LEBANESE AMERICAN UNIVERSITY

Greece Economic Crisis and Its Political Implications on the European Union

By

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A thesis Submitted in partial fulfillment of the requirements for the Degree of the Master of Arts in International Affairs

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To my guardian angel, I will always make you proud.
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Greece’s Economic Crisis and Its Political Implications on the European Union

Leila Mazloum

ABSTRACT

Greece has recorded a peak level of its debts and budget deficits, which are considered to be the highest among the other European Union (EU) member states, making it the main focus of the debt crisis in the region. In addition to that, Greece is the first EU member state to request the assistance of other regional and international bodies, such as the EU and the International Monetary Fund (IMF), in order to help her recover from its financial crisis. Therefore, and in order to reduce the crisis effect, these bodies have joined forces along with the Greek government and decided to impose austerity measures on Greece. This means that investors had to accept the idea that their investments will underpass some financial losses in this phase on the behalf of easing the debt payments over a short period of time and as soon as possible. It is expected a soon bankruptcy of the Greek government, making it, if it happens, the first developed country to face such a situation in half a century.

This study focuses on the political origins of the Greek crisis in government overspending due to electoral consideration, the domestic economic trends and its political implications on Greece and the EU. In addition, it focuses on political factors leading to the crisis. Also looking into the political economy and the EU’s ability to continue, and the impact of its austerity measures. This research applies a comparative approach based on existing data.

Keywords: Greece, Greek financial crisis, European Union, Austerity measures, debt, IMF, Economy, Political, Monetary.
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<tr>
<td>A-DCC</td>
<td>Asymmetric dynamic conditional correlation</td>
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<td>AGDCC</td>
<td>Asymmetric generalized dynamic conditional correlation</td>
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<tr>
<td>ASE</td>
<td>Athens Stock Exchange</td>
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<tr>
<td>BRICS</td>
<td>Brazil, Russia, India and China</td>
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<td>CPI</td>
<td>Corruption Perception Index</td>
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<td>DEKO</td>
<td>Unionized employees in public utility corporations</td>
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<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ECB</td>
<td>European Central Bank</td>
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<td>EFSF</td>
<td>European Financial Stability Facility</td>
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<td>EMU</td>
<td>Economic and Monetary Union</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GLAD</td>
<td>Germany, Luxembourg, Austria and the Dutch</td>
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<td>GSEE</td>
<td>Trade Union Confederation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LIMG</td>
<td>Levy Institute macroeconomic model for Greece</td>
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<td>ND</td>
<td>New Democracy</td>
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<tr>
<td>PASOK</td>
<td>Panhellenic Socialist Movement Party</td>
</tr>
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<td>PIIGS</td>
<td>Portugal, Italy, Greece and Spain</td>
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<tr>
<td>SGI</td>
<td>Sustainable Governance Indicator</td>
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<tr>
<td>U.S.</td>
<td>United States</td>
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<td>UK</td>
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<td>USA</td>
<td>United States of America</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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Chapter One

Introduction

1.1 Background

As of the year 2010, the European Union (EU) has been dealing with the Greek financial crisis and in other countries in the region such as Spain, Ireland, and Portugal. These countries have recorded “unsustainable levels of government debt,” which required the intervention of regional and international bodies to contain the situation like the EU and the IMF. The EU and the IMF have provided to these countries loans that would help them avoid “defaulting on their debt” (Nelson, Belkin, & Mix, 2011).

Greece has recorded a peak level of its debts and budget deficits, which is considered to be the highest among the other European Union (EU) member states, making it the main focus of the debt crisis in the region. In addition to that, Greece is the first member state to request the assistance of other regional and international bodies, such as the EU and the International Monetary Fund (IMF), in order to help her recover from its financial crisis. Therefore, and in order to reduce the crisis effect, these bodies have joined forces along with the Greek government and they have decided to impose austerity measures on Greece. This means that investors had to accept the idea that their investments had to underpass some financial losses in this phase on the behalf of easing the debt payments over a short period of time and as soon as possible. It is expected a soon bankruptcy of the Greek government, making it, if it happens, the first developed country to face such a situation in half a century (Nelson, et al., 2011).
Prior to the 2012 crisis, Greece has faced several financial challenges due to the low-interest rates whose symptoms started to appear with the adoption of the euro as its national currency in 2001. Another factor perceived to be the main contributor to its crisis is the weak leadership of the EU, a situation which further weakened the member states abilities, making it harder for Greece to withstand the crisis (Tsarouhas, 2012b). The Greek crisis would have been worse if the European Union did not undertake swift actions, making the situation harder and more expensive to resolve; which lead to a realization of the need to simplify the structure’s bureaucracy and introduce new policies and to enhance delivered services (Tsarouhas, 2012b).

But the problem did not start from here. A debate over the development of Greece’s politics in the Post-WWII period made it easier to illustrate the rapid economic development. In 1953, currency devaluation was the beginning of a liberal international economic environment, which helped build a strong and competitive economy (G. Pagoulatos, 2003). Between the years 1950-1961, the growth rate of the Greek economy scored 6.5 percent and reached 7.4 percent between the years 1961-1979 (Gravaris, 2006). During the period between 1961 and 1979, Greece witnessed the highest economic growth rates, despite the emergence of structural problems in the Greek economy. Firstly, the oil crisis during the 1970s which led to inflation rates of 16 percent that offset the growth rates. Secondly, the slowdown in the foreign currency influxes affected the balance of payments. Thirdly, the stability in the monetary and fiscal situation in the economy has come to an end after announcing the new democratic transition in Greece that replaced the dictatorship (Tsarouhas, 2012b). After the European Union has approved a financial support and helped to raise the living standards of the Greek citizens, “deficit-financed social policy” remained
persistent. During that time, the public services sector has grown inefficiently on the premises of the industrial sector that was deteriorating at the same time (Tsarouhas, 2012b). In the 1980s, the European Union kept warning the Greek government to adopt serious and much needed reform measures, as the deteriorating economic situation was signaling an economic crisis. The Economic and Monetary Union (EMU) was supposed to offer a package to alleviate the Greek economy (Featherstone, 2005).

What made the economic situation worse is the presence of successive Greek governments, which were dominated by ministers who represented the interests of the political parties joining the cabinet; these ministers did not always have the requisite qualifications, or past successes. This means that the ministers were changed each time the elections were held; depending on the interests of the political situation then (Malkoutzis, 2011a).

As an example of such practices, is the failure of the government to correct and reform the policies and regulations of the pension system. On one side, the Greek trade unions have helped to apply reforms only on the public sector employees and rejected to be responsible for the employees, who do not lay under their jurisdiction, especially the private sector employees (Stamati, 2008). On the other side, the European Union applied pressure on the Greek government as a means to establish a new political agenda. The center-right New Democracy (ND) government (1974–1981) failed to introduce radical reforms, as the government tried to change the retirement age to save some financial resources adding to that the Greek deficits were not addressed especially for the pension system (Featherstone & Papadimitriou, 2008). Meanwhile, all the changes applied to the pension system in 1993 were limited and considered to be weak modifications.
The consecutive failure of the ND government had led to the re-election of Panhellenic Socialist Movement Party (PASOK) headed by Kostas Simitis in 1996. During the eight years of PASOK government, a small achievement was made but was accompanied by rising debt and deficit levels. The issue that the policy reform has never been neglected as some effort was done in order to “radically alter the country's stifled political economy failed to bear fruit” (Tsarouhas, 2012b).

The Greek government was constantly encouraged to implement strict policies. However, no serious attempts were seen, especially within the legislative years between 1996 and 2000. Neglecting advice has not been an alternative as the situation was more complicated than before and there were not that many options as before especially after PASOK's narrow re-election in 2000 (Tsarouhas, 2012b).

The government introduced another policy in 2001, which outlines the pension system’s structural problems. The GSEE (Trade Union Confederation) did not agree on the proposals, opinion polls on the proposed plans by the government took a turn and the responsible Labor Minister Giannitsis did not expect any support from his colleagues. He tried to convince all members depending on all logical reasons, but he failed to reach his goal, which led later to his disposal (Tsarouhas, 2012a). Later in the spring of the year 2008, the ND government proposed another reform plans to change the social security system, and it included increasing the retirement age in order to save some of the expenses, changing the policy of pension regarding mothers who has children under the age of 18 and who are employed at the same time in public firms and banks. “The government offered financial incentives for retirement after 60 and reducing the insurance funds from 133 to 13” (Tikos, 2008b).
The government has launched a social dialogue before the reform of social security system, but it unsuccessfully failed to include the trade unions in this dialogue (Tikos, 2008a). Thus, it was clear that the main major causes of the failure in the policy reforms were the successive governments, who were not serious enough (Tsarouhas, 2012b). As a result, the pension system, which is featured by unclear decision making, weak budget restrictions, division and gross inequities in coverage and benefits (Featherstone, 2005), has not only resulted in more than 50 percent of the public debt, but also has absorbed 15 percent of the country’s GDP (Matsaganis, 2008).

The situation in Greece has not only grabbed the concerns of the EU states for the Greek debt crisis, but also the United States’ government has shown interest in intervening to resolve the crisis; knowing that the U.S. government maintains a strategic economic relationship with the EU in a broader sense. This created both an interest and concern on how this crisis will end and its repercussions on the U.S. economy. On the other hand, since the U.S. government is the main contributor to the IMF’s budgets, questions were flagged by the U.S. Congress stating whether the IMF’s support to Greece would be an effective solution and a sustainable one or not (Nelson, et al., 2011).

The consequence of not reaching an agreement with the Greek government along with the fact that Greece is not able to fulfill its debts would possibly lead to the exit from the EU membership. This means losing the euro as a currency and resorting to the national one. Such a move would cause the Greek’s new currency to depreciate significantly against the euro. It will also limit Greece’s economic activities, especially with the imports and exports, resulting with an evident price increases. It is expected that Greece, in case of its exit from the EU, is going to face another recession period (Harari, 2015).
Therefore, Papanikos (2012) sees that there are several alternative solutions to the economic situation that involve an intervention from the EU member states. “Germany, Luxembourg, Austria and the Dutch (GLAD),” as one of the solutions for instance, should reallocate part of its trade revenues in the other Eurozone member states since accumulating monetary reserves is not maintainable in the long-run. Many actions should be taken to solve the problem and should be political to enhance common monetary and wage policies. And all the policies that will be introduced to Greek should be also introduced to the other countries to reduce the risks. The main problem is that these solutions are short-term ones. If the same policies and actions will continue, the so called “GLAD countries” will accrue surpluses in their balance of trade (Papanikos, 2012).

Another alternative is that Germany and other GLAD countries should be forced to leave the European Union; given its high competition. A suggesting was to transfer some of the resources to other countries in order to reach a balance in the Eurozone. If not, then the so-called South European countries will be able to change the recent policies, which might automatically result with the exclusion of the GLAD countries (Papanikos, 2012). However, the exit of Germany from the Eurozone might cause a collapse in the euro. It has been argued that in the short run the euro will collapse, but the “common sense analysis of the dynamics” shows that it is going to be a stable situation in the long term (Papanikos, 2012). The drop of the euro will cause more trade surpluses and will save the countries which are suffering now through the increase of their capabilities to export. But the main problem in the EU region, in general, is not “the accumulated debt of some countries” but rather the recent imposed measures and the available policies, which they would not provide a guarantee of a long-term equilibrium in these countries’ markets. On the other hand, the dominant
countries in the Eurozone will move the situation further away from reaching the equilibrium (Papanikos, 2012).

Another scenario is that Germany allows the entrance of more countries into the European Union such as Turkey and the Balkan countries, but Germany’s strong role has refused and excluded some countries as Turkey from progressing towards a full membership; mainly due to economic, political and military considerations, Turkey's membership will be a good solution in the long term to the problems of Greece (Papanikos, 2012).

The conservative forces will not let the other countries such as Turkey to easily enter the European Union since its presence might lead to weakening the economic position of Germany, in addition to the other GLAD countries, and, thus, resulting in a power shift from the central European countries to those of the south. It could be one of the solutions to Greece’s financial crisis, but it might take a long time. This will help Turkey and the other Balkan countries with Greece to benefit from an economic growth that will look like the other strong countries in the European Union (Papanikos, 2012).

