

## Three Growth Sectors for a Restructured Greek Economy

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### ABSTRACT

Three growth sectors are identified for a restructured Greek economy. They are: (1) higher education for foreigners; (2) retirement and long-term care of the elderly from foreign countries; (3) assembly and manufacture of small cars. The paper argues that factor availabilities provide Greece with an advantage in these sectors.

### INTRODUCTION

A 25% unemployment rate describes the tragic state of the Greek economy. But this economic statistic is accompanied by tragedies among individuals and the society which reflect a nation which is becoming dysfunctional. Youth unemployment is above 25%. Young Greeks are abandoning their dreams of the future and looking to emigrate. Parents who have lost their jobs and their businesses are unable to help their children. Some of the parents commit suicide in despair. At schools and universities stray dogs may roam the grounds and classrooms may not have heat in the winter. Telephone service and staff may be cut. Hospitals do not have funds to purchase pharmaceuticals and supplies. In short, the fabric of society has been torn apart and what Americans take for granted in a functioning society would not be the present-day situation in Greece.

Greece is a county that is poor in natural resources. Arable land is in short supply and other natural resources that were a concomitant of the Industrial Revolution are lacking as well.

### MODERN HISTORICAL BACKGROUND

Modern Greece endured hundreds of years of subjugation under Ottoman rule after the fall of Constantinople. Under the Ottoman Empire enterprising Greeks would travel within the Empire to Istanbul, Romania, Egypt and other areas for a better life than was available in the homeland. A few left the Ottoman Empire and went to Russia, France, and other parts of Europe and formed the nucleus of the Friendly Society (Filiki Eteria). It was a secret organization that began the Greek War of Independence in 1821. Gradually, parts of Greece achieved their independence from Ottoman rule during the 19th century and the Balkan Wars of 1912-1913. Other parts of Greece became independent at the end of World War II. Thus, the formation of modern Greece entailed many struggles and travails.

During World War II Greece was occupied by Bulgaria, Germany, and Italy. According to Richard Clogg, an emeritus fellow at Oxford, this occupation resulted in a hyperinflation that was 5,000 times more severe

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than the infamous German hyperinflation of the 1920's Weimar Republic. Price levels in Greece in January 1946 were more than five trillion times those of May 1941. The population suffered from starvation, deportations, and reprisals. The Axis troops pulled out in 1944 and destroyed schools, bridges, and buildings as they withdrew. Thus, although nominally a victor on the side of the Allies, Greece emerged from World War II in ruins. The three-year civil war with the Communists then ensued and further delayed any economic recovery.

Throughout the 20th century Greeks have been emigrating from Greece to other lands for better economic opportunities. The Greek Diaspora has sent people to the United States, Canada, Australia, South Africa, and Brazil. It has sent "guest workers" and residents to West Germany, Switzerland, England, and other parts of Europe.

The disastrous background factors of wars and poor natural resources have meant that Greece never really achieved an advanced economic state. It relied on tourism, shipping, emigrant remittances, and outside assistance as its inhabitants aspired to a high living standard which was difficult to sustain. A dysfunctional political system emerged characterized by family dynasties, cronyism, corruption, ineffective tax collection, a military coup, bureaucracy, and other failings.

#### **ANECDOTES ABOUT A PATHOLOGICAL ECONOMY**

On the macro level the intractable problems are well-known. There is a push for more austerity leading to lower consumption and more unemployment in a seemingly downward spiral.

Anecdotes or vignettes on the micro level are also instructive. It has been estimated that it would be cheaper to put all inter-city railroad passengers in taxicabs than run the railroad system with a padded labor force paying high salaries for the workers.

It has been estimated the public-school system employs four times as many teachers per pupil as Finland. Yet, in the past, Greek parents have assumed they needed to hire private tutors for their children in order for them to learn something.

In an English-language Greek American weekly newspaper (The National Herald), there was a report that a Diaspora Greek tried to open a water park in Greece. It took over two years to get all the 17 licenses including a visit to the dentist and a statement by the investor that he knew how to swim. He was issued a license for a fish farm since there was no existing law on how to open a water park.

Growth in income and employment are needed in Greece and an improved balance of payments. A restructured economy and Herculean political leadership are required to forestall the downward spiral. This paper suggests three areas that political and economic leadership can consider.

#### **1. PROFESSIONAL AND VOCATIONAL EDUCATION FOR FOREIGNERS**

Greece should become a center of educational excellence in fields ranging from medicine and dentistry to other technical and vocational fields. The country's leadership should identify educational fields in high demand and provide the education at affordable and attractive rates for foreigners. In effect, this would

constitute export-led growth by educational services. There would be revenue from tuition and fees, room and board, travel by students and relatives, and other forms of spending. Greece would need to target particular fields and tailor programs for those fields and for students from various areas of the world ranging from the Western Hemisphere, other EU countries, the Balkans, North Africa, the Middle East, and elsewhere.

At present, Greece has about 45 universities or institutions of higher learning. Seven of the universities have medical schools. There are technical institutes, some private universities, and the Athens campus of the University of Indianapolis. A high degree of leadership (central planning) may be required to achieve the objective of export-led growth by educational services.

