ETUDES HELLENIQUES

HELLENIC STUDIES

LA CRISE GRECQUE
THE GREEK CRISIS

Edited by / Sous la direction de

Panayotis Tsakonas

Stephanos Constantinides

Contributors / Contributions de

Siphis Bouzakis

Jean Catsiapis

Michael Damanakis

Christina Diplari

Christos A. Frangonikolopoulos

George Pagoulatos

Dimitri A. Sotiropoulos

Kimon Valaskakis

Lefkios Zafeiriou

Andreas Kalvos and Suzan Fortune Ridout (1793-1857): New Evidence

Poètes Chypriotes / Cypriot Poets

Livres Reçus/Books Received

Chronologies

Volume 20, No 2, Autumn / Automne 2012

2

The Political Causes and Consequences of the Economic Crisis in Greece, 2010-2012

Dimitri A. Sotiropoulos*

RÉSUMÉ

Les causes de la crise économique grecque, qui a éclaté en 2010, sont d'abord politiques et sont liées à un échec à long terme de la gouvernance, ayant précédé la crise. La polarisation de la compétition entre les partis politiques, la politisation complète de l'administration d'Etat, le pouvoir des puissants intérêts privés, y compris les intérêts des entrepreneurs dépendant de l'État et des syndicats du secteur public, et la culture politique populiste dominante ont contribué au déraillement de l'économie grecque. En 2010-2012 les conséquences de la crise sont à la fois sociales et politiques, comme le prouvent l'accroissement du chômage ainsi que la montée de la gauche et de l'extrême droite. La crise a eu des conséquences au-delà des frontières de la Grèce, comme l'ont révélé l'impréparation ainsi que l'incapacité des gouvernements nationaux et des organisations internationales à contenir les fluctuations des marchés internationaux et à stabiliser l'Union européenne et l'économie mondiale.

ABSTRACT

The causes of the economic crisis in Greece, which erupted in 2010, are primarily political and are related to a long-term failure of governance, preceding the crisis. The polarization of political party competition, the extensive politicization of the state administration, the power of strong vested interests, including the interests of state-dependent business entrepreneurs and public sector trade unions, and the dominant populist political culture contributed to the derailment of the Greek economy. In 2010-2012 the consequences of the crisis were both social and political as shown by the spread of unemployment and the rise of the Left and the Far Right. The crisis had consequences beyond Greece's borders, as it revealed the unpreparedness and incapacity of national governments and international organizations to delimit shifts in international markets and to stabilize the EU and world economy.

Introduction

Many analysts of the crisis in Greece start from the economic causes that have brought the country to the brink of economic collapse.[1] The Greek

* University of Athens

economy was much stronger in the 1960s and the 1970s than at the turn of the 20th century. Today, it is a small open economy, producing very few goods for export, lagging behind other advanced economies in terms of competitiveness and being unable to attract foreign investment. Such a weak link in the world's economic chain was bound to collapse, as soon as the global economic crisis struck. However, in order to understand the crisis in Greece one has to put things in perspective, namely to understand what preceded this crisis, the news about which hit the front page of world media in May 2010. Why was Greece barred from borrowing any funds from the international markets in that month? One has to inquire if there was a failure of governance lurking behind Greece's economic failure.

Today's deep economic depression in Greece is hardly a new development. In 2012 the Greek economy was in depression in a fifth year in a row, while in five years (2008-2012) the Greek economy shrunk by 20 per cent.[2] Greece's fiscal problems are not new either, as the country has been running deficits for ten years in a row (2003-2012). In 2009, just before Greece's crisis erupted, the budget deficit was close to -16 per cent of the GDP, while the balance of payments was hugely negative, i.e., -18 per cent of the GDP. [3] The public debt stood at 22 per cent of the GDP in 1980, but in 2009, the year before the start of the crisis, amounted to 129 per cent. One and one-half a year after the break of the crisis, the situation had worsened: at the end of 2011, the Greek public debt had reached the level of 171 per cent of the GDP. However, owing to harsh austerity measures, the budget deficit was now -9 per cent.[4] There must be something wrong with the way successive Greek governments have steered the economy.