1.2 Research Objective

This study will review the historical evidence of the Greek government budget deficits, through demonstrating the reasons behind the accumulated public debt over the years. The Greek government has witnessed a series of public debt problems over the years. Since its liberation from the control of the Ottomans till today, the Greek government has mostly suffered from a negative balance and default in its budget mainly due to the deep characteristics of the Greek nation that led to the slowdown in the economic growth cycle, building up to the modern economic and financial crises, among these characteristics are the
“pervasive state control of the economy, a large and inefficient public administration, endemic tax evasion, and widespread political clientelism” (Nelson, et al., 2011).

It also focuses on the domestic economy and the implications on Greece and the EU. In addition, it focuses on political factors contributing to the crisis, political roots, and the political structure. The political economy of the debt crisis, political implications of the EU for the ability to continue, and the austerity measures are also highlighted. This research uses comparative research based on existing data.

This research studies the historical evidence that explains the causes of the Greek financial crisis, and evaluates the effects of the measures that have been set to improve the economic situation in Greece. It also explores how the Greek debt crisis affected the markets in the European Union and resulted in a contagion phenomenon. It also analyses political opposition reactions toward the crisis and the EU’s austerity measures.

In addition, highlights from the 2015 negotiations and possible scenarios of Greece leaving the Eurozone are drawn. The existing agreement between Greece and the Eurozone bailout fund, the European Financial Stability Facility (EFSF), will provide a total amount of fund reaching to €7.2 billion to Greece (Harari, 2015).

1.3 Research Design

This is a qualitative study, drawing extensively on the academic literature, and the reports of the EU official entities (e.g. ECB) as well as on news analysis by reputable and specialized journals such as Wall Street Journal and Financial Times.

The methodology proposed for the study includes reviewing all the policies and procedures taken into account in order to contain the crisis. Furthermore, it will demonstrate the analysis of the origins of the Greek debt crisis, and the political and financial reactions by the Greek
government and the related international organizations such as the EU, European Central Bank, and the IMF. It tries to justify all these policies, reactions, and solutions through statistical data and numerous diagrams.

1.4 Data Collection

Data has been collected from secondary sources mostly from books, articles, reports and newspaper articles.

1.5 Research Questions

The study will answer the following overlapping questions with the aim of providing a holistic picture of the origins and repercussions of the crisis:

1. What are the causes of the Greek debt crisis from the political point of view?

2. What are the repercussions of the Greek crisis on Greece itself?

3. What are the repercussions of the Greek crisis on the rest of the Eurozone member states?

The study believes that the causes of the Greece’s financial crisis are the internal system, which requires radical reforms to several governmental bodies in terms of corruption and misallocation of resources on one hand, and the fiscal and tax systems on the other hand. This helps to restore the confidence between the creditors (of several nationalities and bodies) and the public.

In addition, the study illustrates the repercussions of the Greek crisis on itself. Greece has witnessed an increase in unemployment and migration rates. Years between 2009 and 2013 have shown a dramatic increase in the unemployment rates. The flow of immigration from Greece to other countries, especially to Germany, is a result of the daily pressure that every Greek citizen is facing.
Moreover, the Greek crisis has not only affected the Greek market, but also it has reached main European countries. The European stock market has also been affected by the Greek crisis. The discussion of the possible exit of Greece from the Eurozone was raised on the table. But this step could lead to a more critical consequences such as the emergence of the Russian market into the Greek market, causing a threat to the European and American interests in Europe. Also, the European politicians and officials need to prepare themselves to convince their public that what they are doing to rescue Greece is the only effective way to maintain stability in the Eurozone economies.

1.6 Research Indicators

This research has been conducted through analyzing and understanding the Greek economic crisis from different perspectives. Firstly, the study analyzed researches focusing on a phenomenon called the Greek contagion phenomenon. The aim of that is to prove if there is a dependency between Greece and the European Union. The analysis was based on a scientific paper for Samitas and Tsakalos (2013). They have proved that the Greek market had an effect on other European countries’ market. Their study depends on the “asymmetric dynamic conditional correlation (A-DCC) model and employs copula functions to investigate the mechanism between the Greek market and European markets during the crisis.” Copulas models are usually used in several applications in economics and finance. It covers the topics such as “risk management, derivatives, portfolio decision problems, time-varying copula models, the dependence between financial assets and financial contagion.” These models examine the relationships between markets.

Then, this research has investigated the austerity measures proposed by the EU to Greece in order to reduce the effect of the crisis. The PASOK government has agreed to depend on the
austerity measures enforced in year 2010 by a group of international bodies known as Troika. Troika group, which consists of the European Union, European Central Bank and IMF, has provided Greece with loans to prevent going bankrupt, and in return, has requested some reforms.

In addition, this research has explored the political environment, and how the political system was dealing with the crisis, and the pressures from the EU. Greece has been facing serious obstacles lately. The main of which is the corruption on the political level. The study demonstrates several recent reports and indicators such as the Corruption Perception Index (CPI). It has also illustrated the cost of bribery in Greece and highlighted the major sectors that are characterized by corruption. On the contrary, the research has presented an analysis of the steps taken to empower citizens against corruption by the Transparent International institution.

It was also important to highlight the economic and social indicators during the period 2010 and 2015. The main indicators that were covered by this study were the Europeans Opinion about Grexit 2015 indicator, which shows the Europeans' opinion on whether Greece should leave the Eurozone or stay. Another was Greece’s public opinion in relevance to the Greek economy in the year 2012. Also, it was important to look at the percentage of the EU countries’ contribution to stability and highlight the position of Greece in that. There are economic indicators describing the economic situation in Greece between 2010 and 2020 such as the Gross domestic product (GDP) in current prices, unemployment rate, percentage of the national debt to GDP ratio in the first quarter of the year 2016, budget balance, government revenue and spending, and employment.
Lastly, the research will illustrate the Greek crisis from the media perspective, as an indication of how serious is the problem under study. Antoniades (2012) objective was to evaluate the Greek, European and the international media impact on the Greek economic crisis, and determine the destructive speech nature.

1.7 Research Plan

The rest of the thesis is divided into five chapters as follows:

Chapter two discusses the causes of the Greek debt crisis from a political point of view. It shows why Greece would have avoided falling in such crisis, if it has not joined the Eurozone. It also highlights the actions and reactions of countries such as Germany during and after the debt crisis of Greece. The chapter provides interpretations of the causes of the austerity measures that were imposed on Greece as a solution for its debt crisis. Moreover, it demonstrates the result of an irresponsible policy and describes the nature of reforms implemented in Greece.

Chapter three examines the debt crisis effects on the Greek economy, focusing on unemployment and migration. It argues that the principal consequences of the crisis have been a rise in unemployment and migration. Studies have shown a dramatic increase in the unemployment rates within the years 2009 and 2013. This chapter also provides the reasons behind the brain drain from the Greek society. The chapter focuses on two groups of motivations to migrate: push and pull factors, in other words, could be forceful to push people to migrate or attract them. These factors could be economic, political or environmental. This chapter is divided into four sections. The first discusses the economic and social indicators in Greece in comparison with other European countries. The second section demonstrates the political life in Greece and stresses the faults that led to the
deterioration of the situation. The third section illustrates the austerity measures applied on Greece in comparison with that applied on Spain, Portugal and Italy. The fourth section shows the consequences of the crisis on Greece by focusing mainly on the immigration movements to other European countries.

Chapter four explores how the Greek debt crisis affected the markets in the European Union and resulted in a contagion phenomenon. It also shows the two possible scenarios that have been discussed lately concerning Greece: its exit or its continuity in the EU membership.

Finally, the concluding chapter five sums up the arguments developed in the different chapters to answer the research questions.
Chapter Two

The causes of the Greek debt crisis from the political point of view

This chapter discusses the causes behind the Greek debt crisis from a political point of view. It shows why Greece would have avoided falling in such crisis, if it has not joined the Eurozone. It also highlights the actions and reactions of countries such as Germany after and during the debt crisis of Greece. The chapter provides interpretations of the causes of the austerity measures that were imposed on Greece as a solution for its debt crisis. Moreover, it demonstrates the result of an irresponsible policy and describes the nature of reforms implemented in Greece.

From a political point of view, Greece was lately witnessing substantial tasks that have weakened “its ability to perform financially in a healthy pattern.” Troubled relations with its neighboring country, Turkey, and the unstable activities within the country, led to an unstable political situation. Furthermore, Papadimitriou (2011) believes that “corruption has been, and continues to be, a part of the political culture of Greece. The country has been hit in the last several years by a series of large political and financial scandals.” This has shown a dissatisfaction of the Greek towards their administration, and they have continuously criticized corruption and demonstrated against it (D. Papadimitriou, 2011).

Woods (2014) believes that Greece would have avoided falling in its current crisis, if it has “refrained from joining the euro until it was more integrated into the economic cycles of the rest of Europe.” But what happened instead is that the Greek government has provided inaccurate debt and budget reports and the European Union in return has not checked the
accountability and accuracy of these numbers (Woods, 2014). As a consequence, EU politicians, especially Germany’s Chancellor Angela Merkel, were seriously criticized after granting Greece indefinite bailout. It is believed that such an action has accelerated the spread of the crisis all over Europe, especially after the announcement of the real debt value (Argyrou & Tsoukalas, 2011; Moodie, 2011). Greece has been through a “series of adverse social and economic consequences.” One of which is the continuous drop in its Gross Domestic Product (GDP) in the year 2011, which means recording a new postwar historical maximum, accompanied by low production which led to thousands of unemployed. The unemployment rate has been doubled to 25.4 percent in August 2012; this means in the first three years of applying the austerity measures. In addition, small and medium-sized enterprises started to crash. More than 65,000 firms were incompetent to endure “declining consumption, lack of liquidity, and emergency taxes.” Moreover, migration among the young and highly educated people has increased. Furthermore, the percentage of the homelessness has increased by 25 percent from year 2009 to 2011 (Markantonatou, 2013b).

As a result, the Troika has imposed unprecedented strict measures on Greece. Therefore, Greece was put under the supervision and control of these abovementioned groups. The stability of the euro as a currency is not the problem as it is related to other factors such as monetary and exchange rate policy variables. Greek researcher Papanikos (2012) has stated in his study (whose results were presented and delivered to the relevant minister and to other experts and consultants) that the Greek crisis is causing a shock in the market, and the only way to minimize the effects of this shock is by decreasing real wages (i.e. through letting wages rise at less than the inflation rate). In addition, and in order for Greece to maintain its
membership in the Eurozone, Greece must undertake major structural reforms; particularly in the public administration and public enterprises (Papanikos, 2012).

D. B. Papadimitriou, Nikiforos, and Zezza (2013) describe the recent economic position in Greece as being the result of an irresponsible policy that includes the reforming of the labor market and depends on the elements of the “expansionary austerity” economic theory, which is described by the authors as a “shaky” theory. It is beneficial for medium and long-term growth for countries like Greece that have extensive deficit and high public debts. In this report, simulations were developed based on the Levy Institute macroeconomic model for Greece (LIMG). D. B. Papadimitriou, Nikiforos, and Zezza (2013) believe that long-term austerity measures would lead to the decrease in employment rates, and that is due to the fact that the expected growth in the GDP would not be enough to cover the needs of the labor market. Therefore, their report is considered as a pessimistic one compared to the reports made by the European Commission (EC) or the International Monetary Fund (IMF). In addition, the report shows that further fiscal austerity measures will deepen the economic crisis in Greece rather than correcting it. They recommend as measures to reduce unemployment rates an “expanded public service work program,” which will be able to recover the labor market in a short period (D. B. Papadimitriou, Nikiforos, & Zezza, 2013).

The Greek debate over continued membership in the European Union is directly related to its experience of the crisis. As of the beginning of year 2010, “the country has had to deal with high-interest rates, structural reform and the injections of cash to keep it solvent.” Most Greeks who linked the membership of the European Union to the progress in Greece are now blaming elements of Europe for the current situation in Greece. The figures show the
path of the Greek economy. The GDP shrunk by 7 percent in 2011, with high unemployment rates reached 24 percent (B. G. Pagoulatos, 2012).

