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– An overview

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This paper is prepared as a result of the project “Deliberating socio-economic impact of EU Integration-Albania and shared regional experiences” being implemented by EMA in partnership with ELIAMEP, Greece and with the support of Central Finance and Contracting Unit, Ministry of Finance and Economy in Albania under IPA funds of European Union


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INTRODUCTION

The subprime mortgage crisis of 2007 in the United States’ market was the beginning of what is now known as the most serious international financial crisis since the Great Depression of the 1930s. A crisis that started as a domestic issue in the United States quickly had a drastic domino effect on the rest of the world after the collapse of the banking colossus Lehman Brothers in 2008. The Asian markets were the first to strain. Europe was next in line and by 2009 the European Union was called to face what is still an on-going debt crisis that had extremely serious consequences not only for the countries that were affected the most such as Portugal, Ireland, Spain, Italy, Greece and later Cyprus, but for the European Union as a whole.

During the European debt crisis Greece was part of the group of the above-mentioned Eurozone member states (at the time known by the disparaging acronym PIIGS or GIPSI) that were facing extreme economic difficulties and were on the verge of collapse. Out of the five countries, Greece was the one which was at the most difficult position. The possibility of bankruptcy was slowly transforming from a distant threat into a very real and possible scenario. By late 2009, the country’s future was at stake; it was more than obvious that Greece was in desperate need of assistance and that a contagion of the Greek crisis to other European countries was a possible scenario.

On March 2010, the Eurozone member states, led by France and Germany, announced that financial support would be provided to Greece in order to avoid bankruptcy. After Prime Minister George Papandreou’s official bailout request, the European Commission, the European Central Bank and the International Monetary Fund, also known as “Troika”, agreed to participate in the bailout.

The Greek crisis is probably the most examined and controversial one because of its duration – the recession of the Greek economy was even worse than the American one during the Great Depression – as well as because Greece was called to adopt and implement a significant number of reforms and austerity measures in a short period of time. These reforms and austerity measures were binding as they were part of the Economic Adjustment Programmes (also known as bailout packages or Memoranda of Understanding) that were signed by the Greek Governments.

During the crisis years, Greece signed three bailout packages: the first one was signed in 2010 under Prime Minister George Papandreou of the social-democratic party PASOK, the second one in 2012 under Prime Minister Lucas Papademos who was leading a provisional government at the time and the third was signed in 2015 under Alexis Tsipras of the left-wing SYRIZA who served as Prime Minister of the coalition of leftist SYRIZA and the national-populist Independent Greeks (AN.EL.).

On the 20th of August 2018, the Greek government under Prime Minister Alexis Tsipras exited the last bailout programme, thus officially ending this long period of running programmes of support that begun back in 2010. Deep reforms were the only solution for the Greek economy that had reached a dead end due to its deep-rooted weaknesses. The successful implementation of the prescribed measures would not only contribute in addressing these weaknesses but it would also be a proof for the creditors that the country was committed and ready to fix the mistakes of the past.

During the almost ten years of the crisis Greece implemented numerous structural reforms aiming
on the one hand at the economic recovery and on the other at establishing a new economic and development model. In this effort many major issues that brought the country to the point of no return had to be addressed, namely the huge public debt and the high level of fiscal deficit, the irrational management in public spending, the long lasting imbalances between imports and exports, the low level of competitiveness and the problematic functioning of the labour market and the public sector. However, despite the fact that the country was facing the danger of default, each government that governed in the past 10 years had to deal with extreme reactions when it came to the implementation of the prerequisite measures and the reforms that were agreed upon between the country and the Troika in return for financial aid and support. These reactions came from virtually every factor of the Greek society; from the ruling political parties and the opposition to the citizens, from the retirees to the students and from the public sector to the private sector.

In a broader sense, each Greek government that signed each of the three memoranda, despite various voices saying otherwise, knew that there was no alternative. However, there were specific steps in this process; first there was the agreement between the creditors and the Greek government. Each of the three times that a Greek government negotiated with the Troika a deal for a bailout package, it was obvious that each side had its aims. Compromises from both sides had to be made in order to eventually reach an agreement. During these processes the Greek side was often the one that had to back down as it had almost zero leverage. This became particularly evident during the final negotiations of the third bailout programme that had to be re-negotiated after a five-month clash between the SYRIZA-led government and the creditors and a poorly-conducted referendum. Next, the ratification process of certain measures in the parliament was necessary. This was always a process in which the Greek parliament would turn into an arena due to polarisation and the long and divisive political debates. Still, the measures would be ratified since each government had the majority that allowed it to do so. The final step, which was the trickiest one and still to this day it remains so, regarded the much needed reforms: the actual implementation process.

In this paper, we will describe briefly how Greece reached the point when the only solution was the external help, both from an economic and a political aspect. Moreover, we will examine and present the reform process in Greece during the years of the crisis. We will analyse the role of stakeholders and the main players in the process that took place. We will also highlight the peculiarities of the Greek crisis that rendered both the economy and the society unique cases not only in regard to the reaction to the austerity measures, but also in regard to the reasons that led the country to the verge of bankruptcy.

**Why did this happen? // econ 101**

If one were to to summarize in a sentence what happened to Greece and why the country reached this low point, it could be this: Greece was mainly a consumer and less of a producer. More specifically, the regular practice of every Greek government, especially since 1980s, was to finance their budget mainly through external borrowing, a practice that lead to the creation and maintenance of large account deficits. The funds borrowed were primarily channeled to consumption through the salaries of the public sector, the pensions, ample social benefits and the transactions with the state suppliers. As a result, Greece was more of a consumer without producing at least at an equal level, thus establishing a constant deficit in the current account balance, amounting to 14.92% of GDP in 2008 (Eurostat, 2020). Greece was operating in this dysfunctional way for almost thirty
years, up until 2008 when the international financial flows decreased abruptly.

Over these thirty years, the market was stable and money was flowing. From the outside the Greek economy seemed to be doing well. Especially since the mid-1990s, the economy demonstrated remarkable growth with an annual rate of 3.74% between 1995 and 2007, a number that stands above the EU and the Eurozone averages (Katsikas and Bazoti, forthcoming 2020). The growth intensified especially after the adoption of the euro. During this period the country also managed to host the 2004 Olympic Games a project that was overall deemed as a great success but increased disproportionately the state budget. The country’s participation in the Economic and Monetary Union of the EU was endorsed by all mainstream political powers in Greece. PASOK’s (which was in power at the time) modernization project which included liberalization of markets, privatizations and tight fiscal policy along with the favorable international economic environment created the circumstances for Greece that led to the recording of high growth rates for the economy which were steadily above the EU average. This process was further facilitated by the liberalization of both the Greek and the broader European financial system, which made borrowing both easier and cheaper (Katsikas and Bazoti 2020). However, despite the steps forward that were taken during the recent decades, Greek governance as a whole did not keep up with the evolving needs and demands of the Greek economy and society and failed adapt to the European standards and requirements.

