



## Greek Economy in Shambles

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The Greek government has been overspending for years, yet many in the country blame the European Union for their problems, says Richard Rahn, senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

Greece is now in its fifth year of decline.

- Gross domestic product is 28 percent lower than it was just four years ago, and official unemployment sits at 27.5 percent.
- For young people, unemployment is a staggering 60 percent.
- Ten million Greeks currently live in Greece, spread across 2.8 million households with "relationships" with the Tax Office. Of those 2.8 million households, 2.3 million are in debt to the Tax Office.
- One million households cannot pay their electricity bill in full.
- Of the 3 million in the Greek labor force, 1.3 million are without jobs.
- Half of Greek businesses still in operation are in serious financial trouble due to pension contributions and the social security fund.

The greatest danger to turning around an economy like Greece's is the political threat: with so many unemployed and underemployed citizens, frustration is taken out on politicians. Those politicians, in an effort to survive the next election cycle and escape the wrath of their constituents, throw handouts at the public and create "make-work" jobs. This only stifles growth because whether the new spending is financed by debt or printing money, resources are taken from the productive sector.

Greece needs a strong economy to pull itself out of this financial mess. The current Russia-Ukraine situation could only make matters worse -- the country depends on Russia for more than three-quarters of its natural gas, and most of that gas passes through Ukraine.

Source: Richard Rahn, "[Greece Shows How Far an Economy Can Fall](#)," Washington Times, March 31, 2014.