In the decade leading to the global financial crises of 2008 (roughly 1997-2007), the Greek government borrowed heavily from abroad to support the government expenditures and cover budgetary deficits. By 2009, the investors’ trust in the Greek economy has gotten rattled. Despite the increasing tension and nervousness about the Greek economy, the Greek government succeeded to sell bonds worth about 8 billion euros and borrow an amount of 54 billion euros, which it has used to cover the accumulated debt and its accompanied interest payments. Nelson, Belkin, and Mix (2010) discussed the domestic and international causes of the crises. On the domestic side, it was because of high government spending, structural rigidities and tax evasion and it all was the reason for increasing the debt (Nelson, Belkin, & Mix, 2010).

A report written by Matsaganis (2013), analyses the performance of the Greek economy before the 2008 crisis. The report, in particular, warned against the rapid rise in unemployment rates, which heightened the risk of poverty. The study compared four countries in the European Union – Greece, Portugal, Spain and Italy – which are all facing economic problems and could be similar in some cases. In 2009, Greece faced a crisis that has quickly twisted into a supreme debt crisis causing a recession in the country. The announced numbers state that the economy will shrink by the end of 2013 by 23.5 percent compared to 2007, and it was far greater than the equivalent contraction to Italy 7.8 percent, Spain 5.5 percent, Portugal 7.4 percent and Ireland 5 percent (Matsaganis, 2013).

Markantonatou (2013a) in his study discussed the management of the crisis. He stated a series of analyses, which considered the link between economy and society and provided a
narrow understanding of the reasons behind the Greece’s deterioration in its competitiveness. The study highlighted the “rent-seeking” approach. This approach means that Greece is going to use available resources in order unproductive manner such as wealth in order to cover the debt instead of using these resources in productive manners such as production and investment (Markantonatou, 2013a).

Markantonatou (2013a) continued the evaluation based on socio-political consequences of the crisis like unemployment and poverty. As the debt crisis broke out in 2009, a new rescue plan was revealed to meet the severe criticism and the negative social reaction. But this rescue plan included some negative side effects, which resulted later in the narrowing of the public services provided; causing in return the downsizing of the public employees. In addition, there were radical cuts in the budget and the merge of some public organizations. This financial crisis is considered to be the worst since the end of the military dictatorship in 1974. It helped notice the weaknesses and the inefficiencies of the Eurozone and also highlighted the problem, which was supposed to be solved, which is the common currency, the Euro (Markantonatou, 2013a).

One of the discussed solutions was that Greece should leave the European Union, but it is considered to be more expensive than if it continues its membership. The study proposes, as part of the treatment, the recapitalization of Banks beside the 500 billion Euro plan, which was introduced in October 2008 (Markantonatou, 2013a).

A study by Alogoskoufis (2012) illustrates the analytics and evaluations of the debt crisis and presents the introductory solutions to the problem; in addition to how the international financial crises led to an unstable sovereign debt and with the current adjustment program. The study concludes with the different recommendations for tackling the problems and
speeding up the recovery. The study proposes a detailed account of how the sovereign debt was accumulated. In the first section, it shows that the solvency depends on four main factors only one of these factors is under the control of the government. The four factors are first: the debt ratio, second, the interest rate, third, GDP growth ratio and the last factor is the ratio of the primary budget surplus to the GDP. He believes that the current situation in Greece is not only because of a debt crisis, but also a “dual confidence crisis.” In order to restore this confidence, which was lost due to the mishandling of the expectations that lending institutions were hoping to be met by the Greek society, the Greek government, as a first step, should modify its program. This means, Greece should adjust the program by enhancing credibility. Another step should be taken into consideration, according to Alogoskoufis (2012), is conducting fundamental adjustments to the direct and property tax systems. He believes that this step is of high importance to restore the confidence between the 2 parties, and helps in enhancing the Greek economy again (Alogoskoufis, 2012).

Malkoutzis (2011b) viewed the politics of uncertainty as the majority of Greeks are unhappy and feel insecure with the country's direction of politics that might affect their future. The two main parties in Greece, which are PASOK (Panhellenic Socialist Movement Party) and New Democracy, are struggling to find support which resulted in more new parties depending on the voters' dissatisfaction led to creating new groups of voters; as it is considered the biggest economic threat for decades but also facing the most significant upheaval in its political system since 1974. Based on a recent opinion poll 80 percent of Greeks are not satisfied and believe that the country is heading in the wrong direction, as the situation was getting worse even after the rescue plan and the election of the new government. Despite this wave of dissatisfaction, the political system in Greece faced
another problem, which was that most of the small parties have fragmented into smaller
groups. The fragmentation of small parties created a dislocation in the political system and
it was clear for Greeks that the situation is getting worse as they lost hope in the
establishment political figures and the ability to find a solution for the current crisis. The
paper focused on the period before 2013 and viewed the doubts of Greeks that the
government at that time will not be able to survive till 2013 and whether the Greek political
system will evolve slowly in a new system or rather break into smaller groups (Malkoutzis,
2011b).

The paper written by Christos Lyrintzis underscores the effects of the economic crisis on the
political system in Greece. (Lyrintzis, 2011). This paper has two objectives; the first
objective shows the causes that led to the present situation by pointing out the
“socioeconomic and political developments,” which were behind the start of the crisis in
Greece. The second objective is to determine the political management of the crisis and the
strategies taken by the politicians. The handling of the crisis by the newly elected
government ‘Panhellenic Socialist Movement', which is known by PASOK, has added new
problems and conflicts in the Greek political system. The reasons behind the current situation
can be summarized in the following factors clientelism, corruption, and populist practices of
different political parties, bureaucracy and the political problems between the members of
the European members. The paper is studying the mentioned factors to evaluate the impact
on the Greek political system during the last three decades (Lyrintzis, 2011).

The global impact of the Greek default is discussed in the paper written by Desmond
Lachman (Lachman, 2015). The economic situation of Europe is much better than the
situation was in 2012 after applying many rescue plans and solutions to the Greek crisis.
Therefore, Europe has positioned around 500 billion euros for the purpose of overcoming financial and economic crises. On the other hand, there are a number of countries in the European Union that were facing some economic and political problems, such as weak economic growth and increase in the public and private debt levels. For example, Italy is facing more than 2 trillion US dollars public debt. In year 2010, Italy recorded a public debt to GDP ratio of 115 percent, which increased to around 135 percent in 2015. Unfortunately, these countries witness very low growth rates and by price deflation, and thus, they have a huge number of debt. Therefore, they should be experiencing political reforms and austerity measures in order to correct their current situation (Lachman, 2015).

In conclusion, although, most of the mentioned above studies provide different interpretations to the Greek financial crises, still most of them agree that the internal system is the main cause of the problem. They all suggest radical reforms to the several governmental bodies in terms of corruption and misallocation of resources on one hand, and the fiscal and tax systems on the other hand. This helps to restore, according to Alogoskoufis (2012), the confidence between the creditors and the Greek. Others believe that Greece should not have joined the Eurozone in the first place. Greece was not ready to join the Eurozone for reasons that relate to the economic nature of the Eurozone that is characterized by economic prosper and high competitiveness. In addition, other authors believe that Greece has failed since the beginning of the crisis to deal with the economic conditions raised in that period such as the fall in employment rates or the increase in interest rates. This has caused further deterioration in the economic situation.
Chapter Three

Domestic repercussions of the Greek Crisis

This chapter examines the debt crisis effects on the Greek economy, focusing on unemployment and migration. It revolves around the main argument that the crisis’s principal consequences have been a rise in unemployment and migration. Studies have shown a dramatic increase in the unemployment rates within the years 2009 and 2013. This chapter also discusses the reasons behind the brain drain from the Greek society. The chapter focuses on two groups of motivations to migrate: push and pull factors, in other words, could be forceful to push people to migrate or attract them. These factors could be economic, political or environmental. This chapter is divided into four sections. The first discusses the economic and social indicators in Greece in comparison with other European countries. The second section demonstrates the political life in Greece and stresses the faults that led to the deterioration of the situation. The third section illustrates the austerity measures applied on Greece in comparison with that applied on Spain, Portugal and Italy. The fourth section shows the consequences of the crisis on Greece by focusing mainly on the immigration movements to other European countries.
3.1 Economic and Social Indicators

In this section, the study illustrates the most recent statistics of the Greek economy during and after the crisis, in addition to an outlook.

**Figure 1 Europeans Opinion about Grexit 2015**

Source: (McCarthy, 2015)

It is surprising to see that the majority of Europeans are voting in favor of Greece’s exit from the European Union (see figure 1). The poll addressed nationals from Germany, Finland, Denmark, Norway, Britain, Sweden, and France. In Germany, 53 percent of Germans have voted for the exit of Greece while only 29 percent would like it to stay. The rest (18 percent) are not sure of their decision. Germany is ranked the first among other European countries in the percentage of people looking for the exit of Greece. France is the lowest country to support the Greece exit with 33 percent saying yes to the exit, 36 percent supporting the stay and 32 percent do not know.
Although this poll is only two years old, it still indicates that the Greek burden is affecting the people's lives in these countries. It should be noticed that most of these countries are lending Greece the money coming from the taxpayers.

**Figure 2 Greece’s Public Opinion in relevance to the Greek economy, year 2012 in Percentage**

Source: (Statista, 2012)

Figure 2 shows the public opinion in Greece in comparison to the public opinion in the EU member states regarding the present economic situation in the region, the EU integration and the European Central Bank in the year 2012. The figure illustrates that 29 percent of the EU is satisfied with the country direction of Greece. In return, only two percent of the Greek citizens are satisfied with their country’s direction. Another indicator shows that only two percent of the Greek people see that their economy is worthy, and only 9 percent believe that it will improve in the next 12 months. In return, 16 percent of the Europeans believe that the Greek economy is good, and 22 percent believe that it will improve in the next 12 months.
So, it is logical to find that 73 percent of the Greek nationals believe that it is difficult to find a job in their country (against 44 percent of the Europeans).

Moving from public opinions into statistical facts, figure 3 below illustrates the Greek GDP in the current prices is decreasing from the year 2010 to the year 2015, and it is expected to grow again as of the year 2016. This is certainly due to the austerity measures, and the pressures from the EU on Greece to improve its productivity.

**Figure 3 Greece: Gross domestic product (GDP) in current prices from 2010 to 2020**

(in billion $)

![GDP Graph](image)

Source: (Statista, 2017d)

Figure 4 below shows that as of the year 2010 the unemployment rate is increasing dramatically from 12.73 percent in 2010 to reach its maximum level of 27.48 percent in 2013. After that, it starts to decrease, and there is a positive outlook for this rate to decrease by 2020 to 18.86 percent. On the other hand, the number of employees declined at the same time with the increase in the rates of unemployment from 4.39 million in the year 2010 to
its minimum 3.51 million in the year 2013. The outlook expects the increase again in the number of employed by the year 2020 (see figure 4 below).

**Figure 4 Greece: Unemployment rate from 2010 to 2020**

![Unemployment Rate Chart](chart.png)

Source: (Statista, 2017f)
Figure 5 Greece: Employment from 2007 to 2017 (in millions)

Source: (Statista, 2017g)
Figure 6 Percentage of the national debt to GDP ratio, Q1 2016

Source: (Statista, 2017i)
It is quite obvious that Greece has the largest percentage of national debt in relation to GDP by 176.3 percent in the first quarter of the year 2016 (as indicated in figure 6 above). It is considered to be higher than the European Union area percentage (91.7 percent) by 84.6 percent. It is even higher than the second highest national debt country Italy (135.4 percent) by around 40.9 percent, and by 47.4 percent from the third country Portugal. All Figures from 3-6 summarize the main indicators of the economic situation in Greece. What is noticeable is that as of the year 2015, the indicators are expected to record improvements in the situation. This is because there were expected that a new government will be formed and it will lead the country out of the critical situation. The Syriza government, which was the government formed in 2015, seems to depend on public consultations. This means, the participation of further parties in the decision making, and, thus, working together to get out of the crisis. This was clearly reflected in the numbers represented by the above mentioned figures.
The above, figure 7, shows that since 2010 the deficit in Greece’s budget is improving. In 2010, after there was a strike on the world economic system in the year 2008, the budget recorded 25.33 billion euros losses. After that, it has witnessed improvements later to reach the lowest point at 5.33 billion euros losses in 2013, 7 billion euros losses in 2014, and expected to reach 7.41 billion euros losses in 2015. This is usually because of the austerity measures imposed by the European Union on the Greek government. And that could be due to the formation of the new government then; the Syriza government.