**Politics and history**

In the years before the crisis, the main political parties became indistinguishable; governance was a two party story between the center-left PASOK and the conservative center-right New Democracy. These two political parties were the ones that completely dominated the political scene in what is known in Greece as the Metapolitefsi era. Under these two parties, Greece became member of the European Community as well as the Eurozone. The country officially became a member of the European Community on January 1, 1981, after the intense efforts of Konstantinos Karamanlis, the leader of New Democracy who served as Prime Minister on many occasions before and after the seven-year dictatorship. Under Prime Minister Kostas Simitris, leader of PASOK, Greece became a member of the Eurozone and adopted the euro as its currency in 2001.

Despite the fact that signs of fragmentation were evident in the political scene throughout the crisis, the big change in the Greek political arena came in 2015 when the radical left-wing party of SYRIZA under Alexis Tsipras won the general elections and formed an unorthodox coalition government with Panos Kammenos and the national-populist Independent Greeks (AN.EL.), founded on their common anti-austerity stance. The main pre-elections promises of Alexis Tsipras were the end of the austerity measures and the re-negotiation of the bailout conditions.

One thing that needs to be underlined is the fact that Greece was and still is a country that despite its peculiar way of operating politically and financially is devoted to the European values and vision. This is really important considering the fact that the far-right is on the rise all over the

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1 The term “Metapolitefsi” (Greek: Μεταπολίτευση) describes the period after the end of the military junta which lasted for seven years (1967-1974) and the restoration of democracy in the country.
2 The Greeks, up until 2008, were mostly in favor of Greece participation in the European Institutions, unlike the country’s participation in NATO which was approved by far less people, according Autumn 2008 Eurobarometer data. Seven out of ten Greek citizens believed that Greece has benefited from its participation in the European Union
world and especially in Europe where euro sceptic, ultra-conservative parties are on the rise or already in government – see Poland’s Law & Justice party. Not to mention the fact that in France Marine Le Pen’s far-right Rassemblement National defeated President Emmanuel Macron’s coalition in the 2019 EU elections or that Mateo Salvini’s League is one of the main political forces in Italy and up until recently member of the coalition government as well as a member of Steve Bannon’s euro sceptic network “The Movement”. Based on that and despite the austerity measures and the major political changes, it is of the outmost importance that Greece remains clearly a pro-EU country and this is something that the two main political parties, New Democracy led by Konstantinos Mitsotakis which is now in government and main opposition party SYRIZA, understand and support.

In this part we will examine more thoroughly the reforms and measures that Greece needed to adopt and implement in exchange for the bailout with regard to the political parties that were in power at the time as well as the unique characteristics of the Greek case that made the process of reform slow at best or did not allow it to proceed at all.

In order to examine what took place in Greece in the last decade, I will divide this period into three sub periods based on which political party was in power:

- The first one is from **October 6, 2009** to **November 11, 2011**. The Prime Minister was George Papandreou, leader of the socialist PASOK, which won the 2009 elections.

- The second one is from **November 11, 2011** to **26 January 2015**. During this period the government led by Lucas Papademos (**November 11, 2011 – May 16, 2012**) was in office after the resignation of Prime Minister Papandreou. Papademos was widely accepted by PASOK, New Democracy and far-right conservative LAOS, followed by the provisional government of Panagiotis Pikrammenos (**May 16, 2012 – June 20, 2012**). Antonis Samaras of New Democracy was Greece’s Prime Minister of the coalition government made up of New Democracy, PASOK and the Democratic Left party, from **June 20, 2012 to January 26, 2015**.

- The third one is from **January 26, 2015 to July 8, 2018**. Left-wing SYRIZA of Alexis Tsipras formed a coalition government with the national-populist ANEL. The first term of Tsipras’ governance was from **January 26, 2015 to August 27, 2015**. After the elections of September 21, SYRIZA won again and formed again a coalition government with ANEL.

while the Greek public opinion was in favour of a European Monetary Union with one single currency, the Euro (58%). On the other hand, distrust in NATO and the United Nations was depicted in the rates recorded by Greek respondents, which were the highest (negative) in the entire survey.

3 You can read more about Steve Bannon’s plans for Europe in the following link: https://www.theguardian.com/world/2018/nov/21/steve-bannon-i-want-to-drive-a-stake-through-the-brussels-vampire-populist-europe

4 Kyriakos Mitsotakis of New Democracy is Greece’s current Prime Minister. New Democracy formed a government on July 7, 2019, after winning the general elections with a majority.

The stakeholders and Greece’s unique characteristics

Before moving on, it is necessary to refer to the reasons that led Greece to the position of asking for a bailout in 2010. As mentioned earlier, Greece was a country that operated based on its own unique characteristics. This way of operating was full of flaws and inconsistencies yet somehow effective for an extensive period of time. Let’s take a closer look at some of them:

- There was maladministration of the country’s public finance bodies.
- The country’s public sector was overcrowded and on many occasions under-performing. It is important to mention that a position in the public sector had become an object of exchange in return for votes because the employment in the public sector offered job security and relatively high wages. Clientelism and nepotism which lie at the core of the Greek political life created public policies which were fragmented and at the same time a tool for various business and political interests.
- The dysfunctional bureaucracy was also an important issue.
- The initiatives aiming at the economic growth were mostly a state issue with limited involvement of the private sector.
- The unions exerted disproportional pressure on political parties.
- The true level of the fiscal deficit was only revealed in 2009 having been underestimated for years. This resulted in significant loss of the country’s credibility during a critical period.
- The authorities did not make a systematic effort to control public spending, to tackle the issue of high-scaled tax evasion and the corruption that was a growing and an inherent problem at all levels of public administration.
- Greece entered Eurozone and adopted euro as its currency without sufficient preparation that led to a continuing deterioration in competitiveness and a drop in productivity.
- The country was living beyond its capacities even before entering the Eurozone. The public spending, including rises in the wages and the pensions, was higher compared to other Eurozone countries.
- The country spent huge amounts of money for the organization of the 2004 Olympic Games.

Furthermore, after the breakout of the crisis in 2008, and until Prime Minister Papandreou’s official request for a bailout, there were some additional reasons that contributed to the swelling of the already extremely problematic condition of the country:

- In spite of the warning messages from the beginning of 2008, the government was hesitant and indecisive to react.
- The two largest Greek ‘industries’ which are shipping and tourism were greatly affected
by the global recession. Greece’s ranking in the world tourism competitiveness index deteriorated since the beginning of the crisis, as the country ranked 24th in 2009 but only 32nd in 2013 out of 140 countries. Shipping which is an economic sector whose activity mainly relies on bank credit was also deeply affected. The restrictions on new lending that were imposed along with the global fund shortage affected the Greek shipping industry hard because of its growing reliance on external ship finance.

