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**Greece: Integration, crisis and structural reforms**

Abstract

Greece’s crisis is the longest and most severe recorded in an OECD country. Even though in its manifestation it appeared as a fiscal crisis, the root of the problem lied in the economy’s low competitiveness that was reflected in the rising current account deficit. The low competitiveness was primarily due to the abandonment of structural reforms after 2001. Greece’s labour and product markets were among the least flexible in the OECD, while after the accession to the euro unit labour cost was rising faster than the Eurozone average leading to inflation rates higher than those prevailing in the Eurozone. Since the adoption of the economic adjustment programs, the huge twin deficits have been eliminated, but the socio-economic cost was enormous. A considerable number of structural reforms were adopted in this period. Priority was given to labour market reforms. As a consequence and in combination with the unprecedented rise in unemployment, unit labour cost declined sharply. However, the high cost of capital that was resulting for the high country risk and a number of product market imperfections prevented the increase in exports observed in other Eurozone countries that adopted economic adjustment programs. At the same time, the ensuing drop in aggregate demand contributed to the deterioration of the crisis. Even though, according to the OECD, in recent years Greece has been a champion in the adoption of structural reforms, it was starting from a very low basis. It seems that the safe exit from the crisis can only be safeguarded if the reform process continues unabated. The paper provides a narrative of the Greek crisis with emphasis on the role of structural reforms, combining macroeconomic evidence with measures of structural reforms collected by various international organizations.