Source: (Statista, 2017a)
Furthermore, the budget balance moves in the same direction as the budget balance in relation to the GDP. Figure 8 shows that the budget deficit to GDP ratio declined from the year 2010 to the year 2013 with an expected slight increase in the year 2015.

**Figure 8 The percentage of the Greek balance of budget to GDP, years 2010 to 2015**

Source: (Statista, 2017b)
Figure 9 The Greek national debt from 2010 to 2015 (in billion $)

Source: (Statista, 2017h)

On the national debt side, it is clear that the debt levels are respectively constant over the years from 2010 to 2015 (see figure 9). The same is the case of the national debt to GDP ratio (see figure 10). It seems that the government is trying not to fall into more debt.
Figure 10 Greece: National debt in relation to gross domestic product (GDP) from 2010 to 2015

Source: (Statista, 2017e)

This can be also seen through the dramatic decline in the government-spending curve from the year 2010 till the year 2015, which is demonstrated in figure 11. There are not any indications for improving the revenues, as the revenues curve is taking a declining shape. So, what is making the situation better is that spending has been declining at a rate that is higher than the rate of decline in revenues.
Figure 11 The value of the Greek government’s revenues and expenditures, years 2010 to 2015 (in billion euros)

Source: (Statista, 2017c)
Figure 12 The percentage of the EU countries’ contribution to stability

Source: (Statista, 2017j)

It is also important to mention which countries are contributing to the European stability mechanism. Germany, France, and Italy are on the top of these countries. Figure 12
demonstrates that Germany contributes by 27.1 percent, France by 20.4 percent and Italy by 17.9 percent.

3.2 The political environment

From a macroeconomic point of view, the majority of successive governments failed to reverse or to reduce the decline of the national reserves. Nevertheless, the wrong data and statistics that were provided by the government were the main reason for the crisis to occur. Whereas, the budget deficit was not the main purpose for this crisis.

From the political point of view, Greece has been facing serious obstacles. The main obstacle was the corruption on the political level. The political scandals were the main highlights in Greece in the last few years. The PASOK Party and the New Democracy Party are the main accused parties in these scandals. Most of the governments in the European Union stood up against corruption and took the right measures and steps to reduce it. Even though the measures against corruption were taken, Greeks are considered the least satisfied among the EU nations regarding the way their government and politicians run the country (D. Papadimitriou, 2011).

Greece is held unaccountable in terms of the public sector performance. In addition, it proves that the public administration is facing difficulties such as corruption and inefficiency; the government is not dealing with these difficulties. In other words, there are neither imposed regulations nor sanctions that limit these difficulties. This is not the case in Greece only, but also it is in Portugal and Spain (Kaufmann, 2010).

Normally, in the EU countries, there are special institutions that are responsible for fighting and limiting corruption; these institutions are called Supreme audit institutions. But
The financial crisis has raised concerns on corruption in the European states. Greece, Italy, Portugal, and Spain are among the countries that failed to adopt measures that limit, prevent, and detect all forms of corruption in the nation. These countries have severe shortfalls in their integrity systems. In addition, studies showed that there is a strong correlation between the deficit in the budget and the levels of corruption regardless on whether the country is rich or poor. Thus, EU countries with bad indications of corruption are considered to be the ones with high rates of budget deficits (Kaufmann, 2010).

A Sustainable Governance Indicator (SGI) 2011 report about Greece indicates that some Southern European countries share the same challenges that are related to fighting corruption. For example, in the year 2011, thousands of protestors have moved to the streets and expressed their anger from the corruption and the ineffectiveness of the politicians in these countries, which were mainly Greece, Italy, Portugal and Spain. As a consequence of these movements, the public entities were forced to set and implement legal frameworks of accountability and integrity mechanisms. In Greece, Portugal, and Spain mostly, these countries were insufficiently controlled or sanctioned which characterized the corruption and inefficiency. For instance, only two percent of the public officials were subject to disciplinary procedures after several reported corruption cases (Sitoropoulos, Featherstone, & Colino, 2011).

In Greece, the Court of Audit, elected by the Ministers’ Council, was the one responsible for detecting corruption and preventing it. Thus, a question may arise here about how independent is this Court from the Council of Ministers. "The ongoing fiscal crisis in Greece
has triggered a debate on institutional reform that might strengthen budgetary oversight and lead to higher quality data” (Sitoropoulos et al., 2011). According to a report published by the SGI institution in 2016, Greece is among the lowest ranked internationally in terms of “executive capacity.” It is ranked the 40th globally with a decline in its score by 0.3 points compared to the year 2014 (Sitoropoulos, Featherstone, & Karadag, 2016). Table 1 indicates the global Corruption Perception Index (CPI) for the year 2016; Greece is ranked the 69th with a CPI score of 44 points.

The Syriza government (2015-present), which is a political party or known as the coalition of radical left, depends on inexperienced public officials for the implementation and planning of policies. Although these officials lack the required experiences to run their administrations, they are still able to deal with "creditor representatives." The report indicates that the "Finance Ministry and foreign creditors play a larger gatekeeper role than the Prime Minister's Office,” since the Prime Minister's Office is occupied by the negotiations with the EU and on solving the crisis’ consequences. The report assures that the Syriza government is being more effective in winning support for its policies more than its predecessors because it is more dependent on public consultations (Sitoropoulos et al., 2016). Moreover, the political parties in Greece are kept away from national assessments. They are not forced to provide evidence of their transparency and accountability principles. Thus, their sources of funds are kept vague in the integrity systems (Mulcahy, 2011).

This is reflected in most public opinion surveys. For example, Transparency International's Global Corruption Barometer 2010/11 shows that the most corrupt part in the government is the political parties in almost all EU nations. More than half of the respondents believe that the political parties in their countries are corrupted; of course, their level of corruption varies
from a country to another. In Greece, more than 80 percent of the respondents believe that the political parties are corrupt. This percentage is relatively higher compared to other European countries but also meet with the percentage of some such as Ireland, Italy, Romania, and Spain. The reasons behind such mistrust, which are provided after national assessments, are “weak regulation of party financing and a widespread reluctance of parties to make their financial dealings fully transparent” (Mulcahy, 2011).

These national assessments also disclose “major corruption risks and vulnerabilities” especially those related to public contracting and procurement procedures, in addition to “inefficiency and lack of transparency in the public sector of some EU countries such as Bulgaria, the Czech Republic, Greece, Italy, Portugal, Romania, Slovakia and Spain” (Mulcahy, 2011).

Table 1 Corruption Perception Index 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>CPI 2016</th>
<th>Rank</th>
<th>Country</th>
<th>CPI 2016</th>
<th>Rank</th>
<th>Country</th>
<th>CPI 2016</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>90</td>
<td>1</td>
<td>Belgium</td>
<td>77</td>
<td>15</td>
<td>Cyprus</td>
<td>55</td>
<td>47</td>
</tr>
<tr>
<td>Finland</td>
<td>89</td>
<td>3</td>
<td>Austria</td>
<td>75</td>
<td>17</td>
<td>Czech Republic</td>
<td>55</td>
<td>47</td>
</tr>
<tr>
<td>Sweden</td>
<td>88</td>
<td>4</td>
<td>Ireland</td>
<td>73</td>
<td>19</td>
<td>Malta</td>
<td>55</td>
<td>47</td>
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<tr>
<td>Switzerland</td>
<td>86</td>
<td>5</td>
<td>Estonia</td>
<td>70</td>
<td>22</td>
<td>Slovakia</td>
<td>51</td>
<td>54</td>
</tr>
<tr>
<td>Norway</td>
<td>85</td>
<td>6</td>
<td>France</td>
<td>69</td>
<td>23</td>
<td>Croatia</td>
<td>49</td>
<td>55</td>
</tr>
<tr>
<td>Netherlands</td>
<td>83</td>
<td>8</td>
<td>Poland</td>
<td>62</td>
<td>29</td>
<td>Hungary</td>
<td>48</td>
<td>57</td>
</tr>
<tr>
<td>Germany</td>
<td>81</td>
<td>10</td>
<td>Portugal</td>
<td>62</td>
<td>29</td>
<td>Romania</td>
<td>48</td>
<td>57</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>81</td>
<td>10</td>
<td>Slovenia</td>
<td>61</td>
<td>31</td>
<td>Italy</td>
<td>47</td>
<td>60</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>81</td>
<td>10</td>
<td>Lithuania</td>
<td>59</td>
<td>38</td>
<td>Greece</td>
<td>44</td>
<td>69</td>
</tr>
<tr>
<td>Iceland</td>
<td>78</td>
<td>14</td>
<td>Spain</td>
<td>58</td>
<td>41</td>
<td>Bulgaria</td>
<td>41</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: (Transparency International, 2016)

Consequently, and with the absence of effective monitoring capabilities, Greece ranks the 29th globally in regard to “executive accountability.” With the Syriza government, parties have more freedom in their internal affairs. “The complication of reforms have made it difficult for the public to understand them in detail. Parties have routinely promised voters that new expansionary and anti-austerity policies were possible” (Sitoropoulos et al., 2016).

3.2.1 Greece: The cost of a bribe

For everything, there is a cost. Bribery has also a cost in Greece as in probably all countries. Table 2 indicates how much bribery had cost Greece in the year 2011 by different sectors.
Table 2 Cost of Bribery in Greece in The year 2011 by Sector

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Type of Service</th>
<th>From</th>
<th>Up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Hospitals</td>
<td>Procedure / Surgery</td>
<td>€ 100</td>
<td>€ 30.000</td>
</tr>
<tr>
<td>Tax Offices</td>
<td>Speeding up the case</td>
<td>€ 30</td>
<td>€ 20.000</td>
</tr>
<tr>
<td>License Construction Bodies</td>
<td>Arrangement for financial records audit</td>
<td>€ 100</td>
<td>€ 20.000</td>
</tr>
<tr>
<td></td>
<td>Issuing of documents</td>
<td>€ 15</td>
<td>€ 1.000</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Issuing of a construction license</td>
<td>€ 200</td>
<td>€ 8.000</td>
</tr>
<tr>
<td>Health Services (Hospitals, Clinics)</td>
<td>Procedure / Surgery</td>
<td>€ 150</td>
<td>€ 7.000</td>
</tr>
<tr>
<td></td>
<td>Medical tests</td>
<td>€ 30</td>
<td>€ 500</td>
</tr>
<tr>
<td>Vehicles</td>
<td>VTCC inspection</td>
<td>€ 20</td>
<td>€ 100</td>
</tr>
</tbody>
</table>
The average bribery cost in Greece was €1406. Corruption has cost Greece around €554 million in 2011, according to the 2011 National Survey on Corruption in Greece. This is €78 million less than in 2010” (Transparency International, 2012).

### 3.2.2 Empowering citizens against corruption

Transparency International report on empowering citizens against corruption is an evidence of citizens’ attempts to fight corruption in several EU countries that face high rates of corruption such as Greece. The report shows how Transparency International has worked closely with Greek citizens to empower their actions against corruption (Gorbanova, 2015). Transparency International believes that institutions that are free from any political or business lobbying and intervention tend to respond more often to complaints about corruption. They are also “well-resourced to fulfill their mandates and help citizens solve their corruption-related grievances” (Gorbanova, 2015).

The report indicates how well Greece is performing in this matter, and how it is a good example. The supreme audit institutions present in Greece work on handling the citizens’ complaints about corruption; in addition, they annually publish reports that indicate the number of complaints received, and any other related useful information. For example, in the year 2012, around 11 thousand complaints were received, and 60 percent of these were
considered rational. 82 percent of these 60 percent were successfully resolved (Gorbanova, 2015).

Table 3 shows the complaints mechanisms overview followed in Greece. 3 includes main questions raised about these mechanisms, and the answers prove how well Greece is performing in this matter.