In what follows, we will discuss the problems of the political system in Greece, including the party system, state administration, interest groups and political culture. The reason why we focus on the political rather than on the purely economic causes of the crisis is that, as the economic data mentioned above show, the Greek problem is primarily a fiscal problem. The primary culprit for Greece's failure is the political system. Our main argument will be that the way the Greek political system was structured after 1974 contributed to the economic derailment of the country in the late 2000s.[5] We will then move to a presentation of the political and social impact of the crisis in 2010-2012 and will end with a brief discussion of the international significance of Greece's failure.

The Political Causes of the Crisis in Greece

How did it become possible for a country which is included among OECD's Member-States and is one of the oldest European Union (EU) Member-States to come to the brink of economic collapse? The answer lies in the coincidence of the global financial crisis which erupted in 2008 with the culmination of long-term trends of Greek politics that had devastating economic results.

To start with, the economic crisis in Greece, which is an open economy, would not have been as acute, if the world economy was not also undergoing a crisis. The global economic crisis affected not only weak economies like the Greek one, but most of the economies of the 27 Member-States of the EU. It is telling that in EU-27, on the average, economic growth slipped from +3.3 per cent of the GDP in 2006 to -4.3 per cent in 2009.[6] In the context of such adverse international conditions, Greece could not count on quick recovery, even if it were able to put its house in order. The latter proved a Herculean task, because Greece faced grave fiscal problems, associated with long-terms patterns of state mismanagement, profligate spending and corruption.

State mismanagement resulted from repeated decisions to produce goods and services and allocate resources which were based on a patronage-driven logic. Successive governments distributed resources, such as public sector jobs or allowances, to governing party voters, regardless of need or merit. Governments did so to preserve their electoral clientele. Profligate spending accompanied the irrational distribution of state jobs and resources to the population. In order to finance such spending, governments resorted to public borrowing because they were either reluctant or unable to collect taxes. At the same time, there was a long-term historical dependence of Greek private businesses on the state, in the form of loans issued by state-owned banks to businesses and indiscriminate orders by state institutions to private suppliers.

Under these circumstances, corruption permeated state-citizen and state-business relations. In Greece there was high-level corruption involving entrepreneurs and politicians as in many other contemporary democracies. What distinguished Greece from North and West European democracies was the spread of petty corruption (e.g., small fees paid to public hospital doctors, customs officers, town planning employees etc.). Further on, most of corruption went unpunished.

In 2011 Transparency International ranked Greece 80th among 182 countries and estimated Greece's Corruption Perception Index (CPI) score to be 3.4 in the scale 0.0-10.0. This meant that Greece was on a par with

Colombia, El Salvador, Peru and Thailand. Greece's CPI score was far lower than that all other EU Member-States, except for Bulgaria. Although always a laggard in terms of transparency, in the past Greece had performed better: in 2005 it was ranked 47 among 158 countries with a score of 4.3.[7]

The Party System and State Administration

In other words, the Greek state was inefficient and corrupt. It had become so after years of extreme politicization to which the state administration had been subjected by Greece's major political parties.[8] As it is well known, these were the center-right New Democracy (ND) and the center-left Panhellenic Socialist Movement (PASOK), alternating in power in 1974-2011.[9] With the exception of two very short lived coalition governments in 1989-1990, the two parties dominated Greek politics. They used to obtain together the vast majority of all votes cast. For instance, just before the onset of the crisis, in the October 2009 elections, the two parties obtained together 77 per cent of the total vote (PASOK 44 per cent, ND 33 per cent). Either party, whenever in power, completely controlled the parliament and the public administration, exerted heavy influence over the justice system through the government's practice to hand pick higher judges and essentially had a free hand with regard to fiscal policy. In a nutshell, there was a long-standing problem with Greece's quality of democracy.[10]

Indeed, the polarization of the party system was reflected in the extreme politicization of the upper echelons of Greece's public administration and the patronage-based recruitment, transfers and promotions of public employees in ministries and state owned enterprises.[11] Even though since 1994, with the creation of an independent authority responsible for the selection of civil servants (ASEP), political patronage had somewhat been curbed, the Greek bureaucracy was not and (still is not) at all autonomous from political power. Ministers and their entourage still exert strong influence on civil service personnel matters, while the civil service itself is permeated by factionalism, i.e., by trade unions which represent the interests of political parties.