- The administrative and political system failed to understand the importance of dealing on time with the economic issues that were present in almost all European countries including Greece. When the global financial crisis hit and the country’s debt came to light, the country was unprepared to face the consequences.

- During the early years of the crisis the political powers of the country were hesitant to take serious legislative measures to correct the situation because of the possible political cost.

- The country had to deal with huge deficits. Even though money was moving and flowing in the market, the revenue was affected by tax evasion, limited tax collection and the mass transfers of money overseas.

- Politicians, both of the ruling parties and the opposition, and bankers were, as it turned out, unprepared and sometimes unqualified to deal with what struck the Greek economy and society after the outburst of the crisis.

- Numerous rounds of elections took place during the crisis years in which the political parties’ only aim was to win. Therefore, their election programmes were adjusted to the voters’ expectations and not on the real needs and the actual state of the economy.

- When the Greek crisis became globally known in the fall of 2009, Prime Minister Papandreou and his government, after a decisive win in the elections, was undecided and hesitant to take the necessary action in order to stop and resolve the crisis before the situation went out of control.

- The media has also played a role in the way that the crisis was presented to the Greek society especially the first years of 2008 – 2009. The over-simplification of the economic situation alongside media populism for political reasons contributed in the underestimation of the general situation.

After reviewing these main problems regarding Greece’s way of operating as an economy, it becomes even clearer that the country sooner or later would have to address its fundamental weaknesses and the distorted way in which its economy had been growing. The world financial crisis just accelerated the inevitable. The fact that the United States’ market as well as the European market faced the greatest recession ever since the 1930s just made the situation even worse for Greece.

Moving on, we will focus more on the stakeholders of this period which were the Greek government, the Greek opposition, the Greek society and the international community which was represented by the actors that stepped in in order to prevent the country from defaulting as well as the rest
of the EU member states. As mentioned above, the actors that played the most significant role during the crisis was the informal body of the Troika including the European Commission, the European Central Bank and the International Monetary Fund. Before examining the stakeholders in each of the three sub-periods of the Greek crisis, we will give a brief description of each of the stakeholders in order to create a clearer picture of the situation.

**The Greek governments**

With the risk of oversimplifying things, someone might suggest that the main culprit of this whole situation were the Greek governments of the past 30 years. PASOK and New Democracy took turns in forming single-party governments, while the smaller parties stayed in the margin without playing an important role in the country’s governance. One of the main characteristics of this political era was populism especially after the elections of 1981 and the rise of PASOK to power. The policies of excessive public spending that were widely acclaimed by the people created a pattern that continued to be present throughout the thirty year period. Even during the crisis, the new political players that emerged followed in the same steps and took advantage of the momentous developments that were taking place in Greece at the time in order to gain voters’ acceptance.

During the crisis years, especially after the signing of the first memorandum, the two, then, main parties of the political scenery, New Democracy and PASOK, twice formed a coalition government in order to achieve the necessary majority. After SYRIZA won the elections in 2015 these two parties constituted the main opposition, even though PASOK lost much of its electorate to SYRIZA. The latter was a small radical left political party that grew and rose to power during the austerity years as a response to the political establishment of PASOK and New Democracy on one hand and the foreign organizations that were involved in the bailout. Despite its populist pre-election promises, after 6 months of bare negotiations and confrontations with the creditors and a referendum that divided even more the already polarized Greek society, SYRIZA made a U-turn and eventually followed in the footsteps of the previous governments regarding the relationship with Troika.

**The Greek opposition**

When it comes to the opposition in Greece, it is fair to say most of the times it did more harm than good. During the critical period in the beginning of the crisis when PASOK under George Papandreou was in power, New Democracy and SYRIZA were firmly opposed to the implementation of austerity measures and the introduction of structural reforms. Later, under Prime Minister Antonis Samaras who had formed a grand coalition with PASOK (smaller parties LAOS and leftist DIMAR joined separately and for specific periods of time), the government achieved a relatively wider acceptance. One of the reasons that led to this coalition was the changes in the leadership of the two parties which were traditionally opposed, but cooperated for the benefit of the country. At the same time, SYRIZA which was on the rise, was severely attacking the government and was promising a different approach and clash with the creditors. However, as it turned out, some promises are really hard to fulfil. In general and despite the traditional clear division between the two opposed parties upon which the bipartisan system was established, the
two main political powers presented a common front in critical moments of the crisis period such as the coalition government of 2012 that came close in successfully completing the second programme of financial aid. Although bipartisanship had collapsed, social polarization would emerge again after the steady rise of SYRIZA that formed a clear front against the theretofore handling of the crisis and the policies of the MoUs.

The Greek society

The Greek society was affected the most by the whole situation, especially the middle class that shrank harshly. The austerity measures were so severe that “it is hard to think of any other country that would have withstood such a severe and prolonged decline in GDP without a revolution” (Pryce 2005). Furthermore, the bigger part of the two bailouts was used to shore up the banking system and the private holders of Greek debt for the ‘cut’ they had to endure through the PSI while no more than 10 per cent of the second bailout, went directly to the Greek state for the benefit of businesses or individuals. The way of life changed dramatically because of the austerity measures. As a result, the citizens’ defenses against populism were weakened and that was one of the reasons that led to the drastic change of the political environment of the country and the victory of SYRIZA in 2015. The Greek society felt punished up to a certain point by the European creditors, and Germany in particular.

Troika and the international factor

The other major player during the crisis years, apart from the government, was Troika. The EU and the IMF were the country’s last resort in 2010. The Troika became part of the Greek everyday life after stepping in in an effort to prevent the country from defaulting. The consequences of a potential default as well as the possibility of contagion of the debt crisis to other Eurozone members as well raised serious concerns about the prospect of a systemic crisis, making the financial aid to Greece a one-way solution. The hard austerity measures that were demanded in exchange for the bailout were aiming to the reduction of the deficit and the implementation of structural reforms on the public administration, the justice system and the tax collection among other.

In general, the bailout of Greece was not something that was approved and supported by many countries in the EU since many of them were facing major issues themselves. Some EU member states were in favor of a “Grexit” since 2012. However, the stakes were high and, as mentioned above, the possibility of Greece’s default would have numerous negative implications, including a spillover to other European countries with similar economic issues such as Portugal, Ireland, Italy, and Spain and to European banks that held part of the Greek debt. Summing up, the involvement of the international factor in Greece was vital. The way that this happened though was - and still is - debatable within the country as well as outside Greece. Both the EU and the IMF have admitted that mistakes were made regarding the Greek case and the evaluation of the crisis. Consequently and despite the remarkably huge amount of €300 billion that poured into the country in the form of loans, the primary purpose of the MoUs to make deep structural reforms in the Greek state is yet to be fully achieved.
THE CRISIS YEARS – 3 SUB-PERIODS

1st sub-period: PASOK

The first sub-period that we will examine is from October 6, 2009 to November 11, 2011. George Papandreou ran a successful pre-election campaign based on the slogan “The money is there,” while promising rises in salaries. Papandreou and PASOK defeated Kostas Karamanlis-led New Democracy during a period when the implications of the world financial crisis had started becoming more obvious in Greece as well – the country’s deficit and debt were getting out of control. The newly appointed government announced that, as a result of earlier undisclosed debt, the budget deficit for 2009 was double the previous government’s estimate, climbing to over 12 percent of GDP. As a result, credit-rating agencies started downgrading Greece’s sovereign debt leading the country’s borrowing costs to rise sharply. In early 2010 markets were extremely nervous, and Greece’s credit rating was constantly being downgraded, as every package of austerity measures passed by the Greek Parliament proved to be insufficient.