Table 3 Complaints Mechanisms Overview

<table>
<thead>
<tr>
<th>Question</th>
<th>Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Do dedicated complaints mechanisms exist for corruption?”</td>
<td>“Yes, multiple agencies have complaints mechanisms.”</td>
</tr>
<tr>
<td>“Do people know where to report corruption?”</td>
<td>“Moderate, 49 percent of the people say they would know where to report if they encounter corruption.”</td>
</tr>
<tr>
<td>“How is the public attitude towards reporting corruption?”</td>
<td>“Strong, 84 percent of people said they would report corruption.”</td>
</tr>
<tr>
<td>“Do these systems offer adequate levels of anonymity and protection to complainants?”</td>
<td>“Anonymous complaints can be made to multiple agencies.”</td>
</tr>
<tr>
<td>“How responsive are the public complaints mechanisms?”</td>
<td>“All agencies produce annual reports on complaints received, investigations conducted and actions were taken.”</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>“What key challenges do people face in using existing complaints mechanisms?”</td>
<td>“Overlapping responsibilities – low level of cooperation between agencies and understaffing in many agencies lead to disbelief as to whether a complaint will be addressed in a timely manner. The fear of retaliation. A culture of anyone reporting being considered a snitch and the belief that a single action cannot make a difference.”</td>
</tr>
</tbody>
</table>

Source: (Gorbanova, 2015)

### 3.3 Austerity measures and their costs

The European Union and its allies have imposed financial and economic plans in addition to austerity measures on the Panhellenic Socialist Movement government, which in return agreed to these measures during the crisis. This group, which is known as Troika, provided Greece with loans to prevent going bankrupt.

The Troika proposes the reduction in the salaries of the public sector employees. This means that the government should eliminate 2 paid months out of the 14 monthly salary for public employees with a monthly salary above €3,000. In addition, it intends to reduce the amounts paid in the 13th and 14th month salaries to the employees who earn not more than 3,000
Euros as a monthly salary. The IMF (2013) states “reform of the excessive number of public sector positions has largely been pushed aside due to reluctance to lay-off employees” (IMF, 2013). Moreover, the Troika suggests pension reforms. For example, there could be reductions in the payments to those who benefit from the pension reach to 26.4 percent. In addition, there will be raise in the retirement age to 65 years for both women and men, and a 6 percent penalty rate in case of early retirement. Nevertheless, the retirement age has been raised to the age of 67 in September 2012 (Reuters, 2012).

Furthermore, reforms in the tax system are needed as per Troika’s requests. The reforms should include a “new plan to improve tax collection, reduce capital flight and fight tax evasion.” Unfortunately, the government has weakly performed on the matter, and “very little progress has been made on obvious tax evasion and neither the rich nor the self-employed have yet began paying their dues.” Besides, the government has imposed a 10 percent increase in the Value Added Tax (VAT) on all products and services (IMF, 2013).

New tax reforms were taken during the periods of April and May 2010. For example, taxes on banking and financial services would reach to 90 percent, and taxes on properties would triple increase from the normal value for foreigners with summer residence. In order to limit cash fraud, a limit of €1,500 was set with 10 percent of the amount to be recovered by the authorities. The tax rate was raised from 5 to 40 percent for self-employed with income more than €40,000 per year. For householders with income that exceeds 100,000 Euros will be taxed a 75 percent rate, which represents 5 percent increase. Income that is less than 25,000 Euros will not be subjected to any tax increase (IMF, 2010).

All tax control measurements have not reached the anticipated results as the government managed to collect only 14 million Euros out of a total amount of 9.7 billion Euros owed by
the biggest tax debtors, adding to that 52.3 billion Euros from tax avoidance. The finance minister Giorgos Mavraganis gave these numbers. The minister also admitted that the total percentage of the collected taxes reached 0.0014 percent, the reason behind that there were a lot of companies went out of the business and a lot of people used false invoices to deflect inspectors (Dabilis, 2013).

El País reported an increase in capital flight on May 24, 2011; this means Greece is standing on the edge of defaulting. The newspapers mentioned that around 280 billion Euros were saved in Swiss banks, and these accounts, which are equivalent to 120 percent of Greece's GDP, belong to the Greek citizens (Cavero & Cortés, 2013). The European governments and financial institutions tried to set a new mechanism, by which the country could guarantee regulated rescue plans in the near future. In the Greek case, the rescue plan had two main features: 1) the government should be responsible for repayments; and 2) the money received will be part of the public debt. The rescue plan resulted in a constant increase in the Greek public debt and it has meant that the loan was granted to the banks (Cavero & Cortés, 2013). Greece couldn't manage to keep the debt within the limits set by the European Union, which said that all European Union should keep the yearly deficit in the budget to lower than 3 percent of GDP, and the total public debt should not exceed 60 percent of GDP. Adding to that, serving the debt has reached to 13.9 percent of the public spending in year 2011.

The Greek political system has been changed after the crisis. The traditional two-party system ended after the ND party won the general election in May 2012, as the public rejected the Troika’s austerity package (Cavero & Cortés, 2013). The disposable income has been reduced to 12.3 percent in the year 2010 in comparison to that of year 2009. This was due to the increase in the levels of unemployment that has witnessed a steady increase till the year
2013. The highest unemployment rate in Europe was in Greece as it rose from 21.5 percent in 2012 to 27.2 in 2013 (Cavero & Cortés, 2013).

Greece had the highest rate of social exclusion in the European Union as it reached 31 percent, which is high compared to other European countries with an average of 24.2 percent. In 2011, it increased more than 3.3 percent, which indicated that more than 372,000 of the population are at risk to be living under the poverty levels. It means that one out of 3 persons in Greece are endangered to be living under the poverty levels. The rise of poverty was supported by the decrease of the middle class, while the poor are suffering more poverty (Cavero & Cortés, 2013).

There was another dangerous factor which increased during the crisis which is suicide rate as it rose from 377 in 2010 to reach 477 in 2011; it reached 104.4 percent increase in the case of women (Cavero & Cortés, 2013). The number of people living with no income aged between 18 and 60 remained constant representing a percentage between 7.5 and 9.4. But after the crisis, the number of households without constant income increased to be more than one million in 2012, which represents 17.5 percent of the population. The Greek society is becoming more fragmented due to the 6 years recession period accompanied with 4 years of austerity, as the population of homeless grew by 25 percent (Cavero & Cortés, 2013).

The public health sector was affected as well by the crisis as it became less accessible, especially for people without constant income and the homeless, as one in three Greeks has no health insurance which resulted from long-term unemployment. The crime rate has also increased, and this is obviously due to the turn back in quality of social services provided (Cavero & Cortés, 2013)
The far-right parties achieved seven percent of votes in the 2012 election, which was due to the economic situation. Greeks did not trust the traditional parties anymore. The far-right parties, which are the "Golden Dawn and AnEl," have also blamed the government for the economic crisis and its role in some Athens neighborhoods known for the high number of immigrants. The far-right parties had made a clear step trying to fill the gap where the government has failed to. For example, they distributed food only for Greeks and supported all kind of actions against immigrants as they dedicated themselves to hunt all illegal immigrants who live on streets without any support. The attacks have increased and Human Rights Watch reports that the violence against immigrants has increased in Greece Attacks in 2011 which left more than 25 people with knife wounds and serious injuries (Cavero & Cortés, 2013).

In comparison, Spain, Portugal and Italy have applied austerity measures to recover their debt crisis, which was accompanied by a rise in the debt-to-GDP ratio. They have cut their government spending and conducted an increase in taxes starting from the year 2010. Between the years of 2006 and 2010, the debt in Spain increased by 22 percent. While in the Portugal in the same period, the debt has increased by 27 percent. In 2013, Portugal has witnessed an increase in unemployment rate by 17 percent, while 20 percent of the employed in Spain became unemployed (Engler & Klein, 2017).

After the implementation of the austerity measures between years 2010 and 2011 in Spain, Italy and Portugal, the levels of productivity have dramatically fallen, even if these countries have witnessed a slight recovery in 2010 (which again dropped in 2011). The objective of the austerity measures was to reduce the debt. Spain has experienced a debt decrease from 87 percent in 2007 to 60 percent in 2014. Portugal and Italy have firstly experienced an
increase in their debt level and then later a slight fall, but less than that of Spain (Engler & Klein, 2017).

The austerity measures included reforms to enhance the functionality of the markets in order to encourage their competitiveness. The results were not encouraging, as the GDP decreased and the debt level continued to increase. The reason behind that is the neutralization effect of the austerity measures on the reforms implemented (Engler & Klein, 2017).

### 3.4 Immigration movements

Due to the Greek economic and financial crisis, Greece witnessed increases in the unemployment rates which have dramatically increased from 9.1 percent in year 2009 to 25.5 percent in year 2013 (Karafolas & Alexandrakis, 2015). This has caused, by default, the unemployed skilled workers to leave the country seeking new job opportunities elsewhere. Immigration flows have recorded around 160 percent in years between 2010 and 2012. Germany is considered the main Greek immigration destination (around two third of the 160 percent). Unfortunately, around 60 percent of the Greek emigrants, which they form around 27000 emigrants, have university degrees (OECD, 2016). This led to the brain drain of the skilled labors into other European countries. Another newly issued report by the OECD shows that around 223000 Greeks have emigrated between years 2008 and 2013; they lie in the age range between 25 and 39 years old (OECD, 2017).

“Migration can be defined as a permanent or semi-permanent change of residence” (Adams, 1968). And Lee (1966) refers to migration as it “can be characterized as a movement in which people are moving from their country of origin to a country of destination.”

Other argues that “Decision to migrate has always been affected by comparative considerations; it is the comparison of the potential migrant’s situation in his/her country of
origin with the situation of persons with similar qualifications in the country of destination that enters into his decision” (Oteiza, 1968).

Another debate was raised by Lee if certain factors as distance, geographical and political barriers could affect migration or not. He mentioned also that the migration is a selective process and depends mainly on many parameters such as, age, gender and social level all these parameters could affect their ability to overcome the new barriers in the new society. He also summarized “most of the influential factors into four groups that are connected based on the origin and destination.” Another group is the one who has the possibility to overcome obstacles the last (fourth) group is for personal factors (Lee, 1966).

There is another theory that is considered, the “Dual labor market history.” The theory identifies a relationship between the immigration and structural requirements of strong economics and claims that the developed economies are dualistic (Alonso & Piore, 1981). The reason why it is dualistic is that it mainly consists of highly qualified and skilled labors and less qualified workers. This theory assumes that immigrants are able to fill gaps and fulfill the demand in both workers categories "that are necessary for the overall economy to function but are avoided by the native-born population because of the poor working conditions associated with the secondary labor market" (Theories of migration). The world-systems concept finds that the economic globalization is one of the reasons behind migration besides market penetration across countries (Wallerstein, 2014).

There are two groups of motivations to migrate: “the push and pull factors.” These factors are characterized by the ability to force people to migrate (push factors), or to attract them (pull factors). Both factors could be economic or political, and in some other cases could be environmental. “Push factors” imposes migration because of war conditions or due to
difficult issues happening in countries. According to Adams, push factors could be “unemployment and underdevelopment, low productivity, poor economic conditions, lack of opportunities for advancement, exhaustion of natural resources and natural calamities and many others in their area” (Adams, 1968). Pull factors are described by attractive opportunities and living atmosphere “Pull factors being those aspects in the country of destination for the same profession that induce the immigration” (Adams, 1968). Another research was written by Martiskova summarize the relationship between push and pull factors (see Table 4) and how it is connected to several conditions such as economic and social ones.

Many studies assume that migration is motivated by economic and political factors it is very clear because most of the developing countries do not offer the same opportunities which exist in developed countries. All these differences between developing and developed countries could be summarized in unemployment, low salaries, and underemployment. The most dominant factor is unemployment, which is pushing people and works to immigrate to developed countries (Martiskova, 2013).