Moreover, staffed as it was on the basis of party-linkages rather than suitable skills and experience of public employees, the Greek bureaucracy was often practically incapable to conceive, manage and follow-up reforms. For instance, both before and after the crisis there was very little progress in privatizations and public sector restructuring. In fact, even though structural reforms were included in the plans of all recent governments, not a single privatization was completed in 2010-2012. There was a lack of technical expertise on how to proceed with reforms. This administrative incapacity was coupled by the reluctance of the ministers in charge of the relevant policy sectors to implement reforms and by the strong political leverage which affected interest groups, such as public sector trade unions, exerted on the major political parties.

While PASOK and ND used to form stable governments, paraodoxically, government stability did not contribute to a smooth functioning of the state administration. First of all, the political-electoral cycle was too short. For instance, in 2000-2009, in a span of ten years, elections took place four times (2000, 2004, 2007 and 2009). Secondly, the fact that in 1981-2011, within the life span of successive single-party majority governments of either ND or PASOK, ministries changed hands too often was also an aggravating factor. Prime Ministers used to reshuffle their cabinets to accommodate pressures from within the governing party which they led. In other words, political stability was undermined by high ministerial instability.

After the mid-1990s, polarization between ND and PASOK was coupled by another polarization between these two parties on the one hand and the Left on the other. The Left included two political parties, the pro-Soviet KKE and the Synaspsimos party (currently known as SYRIZA, the Coalition of the Radical Left), which were (and still are) influential in trade unions and universities. At least until the year 2012, when SYRIZA accomplished a spectacular electoral performance, the left parties' influence did not stem from their electoral strength. These parties were influential because they had been able to shape the dominant anti-European, anti-reform rhetoric that pervaded the Greek public sphere, including the mass media.

Interest Groups

ND and PASOK were unable to steer the Greek economy even before the crisis and were primarily responsible for the malfunctions of the state apparatus, but were not alone in the game of favouritism and the allocation of spoils. The two parties needed to finance their electoral campaigns and forged relations with businessmen, active in the shipping, construction, mass media, communications and tourism sectors. A typical example is the case of the German company Siemens. In June 2008, Theodoros Tsoukatos, former socialist Member of Parliament (MP) and close aide of former Prime Minister Costas Simitis, admitted to having met with the former managing director of

Siemens Hellas, Michalis Christoforakos, in 1999 and accepting a payment of 1 million German marks, or the equivalent of 420,000 euros, on behalf of his party, PASOK. Siemens was also implicated in payments given to Tassos Mantelis, former socialist MP and former Minister of Communications and Transport, in exchange for being granted a contract.[12]

Certain quarters of the state administration, such as the local government and public hospitals, may have been working in collusion with strong private interests (e.g., construction and pharmaceutical companies).[13] There were entrenched interests inside and outside the state administration which created insurmountable obstacles to reform, by delaying the issue of administrative acts necessary to implement reform legislation and resorting to the courts to strike down almost any reform law as unconstitutional. Businessmen in important sectors of the economy, such as tourism and entertainment, consistently engaged in tax and social contribution evasion, while the state was reluctant to control their activities. Large businessmen as well as small entrepreneurs counted on loans by state-owned banks and also enjoyed tax breaks and impunity for violating tax, health and safety and environmental legislation. Many produced goods and services exclusively for one large consumer, namely the state, rather than for the market. As a result, a state-dependent business elite grew and engulfed certain sectors, such as public works and public health care.