The Greek Government

The newly elected government of George Papandreou, despite all the warning signs, fulfilled its promises on social policy measures with rises in pensions and low-income salaries. These measures were included in the 2010 budget, which was tabled in Parliament on November 20, 2009. Although the budget encompassed some cuts in government spending and operating expenses while calculating revenue growth, primarily through the fight against tax evasion, the government did not take the necessary fiscal consolidation measures to stimulate growth and reassure the markets that the country was doing everything possible to avoid the impact of the world financial crisis. In that respect, the period that followed was marked by continuous downgrades regarding Greece’s credit rating (that eventually was characterized as “junk”) and a steady rise in the country’s spreads, making it difficult for the economy to access markets.

In January 2010, during the Davos World Economic Forum and with the Greek bonds being under intense pressure in the financial markets, Prime Minister Papandreou was hard-pressed by the European leaders to take immediate action. The Greek Prime Minister, as well as the other European leaders and officials, were inundated with questions from the press on whether Greece would ask for a bailout from its Eurozone partners or if it was planning to leave the euro currency bloc altogether. Against this backdrop, Prime Minister Papandreou repeatedly denied the speculation, stating that Greece’s problem was “home-made” and that the Greeks would be “responsible for putting their own house in order,” while also warning that the country was being targeted as the Eurozone’s “weak link.”

Following the Davos Forum, the Greek government announced a successive set of austerity measures intending to safeguard the economy. These measures included, among others, a freeze in state-funded pensions, public sector pay cuts, and tax increases, including rises in VAT rates,

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6 Kostas Karamanlis stepped down as leader of the party after the 2009 Parliamentary Elections which New Democracy lost to PASOK. New Democracy’s intra-party elections declared Antonis Samaras as the party’s new leader.
7 The figure which was finally revised to 15.4 % in 2010, exceeding more than five times the EU limit.
and a further increase in excise duties on tobacco, alcohol, and fuel. Also, a special tax on luxury goods was imposed, targeting taxpayers with high incomes.

At the same time, at the EU level, Eurozone leaders decided to create a joint financial safety net, with the participation of the IMF, in their attempt to support Greece and to restore confidence in the common currency. Although Eurozone finance ministers approved a 30-billion-euro emergency aid mechanism, on April 11, 2010, the Greek government stressed that it had not asked for the plan to be yet activated. However, the high pressure from the markets was suffocating the Greek economy. As a result, Prime Minister Papandreou formally requested an EU/IMF bailout for Greece on April 23, 2010 to avoid the default of the Greek economy.

In May 2010, the country secured an 80-billion financial aid package by the Eurozone countries as well as extra 30 billion from the IMF, i.e., 110 billion euros in loans to be granted over three years, while the Greek Prime Minister committed, in exchange to a new set of austerity measures, including 30 billion euros in spending cuts and tax increases. The Greek Parliament ratified the relevant request.

In that respect, the so-called Troika, comprising of the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF), agreed with the Greek government to a three-year Economic Adjustment Programme (usually referred to as the first bailout package or the First Memorandum). In that context, the Troika called for the adoption of structural reforms and a series of austerity measures, including, among others, cuts in public expenses (wages and social allowances), the increase in VAT and other tax rates, a pension reform, the rationalization of health spending, as well as the full institutional independence to the Greek Statistical Office, and the reconstitution of the public sector which was one of the core issues of the Greek crisis. The disbursement of the tranches would depend upon the implementation of the foreseen reforms. These reforms and austerity measures aimed to subdue the fiscal deficit as well as ensuring the public debt’s sustainability while restoring Greece’s credibility to private investors.

Despite the harsh measures taken by the government, the economic situation got worse. By the end of the summer of 2010, the goals set for the Greek economy were out of reach. As the European Commission admitted, half of the fiscal adjustment foreseen up to 2014 was implemented within the first semester of 2010 (European Commission 2010). Moreover, the front-loaded austerity measures led to the steep recession of the Greek economy and the sharp increase in unemployment rates (almost 18% for 2011), while the public debt rose over 170% in 2011. In addition, the debt crisis also became a crisis in the banking sector after the collapse of the Greek bond market.

Overall, during that period, the government took many additional measures, such as the further cut of the public sector expenses, changes in the tax rates and increases in the taxation of salaries and pensions, creation of new taxes through the electricity bills, labor market deregulation measures, and the opening of all the closed professions. Also, a Privatization Organization was set up with a mandate to privatise public property. Despite the harsh measures, Greece was failing to restore its position in the international markets, as the Greek economy was unable to exit the vicious cycle of the implementation of further fiscal measures that only worsened the recession. Nevertheless, the crisis that first erupted in Greece had now started to spread to other Eurozone countries as well.

On the Euro Summit held in October 2011, a plan was created in order to deal with the so-called

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8 This amount was eventually reduced by €2.7 billion, as Slovakia decided not to participate in rescue package. Also, Ireland and Portugal had to step down as well, as they requested financial assistance themselves.
European sovereign debt crisis. As far as Greece was concerned, the measures that were decided foresaw that private investors would voluntarily take a 50 percent cut in the face value of their bonds and a new 130 billion-euro bailout package was decided that would be followed by the relevant fiscal adjustment program. At the same time, the recapitalization of the Greek banks emerged as a necessary measure.

Following this decision, Prime Minister Papandreou called for a national referendum regarding the approval or the rejection of the second bailout agreement, which was under negotiation. This decision shocked both creditors and markets while creating severe turmoil within PASOK. Eventually, Papandreou withdrew the idea of the referendum and a few days later he resigned, while the center-right opposition agreed to support a revamped EU-IMF deal. Against this backdrop and without holding elections, a coalition government was formed. The former ECB Vice President, Professor Lucas Papademos was appointed as the leader of Greece’s emergency unity government.

**The Greek opposition**

During the two years of PASOK as a government and George Papandreou as Prime Minister, we can say that the Greek opposition was divided. It was evident that immediate and profound reforms were needed in the public administration and the economy. Apart from the ruling PASOK, New Democracy, the main opposition party, seemed to be in favor of the reforms that were dictated by Troika. However, PASOK had the majority, so the MPs of New Democracy did not have to vote in favor of the first bailout package, thus allegedly creating the image they were not on board with this decision. The only MP who voted in favor was Dora Bakoyannis, an influential figure of the Greek political scene who was ejected from the party for her decision. As for Papandreou’s decision for a referendum, it was heavily criticized by New Democracy. Regarding the rest of the political parties, far-right LAOS voted in favor of the bailout package. On the other hand, the parties of the Left, the communist KKE and radical-left SYRIZA were totally against the agreement with the Troika. The latter was heavily involved with the popular anti-austerity mobilisation that broke out during that period.