Demographic factors have a major part in affecting migration process such as age, gender, social class, education and religion (Kainth, 2009). Another reason behind migration is that some of them are looking for better marriage chances (Martiskova, 2013). Another group factor is called social and cultural and it plays an important role in immigration process as some groups of people are always willing to live with another culture or to have another experience in some cases it is called by familiarization with a different culture (Martiskova, 2013). Another group of migrants is looking for better education level in order to get higher degrees, which give them more chances to get better jobs (Kainth, 2009).
There are many factors leading to the increased migration, political factors are also considered. As migrants are leaving their countries escaping from the political crisis which is affecting their lives in a negative way as military coups, discrimination and lack of political freedom (Martiskova, 2013). The political crisis could be in favor of another group of citizen and might present a good chance to go back to their home country, in other cases the “host country might have immigration laws to encourage immigration or may serve as a deterrent” (Kainth, 2009).

**Table 4 Martiskova’s push and pull factors**

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Push Factors</th>
<th>Pull Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Factors</td>
<td>☐ Insufficient job opportunities</td>
<td>☐ More job opportunities</td>
</tr>
<tr>
<td></td>
<td>☐ Slavery or forced labor</td>
<td>☐ Higher living standards</td>
</tr>
<tr>
<td></td>
<td>☐ Insufficient housing</td>
<td>☐ Industry</td>
</tr>
<tr>
<td></td>
<td>☐ Financial and Economic crisis</td>
<td>☐ Supporting financially the Education System</td>
</tr>
<tr>
<td></td>
<td>☐ Limited and weak Medical services</td>
<td>☐ Advanced Medical services provided</td>
</tr>
<tr>
<td></td>
<td>☐ Loss of wealth</td>
<td>☐ Strong Education and sound research programs</td>
</tr>
<tr>
<td>Demographic Factors/Socio-Cultural Factors</td>
<td>Political Factors</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------</td>
<td></td>
</tr>
<tr>
<td>- Poor Education</td>
<td>- Political restrictions</td>
<td></td>
</tr>
<tr>
<td>- Lower marriage chances</td>
<td>- Political or religious freedom</td>
<td></td>
</tr>
<tr>
<td>- Simple conditions</td>
<td>- Political restrictions</td>
<td></td>
</tr>
<tr>
<td>- Racial religious</td>
<td>- Life experience abroad</td>
<td></td>
</tr>
<tr>
<td>- Intimidation</td>
<td>- Familiarization with different cultures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- High level of education</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Family relatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Friends links</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Social network</td>
<td></td>
</tr>
</tbody>
</table>

- Higher marriage possibilities
- Satisfaction
- Life experience abroad
- Familiarization with different cultures
- High level of education
- Family relatives
- Friends links
- Social network
<table>
<thead>
<tr>
<th>Political instability ▪ Death threats ▪ War ▪ Military coups ▪ Corruption</th>
<th>Living in societies with higher tolerance towards the other reveal that cosmopolitanism ▪ Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous Factors ▪ Condemned housing ▪ Discrimination ▪ Foreign invasion ▪ Social instability ▪ Famine or drought ▪ Natural disasters ▪ Pollution</td>
<td>Attractive climate ▪ Adventures/experiences</td>
</tr>
</tbody>
</table>

Source: (Martiskova, 2013)

Martiskova (2013) believes that “Push factors are more prevalent than the pull factors in a case of Greeks students.” Since the start of the Greek crisis, Martiskova’s research has only assessed the recent migration movements.
The introduction of this thesis has discussed the youth unemployment over the last ten years in Greece. After the two rescue bailouts in 2010 and 2011, the Greek social condition was getting worse as people were forced to accept the extensive decrease in public spending which is mainly affecting the public services (Hadjimichalis, 2011).

During the crisis, the situation was getting worse for teachers and their salaries were already low compared to the salaries offered in the other European countries. The study, which was conducted by Stergiou and Tsikliras (2012), assumes that there will be a limited number of job vacancies for teachers and professors at universities, and as long as the teachers’ salaries remain low, most of the job seekers in this field will seek job opportunities in other countries such as the European Union countries. Moreover, as an austerity measure for the containment of the crisis, the Greek government stopped part of its financial subsidies to Educational bodies like Universities (Stergiou & Tsikliras, 2012). Although the education in Greece is free of charge, and it is unlike other western countries, and according to Marseilles (2010) that the Greeks can obtain a higher degree without payments, the university crisis is still an influential factor for the young generation students’ migration (Martiskova, 2013).

In order to have a clear overview of the different factors affecting the act of migration, it was important to have a clear explanation over the economic and political situation as they are assumed to be the most influential factors. Therefore both political and economic conditions will be clearly explained in the following section such as political instability and dissatisfaction (Martiskova, 2013). Young Greeks are anticipating a collapse of Greece's economy and are aware of its consequences on their lives (Malkoutzis, 2011c). The majority of young Greeks are blaming the political system, more specifically the politicians, for the
current economic crisis and they are not able to represent their political views because they are not influential members in any political party (Hadjimatheou, 2012). The November 2010 elections have witnessed an absence of more than 50 percent of the electors. This shocking number proves that there is a denial movement among the Greek citizens toward the current situation, for which the blame falls in the hand of the political system and its parties (Malkoutzis, 2011c).

The Greek government asked for the support from ECB and IMF which was followed by agreeing on economic changes and bailouts plans, Greek people did not accept all these plans as cuts and reducing public fund was part of it and they protested against it. Greeks believed that all these cuts and reforms would affect their future and the way they are living (Ford, 2012). The demonstrations turned violent because the Greek demonstrators were not satisfied with all the changes and economic reforms (Ford, 2012). The situation was getting worse in Greece; especially after every violent demonstration. A study conducted in 2011 by Martiskova shows that up to 80 percent of Greeks are not optimistic about their future in Greece, and they are seeking better opportunities in other countries (Martiskova, 2013).

In order to give a better image of the future outlook of the political system in Greece, several European and non-European opinions are illustrated hereunder regarding their trust in the political institutions (Martiskova, 2013). The general surveys (Euro-Barometer 76) compare the opinions of Greeks to other Europeans regarding their governments and political systems (Martiskova, 2013). This survey found that up to 34 percent of Europeans and 29 percent of Greeks trust the European Union Commission to handle the European agendas. On the other hand, the study states that around 68 percent of Greeks have lost their trust in the European Union Commission decisions and actions, and around 55 percent of Europeans shared with them the same opinion (Martiskova, 2013). In addition, more than 27 percent of Europeans
and 12 percent of Greeks trust their parliament, while 86 percent of Greeks and 66 percent of Europeans do not trust their national parliament. Therefore, it is clear that the majority of Greeks have more negative feelings regarding their national parliament compared to other European countries (Martiskova, 2013). In general, Greeks have negative feelings toward the European political institutions in comparison to other Europeans, whom are optimistic in the current situation. This fact is showing to which limit the Greeks are getting pessimistic, which might influence the decision of Greeks to immigrate (Martiskova, 2013).

Personal motivations could be based on different conditions such as family, friends, and links with society as the majority of Greeks are immigrating to other countries because of family and friends' links, still, these factors were essential and effective in the act of immigration and still important even after the financial crisis as well. Social and cultural factors are also influential and they are more related to the younger generation as the most of them are looking for better chances abroad (Martiskova, 2013).

The flow of immigration from Greece to other countries, especially to Germany, is a result of the daily pressure that every Greek citizen is facing. There are no proper job opportunities, salaries are low, the political system is corrupted, and the daily life demands are increasing, and the living standards are deteriorating. All these factors are causing the young brain drain. Bailout plans were implemented to reduce the effect, but have not proven any effective results.

3.5 The Greek Crisis in Eye of the Media

This section highlights how the media played a crucial role in spreading the Greek financial crisis. This section discusses the opinions of researchers, whom they think that media has broadcasted false news about Greece, which affected dramatically, in return, the Greek
performance in the international market. This means that the Greeks are being presented as inefficient workers, and any extra debt to be given to Greece will be lost.

Antoniades’s (2012) objective was to evaluate the Greek, European and the international media impact on the Greek economic crisis, and determine the destructive speech nature. Antoniades (2012) analyzed the media outcomes that speak about or focused on the Greek financial crisis in Europe and internationally. His cluster included eleven countries such as “Britain, Germany, France, Spain, Poland, the USA, China, India, Japan, Korea and Singapore.” He used the most circulated political newspaper in every country of his cluster.

Table 5 illustrates the list of the newspapers that he used with their country of origin.

Table 5 Antoniades list of newspapers with their country of origin

<table>
<thead>
<tr>
<th>Newspaper Name</th>
<th>Country of Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Le Figaro</td>
<td>France</td>
</tr>
<tr>
<td>El Pais</td>
<td>Spain</td>
</tr>
<tr>
<td>Gazeta Wyborcza</td>
<td>Poland</td>
</tr>
<tr>
<td>The India Times</td>
<td>India</td>
</tr>
<tr>
<td>The Straits Times</td>
<td>Singapore</td>
</tr>
<tr>
<td>Die Zeit</td>
<td>Germany</td>
</tr>
<tr>
<td>The Times</td>
<td>Britain</td>
</tr>
</tbody>
</table>
Antoniades (2012) highlights the “qualitative characteristics that define the nature and the parameters of the negative discourse on Greece in the international press.” The main focus in the media was on three negative dimensions "corruption, lack of credibility and irresponsibility." This indicates the loss of Greece's image internationally due to the full concentration negatively on showing that Greece is a nation with no more hope of recovering from the crisis. "During the period under examination, Greece evolved rapidly from an object of critique, i.e. something that is criticized, to a negative reference point and to something that conveys a negative meaning" (Antoniades, 2012).

Political corruption in Greece is a recurrent theme in media coverage of the country. All the media in his study have referred to Greece as corrupted. He described it as a “distinctive quality of Greek politics and society.” He continues to say, “Greece emerges and is consolidated as the corrupted western society; especially in western media” (Antoniades, 2012). Then comes the “lack of credibility.” Antoniades (2012) believes that Greece faces serious problems not only due to its budget deficit but also in the deficit of issuing the right and correct information to the public, i.e. it has a lack of credibility in its disclosures. The European and international media have been describing Greece as an unreliable nation, and
this was also proven to be the case in the eye of the European and international institutions which granted Greece money to cover its deficits this is due to the false data and information published by the government on their fiscal deficit in the year 2009 (Antoniades, 2012).

Moreover, Europeans, especially northern European countries, consider Greece as an irresponsible nation. This refers to the Greeks lifestyles and their behavior, especially in regard to the deficit and the crisis. Culturally speaking, the Greeks were always seen as different from the other Europeans. The Europeans usually consider the Greeks as people that are careless when it comes to applying the laws and regulations. Thus, this is the case when it comes to applying the austerity measures in order to decrease the burden (Antoniades, 2012). He determines in his study that the “analysis of the press sample reveals a significant qualitative difference between the period before and after May 2010, when the deal for the rescue package was concluded.” He meant that before May 2010 the European and international media have put Greece under their microscope, and it was always faced with critiques. After this period, the focus has diverged from Greece to Germany and the European institutions focusing on their "inability to deal effectively and timely with the crisis in Greece and wider in Europe" (Antoniades, 2012).

Kaitatzi-Whitlock (2014) illustrates that the “predominant menu of stories on Greece were about (a) intimidating threats and risks (b) stigmatizing and name-calling and (c) quarrels between EU leaders (Greece and Germany particularly), concerning policy disagreements.” He believes that these reasons are behind the deprecation campaigns related to the furnishing of the “Grexit” scenario. In addition, these stories tried to show the Greeks as “lazy.” Whereas in fact, and according to the EU itself, the average Greek works 40 percent more than the average German. This means that the Greeks are among the top of the list of hard
working nations. The campaigns have always tried to blame Greece for the financial crisis and its accompanied effects. On the other hand, the media has drawn a great attention on social distress stories occurring in Greece such as the suicides in public squares and the hungry children passing out in schools (Kaitatzi-Whitlock, 2014). Kaitatzi-Whitlock (2014) also shows that most of the content in the Greek media news is dependable on international sources of news.

Juko (2010) highlights the importance of the content broadcasted to people. In his work, he investigated two hypotheses: firstly “the visibility of Greece’s financial situation increased between October 2009 and July 2010 as reporting became more intense,” and secondly “the news coverage of the Greek case was characterized by an intense use of expressions and labels in their headlines that conveyed a negative sentiment.” For the investigation, he used quantitative research means by focusing on news from three countries (U.S.A, United Kingdom and Germany), and qualitative research by focusing on news only from Germany (Juko, 2010).