Greece had a corporatist system of industrial relations, where public sector labour unions exerted large influence over income and pension policies. Greek governments felt pressed, especially during pre-electoral periods, to cater to the interests of the most powerful interest groups (e.g., banking employees, public sector workers and the liberal professions). In other words, both ND and PASOK governments used to easily succumb to strong interest groups.[14] The latter did not hesitate to transfer the cost of the preferential treatment they received from the state to the rest of society or to future generations. A typical example is the agreement in 1999 by the then PASOK Minister Evangelos Venizelos to found a new insurance scheme (OAP-DEI) for the employees of the state owned Public Power Corporation (DEI). Funding for the new scheme would be provided on an annual basis by the state budget instead of contributions by the employer company and those insured. Ten years later, in 2009, there was a subsequent agreement by ND Minister Fani Petralia in 2009 to exempt this insurance scheme of DEI employees from full merger with Greece's main insurance fund (IKA).[15] It is also telling that in 2009, the ND government, while the signs of the fiscal impasse of the Greek state were visible, succumbed to pressure by farmers and distributed to them 500 million Euros worth of subsidies.

Moreover, professionals (lawyers, physicians and engineers), public sector workers and other selected occupations (e.g., bank employees, pharmacists and journalists) engaged in separate, patronage-based relations with successive governments. Professionals had power because they consistently formed the largest group of MPs. In fact, they were always over-represented in the parliamentary groups of ND and PASOK: since the 1974 transition to democracy, the majority of ministers and MPs were lawyers, physicians and engineers most of whom had their own private practice before entering politics.[16] The employees of state owned enterprises and banks had power because they were disproportionately represented in the decision-making organs of Greece's trade unions.[17]

All this has resulted in a multitude of regulations regarding requirements to enter a profession, conditions of work, tenure, wage and salary levels, health as well as pension and other social benefits, which were tailored-made to the aforementioned relatively protected organized interests. A similar type of patronage-based state-society relations has characterized social protection. Despite it achieved some convergence with other EU welfare state, the Greek welfare state itself created and reproduced large-scale inequalities, leaving large categories of the population, such as women, the long-term unemployed, the young and migrants, without welfare coverage.[18]

Political Culture

The polarized Greek party system thrived on a populist political rhetoric. Party leaders time and again promised anything to everyone, contributing thus to pressures to lower tax revenue and raise government expenditure. Since the mid-1970s a political culture of polarization both among key political parties and among social partners has developed. Since the mid-1980s, unions protecting the interests of insiders have resisted every single reform in the welfare system, the labour market, the public sector and the health and education systems. Until 2010-2011, when the crisis constrained the options of the two major parties, acute political conflict characterized parliamentary politics. At the same time, two opposing cultures that cut across political parties and social strata had emerged[19]. One was pro-reformist, pro-European and modernizing; the other was suspicious of any reform, resentful towards Europe and open to nationalist and populist narratives.

For the last three decades, there has been an ideological hegemony of nationalist populism fed by parties of the Right and the Left.[20] Before the crisis such populism was cultivated by a vocal group of politicians, opinion–makers, journalists and trade union leaders from the Right and the Left who propagated a discourse that pits Greece against Europe, the people against the establishment and democracy against technocracy. It is no wonder then, that even before the economic crisis took its toll on popular perceptions of political institutions, citizens did not trust important institutions of Greek democracy. Trust in the government and the political parties fell dramatically between the spring of 2003 and the spring of 2010, just when the crisis erupted in Greece. In the spring of 2003, 43 per cent of Greeks trusted the government, but in the spring of 2010 only 25 per cent did so. Also in 2003, 17 per cent of Greeks trusted political parties, but in the spring of 2010 only 9 per cent did so[21].

To sum up this section, the party system, the state administration, the mode of relations between the state and organized interests and the dominant political culture have contributed to Greece's inability to plan and program its economic development and to prevent the derailment of the economy.

The Political Consequences of the Crisis

As it is well known, in May 2010 Greece resorted to the rescue mechanism put together by the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). The three organizations formed a three member group of technocrats (the 'troika') who visited Greece regularly in 2010-2012 and basically shaped the country's new fiscal, income, pension and employment policies. They monitored the implementation of an austerity program to which Greece committed itself in exchange for large international loans supplied in the form of rescue packages (the first package was drafted in May 2010 and the second in February 2012).

