingly depending on each other through the economy, the information, the ecology and the common public lifestyle.

Technological progress and free trade have made our world smaller. Major issues like the financial crisis, climate change, the propagation of weapons of mass destruction and migration can only be addressed at a global level. Globalization is an irreversible fact. But the answer to the question of what are the factors and who are the key-players of the latest developments in the global scene is found in our modern history and it is clear: in principal the national states, at least for now. For the EU and the crisis burdening the Eurozone, the date, June 29th, has shown the way. Political integration will provide a new way, regardless of the process being chosen to achieve it.

Self-determination was envisaged as a political principle for all nations in the Charter of the United Nations in 1948, since then, it is constantly being confirmed. Within sixty years, the UN members have increased from 40 to 180 or more. In Europe and only just after 1989, twenty-five new national states were created: the USSR, Czechoslovakia, Yugoslavia and the divided Germany, all belong in the past. From Canada to Turkey and from Belgium to Spain, almost all remaining multinational countries face internal unity problems caused by autonomist movements and internal conflicts.

There is no doubt that the supranational formations in the areas of economy, culture, and the civil society play a crucial and sometimes an irreplaceable role. However, the most important developments in the recent decades confirm the crucial importance of a national state: the fall of the Berlin Wall and the Real Socialism; The U.S. involvement in the war against Islamic terrorism, and the emergence of China, India, Brazil and other developing countries of the former Third World; including the management of the imminent ecological crisis and the current financial and economic turmoil has shown that the political subjects are moving internationally but whilst keeping national interests in mind. This reference is not just a theory. For us, it is a teaching: we cannot expect everything to be done from our partners. The EU is our common home, but we are primarily responsible for ourselves.

In this general rule, the unprecedented experiment of peaceful post-war European integration seems to be the absolute exception. The post-war creation of the European Communities was born after the realization that the traditional rivalries within Europe had now lost their importance. In the cold war amongst the world's superpowers, no European nation could be of equal standing. This has always been true and even more so today. The population of the European continent has been on a constant demographic decline in the past decades compared to the rise of the Chinese and Indian forces; hence the economic weight of Europe is gradually waning as well as its political and cultural influence. If European countries want to

remain a significant force at a global level, their only option is forming a partnership. Greece was lucky to be present in this development under the governments of K. Karamanlis and K. Simitis. Our integration into the EEC and the Eurozone is our political legacy to the future generations of Greek men and women.

The constitution of the European Community does not, therefore, come in contrast with the idea of a nation. Cooperating and forming alliances has always been a means of exercising national policy. Furthermore, for reasons of democratic legalisation, the materialisation of the European Idea cannot take place at the expense of the national states. Although in the course of the European integration, the national states transfer continuously more and more parts of their sovereignty to the EU institutions, they remain distinct political, historical and cultural entities. **Europe therefore, is built by historical populations with powerful national identities, with the essential self-knowledge that they have all been built alongside, not simply tolerating each other, but with the objective of existence and emancipation as the elements of the new European public sphere or the so-called European municipality afterwards, which will finally legalise the new European, EU public authority. The national identity, henceforth, has not just been built only with the historical and modern materials that make it unique, but also from the elements of the common wish of the populations in Europe to coexist, based on common principles and values (democracy, justice, freedom, solidarity).** Thus, the emerging European identity does not consist of the addition of national identities. It rather guarantees the survival of the national identities, which while they grow they also highlight the common features and their willingness to form a single joint-political organization. From the discussion of these processes, the Greek social democracy must stop being absent. And, above all, the Greek social-democratic parties must leave behind some of their anti-European, cosmopolitan sophistications, which are not based on anything but keep the country outside powerful relationships and sources.

b. Europe as the strategic cornerstone choice of Hellenism.

Recognizing the fact that the national states remain the driving force of history does not in any way mean returning to our self-satisfied ethnocentrism of the past. Neither does it mean giving the impression that our world is fixed and constant. In contrast, in a multivariate and unpredictable world, the value of strategic planning and coordinated handling of events in international and supranational levels is more important than ever. On one hand a precondition for this to happen is firstly a proper understanding of our national interests and potentials, meaning our national self-awareness. Whilst on the other hand, evaluating accurately the international environment, the aspirations and interests of the other key-players on the global chessboard, allies and rivalries, is of vital importance. In a traditional geopolitical sense, Greece at a global level has limited power. Its economy represents only 2% of the Eurozone's GDP. It only plays a valuable role by its own forces in the Balkans and the East Mediterranean. Yet on all three levels – global, continental, regional – its role is strengthened by its integration in the wider European Union.

For us, the EU is not a cosmopolitan ideology; it's a strategic, national choice. It's a strategic assessment that the supranational political integration creates conditions for the effective promotion of our principles, values and interests. That happens in two levels: a) within the European region, where the integration process is the most convenient means of building a genuine democratic and equitable organization of the European and the Greek society and b) under the universal "disorder" (globalization), where the EU constitutes the response to its negative consequences. The democratically organized and legitimized Europe and **the common European public authority**, can be a model of a regional political organization within a global system of many-poles/centres of enhanced power and prestige. And through this power and prestige it could try and regain the power, from the unregulated markets, mainly through the selection of a regulatory framework in the finance capital, the source and cause of the current painful crisis. Through our entry in it, we defend our national interests, primarily peace and our

economic prosperity. As an active subject of the European integration, we are shareholders of an unprecedented political and economic process that generates diverse and daring expectations. Finally, through the promotion of the EU to a strong political pole in the global system, we obtain a voice that can be heard outside our narrow geographic region.

In a world full of challenges and uncertainties, our European perspective is the fixed end of the compass of our foreign policy. The radius of the latter can be varied and fluctuate depending on the circumstances, but it cannot be effective if it does not have a fixed base, a European base. Also let's not forget that Cyprus is still a sore issue amongst the Greeks and that our problems in the Balkans have not been solved, and although the crisis has drawn our attention from all these, others insist in keeping a close watch. In short, no one on the planet has gotten rid of the so-called national issues, because he no longer watches them himself. Without wanting to alarm anyone, our duty towards our country requires the strengthening of our voice which only the EU can provide for us. We are an independent state, but also a member state of the EU and the Eurozone. The interplay of these two properties implies faith in the individual values, but also ability to distinguish and compose them, that is, in short, skills in handling conscious politicians as well as conscious political parties.

c. For our active involvement in the European affairs

The current economic crisis is pushing Greece to exhaust its diplomatic and political capitals. Especially in the context of the EU, the country due to chronic lags or unforgivable errors of its political leadership was isolated or to put it directly was questioned by its partners. However, it must be emphasized here, the degrading and sometimes unusual in the spirit of solidarity that should prevail in the EU attitude of the German Chancellor, that has ultimately hurt the Greek efforts to tackle the crisis. The impact of all these within the country has often been traumatic. The anti-

European reflexes were released and the voices of avowing or concealing Euro-scepticism grew stronger.

Although psychologically, the Euro-scepticism is understandable under the circumstances, it is patently false and blind; either it leads directly or indirectly to a new NATO relationship or to a dangerously lonely Greek state. There is an immediate need to confirm nationally but also internationally the country's commitment to Europe, the consistent implementation of our existing obligations and the accumulation of new political and diplomatic capitals. A precondition for this is dynamically redefining our targets within the central European correlation. A redefining which will strengthen the voice of Greece because, despite our problems, it will partake in the forces that also promote the rest of Europe towards a strong integration, which will benefit Greece twofold: Greece as an equal part of the European total and Greece as a sovereign and dignified state. This policy is not as simple today as it was in 2009, when PASOK assumed power. Today, the central European correlation is not quite broken, but it has certainly undergone some strong changes. The consistency of Germany and the IMF, in many cases, has changed what was given, but that is not a reason for us to change the orientation and our choices. Besides, the Franco-German alliance, which has always had a leading role in the EU, since the genesis of this supranational organization, it was always shaped amid differences or conflicts. Even when there were major European steps undertaken, as those of the 1990s which involved deciding on a common currency, even then, disagreements or conflicts between major leaders of France and Germany were very typical (e.g. disagreements between Mitterrand-Kohl for the political integration of Europe).