The first eight months of 2009 have witnessed an average of 99 news reports covering the Greek crisis. These reports were organized and published by the US, UK and German media. This number has increased in comparison to year 2008 by an average of 28 news reports (71 news reports were published in 2008). The surprising number was in the period between September 2009 and July 2010 as the media coverage increased significantly to reach 1,502 news reports on average basis (Juko, 2010). Most of these reports included the personal opinions of experts who work in the financial sector. In addition, the media has been using key terms such as “Crisis” and “Tragedy,” which they have a negative impact on the financial markets as they cause uncertainty. In other words, Juko (2010) believes that “the
media worsened the loss of trust in the Greek state by accentuating the looming risk perception of market participants” (Juko, 2010).

In conclusion, the Greek crisis has not only affected the Greek market as explained in the previous chapter, but also it has reached main European countries such as Germany. The European stock market has also been affected by the Greek crisis. Germany has been facing a lot of criticism for its support to Greece. The Greek crisis is considered to be manageable as it is a small economy in comparison to Italy and Spain, which are close to facing the same situation. Nevertheless, the media has played a major role in spreading the effect of the crisis all over Europe. It presented the Greek people as lazy and not willing to work, whereas in fact, they are a hard working nation. The media has pushed the public in major European countries such as in Germany to protest against the financial aid provided to Greece. More than 1500 news reports were published between September 2009 and July 2010 covering the Greek crisis in the US, UK and Germany.
Chapter Four

The repercussions of the Greek crisis on the rest of the

Eurozone member states

This chapter discusses how the Greek debt crisis affected the markets in the European Union and resulted in a contagion phenomenon. It also shows the two possible scenarios that have been discussed lately concerning Greece: its exit or its continuity in the EU membership.

4.1 Greek contagion phenomenon

As should be evident by now, this study investigates how the Greek debt crisis affects the rest of the EU. The study aims at proving if there is a dependency between Greece and the European Union. The analysis was based on a scientific paper for Samitas and Tsakalos (2013). They have proved that the Greek market had an effect on other European countries’ market. Their study depends on the “asymmetric dynamic conditional correlation (A-DCC) model and employs copula functions to investigate the mechanism between the Greek market and European markets during the crisis” (Samitas & Tsakalos, 2013). The Greek debt crisis started after the subprime mortgage crisis in the United States in 2008 (Bianco, 2008), and larger markets affected the Greek stock market. However, the Greek market is smaller than other European countries, but still, there could be an effect on the other markets. The findings prove that there is a contagion effect on other European Union members (Samitas & Tsakalos, 2013).

The results of the study confirm that the correlations increased during the Greek debt crisis period among the stock markets. Some of the European Union countries share the highest correlation level during the crisis period in Greece, which are Portugal,
Italy, Greece and Spain, and they are close to facing the same economic situation as Greece. The rest of the European markets are also affected but not so closely (Samitas & Tsakalos, 2013).

The Greek debt crisis affected the markets in the European Union in different ways as all indices other than the Greek stock markets had decreased. Although that the Greek economy is small (compared to Other EU members), the structure of the Eurozone gives market players the advantage to gain profits through naked short selling (Samitas & Tsakalos, 2013). Researchers and politicians believe that all austerity measures are not able to help the Greek economy by increasing GDP and reducing the budget deficit to acceptable levels. On the other hand, the study focuses on the relationship between the ASE and other European stock markets during the crisis period and to find if the Greek market would affect other markets or not and on which level. Many experts, researchers as well as governments studied the contagion phenomenon as a result of the instability in the Greek economy. Adding to that the European Union members are observing the crisis in Greece, as it is the first time to face such an economic crisis in the union. It is not the first time for these parties to face high debt situations. However, the short selling made the problem sooner than expected (Samitas & Tsakalos, 2013). Even though this study proves that the relationship between the Greek market and other European Union market may decrease during the crisis, still the calculations of losses after a Greek exit from Euro Zone is very difficult as the Euro is the official currency used by many countries in the Eurozone (Samitas & Tsakalos, 2013).

If we compare the Eurozone financial crisis with other cases, we will find many of similarities regarding the contagion phenomenon. Kenourgios, Samitas, and Paltalidis (2011) studied the correlation between Brazil, Russia, India, and China (BRICS) with the
United States of America (USA) and the United Kingdom (UK) during five financial crises. The conclusion was that the different stock markets have higher dependence during crisis periods. Another case was examined by Baig and Goldfajn (1999), which was the West Asian financial crisis and found that contagion phenomenon exists. And the same was found by Rodriquez (2007) when he studied the Asian and the Mexican financial crisis. Nevertheless, the Greek financial crisis seems to have a lower impact on the European stock markets. The European governments keep announcing positive news to enhance the investment environment in Greece because investors and analysts have no faith in the Greek market. As mentioned previously, results provided support to the presence of a contagion phenomenon. This is the reason why the European Union determined a quick solution to minimize the effect on the Eurozone. The contagion effect has begun to spread to some high debt countries facing debt difficulties such as Spain, Italy, Portugal, and Ireland, ad to strong Economies such as France as well (Samitas & Tsakalos, 2013). The decisions made by the European Union to face the crisis, knowing the existence of various economic restrictions, have resulted in high debt financial markets compared to other countries. The world’s leading credit ratings firms such as Fitch, Standard & Poor's and Moody's have the authority and power to determine the value of the interest rates of debt issued by governments and this conflict also could be done by political decisions to reduce the power of credit firms' power. The European Union governments set the rules based on studies and analysis of the crisis and it takes time to predict similar crisis before it happens (Samitas & Tsakalos, 2013). The Greek crisis could be manageable as it is a small economy in comparison to Italy and Spain. Europe is facing a great challenge to protect itself from the spread of the crisis. The
Greek crisis has also been set as a good example for the preparation for future crisis yet to come (Samitas & Tsakalos, 2013).

The European Union is strong enough to prevent investors from gaining profits during this crisis period. Since the Greek crisis is manageable and easy to tackle, the biggest leading economies in the European Union are concentrating on this crisis to avoid its spread to other European countries. Adding to that, some of the European Union still have sufficient time to set their own rules and strategies to face such a crisis in the future (Samitas & Tsakalos, 2013). Greece has the capability to surpass this difficult economic situation by changing its economic structure (Acs & Szerb, 2007).

There are no doubts that Greece’s financial crisis had implications on Europe and it led to less confidence between the lenders and the borrowers not only in Greece, but also in Italy and Spain. Since the year 2010, the Greek government is requesting loans and financial support from the EU and other international institutions (Vieira, Lauria, Aquino & Costa de Freitas, 2015). At this point, the EU could not stand still as it tried to help and provide the necessary support in order to maintain Europe’s reputation and credibility (Jaworski, 2011). However, the opposite has occurred. This action from the EU has led to more fears about Greece’s insolvency that required the EU to provide the financial assistance with imposed conditions (Jaworski, 2011). Such decision has not only affected Greece as previously discussed, but also its implications have reached the EU member states and the IMF as well. The IMF has also tried to provide the financial support to Greece in order to help it from reaching insolvency, but instead the Greek economy has remained weak. This means that the IMF has “jeopardized its reputation by weakening its operational criteria” (Robertson, 2015).
Lachmann (2015) believes that the IMF is put in a weak situation if Greece decides to leave the EU membership. This means that the programs and their conditions and criteria, which are set for lending countries, will be under question. Thus, in terms of success, it will be a great failure for the IMF, and in money terms, that might cost the IMF around $24 billion as a default loan (Lachman, 2015).

There are two scenarios that have been discussed lately concerning Greece: its exit or its continuity in the EU membership. Some European officials believe that the exit of the Greece from the Eurozone would help the government to reform its debts and recover the economic situation (Vieira et al., 2015).

In addition, Grexit is due to several reasons one of the reasons is the reduction in the funds provided by the European central bank. Another reason is due to the lack in cash flow which will prevent the government from paying its obligations and expenses (Dabrowski, 2015). The Grexit means “the government would have to pay social benefits and civil servants in forms of debt, until the new currency is introduced” (Vieira et al., 2015). In the short run, companies holding large amounts of debt in euro accounts would rather repay in the same currency as it is expected that they would face challenges and difficulties when they try to repay their obligations. However in the long run, the situation would be different. It is discussed that “the new currency devalued exchange rate can make exports double within a decade, which can generate a much higher debt service capacity to the country” (Vieira et al., 2015).

Furthermore, Foroohar (2015) argues that the exit of Greece from the Eurozone represents the failure of the European Union project. He adds that the “European integration was fundamentally based on faith, as 19 countries came together to create a common currency
without a perfect coordination of national fiscal policies, and such a confidence in its success was shaken when remaining in the Eurozone proved not to be as effective as expected in recovering Greece from the recession.” Hence, if Greece exits, the European project reputation would be jeopardized, while its credibility will suffer (Foroohar, 2015).

In conclusion, the possible exit of Greece from the Eurozone could restructure the political environment in the region and change the balance of power. This means that the road will open for Russia to emerge into new markets since after the exit, Greece will need the financial support from somewhere. At this moment, Greece might find open opportunities coming from Russia, China and others. These countries would be glad to invest in Greece in order to take over it and join it to its side. This will in return affect and threatens the European and American interests in Europe (Foroohar, 2015).

The other possible scenario is the continuity of Greece as a EU member. Keeping Greece in the Eurozone suggests greater efforts to be done. Fiscal and political harmonization must be implemented in order to lessen the “damaging effects of the Euro and ensure its long-term survival.” On the other hand, the European politicians and officials need to prepare themselves to convince their public that what they are doing to rescue Greece is the only affective way to maintain stability in the Eurozone economies (Vieira et al., 2015).
Chapter Five

Conclusions and Recommendations

5.1 Conclusion

This is not only the conclusion of the economic situation in Greece as narrated in the “National Integrity System” report, but also a conclusion of this current study conducted. The summary provided below represents a near consensus of the findings of scores of researchers who investigated the Greek economic crisis. This conclusion includes the assessment of the current legal framework and its implementation regarding key-institutions against corruption. These pillars are assessed in the context of the political, economic, social and cultural conditions of the country.

Several laws and regulations were enacted in Greece. Also, Greece has signed various international treaties to prevent the nation from corruption. Despite that, Greece is still at its highest level of corruption. Damaskou (2012) believes that “dominant social groups” are corrupting the society. Corruption has a huge cost. “The financial stagnation and regression, which resulted from corruption, bring about a serious wound to social justice as well, since it is people of low income who are affected more in this environment” (Damaskou, 2012). Damaskou (2012) shows the assessment of the current legal framework and its implementation regarding key-institutions against corruption such as Elections, Ombudsman, Supreme Audit Institution, Legislature, Public Sector, Anti-corruption Agencies, Civil Society, Political Parties, Judiciary, Media, Executive and Business. This assessment is discussed in details hereunder.
Elections are the most powerful institution that contains the lowest levels of corruption in Greece. “A weakness of the electoral procedure is the financial audit of election campaigns of parties and candidates, due to the lack of strong will of the legislative bodies, which are at the same time the audited bodies” (Damaskou, 2012).

The second well-performing institution is the Ombudsman. The institution is characterized by its increased independence and integrity (Damaskou, 2012).

The court of audit is one of the better-performed institutions in regards to preventing corruption. The court of audit is embraced with transparency, independence, and integrity (Damaskou, 2012).

Unfortunately, the legislature in Greece is considered a weak body in preventing corruption. This is because of the control of the dominant party on both the executive and legislative powers. Although the constitution provides the freedom of the legislature from any obligations, it is deliberated to be a dependent institution (Damaskou, 2012).

One of the main reasons that the public sector obtained low levels is that “the formalistic implementation or even the tolerances towards non-implementation of the existing legislation are characteristics that encourage corruption in the public sector” (Damaskou, 2012). Contradicting is the presence of the anti-corruption agencies in the lower levels of fighting corruption.

The strongest power of people is the civil society. In Greece, it is also corrupted. Despite the fact that the number of active institutions and organizations has lately increased, they still lack the tendency to be independent and transparent in the absence of a special regulative framework (Damaskou, 2012).
Since there is not a specific regulative framework for political parties, and since the legislature is absent, political parties are free from any obligations regarding transparency and integrity (Damaskou, 2012).