**The Greek society**

The middle and lower classes of the country were the ones that were mostly affected by the austerity measures. The usual way of living changed drastically in just a few months, and the living standards dropped. As a result, the Greeks expressed their disagreements with protests in the streets, general strikes, and riots. On May 5, 2010, three people, among them a pregnant woman, were killed when a group of masked people threw molotov cocktail bombs in a Marfin Egnatia Bank branch in the center of Athens. By the end of spring of 2011, the “Indignant Citizens Movement” organized rallies and demonstrations in Athens, Thessaloniki, Larisa, Patra, Volos, and Rethymno as well as other big cities, inspired by similar demonstrations that were taking place in Spain. Specifically, in Athens, the group “Indignants at Syntagma” was protesting on a daily basis.

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in front of the Greek Parliament in Syntagma Square. At the same time, the group “Indignants at the White Tower” were demonstrating in front of the White Tower in the center of the second biggest city of the country, Thessaloniki. Tens of thousands of people participated in what turned out to be one of the most significant demonstrations after the end of the dictatorship. In general, apart from specific cases like the Marfin case, the anti-austerity demonstrations of that period were peaceful in character. However, it is essential to underline that the daily demonstrations in Syntagma Square in Athens created the right conditions for the rise of parties that were either beyond the democratic spectrum like the neo-Nazi party of Golden Dawn or were not powerful enough to influence the country’s governance, like SYRIZA.

**Troika and the international factor**

Ever since the beginning of the crisis, the focus of the EU was on the countries that were facing more problems – Portugal, Italy, Ireland, Greece, and Spain. More specifically, the attention was primarily on Greece as the most problematic case that could easily affect the rest of the EU. Since 2009, the talks about a potential GREXIT had become more intense, and that possibility was gaining momentum. However, in January 2010, during the World Economic Forum in Davos, Switzerland, various foreign leaders put pressure on Prime Minister Papandreou to take measures in order to deal with the incoming catastrophe. The involvement of the foreign factor became direct after Prime Minister’s Papandreou request for a bailout package. The European Commission, the European Central Bank, and the International Momentary Fund offered a bailout package to Greece in return for deep and hardline reforms in the economy and the public administration. The members of the Eurozone, led by Germany and France, expressed favorable opinions about Papandreou’s decision for measures. The option of not assisting Greece was not on the any more since a potential default would have severe and uncontrollable consequences for the EU in general and especially for the Eurozone member-states.\(^\text{10}\)

Ever since May 2010, the Troika became a part of everyday life in Greece. It was mentioned in the media, in the political debates and talks between the people. However, despite the bailout package and the profound reforms that Papandreou’s government was trying to implement, the condition of the economy was not improving. That is why the creditors demanded more austerity measures, especially after August 2011, when it became apparent that the economy of Greece would not reach the goals that had been set. By the end of October 2011, the EU created a more concrete plan of dealing with the crisis at the relevant Euro Summit, which included, among other things, the creation of a permanent oversight mechanism for Greece and the ongoing monitoring of the implementation of reforms. As mentioned above, Prime Minister Papandreou announced that he would call for a referendum regarding the new loan agreement. That was not something that was expected and was one of the main topics of discussion in the G-20 Summit of that year.

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\(^{10}\) The adoption of a common currency seemed to facilitate the convergence of incomes between the poor and rich countries and contributed to the financial integration, the elimination of currency risk and the harmonization of the regulation of the euro area financial markets. However, it also created economic weaknesses, which came to the spotlight when the global economic crisis hit Europe. The introduction of the euro, however, affected the countries of the periphery differently from the core countries. The main consequence of the common currency was the significant flow of capital from the core to the periphery. On the one hand, large capital inflows in the region have led to economic growth and large wage and price increases. On the other hand, productivity gains, which would facilitate the repayment of external debt, have not materialized, at least not as expected. This has resulted in the loss of competitiveness and the increasing dependence of the countries of the periphery on the continued influx of capital. (Galenianos 2015; Nelson, Belkin and Mix 2010; Kitromilidis and Skouras 2015)
Both Germany and France sent an ultimatum to the Greek government that the referendum would mean whether Greece would remain or not in the Eurozone.

2nd sub-period: New Democracy (incl. governments of Papademos and Pikrammenos)

The second period that we will examine is from November 11, 2011, to January 26, 2015. During that period, three different governments were formed, and that is a sign of the political instability of that time. Loukas Papademos became Prime Minister in November 2011 after the resignation of Prime Minister Papandreou. After the signing of the agreement regarding a second bailout package, Prime Minister Papademos called for elections in May 2012. No political party managed to reach the necessary majority, and as a result of this, the judge Panagiotis Pikrammenos served as caretaker Prime Minister and led a temporary government of technocrats until the next elections that were held on June 17. Antonis Samaras, leader of New Democracy and successor of Kostas Karamanlis at ND’s helm, became Greece’s next Prime Minister.

The Greek Government

After Prime Minister Papandreou’s announcement that he was willing to call a referendum on the new loan agreement between Greece and the Troika, an unsettling situation was created. The idea of a referendum was not approved by the European partners, just like it was not approved by New Democracy as well as many members of PASOK. The plan for a referendum was never implemented. Instead, the Greek Prime Minister called for a confidence vote that he won by a slim majority. A few days later, on November 6, 2011, Papandreou met with the opposition leader Antonis Samaras at the Presidential Palace at the presence of the President of the Hellenic Republic, Karolos Papoulias. At the meeting, the two political leaders agreed to form a cooperation government, and Papandreou resigned. For the next few days, consultations were taking place between the cadre of officers of the major parties: PASOK, New Democracy, and LAOS. The person chosen to lead the provisional government of this coalition, as mentioned above, was Lucas Papademos, who had previously served as Vice President of the European Central Bank from 2002 to 2010 and Governor of the Bank of Greece from 1994 to 2002.