A national challenge is to make Europe a global pole and an active political player at a global level. This requires delegation of tasks; institutions and decision-making processes that will enable Europe to form a political will of its own. Furthermore, increased resources and a common community budget are also required in order to make Europe attractive to its citizens, especially to the socially weak, and to turn it

into a powerful political subject. Since the establishment of the European Communities, economic governance has always recommended the privileged means of promotion, a good conductor of the integration process. Other steps that need to be taken towards this direction are, firstly, having common defence and security policies, secondly, the formation of a social European space, where everyone is treated equally, providing welfare and social protection services, and thirdly, establishing a single European public space from which European politicians will emerge, i.e. politicians whose voice will go over the limits of the national borders and will be heard throughout Europe (see text A. Passas, 2011, K. Koutsourelis I. Kotsopoulos, 2011).

Regardless of the course of the European integration, no pursuit in the Greek foreign policy has a chance in succeeding if the country moves away from the main balance of forces of the EU. This, however, means it is necessary to strengthen the Greek presence in the Union, and especially the reassessment of our position within the European institutions. The Greek absence from major European debates of the past, for example the debate around the European Constitution after the constituent meeting, clearly showed the poor relationship of the Greek political system with Europe. The current financial crisis has evidently shown the very high dependence of the Greek post junta affluence on the EU fund transfers and in particular on foreign borrowing.

The country cannot continue to be a parasite at the expense of itself and of its future. Without our political Recovery, our participation in the European events will continue to be unproductive and passive. Without actually building a productive, outward-looking and competitive economy, we will continue to be the poor relatives. And because we do not want this to happen, nor can we let it happen, we must roll up our sleeves, here and now, and get to work.

The social and productive reconstruction of the country is not a requirement set by someone else or a burdensome requirement of external parties. It is a constant demand made by generations and generations of Greeks from the founding of the state, and it has occasionally yielded remarkable results. During the post junta decades, we relied on what we had acquired, ignoring our constant decline in production and we especially relaxed after the country adopted the currency of the Euro. This reversed greatly the benefits of our integration in the European Union, but they did not cease to exist. What is of national importance at present is for Greece to become an equal member of the European family, able to contribute positively to the common European future. If we continue our efforts without inhibitions and hesitations and by changing the terms of our economy and by having a clear sense of belonging to the EU and the Eurozone as a major part of our national strategy, it is only a matter of time before we regain the position which we held until recently in the common European table. The stabilization of our country will contribute to the stability of the Eurozone and the EU. As a Greek social-democratic movement and as a country we should say a firm 'yes' to the already stated EU demand for preparing and implementing the annual national budget – since the massive debts and their repayments have a heavy toll on the weak rather than the strong, regardless of nationality – with common development policies, but under the responsibility of the democratically legitimized European Commission and the control of the European Parliament and by restoring the principle of solidarity. Briefly, the tools of such a policy can be:

- a) The completion of the internal market and the fiscal union (taxation) and the checking of the national budgets, subject to further transfer of sovereignty from everyone.
- b) The development of a strong EU budget with a potential resource tax on all financial transactions; the ECB to act as a “last resort creditor”, intervening in the bond markets only to the extent required and by buying bonds, hence keeping borrowing costs at manageable levels. The issuing of Eurobonds in collaboration with the EIB (European Investment Bank) (and possibly “communitization” of the debt up to 60% of the Maastricht ratio).

c) Further strengthening of new mechanisms (such as the under establishment European Monetary Fund), which when it becomes necessary, will take off the markets any Member State that needs protection.

d) Working together to tackle the so-called “banksters”. Enough is enough. The gold diggers of the international financial establishment and their academic-political associates who destroy countries, economies, markets and people must face their opponents. Rules must govern all financial transactions. And certain behaviours should be criminalized.

d. For an interactive, European, reformist, radical, social-democratic political movement

Greece, in the opinion of the writer, needs an interactive, European, reformist, radical, social-democratic political subject. It does not matter whether this movement, this party, will result from the transformation of existing political parties, or the union or an electoral alliance, or even the establishment of a new party, which will rally the forces of a radical social democracy. The question and the criterion of discrimination between nations and their citizens is obviously, or primarily, their national origin. However, of great importance are also their political beliefs. The Greek men and women, who will support the above mentioned political movement, will support a centre-left movement, which will be set outside and against the parasitic, anti-development and deeply conservative policies of the recent past. Political parties are for Greece, but also for the EU, the foundational institutions of Democracy. The parties in their national but also in their European dimension can and should be the key institutions that shape the European public space, hence, modelling the European municipality. At the same time, in order to satisfy the needs of Greece, parties must be the ultimate force of reform rather than hiding behind the governments! This, however, presupposes, at least for the social democratic movement, a separation from our current constitution. We need to overcome the hard leader, authoritarian and personal party and to change over to a truly democratic collective subject, a key pillar of the Greek Centre-Left. In this

modern European, reformist, social democratic political movement, the main trends must be clear and should be represented in its leadership. The monolithic tendencies require despotism however, that is contrary to the majoritarian people's movements!!! The reproduction of the worst tendencies of the political parties which used to be passed on to their youth should belong in the past. Special arrangements for the participation of the youth leaders to the social democratic movement should be made, as well as for the participation of youth members in the various parliamentary and political bodies, so that the new affiliates come to the fore on the basis of institutional and operational grounds. Political institutions, such as, the Political Congress and the Political and the National Councils (or whatever name we give it) will have a fixed number of members which will be elected through voting. Hence, the logic of constantly changing the political composition of the institutions of the party, on the leader's will, which replaces the value of participation, and as we saw in PASOK, transformed for example, its National Council, into a body which does not make any decisions, finally, should be put to rest. In the past, should also belongs, the participation in the bodies of other institution representatives, which strengthened the position of the leader, by going a roundabout way. Last but not least, at the level of political strategy the social-democratic movement should be distinguished from the government, by keeping its political independence and by seeking out mainly European alliances, avoiding the cosmopolitanism which results in the absence of international relation policies. In order for this to work effectively, however, we need to establish a new structure in the country's political system. With the constitutional change that will be discussed further down (4b), but if possible before it even takes place, **we must make some fundamental changes, mainly to issues that concern: the representation of the people, political money and transparency.** More specifically: the electoral system of the country must ensure the democratic representation of its people, but the stability of the government as well. Taking that into account we choose enhanced analogue systems, which do not however, hinder the formation of multiple parties, through the election of Members, for example, of equal fifteen seats constituencies, without exceptions. The fifteen seats constituencies will as far as possible ensure: a) the prevalence of the policies over "client – oriented" relations, in the transactions between politicians and the citizens, as they will allow more room for political dialogue, hence, without leading to citizens - politician alienation and b) that there is

no favouritism or customer transactions relationships between citizens - politicians, which were easy to adopt in the case of the single seat constituencies. Meanwhile, political parties and politicians are financed, as they choose, either from the public or private sector. In the second case, this includes the parliamentary salary, and the funding is organized by creating a union which includes the funders along with the amount of money that they choose to donate. So we all know where the funds come from and how the MPs and the parties function. In this way, the transparency protects the democratic functioning of the institutions as well as the individuals. And yet, we must continue to implement all the transparency measures which were introduced in the period 2009-2011. And in order to broaden the range of validity, for example, we need to publish the Occupying of all the people who are associated with public life on the internet. Finally, in my opinion, a number of significant changes, which however require a revision of the Constitution in 2013-2014, will contribute to the upgrading of the political system. Namely: aa) the citizens themselves to be able to support their petitions in a special committee of the Greek Parliament (revision of Article 69 of the Constitution). bb) The introduction of a minimum number of Members present at the passing of draft laws (Article 67). cc). The explicit provision that the constitution of an inquiry committee is a right of the minority (Article 68 § 2). dd) The adoption of direct, penetrating and unannounced inspections similar to the Anglo-Saxon model (Article 70 § 6). It should be noted here that while for the legislative task the Constitution devotes a special chapter for the parliamentary control it "merely" devotes one paragraph of just seven rows! ee) The introduction of the popular legislative initiative, with the signing of 3% of the electorate (300,000 people), and a simultaneous change of Article 73 § 3 of the Constitution, according to which the bills put forward by the MPs are not put to the vote! And ff) the change of Article 86 on the criminal responsibility of the MPs.