Still, Greece came to the verge of bankruptcy several times between May 2010 and December 2012. Successive governments (the socialist Papandreou government, the technocratic Papademos government and the tripartite Samaras government) had little room for manoeuvre. These Greek governments strived to close the gap between government expenditures and government revenues which in 2009 had reached 24 billion Euros. In order to accomplish this task, governments had only two options: either to abandon the Eurozone and return to the drachma or to implement an austerity policy, amounting to 'internal devaluation' while remaining in the Eurozone.

A return to the drachma would bring about high inflation, shortages of energy supplies, medicaments and even food stuffs, runs on the national currency (of the kind South East Asian countries had encountered in the late 1990s) and soaring interest rates for any loans handed out from banks to businesses and individuals. Such economic collapse would be unavoidable, because Greece is a small, weak and open economy, with limited export capabilities and enduring patterns of high public spending. This was clearly an impossible option for Greek governments. In 2010-2012 the leaders of the strongest EU powers made it clear that Greece should fulfil the terms and conditions of the rescue packages. If not, Greece would be sanctioned with delays in receiving further financial aid or even cancellation of the next instalments of the rescue packages. Greece depended on such instalments and could only negotiate the pace or rhythm at which the country would fulfil its obligations.

Successive Greek governments accepted the harsh austerity policies suggested by the 'troika', because the Greek state was unable to service its debts and at times was even close to stop paying salaries and pensions to public employees. In order to implement the austerity programme, in 2010-2012 all three governments cut the salaries and (less so) the pensions of retired civil servants, imposed a freeze on almost all social spending, delayed payments to private suppliers of goods and services to the state and pensioned off civil servants who were close to retirement age. After February 2012 there were also cuts in salaries and wages in the private sector. The 'troika' insisted that, given the lack of structural reforms (e.g., privatization of state owned enterprises and opening access to rigidly regulated occupations, such as pharmacists, lawyers and even taxi-drivers), the only way for Greece to regain ground with regard to competitiveness was to lower labour costs in the private sector. The obvious result of all this was economic depression, accompanied by severe social effects.

Unemployment, which in 1990-2010 used to fluctuate between 8 and 12 per cent, soared after the onset of the crisis. The unemployment rate was 21 per cent in 2011 and by the mid-2012 had reached 25 per cent.[22] Youth unemployment was always high in Greece: in 2006 unemployment in the 15-29 age group stood at 18 per cent. However, in 2011 it reached 33 per cent.[23] Moreover, in December 2011, unemployment in the age-group 18-25 reached 51.1 per cent, which along with the corresponding Spanish figure, was the highest in Europe. It was only natural that depression and adverse social effects would be reflected in shifts in electoral behavior.

The Two Consecutive Elections of 2012

Given that the last PASOK government was elected in October 2009, elections would have been normally held in 2013. However, the false move of PASOK's leader, George Papandreou, in November 2011 to call a national referendum in Greece on the second rescue package provoked a large scale negative reaction. The MPs of his party, Greek and European entrepreneurs and mass media, and the Eurozone leaders feared that a negative result of the referendum would destabilize the Euro currency. Papandreou was forced to hand power to a technocratic government, headed by Loukas Papademos and supported by ND and PASOK in parliament. This government lasted for six months. Owing to heavy pressure 'from below', i.e. from trade unions, and also from the leader of ND, Antonis Samaras, who had hoped to win an easy victory, elections were called in May 2012. Samaras won the elections, but he obtained only 19 per cent of the vote and was unable to form a single majority government. In fact, no party was able to form such a government. ND and PASOK witnessed their electoral influence dwindle, as both parties together polled only 33 per cent of the vote. The SYRIZA party came second, leaving PASOK in the third place.