By the end of February 2012, the second bailout package of €164.5 billion was ratified by the Greek Parliament. In this context, the Troika demanded the completion of the reforms left incomplete during the first program. However, this second program also foresaw a set of competitiveness-enhancing reforms along with additional fiscal reforms. These reforms included the sharp reduction in the minimum wage by 22% (32% for the subminimum wage of young employees) across all basic salary levels, the obligation to dramatically reduce employment in the public sector, including the transfer of 25,000 employees to the mandatory mobility (so-called “availability”) scheme, the closing of tax offices, and the repeal of tax exemptions and low VAT on exceptional cases such as the islands where the economy is closely linked with tourism. Moreover, cuts in social allowances, pensions, healthcare, and defense spending were also approved. Other reforms included changes to laws regarding the layoff of workers, the right to industry sectors to negotiate lower wages depending on economic development as well as the negotiation of new collective agreements between employers and employees.
Additionally, a new series of privatizations was approved, aiming to bring around 50 billion to the public coffers, even though that eventually did not happen to this specific extent. Additionally, during the program, further reforms to enhance the business environment and reduce the administrative burdens for businesses were included. The second program also conducted the public debt restructuring as the private sector holders of Greek public debt were obliged to “voluntarily” accept a 53.5% haircut on the face value of their Greek government bonds, as well as the recapitalization and the resolution of Greek banks, whose initial losses were multiplied by the effects of PSI on their portfolios (Pagoulatos 2018).

Prime Minister Papademos called for elections on May 6, 2012. Despite its win, New Democracy won fewer seats than in the previous election and did not manage to get the necessary majority. As a result, a caretaker government was formed. Panagiotis Pikrammenos was appointed Prime Minister and called for new elections on June 17. New Democracy won again but without the required majority that would allow it to form a single-party government. As a result, New Democracy formed a coalition government with PASOK and left-wing DIMAR. Antonis Samaras, the President of the party, became Greece’s Prime Minister.

By November 2012, the seventh package of austerity measures was adopted by the Parliament. The package included an increase of the retirement age from 65 to 67, pension reduction by 5-15%, cuts in individual payrolls, additional wage cuts for civil servants up to 20%, and public salary wage cuts up to 30%. Also, a reform bill was approved by the Parliament that included the abolition of 15,000 state jobs by the end of 2014, including 4,000 in 2013, an increase of the working hours of teachers, and cuts a property tax by 15%. Another reform bill was also ratified by the Parliament that included a plan for thousands of layoffs and wage cuts for the civil servants. The controversial Single Property Tax and the unpopular decision of auction of houses had also been approved by the end of 2013. Another major decision of Samara’s government was the shutdown of the Country’s Public Broadcasting Service (ERT) that led to the withdrawal of DIMAR from the coalition.

The year 2014 was a tough one for the coalition government. In March 2014, Nikitas Kaklamanis, ex-mayor of the city of Athens and MP for New Democracy, was expelled from the government for abstaining from the vote of the new multi-bill that was demanded by the creditors. However, even with a slim majority, the “Medium-term Fiscal Strategy plan 2015-2018” was ratified by the Greek Parliament. The bill froze wages and pensions until 2018 as well as cut public sector expenses. This decision was a controversial one because it included significant cuts for the Ministry of Health.

In addition to the instability that was caused by the austerity measures and the turmoil within the society, local elections were held on May 18. The ruling party, New Democracy, suffered significant blows at the regional and municipal levels. A week later, the 2014 European Parliament election was held. New Democracy lost again to SYRIZA. The result was a clear message of disapproval by the citizens towards New Democracy and the ruling coalition.

Prime Minister Samaras’ response to the lousy election results was a cabinet reshuffle in June that included the appointment of former prime-ministerial adviser Gikas Hardouvelis as Finance Minister. Further changes were also made to the Interior Minister, Development Minister, Education Minister, Public Order Minister, Agricultural Development Minister, Health Minister, and the position of the government spokesperson. The next obstacle for Prime Minister Samaras’ coalition government was the election of a new president to replace Karolos Papoulias, whose term was due to end in February 2015. The government’s candidate was Stavros Dimas, but he
failed to win the majority support. As a result, the government fell, and snap-elections were called for January 25, 2015.

**The Greek Opposition**

As mentioned earlier, Prime Minister Papandreou’s decision to call a referendum about the second bailout package was not approved by the main opposition party, New Democracy. However, after the resignation of Papandreou, New Democracy agreed to begin talks with PASOK and far-right LAOS in order to find some common ground to avoid another election during a crucial moment in the negotiations with Troika about the second bailout package. The three parties managed to agree and find some common ground in order to move forward. The choice of Lucas Papademos, a technocrat and not a politician, for Prime Minister was a unanimous one by New Democracy, PASOK and LAOS. He was the one to sign the second bailout package with Troika. The parties of the opposition except for those of the Left decided to support, despite their ideological differences, PASOK’s loan agreement with the creditors. However, we have to note that the leader of the New Democracy, Antonis Samaras emphasized on every occasion that the Papademos government was a government of a specific purpose and not a long-term solution.

In any case, the two main political parties of Greece at the time, PASOK and New Democracy, let the differences aside up to a certain point and created a united front that tried to reach agreements and implement the reforms that the creditors demanded in exchange for the financial help towards Greece. Both parties voted in favor of the second bailout package and formed the coalition government, along with DIMAR, after the elections of June 17, 2012. The two parties managed to keep this alliance despite differences along the way, even after the withdrawal of DIMAR from the government because of the shutdown of the Public Broadcasting Service. The coalition government under Prime Minister Antonis Samaras managed to pass a series of hard austerity measures. The implementation process was slow and tough because the government was facing resistance from the other parties as well as the citizens. The violent demonstrations had become a common phenomenon in the streets of the big cities.

During that period, the rest of the opposition parties reacted differently. The parties of the Left such as SYRIZA and the Greek communist party KKE, strongly opposed the reforms and the involvement of the Troika in the political life of the country and, therefore, did not vote for the second bailout agreement. The parties participated in the anti-austerity demonstrations and especially SYRIZA’s mix of populist and anti-austerity rhetoric became the voice of the all the disappointed people. However, the small left party DIMAR engaged in talks with PASOK and New Democracy and even participated in the coalition government, but only for a short period time before withdrawing after disagreeing with specific reforms. In general, during that period, the polarization in politics was extreme which as a result led to an even more extreme polarization of the society. Furthermore, after the European Parliament elections, it was obvious that SYRIZA had the momentum and was calling at every given opportunity for general elections.

**The Greek Society**

The turmoil in the society was due to the fact that the people were unaware and unprepared for the huge wave of reforms and austerity measures that the Greek governments needed to implement
in a short period of time in order to secure the loans that were needed for the survival of the country. The people did not accept Prime Minister Papandreou’s move to ask for outside help that eventually led to the first bailout package. The people’s reaction was one of the reasons why Papandreou called for a referendum regarding the second bailout package; he wanted the approval of the citizens. The referendum was an idea appealing to the people but after the pressure that was applied by our European partners as well as members of its own party and the opposition, Papandreou resigned and Papademos became the next Greek Prime Minister after consultations between PASOK, New Democracy and LAOS.

In February 2012, during the debate in the Parliament about the second bailout package and new austerity measures, violent street protests erupted in Athens in which protesters clashed with police while several buildings were set on fire. Another incident that can show the desperate situation that the middle and lower class were facing was the death of a man as an act of protest. On April 4 a retired pharmacist committed suicide close to the Parliament protesting the deep pension cuts. He immediately became a symbol and a martyr for groups and the people that were opposing the austerity measures. Clashes between the demonstrators and the police erupted in the capital.