e. The problem of migration

As it is widely known, Greece has reached a point of being a country without a capital, as the city has been occupied by illegal migration, drugs, prostitution and

illegal trade. But even beyond the issues faced by the capital itself, the overall dimensions of the problem are beyond our abilities: in 2008, the number of people who entered Greece illegally amounted to 146,337. In 2009, it was 126,145 and in 2010 it was 132,524. Throughout the decade of 2000, the country accepted an average 120,000 immigrants annually. And that number only represents those who have been arrested. It does not include those who are yet to be identified by the Greek authorities. 86% of illegal arrivals in the EU in 2010 occurred in Greece! For years, let alone now in a time of crisis, the economic and social aspects of the problem of immigration are so great that overcome our ability to face it on our own. An example: In 2010 10,253 applications were submitted for 799 existing places in refugee camps for asylum seekers. A second example: the four police detention centres in the region of Evros and the Greek-Turkish border can accommodate less than a thousand people. At the same time the number of illegal immigrants is over 40,000! The Ministry of Health with mobile clinics and staff seeks to provide health coverage, however, under these conditions, the coverage is not sufficient.

Migration is a common European problem. And so it requires a common European solution. Everything suggests that immigration is not going to ease up at least in the foreseeable future. Greece and other southern European countries have a need for European solidarity, whether that is with new institutional and financial tools of permanent nature, or by modifying and expanding the old ones, so they can effectively tackle the challenge. Specifically, the European Union should not have double standards concerning Greece. It cannot on one hand refuse the change of the EU regulation on asylum (Dublin 2), forcing Greece to fight practically all alone with the problem, and on the other, to blame us for violating the human rights policies. A close collaboration of the Ministries of Interior, Health and Welfare, Public order and Citizen Protection and other Local Government authorities is required by the Greek government and the Greek administration and always within the framework of the European policies. At the end of my tenure as Minister of Health, Mr. M.Chrysochoidis resumed the position of the Minister of Public Order and Citizen Protection. I warned for months about the alarming increase in the AIDS incidents, as a result of the rapid growth of illegal migration and undeclared

prostitution, to which female AIDS patients are lead through human trafficking, and the increased use of intravenous drug users. Together the two Ministries have rapidly established the legislative and regulatory framework (criminal and medical provisions) and the relevant departments and agencies have very effectively taken action. The Ministers now need to continue this work with the same intensity. It makes us wonder, however, about the dismissal of the very experienced in Health and Safety, Major General of Police, by the new government. The situation should not continue as it is. The scourge of partisanship and favouritism often eliminates the best there is in our uniformed services. Despite the crisis, they dismiss people that are in the most productive phase of their life and fill the country with middle-aged retired senior officers.

4. A new economy for Greece

a. Towards a truly developmental model

For decades, the Greek economy experienced rapid growth. But it was superficial; it was just a numerical growth of the GDP but with no real development of its productive resources. This trend must be reversed in a coordinated and systematic way. The way we address the structural problems of the Greek economy must move simultaneously in two directions:

a) Towards achieving fiscal consolidation and stability. Given that the primary surplus depends now, after three years of budget rationalization, on the growth rate of the GDP, achieving high growth is a critical prerequisite, for the success of the fiscal adjustment program. I know that while a concerted development effort on the part of the government is delayed, particularly on small and easy to be solved issues, which however, require a design and dedicated implementation by the central government and the Prime Minister, achieving growth rates sounds like wishful thinking. My insistence on this and my attempt to draw attention to this sector of government action which is of great national importance, has often caused

quite a stir to premier offices and has also cost me quite a lot in terms of petty publications and my isolation from political leaderships. It is a symptom of the crisis to state the obvious and be treated like some kind of paradox or like seeking something else unrelated to what you support.

b) Towards improving the competitiveness of the Greek economy and restoring growth prospects. The common basis of these two directions is striking. The collapse of the post junta borrowing-dependent development model forces us to create a new original, radically different and effective one. This new development model for the country must be based on three objectives: aa) productivity improvement, bb) international markets' orientation and cc) on foreign investments attraction.

Achieving this triple objective cannot be postponed for tomorrow. It must be done today and it must continue in the years to come. So there can be no policy for the future of Greece, if it is not based strictly on today. All citizens who are suffering due to the crisis are waiting with bated breath to be told what we will do for them and our country, today. They expect to see specific policies which will be applied within clear timeframes. And among all these they are all waiting to see where exactly they and their families fit in. Therefore, there is no room for chit chatting or talking about developments that will never take place, and above all, there is no time to waste repeating the generalities that for decades many governments and prime ministers, regurgitated without being able to implement most of what they promised (this, unfortunately marks the first steps of the Samara's tri-partisan coalition government). Regarding the three objectives that were mentioned above, the following are noted: aa) Improving productivity. Increasing the total productivity will be the only force that will drive us forward. Empirical studies and common sense suggest that technological progress and expenditure on research and development are key factors in increasing the overall productivity and thus growth. These factors depend in turn on other parameters (e.g. the available natural resources, participation in the international trade, communication with

technologically advanced countries). The most crucial parameter, however, is the quality of our institutions: the implementation of the laws, the degree of bureaucracy, corruption and the proper functioning of the markets. As measured by the OECD, if Greece brought its institutions to an average level of the EU countries, the income per capita could be increased up to 25% (concerning this objective, there will be an elaborate discussion in the next section).

bb) Focusing on the international markets: the real challenge is to break the vicious circle of the past. The low total productivity and competitiveness of the Greek economy has led us to a growth based on consumption, which in turn exacerbated productivity. The non-trading sectors (characterized by a lower level of competition and productivity) over the period 2001-2010 were contributing 70% to the GDP and 69.8% towards economic growth. A major increase in transport, trade and the restaurant industry was observed. The recession caused a contraction of all non-trading sectors (i.e. those serving only the domestic market, and which do not meet the conditions to enter the international markets). However, shifting resources towards export sectors is delayed due to structural problems and, in particular, difficulties in financing all stages of the production process.

cc) Foreign investments: given the difficulty to utilize domestic resources in the current economic state, attracting foreign investments is critical. Foreign investments over time had a very small contribution to our growth. As a GDP percentage, between 1970-2010, it ranged under 1%. When the incentive of low-cost labour disappeared, Greece was the last to attract foreign investments amongst the 27 EU member states. While theoretically the EMU would contribute to the increase of investments in Greece, the country remained stagnant because of structural weaknesses (in 2010 they dropped to 0.72% of the GDP). Moreover, excluding the buying out of certain Greek banks by foreign groups, almost no outward investments were performed. Instead, the products and services of the Greek market benefited from the oligopolistic structures of many sectors of the Greek economy as well as from the premium over parity, which were factors that increased the profit margins. Most foreign investments are not related to the creation of new businesses, but the acquirement of Greek companies (18.9% and 97.8% before and after the EMU respectively). The domestic resources rarely moved towards other productive activities, thus, the ownership capital simply changed hands. Foreign investments will in short terms help finance the deficits of the current account balance. In order, however for them, to occur, a suitable climate

is required, i.e. a special tax regime, a citizen-friendly bureaucracy of Administration and Justice, reducing employer contributions (as outlined in the new program that was agreed on with our creditors) and providing incentives for the utilization of our overqualified manpower which is plagued by unemployment but it is available to enter the labour market with wages which will enhance our competitiveness (see text G.Stournara, 2011, K.Anagnostopoulou, 2011).