SYRIZA surprised everyone by obtaining 17 per cent of the vote, while PASOK obtained just over 13 percent. In October 2009, SYRIZA had obtained 5 per cent and had come fifth. The results of May 2012 elections amounted to an overhaul of the Greek party system, which until that month was one of the most polarized two-party systems in Europe. After the May 2012 elections, parties did not agree on a coalition government and elections were called again for June 2012. This time ND won by obtaining 30 per cent of the vote. SYRIZA came a close second with 27 per cent and PASOK came third with 12 per cent. Given that PASOK had obtained 44 per cent in 2009, its electoral failure in 2012 was dramatic.

ND's victory was not decisive but came at the right moment and gave the correct signals to the rest of the world. First, contrary to the widespread impression that Greece had become ungovernable, just 72 hours after the June 2012 elections, a three-party, pro-European coalition government was in place. The coalition government consisted of ND, PASOK and the pro-European 'Democratic Left' (DIMAR) party. Second, even if the winner of the elections, the ND party, won by a margin of only 3 per cent, there was no doubt that the pro-European political forces were in the driver's seat. Anti-bailout political parties, the most prominent of which was the radical left SYRIZA party, had advocated canceling Greece's bailout package in its entirety.

The Rise of the Left and the Far Right

However, even though SYRIZA lost the elections, its rise from commanding less than 5 per cent of the vote in the October 2009 elections to obtaining 27 per cent in the June 2012 elections signaled a major shift in Greek politics. Owing to the crisis and the mishandling of the crisis by PASOK, the electorate shifted to the Left.

The success of SYRIZA was owed to the following reason: this party promised the Greek electorate that it was possible to both reverse the austerity policy measures, implemented through the two rescue packages of May 2010 and February 2012, and also remain in the Eurozone. Such a promise was an attractive message, because Greeks wanted to remain in the Eurozone. An opinion poll conducted in between the May and June 2012 elections showed that only 13 per cent of Greeks wanted Greece to opt out for the drachma. By contrast, 80 per cent of the respondents preferred the Euro over the drachma.[24] The low-income salaried strata who had been hit hard by salary cuts and the unemployed voted for SYRIZA in large numbers. It is doubtful however whether SYRIZA's electoral package offered a realistic set of policies. This policy package, presented to the Greek electorate just before the elections of June 2012, claimed that it would be possible to restore the purchasing power of the salaried strata and decrease unemployment. SYRIZA's programme centered on nationalizations of banks and renationalization of state owned companies which had been privatized before 2009. These, however, were plans for which the Greek state coffers had no funds.

Another reason for the electoral success of SYRIZA was the party's leader. Alexis Tsipras is a fresh-looking politician, with a relaxed but also somewhat provocative style. In the May and June 2012 elections, his profile made a sharp contrast to the profile of his opponents, Antonis Samaras, leader of ND, and Evangelos Venizelos, leader of PASOK. In terms of political communication and political marketing, the problem with the latter two leaders was that they were too recognizable. They were well known political personalities for more than 20 years.

In 2012 the Greek electorate did not only shift to the Left. It also shifted to the Far Right. The neo-Nazi party 'Golden Dawn' had obtained only 0.3 per cent of the vote in the elections of 2009, which PASOK had won. Yet, in the consecutive elections of May and June 2012, 'Golden Dawn's' vote sprang to 7 per cent (in both elections). The Far Right party ranked fifth, obtaining 18 out of the parliament's 300 seats. In contrast to other far-right European parties, which poll well in electoral districts in which the share of foreign migrants is above the national average of migrants in total population, 'Golden Dawn' did almost equally well in districts with high and low numbers of migrants. In May the party did particularly well among voters in the 18-24 age group, in which it obtained double its national average. The party's electoral strategy to couple its earlier anti-migrant focus with a populist, anti-party interpretation of the on-going economic crisis paid well.

Conclusions

In this article we have argued that the causes of the economic crisis in Greece, which erupted in 2010, are primarily political and related to a long-term failure of governance, preceding the crisis. The polarization of political party competition, the extensive politicization of the state administration, the power of strong vested interests, including the interests of state-dependent business entrepreneurs and public sector trade unions, and the dominant populist political culture contributed to the derailment of the Greek economy. In 2010-2012 the impact of the crisis was both social and political as shown by the spread of unemployment and the rise of the Left and the Far Right.

