



Economic Issues

August 19, 2011

Historical Background to the Greek Debt Crisis

Political clientelism and rent seeking have been the central organizing principles of Greek society since the foundation of the Greek state in the 19th century. The influence of the Eastern Orthodox Church on Greek nationalism and the legacy of the patrimonialist Ottoman Empire produced a weak civil society. The result has been a disproportionately large Greek state and public bureaucracy since the 1800s that set the stage for rent-seeking struggles that have followed, says Takis Michas, a journalist at the Greek national daily, Eleftherotypia.

Since the 1930s, political patronage has been disbursed through increases in public sector employment, regulations that limit competition and the imposition of levies on transactions that benefit third parties.

The resulting system has encouraged corruption, discouraged wealth creation and affected popular ideological narratives.

The view that the state is good and that markets are bad is widespread, held across the political spectrum and is understandable in a rent-seeking society where all activities, including market transactions, are seen as redistribution. But the realization of "putting people above markets" has deepened clientelism and produced the current national crisis, says Michas.

Source: Takis Michas, "Putting Politics above Markets: Historical Background to the Greek Debt Crisis," Cato Institute, August 15, 2011.

Source:

http://www.cato.org/pub_display.php?pub_id=13569

For more on Economic Issues:

http://www.ncpa.org/sub/dpd/index.php?Article_Category=17