b. The foundations for development

The new model should be extroverted. In any case, the sectors of products and services which are available for domestic consumption will shrink even further as the disposable incomes decrease, which will lead to faster reduction of wages and prices in these sectors so that the available resources, capital and labour are freed and move towards export. Already, private consumption is reduced due to the recession and lower incomes. The external sector and investments can substitute parts of the consumption as well as a part of the public sector's GDP, provided that the Greek economy will be transformed completely and profoundly in terms of production structure and institutional framework, with its main axes focusing on:

- the radical reform of the public sector and the improvement of the institutions which affect entrepreneurships and investments,
- structural reforms that enhance competition and transparency,
- upgrading the educational system and its interaction with the economy,
- turning to exports and quality products of high added value.

What's important for development (more important than the capital stock) is to make those structural and institutional changes that will improve the overall productivity of the economy. **The radical transform of the state is the most important structural change that needs to take place in order to increase the overall productivity of the economy and to reduce the anti-development**

parameters (“customer – oriented” relations, corruption, bureaucracy). Here, however, particular attention must be paid to this: Government reform is a long and tedious process, which will include both Administration and Justice. In many cases, this long and tedious process requires a review of the Constitution (regarding these changes see sections 2d and 5c of this text). Some indicative proposals are: a) **for the Administration:** establishing deadlines and specific Administration timeframes. In the article 101 of the Constitution, it will be foreseen the principle of fast and digital Administration, based on which a specific paragraph on the Administration timeframe will be provided and the long distance relationship between the Administration and the citizens, will be set as constitutional desideratum. Also, special incentives will be established for foreign investments, but always within the European law. We need to save the time of the administered people, the citizens; the economically active people who require those administrative matters that have a financial interest to be solved in a timely manner, thus contributing to the long-awaited development which is the key tool to tackling recession. A new scheme relating to the staffing of the public Administration, with either new or external staff members, who will be chosen on the bases of those qualifications and skills that are needed in order for the state to meet its developmental role, should be established. We should pay particular attention to the following: the administrative bureaucracy, tends to "hide" its capable members who are constantly being devalued through a system of unfair equalization. These people, who usually come from various National Schools, need to be brought forward to occupy managerial positions and to take charge of the administrative Recovery of the country. In the Article 101, a fourth paragraph should be added providing for a uniform pre – parliamentary legislative process for the entire Administration. b) **Regarding Justice:** establishing a Constitutional Court which will speed up the administration of justice and which will avoid prevarication and denial of justice is of vital importance. Revision of the Articles 94 and 95 of the Constitution so that the applications of annulment against individual administrative acts to be transferred from the State Council to the Administrative Court of Appeal. Therefore, only the regulatory acts of the Administration, as well as some cases of major importance regarding appeals against the decisions of the Court of Appeals will remain under the control of the State Council. Article 20 § 1 of the Constitution should also be revised, stating explicitly the rapid administration of justice as a key

component of its effectiveness, especially in cases of financial-investment interest. Opportunities for dealing with all cases regarding development with absolute priority and with detailed specific trials, so that the complete treatment of such complaints /appeals does not, in any case, exceed six months, delimitating the responsibilities of the Justice to protect the environment etc. need to be established (for the hostile relationship between Justice and Development see the study conducted by M. Mitsopoulos – Th. Pelagidis, 2011). **It is of course obvious that this intervention could be completed in 2014! However, Greece, cannot afford to talk about the future without regarding today. Our country is running out of time, its needs cannot wait. Prompt action is required on the policies regarding development,** specifically: Anyone who wishes to consult any study (e.g. McKinsey and Company-Athens Office 2011, Greece 10 years ahead) or have a discussion with any reasonable Greek or foreigner, will come to the conclusion that our country needs now, in 2012, to stir its forces towards developing those sectors that has great experience in. And we all agree that tourism, energy, agricultural economy, the restaurant industry, trade, and construction along with shipping are the building blocks of the Greek economy. Research and technology, linking education with the economy, innovation, total reform of the Greek state, etc. are major development objectives, which however, belong to the distant future of our country. Therefore, we can focus our immediate actions on 5-7 areas that we know what to do here and now. The constitutional revision that will formally begin at the end of the first half of 2013, should dynamically promote the institutions of the Administration and of Justice at all times. Everything needs to change. Therefore, proposed changes to the Constitution must be radical and subversive. Half measures and verbosity will not give us the necessary and desired results. The revision of the Constitution must be matched with the most solemn interment of the Third Hellenic Republic and the opening of the **Fourth Hellenic Republic. Our institutions should help the functioning of Democracy in emergency conditions (according to Mario Monti's smart observation as the same is needed to be done in Italy).** Attention here hereinafter: in June 2013 the process of revising the Constitution in the current Greek Parliament will begin. This process will be completed by the next Parliament, which will be the properly so called, revising body. Therefore, all relevant discussions should start now, in order to be ready in June 2013. This process, as was said, should be a radical process. **The institutional component will**

encapsulate and symbolize the twists, the sweeping changes and the radicalism that should characterize our battle for growth, work and prosperity. The constitutional change should become the opportunity for the New Greek Recovery Scheme. Political and social forces must join their power in this course. The year 2013 will be our pivotal opportunity to build the Greece of 2020, Greece's prosperity and confidence.

Other indicative measures and structural changes that need to be promoted are:

- the establishment of a fixed, fair and workable tax system,
- simplifying and speeding up the approval of investment projects,
- the completion of the cadastral system,
- the use of unused public property,
- the review of the environmental and spatial frameworks which will support development without being below international standards
- the promotion of university-industry partnerships in the sectors of innovation and research.

Attention needs to be paid to this: I would not have referred to the "fair tax system" if the new program had not been approved by the Greek Parliament. And that's because I do not want to participate in the discussion, with a post junta "cliché", which is a prime example of saying one thing and doing another, something that characterizes the Greek political system. I have already made a number of proposals, in March 2009, regarding the necessary changes that need to be made to our tax system (e.g. abolition of the Code of Books and Records, the use of the objectivity criteria established by A.Papadopoulos anew etc.). However, the inclusion of some very basic tools for the operation of certain State mechanisms refers to the new program which the country has agreed on with its creditors. Thus,

the reference to a 'fair tax system' has the potential to materialize in 2012 in flesh and bone. But it seems that the Samara's tri-partisan coalition government is already loosing valuable time. A couple of months were lost with the two elections, but also valuable time was lost these past two months of the current government's tenure.