While these domestic political developments were still evolving in the late 2012, Greece's economic collapse had not been averted. Collapse was conceivable, but still not very probable. The case of Greece offered wider lessons regarding the interplay between domestic and international levels of politics. If Greece stopped servicing its debts, it would have to switch to the drachma. Leaving the eurozone would cost Greeks dearly in terms of deterioration of purchasing power. It would also gravely affect other EU national economies, particularly the most vulnerable ones (Portugal, Italy, Spain), because the pressure of international markets would shift towards these countries, while the exchange value of the Euro would also be negatively affected. Other national economies of EU Member-States were not fully protected towards the domino effect created by one country leaving the Eurozone.

The risks associated with Greece's default did not mean that the country's creditors, namely the EU governments which held most of the country's official debt, would relax pressure on Greece. Letting Greece stay in the Eurozone and foregoing the conditions imposed on Greece in 2010-2012 was unthinkable, because it would undermine the credibility of EU institutions which masterminded the two rescue packages. However, EU leaders were fully aware of the need for political legitimation of any rescue package, however plausible the package may look according to the books. Leaders could make the rescue packages much more legitimate, if they offered Greece tangible prospects for development. Without separate additional development funds, targeted towards promoting infrastructural development (highways, ports) and job growth, i.e., without a new Marshall-plan style package, Greece will hover over the abyss for a long time.

Moreover, in late 2012, as Spain was reaching the point to be also excluded from international markets and Italy continued facing the risk of becoming further infected by the crisis, the world looked more unpredictable than ever before. National governments and international organizations tried to reduce the levels of economic uncertainty, with little success. While democratically elected governments had to balance what sounded economically rational with what was politically legitimate, international markets did not encounter such restraints. In 2010-2012 markets were always ahead of governments as far as the speed at which they reacted was concerned.

Finally, the EU and other international organizations focused on crises of small economies, such as the Greek one, because if small scratches on the body of the world economy are left unattended, extensive bleeding may follow. In other words, the world has become so complicated and so inter-connected that concerted action by governments and international organizations is needed, in order to manage problems initially believed to be negligible, such as the crisis in Greece.

Acknowledgements

I acknowledge the comments and criticisms of conference participants in the 2012 annual conference of the Council for European Studies, Boston, March 2012, where I presented a few parts of this paper. I would also like to thank Panayiotis Tsakonas for his patience and encouragement.

NOTES

1. For a brief and succinct overview of the Greek economy see Nikos Tsafos, "The Greek Economy: A 50-year overview", 2011, available at: http://www.greekdefaultwatch.com/2011/08/greek-economy-50-year-overview.html (accessed on 4 November 2012).

2. Eurostat data available at: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115 (accessed on 3 November 2012).

3. European Commission, *Statistical Annex to the European Economy*, Brussels, European Commission, Autumn 2011, p. 190, Table 83.

4. Eurostat data available at: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22102012-AP/EN/2-22102012-AP-EN.PDF (accessed on 3 November 2012).

5. For Greece's political development since 1830 see John Koliopoulos and Thanos Veremis (2004), *Modern Greece: The Sequel. From 1921 to the Present,* London, C. Hurst, 2004. For an overview of Greece's post-1974 political system, see Dimitri A. Sotiropoulos "Greece" in C. Neal Tate, ed., *Governments of the World: a Global Guide to Citizens' Rights and Responsibilities*, Farmington Hills, MN, Thomson-Gale, 2006, pp. 173-180.

6. Eurostat data, available at: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115 (accessed on 3 November 2012).

7.Transparency International (TI), *Corruption Perceptions Index 2011*, available at: http://cpi.transparency.org/cpi2011/results/ (accessed on 13 September 2012). TI's corresponding reports of previous years are available at: www.transparency.org/policy_research/surveys_indices/cpi

8. Dimitri A. Sotiropoulos, "Two Faces of the Politicization of the Civil Service: The Case of Contemporary Greece" in B. Guy Peters and Jon Pierre, eds., *Politicization of the Civil Service in Comparative Perspective: The Quest for Control*, London, Routledge, 2004, pp. 257-282; and idem, "A Case of Amateurs and Professionals: The Role of the Greek Senior Civil Service" in Edward C. Page and Vincent Wright, eds., *From the Active to the Enabling State: The Changing Role of Top Officials in European Nations*, London, Palgrave, 2007, pp. 15-37.