The elections of May 2012 turned out to be pivotal for the shaping of a situation in Greece. PASOK collapsed and until now it has not managed to re-establish itself and play a significant role as it did in the past. Furthermore, in this election the left-wing parties – radical-left SYRIZA, communist KKE and centre-left DIMAR – managed to get more votes. The same thing happened with the right-wing parties – radical-right AN.EL. and neo-Nazi Golden Dawn. It is important to highlight again that the two parties that benefited the most by the daily demonstrations in Syntagma square was SYRIZA and Golden Dawn. In general, it was obvious that the people decided to punish with their vote the parties that they thought were to blame, PASOK and New Democracy.

In November 2012, while a new austerity package was adopted by the Parliament, big protests were taking place that led once more to clashes between the police and the protestors. It is also important to mention the huge protests that took place after the shutdown of the Public Broadcasting Service (ERT). Many citizens participated and show their solidarity to the all the people that were working for ERT and were left unemployed.

The Greek citizens continued to show their disapproval of the austerity measures with demonstrations, but most importantly they sent a message in the local and European Parliament elections in 2014. PASOK and New Democracy were the big losers of these elections while SYRIZA which had become the voice of the anti-austerity sentiment had important gains. It was more than obvious that the Greeks would punish with their votes the ones that they believed were responsible for the dreadful situation of the country.

Troika and the international factor

Lucas Papademos was a person that was respected in the EU circles. He was a technocrat and had served as Vice President of the European Central Bank from 2002 to 2010. We could say that he was the right person at the right place. The second bailout package was signed by the two sides and Greece was called to implement the austerity measures that were required. After the formation of the coalition government led by Antonis Samaras, the creditors demanded further reforms in order for the economy to get back on track. Samaras’ government, as mentioned earlier, took many measures and tried to get in line with Troika’s requests. However, despite the government’s
efforts to persuade the people that the country’s future was at stake, the people reacted badly to the new measures. Troika was demonized by certain media and political parties such as SYRIZA whose aim was to have political gains from this anti-Troika and anti-austerity rhetoric. In 2013 and 2014, Samaras’ government passed a series of hard measures and the Prime Minister was positive that soon he would manage to reach an agreement to exit the bailout by the end of the year just like Ireland and Portugal. Unfortunately, that did not go as planned and the 2015 budget was rejected by the Eurozone finance ministers who demanded more before offering the remaining bailout funds. Generally, during that period (2011 – January 2015) and after the first months of the crisis when there was no clear plan of actions from both sides, each of the Greek governments that were in power had a relatively good relationship with Troika. All the Prime Ministers managed to pass many reforms and measures in order to reach the demands of the creditors. This relationship would be undone during the next months when SYRIZA came to power.

3rd sub-period: SYRIZA/ANEL

The third sub-period that we will examine is, in our opinion, the most interesting one. It expands from January 26, 2015 to July 8, 2019. It was the first time in Greek history that a radical left-wing party came to power. What is even more remarkable is that this party, SYRIZA, managed to govern alongside a radical right party, AN.EL. for almost four years. The way that the coalition of SYRIZA and AN.EL. dealt with the situation that they inherited from the previous governance is considered debatable not only from the ones that were opposed to it, but also from the people that voted for SYRIZA hoping that Alexis Tsipras and his cabinet would follow a different path from the previous governments.

The Greek Government

The fact that the ND government failed to elect a new President along with the rejection of Prime Minister Samaras’ 2015 budget by the Eurozone finance ministers who seemed to want extra measures in order to disburse the remaining bailout funds, led to snap elections on January 25 2015. SYRIZA, as mentioned, had already become the mouthpiece of anti-austerity and anti-Troika movement in Greece attacking the government for being in line with the creditors against the people while at the same time calling the people to resist the austerity. At the same time, far-right parties like the radical conservative and nationalistic AN.EL. or the neo-Nazi Golden Dawn also used a divisive rhetoric against the government aiming to exploit the patriotic sentiment of the Greek people. On the January 2015 elections SYRIZA managed a historic win and formed an unorthodox coalition government with AN.EL. Prime Minister Alexis Tsipras appointed citizens’ favorite Yanis Varoufakis as Finance Minister. The two of them became the spearhead of the clash with Troika and the creditors.

Tsipras alongside Varoufakis, as promised during the short pre-election period but also during the previous austerity years, pushed forward for a renegotiation of bailout terms, debt cancellation and renewed public sector spending; these demands were outside the set framework of the previous bailout programmes. The negotiations were rough. Both sides were critical of each other and it was obvious that the modus operandi between the Greek governments of the previous years and Troika was no more. Troika granted Greece with a further four-month technical extension of its
bailout programme. The government missed its payment to the IMF when the bailout expired on June 30, and as a result, a three-week bank holiday took place.

The negotiations between the government and Troika fell apart earlier in June. After that, Prime Minister Tsipras proposed a referendum on the proposals of the creditors. Just like the previous time when Prime Minister Papandreou called for a referendum, the creditors were totally against this possibility since they considered the measures as a non-negotiable requirement for the financial aid to Greece.

In a referendum that took place in a polarized environment, Greeks voted by more than 61% to support the government’s proposal, thus turning down the extra austerity demanded in return for more bailout funds. On July 6, just one day after the referendum, Varoufakis resigned and was replaced by Euclid Tsakalotos. Despite the result of the referendum, Prime Minister Tsipras took a decision that still divides the people; he reached an agreement on a third bailout program and called for the Parliament to approve the new austerity measures. For some, it was a great decision that saved the country and kept it in the Eurozone. For others, it was a 180-degree turn that eventually showed that SYRIZA was no different from its predecessors and did not keep its pre-election promises.

The agreement signed by Alexis Tsipras provided the country with 86 billion euro bailout, which would be distributed through 2018 and required a series of new measures mainly because of the course of the Greek economy and the banking system’s problems that occurred during the negotiations’ period which as it turned out eventually did more harm than good to the country. The main measures were the following; the restoration of fiscal sustainability with a gradual increase of primary surplus targets to 3.5 percent of GDP from 2018 onwards through a set of upfront fiscal measures (VAT increases, pension, and tax reform) and the improvement of financial stability by effectively addressing the issue of Non-Performing Loans (NPLs) and by recapitalizing the banks by the end of 2015. Additionally, the measures called for an extended privatization process to support growth and competitiveness and attract investments as well as several reforms in regards to the labor laws and the product market. Moreover, the public administration was again under inspection; the creditors asked the Greek government to take specific measures aiming to boost its efficiency and confront corruption while securing the independent operation of institutions such as the revenue administration and the statistics institute (Katsikas and Bazoti 2020).