Let's make an effort in all these areas. It's of vital importance to overcome this dramatic recession. We urgently need to revive our productive activity, right now, in 2012. The cuts in public expenditures will return some money to the Greek taxpayer in 2012, for the last time ever. Whatever we had to salvage is going to run out this year. From there on, in order to maintain our social infrastructure (health, welfare, education, local government, economy) and to combat unemployment we need growth. Nothing but growth! However, once again, we are losing precious time! The Greek government therefore should steer the development towards those areas (tourism, energy, agriculture, food industry, trade, construction, shipping). Keeping that in mind we need to better organize, here and now, the vital connection between the State and the Economy. Economic governance (better economic government) for Greece in 2012, in my opinion, is summarized as follows:

a) The Prime Minister chairs the government committee, which includes all ministers who manage parts of the NSRF program. Only with the Prime Minister's involvement one can ensure the fast distribution of the available funds. Given the current investment apnoea, the funds of the NSRF can contribute significantly to restarting the economy. If the decision of the EU in July 2011 to implement a "European Marshall Plan" for Greece is finally put into action, it can bring significant changes in the characteristics of the European aid, overcoming all faults of the past. The plan is to facilitate the distribution of the EU funds through the NSRF with a corresponding reduction or postponement of national participation in the financing of investment projects. Additionally, funding programs that enhance growth and competitiveness are promoted over others. It is quite unreasonable for the administration to remain inactive while the money is there and is just "sitting". As Minister I made many strenuous efforts, which were stopped by bureaucracy, many administrative requirements and the fear against accusations for corruption.

That kind of effort needs to be undertaken by the Prime Minister otherwise it will never be made. I suggest that the most appropriate method which should be put forward by us and approved by Brussels is to promote the NSRF program through the banks. Bypassing the Administration is a *conditio sine qua non* for the forwarding of the 12.5 billion NSRF Euros in the Greek market in 2013-2014.

b) A corresponding committee for the Competitiveness is established and is also chaired by the Prime Minister. This committee will function with similar to Olympic Games standards forcing the Administration, on which our economy depends on, to work rapidly and first and foremost in the areas mentioned above. The Minister of the Administrative Reform, within the pre-mentioned strategic framework, will be coordinated bilaterally and under the Prime Minister's chairmanship, with the Minister of Agriculture, Tourism, Energy and Environment, Development, Trade and Finance and Shipping in order to remove all bureaucratic obstacles so as to promote the socioeconomic functions and to revive the economy. Instead of the model that we have been following up until today, according to which our reform effort should be touching the whole administrative system of the country, we should proceed by taking a step by step approach. The Prime Minister and the Council should be targeting to resolve issues within a few weeks, for example firstly deal with the Ministry of Rural Development, after with the Ministry of Energy and Environment etc. Our goal is, firstly, a functioning State (quick and efficient at handling issues), and secondly, a state playing an interventional role in the market (e.g. The Competitiveness Committee to compare and reduce the prices of certain items at the supermarket shelves), but also with a redistributive role. Indicatively, we are presenting a number of decisions that need to be taken immediately since they are the ones that will show the way based on which we have to work here and now. With these indicative proposals we are trying to change the way that politics work. **In the immediate and pressing needs for development, a serious government responds above all to direct performance measures.** Parties and governments must acquire a new model of political action with faster performance, specifically:

- All permits are ready within weeks or months. Permits especially in the fields of tourism and associated professions, and in agricultural development are sped up as much as possible, by activity and location. The recent and illustrative example of a new entrepreneur who seeks permission for a new crop only produced in Greece and who is even ready to export it but is waiting four years for its permit (!!!) is something that should belong in the past. The dates should be checked for compliance by the relevant government committee, the Cabinet and the relevant parliamentary committee. The second program contains predictions, in many cases regarding the administrative action, but valuable time will be lost until its implementation, since it presupposes the creation of relevant committees and then implementing their proposals.
- The time of conducting and evaluating studies is minimized by rapid legislative and administrative interventions.
- The parts of the country with the highest unemployment and financial vulnerability are preferred over others, for example to implement expanded energy programs.
- Employees of the prefectural agricultural departments are transferred immediately to the rural municipalities and take it upon themselves to reorient the farmers or those who want to start any agricultural activity in new profitable, exporting and agricultural and livestock activities. Very quickly it will be proven, that this sector contains the solution to the unemployment problem that Greece and the people of this era are facing. Permits for irrigation etc. should be given almost automatically.
- Specific tax incentives to be offered to companies interested in investing in Greece and where Greek workers are employed. Tax incentives are enshrined by law, and will be enshrined with the revision of the Constitution, appropriate arrangements are being made with the EU, and it can include complete tax exemption for a certain period of time.
- Special arrangements to be made, within the limits of the previous policy, for hiring overqualified unemployed people in the fight to revitalize the economy.

- To identify and suppress the concerted practices of mainly import companies, which keep prices of basic items moderately high in the super-market shelves. This kind of profiting that some "make money" in an illegal manner while the country struggles to support itself, must come to an end.
- Employer contributions are reduced, primarily by cutting that percentage that was introduced for certain dubious government entities (the new program must be applied consistently). I have been supporting this idea steadily since 2010. Had it taken shape then, we would not have gotten here to the problematic, in terms of substance, possibility of closing down The Social Housing and Workers Organizations. Overall, the relevant policies of the second program regarding industrial relations would have been different, if the reform had not been stopped abruptly in September 2010.
- Half of those measures, however, regard the liquidity of the market, which should be provided by the banks after the funding of Greece based on the new program.
- Effective and immediate boost of liquidity in the market will also be provided once all debts of the government are paid to its suppliers, but also once the VAT is paid. The certainty of this form of liquidity results from predictions based on the timeframe of the new program. The elections have already set us back and it is the duty of the Samaras' tri-partisan coalition government to resolve this issue.

IN GREECE DANGER BELLS HAVE BEEN RINGING FOR SOME TIME NOW. THE DISASTER CAN ONLY BE AVOIDED IF A FIVE YEAR STABILIZATION AND DEVELOPMENT PROGRAM IS CARRIED OUT BASED ON THIS PROPOSAL – OR ANOTHER ONE MORE APPROPRIATE!!!

5. The reorganization of the Welfare State

a. A system that is struggling to survive

The extreme fiscal crisis, among others, has brought the welfare state in Greece to the limits of a total collapse highlighting the weaknesses of the past decades. In recent years a great amount of effort has been put in its rescue through saving valuable resources and fighting overspending. However, the limited regular budget was unable to contribute to that hence leaving no other option open than that of refinancing the system from the existing resources by using them in a better way. At the same time it was finally understood and commonly accepted that Health, Welfare and Social Security are interconnected public goods, as they form the welfare state itself in a strict sense, whilst they also share common administrative structures and resources. In this light, it is necessary to consolidate their structures and functions under the umbrella of a central Ministry. This will enable the more effective management of all social affairs, but also considerable savings by reducing administrative costs. This saving is especially important, as it will be the basis for the refinancing of the social policy in this unfavourable financial situation that is prevailing over the country. I made this proposal to the European Commission and it has been adopted as part of the new program. While at the same time, my proposal to merge all health funds in one, E.O.P.Y.Y., was accepted. These two critical institutional changes were voted in April by more than 2/3 of the Greek Parliament and are already being implemented. The "caretaker" Labour Minister A. Roupakiotis attempted in an illegal and unconstitutional way to stop their application. It is unfortunate, though that our partners need to intervene in order for us to do what we should have obviously done years ago. I remind you, that this change was suggested to the Prime Minister G. Papandreou, when I was appointed as Minister of Health in September 2010.

The pension reform of 2010 was the first major reform in the context of the crisis. It is worth mentioning that in the last quarter of 2009 the pension funds required emergency funding of 2.5 billion euros and this happened under not so extreme

circumstances, with unemployment nearly in half, compared to that recorded in 2012. The need for emergency funding in 2011, based on the then known data, was estimated to reach 5 billion euros, an amount impossible to cover from a so closely compacted regular budget. Overcoming decades of indecision, Greece radically reformed its social security system using as main criteria the rationalization and sustainability of the system. The abundance of funds gave way to three main and two smaller primary insurance funds, eliminating the unnecessary fragmentation. The contributions and the benefits were redesigned for the uniform treatment of the people insured based on actuarial studies and the long-term sustainability of the system. The studies that were conducted in collaboration with the International Labour Organisation and were evaluated by the European Commission, demonstrated the sustainability of the system up to 2050, aligning it along with the strongest European social security systems.