Surprisingly, the Judiciary is considered one of the most corrupted institutions in Greece. "The dependence of the Judiciary on the existing executive power, as well as on political parties in general, insignificant matters, practically abolishes the self-administrative character of the Judiciary" (Damaskou, 2012).

Media is also not innocent of the corruption charges. As long as the owners of the media channels are controlled or share interests with politicians in power, there will be no 100 percent transparency and accountability in these channels. Thus, the news will always be completely or partly biased to the politician in power (Damaskou, 2012).

The executive power is easily corrupted since it is formed in coordination with the private sector, and in relation to the interests that join them both. Also, the executive power has a dominating power over the parliament, which makes it hard to question the government’s actions and decisions (Damaskou, 2012).

Businesses in Greece are facing complex laws and regulations, in addition to a bureaucratic system, which all form an obstacle for these businesses to normally perform their functions and transaction. Consequently, this will lead them to follow illegal paths such as bribery. Another corruption path is the matter of non-transparency. Companies that are not listed on the Athens Stock Exchange (ASE) tend more to be non-transparent than companies which are listed on it, but both conduct corrupted actions despite the fact that the listed companies are usually governed by international standards such as transparency, accountability, and integrity (Damaskou, 2012).
Others find that the exit of Greece, or as known Grexit, could be the solution for the crisis in Europe; this might be accompanied by consequences. Exiting the Eurozone means that the national currency is going to devaluate, and thus, causing the possibility for the Greek exports to enhance and providing a competitive position for Greece (Koutsoukis & Roukanas, 2014). On the other hand, depositors will face a decrease in their purchasing power for imports and for the exchange of foreign currency (Bootle, 2012).

In addition, Greece with the Grexit will access the global market. This means that Greece might be able to fund its budget expenses through the tax revenues in case it achieved a surplus in its budget (Bootle, 2012).

Furthermore, Bootle (2012) believes that, in the case of Grexit, the nominal exchange rate in Greece will drop by 55 percent. Thus, there will be positive implications on the macroeconomic factors in the nation. For the instant, the drop in the exchange rate will relatively raise the prices of the imports causing the increase in the demand for domestic products. Consequently, this will lead to improvement in employment rates, as well as in GDP and real GDP growth rates. Also, the number of people at risk of poverty will be offset automatically by the improvement of the employment rates (Koutsoukis & Roukanas, 2014).

5.2 Improvements in the Credit Situation of Greece

Within the unaccountability, and the mistrust of the Greek government, the creditors of the Eurozone are seeking to unblock the suspended debt-relief measures for the country. The action taken by creditors is in order to release the tension over the country’s bailout, and it was supported by Athens’s decision. It was complicated as it is supposed not to inform its creditors and incessant disagreements between different lenders considering all necessary
decisions should be taken by the government to enhance the Greek economy (Dendrinou & Stamouli, 2016).

This decision was taken in order to release the debt, as it will offer a much-needed reprieve to Athens. It comes after it was clear that Greece and all creditors which are represented by the Eurozone and the International Monetary Fund were facing a tremendous challenge to review the Greek rescue, which is as much as €86 billion ($89.9 billion) in loans (Dendrinou & Stamouli, 2016).

The debt relief was expected to be performed by the decision made by the Eurozone bailout fund and it was supposed to be as a final formal step. During that time the Greek Prime Minister Alexi Tsipras announced a Christmas bonus in December 2016. This was the reason why the international creditors poured scorn on him. The bonus was estimated to support 1.6 million pensioners and to be between €300 and €800. Adding to that, he postponed the increase of taxes on Aegean islands as they received a huge number of refugees from the Middle East and some other countries (Dendrinou & Stamouli, 2016).

These were the two main decisions taken by the government that surprised most of Greece's creditors on different levels and resulted in suspending the proposed debt-relief measures of the country. Eurozone officials were surprised, as country's creditors were not told in advance of these sudden decisions. Other measures were advised to be performed to see whether these decisions were on the same line country's bailout commitments or not (Dendrinou & Stamouli, 2016).

The above-mentioned incident has initiated escalating tensions over the country's bailout plans and created more pressure on the Greek government and the prime minister policy. Especially that the government is considering calling snap elections in 2017 and it seems
that they are losing the hope of winning concessions on deeper debt relief or austerity especially from the main creditors (eurozone and IMF) (Dendrinou & Stamouli, 2016).

After the government took these unexpected decisions, both Athens and its creditors did not agree on a clear overhaul mechanism especially the refreshment of labor market. In addition, more austerity should be applied in order to reach the primary surplus, which is defined as the balance of budget without interest payments starting from 2018 (Dendrinou & Stamouli, 2016).

The level of the surplus has not been defined or agreed by the different creditors which Greece must keep maintaining the economic overhauls. As the situation was getting more complicated among Greece's creditors the IMF has forced EU to reduce the targeted budget to a primary surplus of 1.5 percent instead of 3.5 percent, which is considered to be relatively high and hard to achieve. On the other hand, some of the European countries led by Germany refused this suggestion; as under this condition Greece will require more debt relief (Dendrinou & Stamouli, 2016).

Berlin sees that the IMF's participation will not convince many of the German lawmakers, especially that the program lacks robustness. The decision regarding the IMF was put on hold until the latest progress of the Greek government was to be announced. Officials were doing a tremendous effort in order to reach such an agreement before the last scheduled meeting on the 5th of December 2016. The IMF announced that they will uncover their decision on whether or not they will be participating in this meeting. The European Union officials have discussed the rescue plan with some of the counterparts in the presence of IMF in order to reach an agreement on the reforms that Athens must complete before reviewing the program. Reviewing the program is very essential for both European Union officials and
IMF as it will be the starting point of further economic assumption, as it will also evaluate the effectiveness of the previous assumptions (Brunsden & Hope, 2016).

The time was not sufficient to get the IMF involved in the process as an obstacle may show up if the fund did not reach an agreement before the end of 2016. The inauguration of Donald Trump and some political instability might affect the success of the process and the program of funding Greece (Brunsden & Hope, 2016).

The General Dutch election would get Jeroen Dijsselbloem's tenure as the country's finance minister and he will be the president of the euro group finance ministers. He is supposed to be the main key to get the IMF on board. The failure to fund the Greek bailout will reduce the chances of the German parliament to agree on new tranches of aid to Athens. The proposed target is unrealistic as based on the current situation and fund it is not possible to reach a budget surplus in 2018 of 3.5 percent. The proposed fund has assumed that planned reforms would only keep lower surplus, which will not exceed 1.5 percent of GDP (Brunsden & Hope, 2016).

Meanwhile, accepting that target would imply the Eurozone to provide debt relief, which would be, also beyond what has been already discussed. During that time the IMF was preparing a new debt-sustainability analysis, which is linked to the second review, this new analysis was not supposed to change the fundamentals of the current debate. Although that 3.5 percent surplus target is not achievable, Greece should try to keep it this value. The Eurozone governments are still not sure about the value should be after 2018 (Brunsden & Hope, 2016).

The European Union assumes that the future of the Greek economy is bright especially after having two straight quarters of positive growth. On the other hand, the European Union is
still asking for more explanation about the IMF officials as they were demanding for more tax and pension reforms in Greece (Brunsden & Hope, 2016).

Meanwhile, Greece is studying the option of selling Bonds in London the first time especially during the first three years, which is considered to be a sign for the investors to forget the past economic problems. It is also expected during the last two weeks of July 2017, that the southern European country intend to sell bonds of five years this information was announced by bankers who have knowledge of the plans. The market now is more stable compared to June 2017, as central banks pointed what could be a coordinated shift towards monetary tightening (Allen & McCrum, 2017).

After 2010, the Eurozone debt crisis has raised only twice caused only by Greece after that in 2014 Greece has issued €4.5 billion of bonds at three- and five-year maturities. The April 2019 bond, which was issued at a 4.95 percent yield in 2014, has been traded on a value of a 3.55 percent yield on Monday. During the last seven years, Greece has received about three bailouts and the debate if the debt write-downs are needed continues. On the other hand, Greece has repaid €6.8 billion to the private sector, the European bank and the IMF during this month, this was directly after Greece has received an amount of €8.5 billion payment from the European Stability Mechanism and the Eurozone bailout fund in order to ensure that Greece would not neglect the payments until it is creditors. This payment was the last part of the rescue package agreed in 2015 which was paid after a complete review of the financial situation, this rescue plan was assigned to be a €86 billion rescue package (Allen & McCrum, 2017).
5.2 Recommendations

After looking into the main pillars in relation to corruption in Greece, Transparent International Greece suggests future implications in order to reduce actions of corruption. It is looking forward to reducing corruption through adopting the following feasibility objectives.

In terms of anti-corruption agencies, it suggests the merge of all anti-corruption agencies under a single reliable authority. Also, it proposes the “acceleration and rationalization of the judiciary system” through improving its infrastructure (for example: buildings, equipment, etc.), providing simple legislation interpretations, simplifying the procedures followed, promoting and advertising “alternative dispute-settlement institutions,” transforming “judicial procedures to administrative ones,” assigning objectives, and setting drivers to get rid of corruption (Damaskou, 2012). In addition, the Judiciary system should be able to improve the judiciary curriculum, which means including “teaching specialized modules,” and allowing for internships abroad and excursions to specialized agencies in the matter (Damaskou, 2012).

The Transparency International Institution Greece also proposes some recommendations for the public sector. It advises the public sector to simplify the legislation and procedures. In addition, the public sector should consider introducing technological solutions to public administrations in order to ease the procedures for the civil servants on one hand and to control and monitor the daily transactions on the other hand. This means that corrupted employees will be restricted from asking for bribes. Moreover, the public sector is recommended to detach the public administration from the government, and giving it a kind of independent authority (Damaskou, 2012).
Last but not least, the businesses share the responsibility for reducing the corruption levels in the country as well. They should not perform their transactions personally with the public sector. There should be a third party or a system that lacks the personal contact, in order to prevent any type of bribery or corruption. They should also enhance their transparency measures in regard to their financial disclosures including the taxes paid (Damaskou, 2012). The above recommendations could work if serious attempts are carried out to reduce its corruption, and thus, reduces by default the costs accompanying the corruption process.

In conclusion, Greece’s financial crisis is a result of the internal system, which requires radical reforms to several governmental bodies in terms of corruption and misallocation of resources on one hand, and the fiscal and tax systems on the other hand. This helps to restore the confidence between the creditors (of several nationalities and bodies) and the public. Greece was not ready to join the Eurozone for reasons that are related to the economic nature of the Eurozone which was characterized by economic prosper and high competitiveness, and, on the other hand, Greece has failed since the beginning of the crisis to deal with the economic conditions raised in that period such as the fall in employment rates or the increase in interest rates. This has caused more deterioration in the economic situation.

As a result of the deterioration of the crisis, the Greek economy has witnessed major consequences such as unemployment and migration. In other words, the crisis’s principal consequences have been a rise in unemployment and migration. Years between 2009 and 2013 have shown a dramatic increase in the unemployment rates. The flow of immigration from Greece to other countries, especially to Germany, is a result of the daily pressure that every Greek citizen is facing. There are no proper job opportunities, salaries are low, the
political system is corrupted, the daily life demands are increasing, and the living standards are deteriorating. All these factors are causing the young brain drain. In addition, the Greek crisis has not only affected the Greek market, but also it has reached main European countries such as Germany. The European stock market has also been affected by the Greek crisis. Germany has been facing a lot of criticism for its support to Greece. Media has also played a major role in spreading the effect of the crisis all over Europe. The media has pushed the public in major European countries such as in Germany to protest against the financial aid provided to Greece. Moreover, the discussion of the possible exit of Greece from the Eurozone was raised on the table. But this step could lead to a more critical consequence such as the emergence of the Russian market into the Greek market, causing a threat to the European and American interests in Europe. Therefore, the continuity of Greece as a EU member is a more reasonable scenario. However, this means that the EU might conduct more effort in order to harmonize the fiscal and political agendas. On the other hand, the European politicians and officials need to prepare themselves to convince their public that what they are doing to rescue Greece is the only effective way to maintain stability in the Eurozone economies.
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