The third bailout program was approved by the two ruling parties, SYRIZA and ANEL, as well as from New Democracy, PASOK, and liberal POTAMI. However, the agreement created a split within the ranks of the ruling party. As a result, many MPs, led by Panagiotis Lafazanis, resigned and formed the radical left party Laiki Enotita. After that, Prime Minister Tsipras resigned and called for elections on September 20. In the meantime, Vassiliki Thanou, a judge, served as caretaker Prime Minister from August 27 to September 21, 2015. She was Greece’s first-ever female Prime Minister. On the 20th of September, SYRIZA won again by 7.5 percent over New Democracy that was led by Vangelis Meimarakis, who had taken over from Antonis Samaras. During the rest of the year, the government tried to find the balance between implementing the reforms demanded by the creditors and ratifying the measures that they believed would mostly help the working class that had suffered the most from austerity.

Two major events were the austerity package that was passed by the Greek Parliament in May 2016 and the Medium-term Fiscal Strategy Framework 2018–2021 that was ratified a year

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11 The government decided for capital controls to avoid a collapse of the banks and a possible Grexit.
later, in May 2017. Gradually, the interest of all the parties shifted more towards other issues, mainly regarding Foreign Policy such as the Macedonian issue that had re-emerged and less to the economic policies. However, in a celebratory way, Prime Minister announced on August 20, 2018, that the country had successfully exited the bailouts. On June 21, 2018, Greece’s creditors agreed on a 10-year extension of maturities on 96.6 billion euros, as well as a 10-year grace period in interest and amortization payments on the same loans (Dendrinou and Chryssoloras 2018).

The Greek opposition

SYRIZA’s win was historical in the sense that it meant the end of the two-party rule in the country. PASOK had shrunk so much that it was not considered a threat, especially since many members of the party and voters had moved to SYRIZA. New parties also emerged like the liberal POTAMI, the centrist Enosi Kentroon, and the neo-Nazi party of Golden Dawn that had become the country’s third political power. During the first five months of SYRIZA’s governance and the negotiations with the creditors, New Democracy, which was the main opposition party, was viciously against Tsipras and Varoufakis’ handlings of the situation. The main argument was that Tsipras was jeopardizing everything that the previous governments had achieved. Just before the referendum, the country was deeply divided and the parties of the opposition excluding KKE and Golden Dawn were pro-European, thus against SYRIZA, which in their view, was leading the country towards Grexit.

Despite their huge ideological differences, when Tsipras called for the ratification of the third bailout package, New Democracy, PASOK and POTAMI voted in favor while at the same time condemning the government for major mistakes in the negotiations, for creating bad blood between the country and the creditors and for canceling all the strenuous efforts of the previous governments that led to the survival of the country and the avoidance of the default. In general, during the period that SYRIZA was in power, the parties of the opposition were firmly against it by creating a united front that opposed every single act and decision of the government just like SYRIZA was doing while it was in the opposition.

The Greek society

After five years of austerity and reforms, it seemed that citizens were looking for a new figure to cling to after turning their backs to the two major political parties, PASOK and New Democracy, which had signed the bailout agreements which led to the austerity measures. SYRIZA, an up-until-then small party, had managed to become the voice of the people that could not bear any more austerity. Led by charismatic Alexis Tsipras, a young politician who was not a part of the old political establishment, the majority of citizens were inspired and voted for SYRIZA. On the other hand, various smaller parties also benefited from this development, just like ANEL, Potami, Enosi Kentroon as well as the neo-Nazi Golden Dawn. It is essential to underline the fact that not everyone that voted for SYRIZA was in favor of the promises to ditch austerity, re-negotiate the bailout, raise the minimum wage, and create thousands of jobs. Many of them were disappointed voters of New Democracy and PASOK who did not expect from Tsipras to deliver all these things by but chose to give him a chance. During the first months of SYRIZA’s governance, a big part of the society approved the clash with the creditors. The result of the referendum showed this as well.
However, the decision of Tsipras to sign a third bailout package was a massive disappointment to many Greeks that thought his government would follow a different path from the previous ones. Demonstrations took place against the government’s decisions, but in general, they lacked the participation and dynamics of the past.

**Troika and the international factor**

SYRIZA’s rise to power was somehow unexpected, and it was a scenario that the international factor did not want. The reason was simple; before coming to power SYRIZA was an anti-austerity party, some would even say Eurosceptic. Additionally, during the 2015 pre-election campaign, Alexis Tsipras was very vocal about his desire to re-negotiate from scratch with the creditors. As it turned out, the worst fears of the European and the IMF came true during the first five months of SYRIZA’s governance. The relationship between the two sides was the worst possible, and that is why the negotiations reached closer than ever to GREXIT. Furthermore, the creditors were totally against the referendum, just like they did when Prime Minster Papandreou had proposed it. However, as Euclid Tsakalotos said in an interview, the SYRIZA government overestimated its power during that negotiation and quickly followed the footsteps of the previous governments and signed the agreement for the third bailout.

**Conclusion**

The crisis in Greece was not only a result of external debt. We also need to take into account the state’s chronic problems of partisanship, clientelism, and corruption. The crisis highlighted the depth of Greece’s internal deficiencies, the weakness of the political parties, the unequal distribution of rights, benefits, and obligations among the people of different social classes as well as between politicians and citizens.

After a decade of bailout programs and austerity measures, Greece has managed to make some small steps forward. The current situation is far from ideal, but still, it is essential to highlight that during the crisis, many much-needed reforms happened. Some were harder to pass from the Parliament than others, and some were partially implemented or even not implemented at all. However, let us not forget that during that period the country eradicated its twin deficits, restored price competitiveness in terms of unit labor cost, and implemented a vast array of structural reforms in tax administration, pensions, the health system, the labor market, services, and product markets and the public administration (Pagoulatos 2018).

After many years of turmoil, the two major parties, SYRIZA and New Democracy, are both pro-European. This is an important factor as the concept of the EU is openly and viciously questioned by Eurosceptic parties and forces all over the continent. Now, the country must stay in line and capitalize on the reforms that happened during the austerity years. It is important to highlight the fact that Greece will remain bound by a tight framework of fiscal targets and reform obligations for many years (Pagoulatos 2018). Hopefully, the New Democracy government and any other that

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12 As soon as he took office, Alexis Tsipras started referring to the Troika as the “Institutions” and the relevant meetings were not taking place in the Ministries but in other venues such as the Hilton Hotel.

13 According to the Bank of Greece estimations, the first Tsipras government, with Yanis Varoufakis as Finance Minister, had an overall cost at over €86bn for Greece. Klaus Regling of the ESM estimated that cost at over €100bn.
will follow will continue to operate cautiously in order to stay on track and avoid the mistakes of
the past. Although the country has managed to survive the crisis, the next few years are critical for
the ones in power and the country as a whole. They will have to persuade the creditors as well as
the Greek citizens that the country is moving forward based on a new modus operandi and that the
ghosts of the past will indeed remain in the past.

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25 f. ; 21 x 29.5 cm.  


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336.74(495) :338.23