In health care, the NHS (National Health System) hospitals at the end of 2009 had a total debt of 6.8 billion euros, while continuing to produce annual deficits that intensified the financial burden of the country. Two years later and thanks to the efforts made, the vast majority of the hospitals in the country have repaid up until their 2010 debts. The repayment rate for 2011 is estimated to cover up to the first semester, on average, an impressive improvement, when you consider that in 2009 the system still owed its 2005 debts. And all this, while the NHS supplies budget dropped from 3 billion euros in 2009 to 2.4 billion euros in 2011. This 20% reduction in costs comes at a time when the system serves 30% more people than those in 2009!

The outbreak of the crisis found the Greek government to annually allocate 5.6 billion euros for pharmaceutical expenditures in other words twice as much as countries with the same population, such as Belgium and Portugal. In 2011 the public pharmaceutical expenditures closed at 3.75 billion euros, a decrease of 35% compared to that of 2009. Dynamic interventions in the area of pharmaceuticals were required in order to achieve this. The profit rates of everyone evolved

(pharmaceutical companies, warehouses, pharmacists) were decreased and the limited but ultimately effective control means (electronic scanning and electronic prescriptions of up to 50% of the issued prescriptions) were fully taken advantage of and above all a pricing policy was put to work for the first time in many years. Indeed, the respective competence was finally transferred to the Ministry of Health, ending decades of irrationalism with the Ministry of Development doing the invoicing and the Ministries of Health and Labour carrying out the applications. During 2011 the Ministry of Health carried out three price drops of drugs issuing price lists in May, August and December. A more aggressive policy was brought in, in 2012 to reduce drug wastage (further price drops, introducing the claw back mechanism according to which the pharmaceutical industry should return on a quarterly basis any amount exceeding the monthly E.O.P.Y.Y consumption limit in order to discourage fake prescriptions, etc.). Finally, in terms of hospital pharmaceutical expenditure, for the first time in the history of the Greek government, online auctions were conducted with impressive results: the NHS purchased drugs worth more than 100,000,000 euros, by spending slightly more than 20,000,000 euros (80% below the corresponding 2010 costs). The drawing up and the signing of the contracts has already begun, and the same practice has also expanded to include consumable supplies too!

b. Chronic drawbacks and new challenges

The social expenditure in Greece accounts for around 25% of the GDP, almost as high as that of other countries in the Eurozone. Nevertheless, the poverty rate in our country is significantly above the Eurozone's average, reaching almost 20%. The out of pocket health expenditure is the highest in Europe. Our welfare institutions are either anaemic or underperforming. Even today, the burden of social protection falls mainly in the family. The taxpayer's money are not reaching the beneficiaries, despite the efforts of the last two years. They were getting lost on the way and we still have not completely reversed this situation. The phenomena of corruption and

deficient administration are being limited, but there is still a need of an administrative streamlining for the citizens' shake.

Therefore, all data shows that the utilization of the available resources is far from being satisfactory. On the index of efficiency, Greece's expenditures against fighting poverty, ranks among the lowest of the EU. The welfare state in the country is scourged by fraud (e.g. the 60,000 non-censused IKA⁹ "retirees"), by abuses in the allowance of disability pensions (40,000 people received welfare benefits without being entitled to it, and of course they were discontinued with 150 million euros in terms of annual profit now remaining in the hands of the Greek state), by the great contribution evasion, by the existence of the so-called "noble" funds which grant high pensions without the corresponding contributions, by the excessive prescriptions of drugs whose consumption should be reduced further by 1 billion euros in 2012, by the operation of certain hospitals with occupancy below 50%, by continuing, although on a smaller scale, the overpricing of consumable medical supplies and equipment, by the need for completion of control, management and organization systems, etc.

But even at universal level, the changes that have occurred in recent decades in the social and economic environment bring us before unprecedented problems. The emergence of the post-industrial society, the economy of the services and knowledge and the globalization create certain needs, which cannot be met by the traditional forms of the institutionalized social protection. Social changes, the dramatic change of the demographic data and the new kinds of family require reorientation of the modern welfare state. The constantly changeable labour relations expose the vulnerable groups of the population to new risks. Neither in Europe and nor in Greece, politics and economics have an answer to all that, yet. The current trend is an overall fluidity and ambiguity. **What is certain is that the**

⁹ IKA is the largest Social Security Organisation in Greece

role of social protection must be redefined. The welfare state, in its broad sense, needs to take a new form.

The new welfare state that we want to build must be distinguished by a spirit of equal opportunity. Emphasis should be given on the equal access of everyone to high quality public goods (public education, health), on a fair tax system and the combat of tax evasion, on the redistribution of social benefits in favour of those who actually need it. The aim is to safeguard our resources from tax evasion, from wastage in Public Utility Organizations and Local Government, in order to provide unemployment benefits for a longer period of time and to retrain our workers. Our priority in the fight against poverty must become the institutionalization of the GMI (guaranteed minimum income), based on the model of other European countries.

With the transformation of the welfare state we must achieve a crucial leap in efficiency. Our policies should be addressed to those who really need it. For example, in March 2012, the national digital list of the social benefit recipients was completed by the Ministry of Health, in the estimated timeline. In the first phase, we have achieved to avoid duplicates, other forms of “client – oriented” relations and corruption, resulting in saving 150 million euros annually. The available resources must therefore be allocated fairly and have a successful outcome when put in practice. Starting with the assertion that the horizontal support measures, which have been taken up to now, have proved to be passive and insufficient, the social policy that will be designed in the future must be energetic and more focused.

The new social model must be responsive to the needs that arise or may arise in the labour market. The desired movement of a large part of the labour force from introvert sectors to industries producing exportable goods and services, if left entirely to the market forces, is expected to have and it already has resulted in high transitional unemployment. The intervention of the state and its social partners is

therefore crucial. We can draw examples from other international models. The Scandinavian social model for example, combines labour market flexibility with the safety and security of the worker. Or from the way the Germans dealt with the crisis in 2008-2009: through temporary reduction of working hours and the respective salary, without layoffs but with state measures to boost employment, such as reducing the social security contributions (a measure that we had to take when we unfortunately reached the verge of bankruptcy and only after the intervention of our creditors and its specific inclusion in the second program).

International experience shows that in countries like those of Latin America, the economic crises of the 1980s lasted quite a long time because the social groups tried to pass the cost of the crisis to one another in an atmosphere of social conflict. In contrast, the crisis of the 1990s in the countries of the Southeast Asia lasted a short while because the social groups worked together under the coordination of the state and shared the cost of the crisis in a climate of complete cooperation.

What is certain is that the state should no longer seek to achieve its social objectives by employing more public servants or by establishing state enterprises and institutions, etc. Such attempts have led us in the past to the dispersing of our resources and they have exacerbated the country's indebtedness. Everyone knows that, apart for some rare exceptions, the state has historically failed every time that it wanted to act as an entrepreneur. Yet, it is tragic that there are some who not only insist on what the state has so clearly failed at but they even gained power in the recent elections! The critical and irreplaceable role of the state is different: to ensure the conditions of fair competition, to set standards of quality and safety, to protect the environment, to supervise the markets, especially those in the financial and insurance sector, and, of course, to provide welfare care for those in need.

c. Towards a new social policy model

Internationally, the traditional social policy programs belong in the past. The various alterations that they were undergone did not work as expected. The statism soared the costs without ensuring the quality of the provided services. The absolute liberalism also gave no solutions, where it was applied, it limited the costs, but it also led to an unacceptable expansion of inequality. The "third way", that of adopting some popular aspects of liberalism, shifted the centre of gravity of the system to the people themselves.

