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A widely told narrative of the economic crisis in Greece holds that it is the product of excessive austerity, imposed by arrogant outsiders who misread the situation. The only way out, the story goes, is to break the resulting recessionary spiral with a policy of fiscal stimulus.

This account doesn't stand up to scrutiny and needs to be countered if the current brinkmanship over Greece's bailout is to end well.

To begin, it is odd to claim that a crisis caused by a 10-year infusion of excessive cash can be cured by means of further stimulus. The theory that it can assumes that Greece lacks sufficient “effective demand,” or the capacity of consumers to purchase goods and services at current prices. Restore this and a virtuous circle of growth will follow.

A single statistic should suffice to cast doubt on this assumption. Greece's gross domestic product was similar in 2001 and 2014, measured in constant 2005 prices, meaning that “effective demand” in these two years before and after the debt crisis was approximately equal. And yet unemployment in 2014 was almost triple the 2001 level. The key to resolving Greece's economic woes must, therefore, lie in something other than demand.

Equally telling is that during the five years since the crisis began, Greek imports have exceeded exports by almost 60 percent. Although Greeks are certainly buying fewer foreign goods than in 2007, it is clear that insufficient “effective demand” is not the root problem here. What has been lacking is “effective supply” -- the ability of the Greek economy to produce enough competitively priced goods to sell and grow.

So why has the recession been so deep and so lasting, if not because of austerity? The answer lies in what happened between 2001 and the start of the financial crisis.

After the euro was introduced in 1999, Greece received more in credit than it needed every year, between 5 percent and 10 percent of gross domestic product. Populist politicians funneled this excess money to their political clients, explaining the windfall as a “development dividend” that resulted from “structural convergence” with the core euro area countries. This was a fantasy, because there was no such convergence. Yet, it was natural for the recipients of this largesse to see it as real and permanent income.

Even after the crisis erupted, nobody from the political establishment had the courage to confess what had really been going on. This is why most Greeks still believe the country's “normal” level of wealth is equivalent to the 240 billion euro GDP achieved in 2008, and that every deviation must be the result either of an anti-Greek conspiracy or ill-conceived economic policies. These misguided beliefs lie at the root of the popular disillusionment with Greece's mainstream political parties, and explain the rise of the anti-austerity, anti-reform Syriza party.

The misunderstanding of what underlies the crisis isn't just held by ordinary Greeks; sophisticated proponents of the anti-austerity narrative believe it, too. But it is no less wrong for that.

Look at the unemployment rate, which has jumped from about 10 percent to almost 30 percent since 2010. This simply doesn't correspond to an output gap -- the difference between an economy's actual and potential levels of activity -- that could be quickly closed by stimulus. You could pump cash into the economy to increase demand and GDP still wouldn't return to its 2008 level, from 180 billion euros ($200 billion) today.

There are multiple factors to explain why Greece's potential output has fallen. One is that the unemployed lack the knowledge and qualifications to work in those economic sectors capable of expanding the economy; another is that it probably doesn't have enough of the high growth, tradeable sectors necessary to boost the economy.

In fact, a policy of Greek fiscal stimulus would have the perverse effect of creating jobs in Germany, China and other exporting countries that would simply sell their wares to Greece.

This is why we take issue with suggestions that ending austerity would unleash the Greek economy, or that structural reform is less urgent because it takes too long and has too limited an impact. On the contrary, there is plenty of evidence that Greece has been unable to become more competitive and escape its economic doldrums, because it has failed to adopt the structural reforms needed to give it a sustainable 240 billion euro economy again.

There is, however, one aspect of the complaint Greeks lodge against their euro area partners that is well founded: namely, that Greece should have been allowed to default in 2010. Had that happened, the overall debt burden on the Greek economy would be at least 50 billion euro smaller than it is today, improving the prospects for a healthy recovery. This necessary and timely default was prevented, because it would have harmed some too-big-to-fail European banks.

The upshot is that in addition to all of its self-inflicted wounds, Greece is paying a hidden tax to subsidize the rescue of foreign banks. That injustice needs to be recognized and righted through debt relief.

Greece’s creditors are correct when they say the only way for the economy to recover is by putting in place structural reform. Yet they are also wrong in refusing to discuss the possibility of debt reduction. A gesture on debt restructuring would not only help to relieve the Greek economy from an excessive burden, but also restore trust between Greeks and their creditors and offer an important incentive to carry through the structural reforms our country so desperately needs.