9. Kevin Featherstone, ed., *Politics and Policy in Greece: The Challenge of Modernization*, London, Routledge, 2005. For an overview of related previous works, see also Dimitri A. Sotiropoulos, "New Approaches to Post-authoritarian Greek Politics", review article, *South European Society and Politics*, Vol. 7, No.3, Winter 2002, pp. 163-168.

10. Dimitri A. Sotiropoulos, "A Democracy Under Stress: Greece since 2010", *Taiwan Journal of Democracy*, Vol. 8, No. 1, July 2012, pp. 27-49.

11. Dimitri A. Sotiropoulos, *Populism and Bureaucracy: Greece under the Rule of PASOK, 1981-1989*, Notre Dame, IN, The University of Notre Dame Press, 1996.

12. See a full list of relevant corruption cases in Greece at http://www.pfhub.com/top-7-political-scandals-in-greece/, (accessed on 3 November 2012).

13. See the somewhat sensationalist discussion of state-business relations in Greece, primarily blaming foreign investors, in Jason Manolopoulos, *Greece's Odious Debt*, London, Anthem Press, 2011.

14. For an analysis of state-interest groups' relations in Greece, which however leans too much on a public choice theoretical perspective, see Michael Mitsopoulos and Theodor Pelagidis, *Understanding the Crisis in Greece: From Boom to Bust*, London, Palgrave Macmillan, 2010.

15. News report by the newspaper *Isotimia*, 14 December 2010, available at: http://www.dealnews.gr/oikonomia/item/1259-%CE%A0%CE%BB%CE% B7%CF%81%CF%8E%CF%83%CE%B1%CE%BC%CE%B5-10-%CE%B4%CE%B9%CF%83-%CE%B5%CF%85%CF%81%CF%8E (accessed on 15 October 2012).

16. Dimitri A. Sotiropoulos and Dimitris Bourikos, "Ministerial Elites in Greece, 1843-2001: A Synthesis of Old Sources and New Data", *South European Society and Politics*, Vol. 7, No. 2, Autumn 2002, pp. 153-204.

17. Manos Matsaganis, "Union Structures and Pension Outcomes in Greece", *British Journal of Industrial Relations*, September 2007, Vol. 45, No.3, pp. 537-555.

18. Dimitri A. Sotiropoulos, "The EU's Impact on the Greek Welfare State: Europeanization on Paper?", *Journal of European Social Policy*, Vol. 14, No. 3, August 2004, pp. 267-284.

19. P. Nikiforos Diamandouros, "Cultural Dualism and Political Change in Post-authoritarian Greece", Working Paper, Instituto Juan March, Madrid, 1994.

20. George Kalpadakis and Dimitri A. Sotiropoulos, "Europeanism and Nationalist Populism: The Europeanization of Greek Civil Society and Foreign Policy", Études helléniques/*Hellenic Studies*, Vol. 15, No. 1, Spring 2007, pp. 43-66.

21. Standard Eurobarometer survey, no. 59, spring 2003, available at: http://ec.europa.eu/public_opinion/archives/eb/eb59/eb59_rapport_final_en.pdf (accessed on 4 November 2012) and Standard Eurobarometer survey no. 73, spring 2010, available at: http://ec.europa.eu/public_opinion/archives/eb/eb73/eb73_anx_full.pdf (accessed on 4 November 2012).

22. European Commission, *Statistical Annex*, *op. cit.,* p. 34, Table 3.

23. Bank of Greece, *The Greek Economy*, Athens, Bank of Greece Report, 6 April 2012.

24. Kappa Research Opinion Poll, conducted in May 2012 and available in a summary form at: http://www.tovima.gr/afieromata/elections2012/article/?aid=457457 (accessed on 4 November 2012).