The new model of social policy that we are seeking should rely on the available facts. It must correspond to the peculiarities of the Greek society, but also take into account the European developments. It must meet our social needs, and also be in tune with the new development model of the country. At its core is the principle that the government should protect its citizens from the long exposure to the risks of social exclusion. The long-term entrapment of large parts of the population in poverty and unemployment creates a perpetual vicious cycle, reproducing and exacerbating the problems, inequalities and exclusions. This vicious circle must be broken (see G.Stournara, *Economic Crisis and Social Policy*, 2011). What we should aim at is to create social networks which will help us deal with the problems created by the crisis. Indicatively I will mention a few examples:

- The drastic reduction of the poverty rates. The effectiveness of the national and the Community resources must be increased through their more intelligent use and disposal, and of course, through the completion of the rationalization in their allocation.
- The establishment of a guaranteed minimum income for all citizens, especially for retirees. In this respect it would be useful an addendum to Articles 21 § 3 and 22 § 5 of the Constitution.

- To include in the estimation, for the entitlement of pension, the reorientation and re-skilling periods during which a person is transitioning from one position or occupation to another.
- Making child protection a priority. The social protection of the entire family in a way that it ensures, primarily the protection of the children, must also be strengthened.
- The encouragement and promotion of partnerships between the public and the private sector in the field of Health.
- The improvement and expansion of the newly-founded network for the homeless (e.g. their hospitality in abandoned hotels in Athens and Thessaloniki), in partnership with the Local Authorities and the Church of Greece is a major priority.
- The transformation of the Ministry of Health and Social Security from the Ministry of hospitals, as it was until recently, to a ministry worthy of its title, that will equip the State with an executive body, which will be devoted to the formulation and implementation of public health policies aiming at prevention and not just treatment, exactly as it is in other advanced countries.

Especially in the area of health, we must make it clear again that health is a public good. The intentional limitation of funding, distorts the essence of Public Health for all, to the best interests of various pressure groups who eventually appropriate it. Internationally, this has led to a situation where the provision of health care depends on the mood of the stakeholders (biopharmaceutical companies, health professionals) rather than the needs of the beneficiaries, the citizens. The relocation of the beneficiary at the heart of the philosophy of the health care system also means reassessing the role of those involved in it. The infrastructures of health, welfare and social security are not there to provide work for some citizens but to provide their services to all citizens.

Currently, the biggest challenge of the health sector in Greece and throughout the developed world is to combat non-contagious diseases (heart disease, respiratory

problems, neurological problems, cancer, diabetes, etc.) associated with our lifestyle, our diet, our habits and our lack of exercise. The promotion and adoption of behavioural patterns and habits that alter or at least not endanger the human body is central to the new health policy. The prosperous societies must also address the health risks of their population, which result from their affluence. Greece needs to coordinate its pace with what is happening in other advanced countries. We need to move from health care policies which are centred around the hospital unit, to a public health policy based on a comprehensive collective and individual behaviour of citizens' approach. The prevention of diseases related to poor diet and limited physical activity must be a national objective. It started in September 2010 with the establishment of Papandreou's special diet and exercise unit in the Ministry of Health. We must carry out these major public health policies, which have been in place in all advanced countries, for many years. We must oppose to the desire of the Samara's tri-partisan coalition government to abolish this very serious structural change which was legislated in 2011.

In the welfare sector, the central government will also remain in the future the main pillar of social protection. The public social network should be strengthened through the inclusion of the Local Authorities in it so that they could shoulder on the provision of the primary health care. The departments of the Local Authorities must be integrated into a structural network of social protection, while they should also be able to certify and integrate into the system those alternative providers of social services, such as the various Church organisations or NGOs which wish to join in. Through their formal membership and certification, these organisations will be given access to state funding programs but under specific and stringent conditions (consider e.g. the pre-mentioned program for the homeless or the feeding programs).

The new welfare state example has as its priority the fight against poverty of children and their families, the protection of the health and safety of their parents at work, the protection of the homeless, etc. While it is known that the development of

a person in the crucial first stages of his life is of great importance, and that an environment of deprivation and instability undermines sometimes to a critical extent its future potential, today's social policy does not adequately address the relevant needs. In contrast, under general labour deregulation, the groups suffering the most painful consequences are the working mothers and their children. For these groups, equal opportunity means greater investment in education, skills' development and lifelong education. It also involves building a supportive social environment for the children and their families.

Currently, the biggest problem of the country is perhaps to meet the expectations of its citizens. Many social groups are affected by the crisis, unemployment, wage cuts and tax measures. The unemployed exceeded 20% of the population, as we had warned that this would happen in January 2010. Attention must be paid here, to the following: this point was not made during public chatter but within the institutionalized bodies of the state in which I participate and while important decisions were being made. In this context, as a member of the Cabinet I expressed my point of view and I informed the national delegation in view of the decision of the stabilization program of 2010, which predicted the unemployment to be below 10%, while it already galloped uncontrollably!!! **The middle class no longer has the luxury as it did before to resort to education and health care services provided by the private sector. So now it is claiming its share of public goods, which up until now were funded by its taxes, but were not enjoyed. Without a radical transformation of the state, without refocusing our efforts on its hard core, executive, supervisory and social functions, the risk of collapse, as we have seen, is imminent. Our task is to design this transformation methodically and with perseverance. The experience that we have gained in the last two and a half years is a critical springboard to make the big leap.** The review and redesign of existing spending on the welfare state will allow us, amongst other, to promote:

- Further rationalization of family allowances.
- The protection of housing.
- The promotion of alternative forms of entrepreneurship.

- Harnessing to the full of the potential of OAED (Manpower Employment Organization)
- The care of vulnerable age groups (children and the elderly).
- The drastic intervention of the National Centre for Social Solidarity.

Middle classes which are especially affected by the crisis should be supported in a prompt and efficient manner. These will also be the driving force of the New Greek Recovery Scheme. If we move towards that direction we can prevent the conversion of the financial crisis to a deep and lasting social crisis. If we are bold and firm in our decisions, we can turn this crisis into an opportunity. It is a matter of believing in the need for social networks and administrative efficiency.

Finally, something which has already been mentioned in this text needs to be pointed out: for many years the Ministry of Health had to oversee all health services, in other words, and the health sectors of the social security funds. The writer, himself, had already pointed out to previous Premiers the vital need of this structural change. Furthermore, that under this extended supervision should undergo all the branches of all the health sectors of the social security system that were not included in the E.O.P.Y.Y., with their immediate transfer to it. This was met with refusal by corporatism! Finally, the necessary changes were made part of the new program with the intervention of the writer, and as we have seen, they passed legislation in April 2012 and were promptly applied. Meanwhile, the welfare services, excluding the mental health services, were transferred to the Ministry of Labour, where it will be easier to organise them, since this Ministry is overseeing the policies about labour, unemployment, retirement, disability, and will now also oversee the areas of social networks and welfare. Unfortunately, the country had to get to the verge of bankruptcy in order for us to proceed with the obvious and elementary reforms.