If one targets the medical field, experts will need to consider thoughtfully many aspects that will be needed for a successful program. The prototype model can be the Caribbean medical schools of the Western Hemisphere which train doctors and obtain affiliations with U.S. hospitals. In the Greek arena some of the questions would be as follows. Should the primary language of instruction be English for the foreign students? Which Greek educators and doctors can provide instruction in English or other foreign languages? How quickly can others be retrained? One will not be seeking perfect fluency but adequate fluency. For Greek educators the choice might be between rapid retraining and unemployment.

It appears that Greek students pay no college tuition, a feature of the Constitution. But Greek universities and the faculties can be downsized either voluntarily or as they run out of funds. As we all know, universities have excess capacity. Facilities can be seized, turned over, rented or otherwise made available for new ventures. The new ventures or arrangements can include:

1. Permitting and encouraging for-profit companies to enter the educational field in Greece. U.S. companies include Apollo Group, DeVry, Capella, and others. There are for-profit U.S. companies that provide training in vocational fields.
2. European companies that provide vocational training can also be identified and they can be encouraged to begin operations in Greece.
3. For-profit education companies can be started in Greece as independent Greek companies with some foreign investors or as joint ventures with foreign companies.
4. Associations and cooperation can be encouraged with foreign universities. They can be spurred to set up satellite campuses in Greece with a mixture of faculty and staff.

The new educational enterprises or the extensions of the old ones will need to deal with accreditation and professional certification. How do I provide professional certification for doctors in the U.S. or Canada or Libya or Romania? How do I provide certification for civil engineers? For mechanical engineers? In France? Saudi Arabia? Nigeria? Denmark? Elsewhere?

It is clear that many elements will need to be coordinated. They are: program and professional certifications; faculty and staff and their skills; students and their recruitment; facilities and resources; funding; organizational leadership.

## **2. RETIREMENT AND LONG-TERM CARE FOR THE ELDERLY OF FOREIGN COUNTRIES**

As the ranks of the elderly grow in the world, they will require retirement havens and places that can provide for their medical care in their elderly years. Canadians travel to Florida for the winter. And people from the Rust Belt retire to the Sun Belt. Greece should capitalize on its natural advantages of weather and scenery and combine them with low labor costs to provide care for the elderly in various forms. The care for the elderly ranges from independent living to assisted living to convalescent care to nursing home care. The strategy in a nutshell would be to provide services to the elderly from foreign countries.

As with the educational field, the Greek government would have to streamline and modify any regulations that constitute barriers to expansion in this sector.

From the United States there are various companies that operate in this field on a for-profit basis. They include Sunrise Senior Living, Brookdale Senior Living, Five Star Quality Care, and Capital Senior Living Corp. They and others can be invited and encouraged to expand into Greece. There should also be European companies that operate in the field.

My personal suggestion for this sector would be to tailor retirement facilities to the national origin of the retirees. Thus, an assisted living facility could have a clientele of Danish citizens with the Greek staff having some fluency in Danish or gaining it over time. Teleconferencing could be utilized to keep the retirees in contact with relatives and friends back in Denmark. The relatives and friends would be encouraged to vacation in Greece and provide tourist revenue as an additional benefit for the Greek economy. Ideally a Danish retirement haven would be located in a resort or tourist area in Greece near an airport. Similar facilities would be located in other locations for retirees from Belgium, Sweden, England, and other countries of origin. Excellent teleconferencing facilities would be available at each site.

## **3. ASSEMBLY AND MANUFACTURE OF SMALL CARS**

Greece does not have the advantage of an extensive industrial base that would give it a comparative advantage in manufacturing. But it should give some thought to the possibility of assembling and manufacturing very small cheap cars. The Tata Nano, a city-car available in India, could be a prototype. Essentially the cars would be two or four-seaters at best. The simpler versions might be viewed as covered motorcycles or motor scooters that are suitable for commuting and basic errands in a town or community. Some of the components could be imported with some fabricated locally and assembly taking place in Greece.

Where the cars do not need an extensive cruising range, they could be gasoline-powered or battery-powered. Battery powered cars might be recharged through solar energy taking advantage of the Greek climate and the power of the sun. Some models could be viewed as having export capabilities to low-income populations in Africa and the Balkans.

Greece could also consider a Zipcar rental model to economize on the expenditures for automobiles. The Greek economy is characterized by "idle hands". Thus, there should be people available to make reservations, keep track of vehicles, maintain and clean them, and recharge the batteries with solar energy if

the automobiles function that way.

Economic planners could accelerate the movement to small cars through high registration fees, high gasoline taxes, and through the ongoing austerity measures that would curtail discretionary spending. Creative organization measures might be needed to make the manufacturing ventures possible. With a huge unemployed labor force, one could offer to pay minimum wage in combination with stock options for the entire labor force to give them a stake in any success achieved by the manufacturing sector.

## **CONCLUSION**

It would be nice if Hercules or some other hero emerged from Greek mythology to boost the Greek economy and prevent the descent into a downward spiral. If some heroes don't appear, we shall have a Greek tragedy in the 21st century.

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