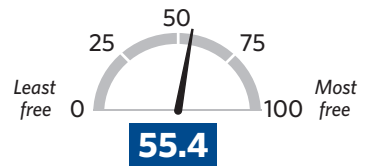


GREECE

Economic Freedom Score



World Rank: **119** Regional Rank: **39**

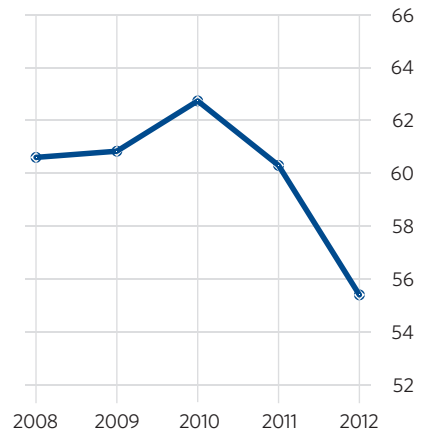
Greece's economic freedom score is 55.4, making its economy the 119th freest in the 2012 *Index*. Its score is 4.9 points lower than last year, reflecting declines in six of the 10 economic freedoms with particularly acute problems in labor freedom, monetary freedom, and the control of government spending. Greece is ranked 39th out of 43 countries in the Europe region, and its overall score is below the world and regional averages.

Recording the largest score decline in the 2012 *Index*, the Greek economy is now rated "mostly unfree." Greece continues to be challenged by a daunting debt burden and the severe erosion of competitiveness. Sparked by decades of overspending, a lack of structural reform progress, and endemic corruption, the ongoing sovereign debt turbulence must now be addressed in a climate of crisis and political instability.

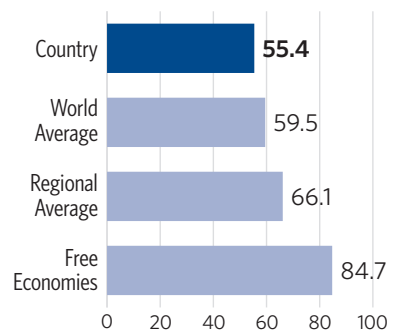
Bold and committed adjustments are critically needed in such areas as government spending and labor freedom. The fiscal deficit remains unsustainable, with public debt exceeding 140 percent of GDP. The lack of competitiveness and fading business confidence are serious impediments to economic revival. Adjustments in market conditions have been stifled or delayed by public unions. The rigid labor market impedes productivity gains and discourages dynamic entrepreneurial activity.

BACKGROUND: Greece has been a member of NATO since 1952, joined the European Union in 1981, and adopted the euro in 2002. Its economy depends heavily on tourism and other services. More than half of Greek industry is located in the greater Athens area. Following years of profligate government spending and inaccurate reporting to the European Central Bank, the economy faced collapse and an enormous sovereign debt crisis in 2010 and 2011 that caused significant domestic and political turmoil and threatened the overall stability of the euro zone. Large rescue packages have provided emergency loans from the EU, the European Central Bank, and the International Monetary Fund in exchange for the introduction of severe austerity measures.

Freedom Trend



Country Comparisons



Quick Facts

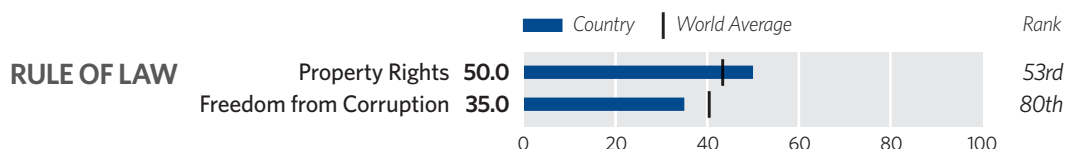
Population: 11.2 million
GDP (PPP): \$318.1 billion
 -4.5% growth in 2010
 5-year compound annual growth 0.7%
 \$28,434 per capita
Unemployment: 12.5%
Inflation (CPI): 4.7%
FDI Inflow: \$2.1 billion
Public Debt: 142.8% of GDP

How Do We Measure Economic Freedom?

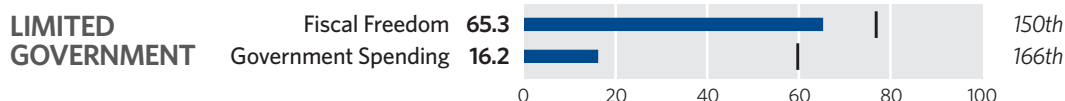
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

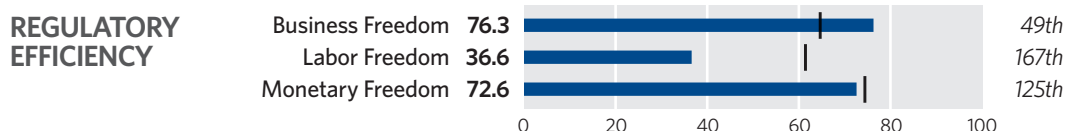
THE TEN ECONOMIC FREEDOMS



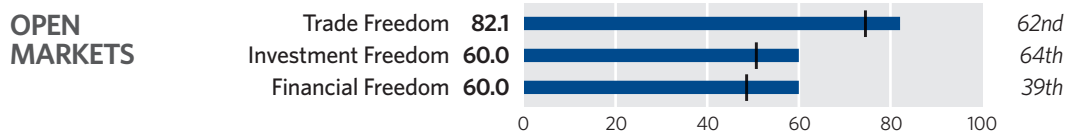
The judicial framework is weak and vulnerable to political interference. Protections for property rights are not strongly enforced, and the rule of law has deteriorated. The law provides severe penalties for bribery, but enforcement remains lax. The problem is most acute in government procurement, where political influence and cronyism continue to play a significant role in the evaluation of bids.



The top income tax rate has increased to 45 percent. The top corporate tax rate was 24 percent for the financial period from August 2010 to July 2011, with a lower 20 percent rate approved for the period after that. The overall tax burden amounts to about 30 percent of GDP, and government spending has reached a level exceeding 50 percent of GDP. Chronic budget deficits continue, and public debt far exceeds the size of the economy.



The overall regulatory framework is hampered by government bureaucracy, and efforts to enhance the business environment have been sporadic at best. The process for launching a company is fairly streamlined, but licensing requirements remain burdensome. Labor regulations are restrictive, with the non-salary cost of employing a worker high and restrictions on work hours rigid. Monetary stability is weakening.



The trade weighted average tariff rate is low as with other members of the European Union, but cumbersome non-tariff barriers raise the cost of trade. The investment regime, constrained by a lack of transparency and efficiency, is not conducive to the dynamic growth of investment. Private financial institutions account for a majority of assets in the financial sector, though state interference is substantial. Banks have been under strain.

Score Changes

| RULE OF LAW | | LIMITED GOVERNMENT | | REGULATORY EFFICIENCY | | OPEN MARKETS | |
|-------------------------|------|---------------------|-------|-----------------------|-------|--------------------|------|
| Property Rights | 0 | Fiscal Freedom | -0.6 | Business Freedom | +0.1 | Trade Freedom | -0.5 |
| Freedom from Corruption | -3.0 | Government Spending | -18.1 | Labor Freedom | -18.6 | Investment Freedom | 0 |
| | | | | Monetary Freedom | -8.0 | Financial Freedom | 0 |