Much of what was said about the sectors where the state decisively affects the economy i.e. about development as well as about the rationalization and the targeted operation of the welfare state in crisis conditions are included in the second program. **This government needs to apply it fast, and sometimes even faster than the agreed timeframes. And through this quick and effective action, people will realize that something is changing for the better and that the government's program is identical to theirs. Only then, will the social crack in the relationship between politicians and policies will be restored. Only then, the citizens will have a common focus with the politicians and the political system.**

EPILOGUE

Greece needs the development and application of a national plan, right here and right now, in order to exit from the crisis and to place the foundations for prosperity and credibility. No matter how many memorandums we sign, if Greece does not put all its effort in fighting its own battle against the recession, or in other words the battle for development it is not going to exit from the crisis, not the euro crisis, but its own individual one. If we do not reverse the course of recession, the Greek state will continuously seek to raise money by the payment of taxes, by public sector layoffs, by wages and pensions cuts, by the minimization of the welfare state etc. Many believe that the battle against recession depends exclusively or at a large part on finding funds that will "fall" in the Greek market through various Mediterranean Programmes, the NSRF etc. Those unrepentant politicians, who, in spite of all evidence, still believe that development is a matter of international begging, need to be revealed to the Greek people as well as the essence of their arguments, and to let others showing martial militant and being more realistic, to fight this battle. The EU funds will certainly facilitate our situation, but growth and development is a matter we need to deal on our own. Development is the politicians' duty to this country. Unfortunately this is not yet widely realized. So, after all, the radical transformation of the state with a new method of action that will correspond to the needs of the crisis for fast action, has not been designed yet and nor has it started being applied yet, not even in an irrational way. Some correct and necessary moves were made because some, very few reformers and radical politicians acted in self-sacrifice. However, alone they cannot make the difference, nor can they alter the general picture. Besides, sometimes it only takes to change the Minister to easily bring back everything, or almost everything to its previous squalid condition.

However, what has not been done yet, must be get done and without delays. This of course is not a matter of just one person. It cannot be. And this is due to two reasons. The first relates to the needs of the issue at hand. A national plan to exit from the crisis and to restore the country to its prosperity and credibility requires the

combination of the knowledge and experience of many people. Collaborative work will ensure that it will be applied. The second reason is the need for prompt implementation of this plan. The Greek men and women cannot afford to continuously pay from their non-existent savings the social infrastructures of education, health, etc. We urgently need development that will create jobs and bring revenue to the Treasury as well as the Social Security Funds. Otherwise, from 2013 we will witness the actual deconstruction of the Greek Welfare State. Social infrastructures will shut down one after the other. Recession does not just bring unemployment but it will also mean a decline in all kinds of social protection. The populists will be quick to say: "but we are suffering from a lack of social protection, what is the worst thing that can happen!" However, only an ignorant cannot recognise that the worst is still ahead to come, if we do not take any action right here and right now. So the national plan should not just be put together, it should also be implemented immediately and successfully. A number of people are required who will be able to develop such a plan and who have realized what has to be done in the country here and now, in order to also participate in its implementation, so that it is quick and successful. Collegiality is, therefore, the condition for both the designing of the national plan for ending the crisis and the return to prosperity and credibility, along with its implementation. The national plan is, in other words, today, the most important political challenge for Greece and its citizens.

The Views on the New Greek Recovery Scheme as listed in this document are my suggestion on how the national plan should be designed so that we exit from the crisis and return to prosperity and credibility. The state needs to be improved in a short time, so as to perform efficiently its main task, which is its functionality (issuing permits, inspections, etc.). As stated in the relevant chapters of this book, the required changes should be under the responsibility of the Prime Minister, the Minister of the Administrative Reform and the appropriate Minister and at those sectors where the state meets the economy and where Greece has great production experience in (primary sector, food production, trade, tourism, energy, shipping, and construction). And yet, the radical changes must be also focused to the famous market regulations, namely to the classical operation field of the social democratic thought and practice.

What kind of state is this that allows the Hellenic Competition Commission to tolerate such attuned practices e.g. regarding the prices of supermarket products? Finally, the structural changes must continue in the sector of the welfare state, which is the other half of the social democratic thought and practice. Only then there will be growth, jobs, income to the Treasury and welfare state funds, reduction of the recession, reduction of the need for cuts and therefore, reduction of the social tension, maintenance of the welfare state structures of education, health, transport, Local Government, setting limits for the political influence of demagogues and the return of Greece to the credibility and its citizens to both prosperity and credibility. The Third Hellenic Republic completed its course of action and must now be buried with a solemn manner. The battle should be given here and now, and should be based on the revision of the Constitution, which will denote the start of the Fourth Hellenic Republic. At the same time, our operation needs to be understood and it needs to have a political function within the framework of the Emergency Republic. *Views on the New Greek Recovery Scheme* sets out the basis for all policies that need to be followed. The additions, the specializations, the quantifications and the timeframes are missing, and it is what needs to be added by the collective political process.

Right here and right now, the needs of Greece and its citizens rather than the needs of the political parties and that of individual people, should be set as political priorities. Let's not forget that the elections were held in May 2012 and instead of immediately forming a government we repeated the elections a month and half later (!) and yet only a few took into account that: a) the elections would set us back in the memorandum's term specifying that all government arrears would be settled and all VAT arrears would be returned to the beneficiaries on receiving the instalment of 6.5 billion euros, b) several months of the battle for the survival of the country would be lost and c) tourism would suffer a major blow. And all that, in order for the emergence of a government with other people from other parties and to spend the first half of the adjustment period in order to pursue exactly the same objectives as the previous one!!! All these political habits must be thrown into the dip pit of Keadas. We need to learn from all this. To the dramatic problems that arise from the debt and the competitiveness crisis are added the problems arising from the inability of the

political parties. The sacrifices that were made by the citizens of this country and by some self-abnegated politicians, has reduced the deficit by 6.5 points of the GDP within the last two years. This is a world record. Obviously people were hostile towards these required policies. The setbacks, however, the guilty attitude and the fear of the politicians, the political demagoguery and the corporatism, and the negative attitude of the mass media has led, at the same time, the international community and the markets to blame us that we do nothing!!! And that's because, embarrassment, setbacks and the ambiguous political speeches went around the world, preceding the positive actions and hence hiding the sacrifices of our people and our achievements. Our struggle, therefore, must remain true and unwavering to its objectives. Our words must be clear, our intentions crystal clear and our policies fast and effective. Only such a political stance possesses the essential characteristics that will allow rapture with the past whilst embodying the hopes for Greece and its citizens' exit from the maelstrom of the crisis and the lack of credibility. If we do not break away and we do not succeed in our struggle the only prospect for Greece would be universal poverty, widespread crime and wretchedness.

I will try to turn this text into a political proposal, hence its publication. It is a fatalistic approach towards the intensification of the crisis to allow the worsening of the situation for the country and its citizens either by whistling casually, or by engaging in petty political parties' quarrels. Either by favouring the party's best interests over the national ones, or by engaging, just for the sake of political vanity, in pointless and demagogic debates in the mass media that treat everyone and everything as expendable. And either by trying to misinform the citizens, or by being preoccupied with the battle against the demagogues through wishful thinking and generalizations. We have to break the inertia of the political changeover. Already, with the last elections, the people entered the path of political change. Like I said, when I presented the *Views on the New Greek Recovery Scheme* on February 16, 2012, we need a new political model. The citizens in the recent elections pointed out that this is absolutely necessary. Many things need to change, in terms of people, attitudes and situations. Success, therefore, of this project will not be judged on

whether we read the pages of the book at hand, but on whether it will be used as the basis for what we need to do.

Prelude to my current effort was the talk that I gave at E.S.I.E.A (Journalists' Union of the Athens Daily Newspapers) on March 9, 2009, for the vital changes in the functioning of the state, where it meets the economy. As a follow up and while I was a Minister in Papandreou's government I made some interventions. The first one was made in May 2011, where I stressed the need for the government to resume fighting, given the fact that from October 2010 it had sunk in inertia, in guilt, fear and embarrassment and, the second one in October 2011, along with Anna Diamantopoulou and Gianni Ragousi, on the need to advance the reforms, to fight against corporatism and to achieve a national government communication. And yet, with the publication of the *Views on the Greek New Recovery Scheme* on February 16, 2012, I made my last attempt to mobilize forces in a joint effort, and hence I have been waiting for others to act, for a collective political course. But my waiting has come to an end. In terms of my intentions, publishing the *Views on the Greek New Recovery Scheme* is a political act, itself. I will fight to finally establish and implement the national plan for the exit from the crisis and for our return to the path of prosperity and credibility. I strongly believe in what I embark on.