

**AN EXPLANATION OF THE GREEK CRISIS:  
"THE INSIDERS - OUTSIDERS SOCIETY"**

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**Summary**

The purpose of this paper is first, to present those features of the Greek economy that characterize its current crisis and to investigate possible causes that led to it. Second, to provide a unifying explanation of the crisis that is consistent with the features and the causes mentioned above. This explanation derives from the view of Greek society, since the return to democracy in 1974, as consisting of two groups with conflicting ends – “insiders” and “outsiders.” Insiders are enjoying rightful and unrighteous benefits and the system is protecting them from their own potentially unlawful behavior, competition and meritocracy. Outsiders are the rest of society. Typical insiders are considered to be civil servants and especially employees of public sector enterprises, private sector companies engaged in public procurement, the media, “closed” or “regulated” professions and tax evading professionals and companies. Typical outsiders are considered to be employees and pensioners of the non protected private sector, new entrants to the labor force, unemployed and discouraged workers, immigrants, those needing the social protection net, exporters that compete in competitive world markets and companies that cannot tax evade. Although, outsiders outnumber insiders by a great margin, they are widely dispersed and contrary to insiders hardly, if at all, organized in promoting their common interest.

Each and every group of insiders seeks rents from the political system and especially government incumbents. On the other side, politicians are, in general, eager and willing to provide these rents in exchange for the political support and/or the avoidance of political harassment by those groups. But, these rents are directly or indirectly increasing budget deficits and/or decreasing output and output growth and thus, affect negatively all outsiders and society as a whole. The economic consequences of the “insiders-outsiders society” is the accumulation of public and foreign debts, as well as relatively low overall growth – features that characterize the Greek economy, for some time. In terms of economic policy, there seems to be an obvious recommendation – structural reforms to dismantle the insiders-outsiders society.

For the complete paper follow the link: <http://www.cepr.org/pubs/new-dps/dplist.asp?dpno=8996>