Chapter 13
Attempting an Assessment of the MoUs' Role in Confronting the Greek Crisis

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ABSTRACT

This chapter wishes to analyze the full impact of the three (3) Memoranda of Understanding signed between the Greek corresponding governments and the European Commission, ECB, and IMF representations. The first Memorandum was considered as necessary due to Greece's inability to access international financial capital, while the other two (2), which followed, tried to correct "implementation errors," control for "ownership" of the programs, and confront the prolonged and severe economic crisis and unemployment derailment. This chapter will present a series of key macroeconomic and microeconomic figures and will argue that despite the fiscal consolidation, which came at an extremely high social and economic cost, Greek economy still has a lot challenges to tackle and serious impediments to overcome. It will also shed some new light on whether Memoranda actually helped Greece to recover or used a whole country as a "guinea pig" and as an example of compliance, allowing the final reader to decide.

INTRODUCTION

Greek economy faced an unprecedented economic depression during the period between 2008 and 2018. The economy, in the peak of the crisis, lost more than the ¼ of its GDP; unemployment rates exceeded 27%; households faced material deprivation; many enterprises closed while both productivity and Foreign Direct Investments (FDI), core tenets of Economic Adjustment Programmes (Memoranda), achieved

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disappointing low rates. It is indicative that productivity was decreased by 15.5% (EL.STAT.) between 2008 and 2016 while FDIs were reduced by 52.7% between 2013 and 2015 (OECD). These facts elevate the failure of economic policy, connected with memoranda, which in many cases highlights the fact of mistaking the beauty of theoretical models for truth.

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ECONOMIC CONVERGENCE PROJECT: THE ERA OF ALCYONIDES DAYS[1]

The period before crisis (1994-2008) was crucial regarding the Greek economy's performance. It is the period through which Greece attained high convergence rates being connected, in real terms, with other European economies. The privatization of state assets (such as communications), the liberalization of capital markets and the enlargement of the stock market are signs of modernization and economic development. It is indicative that between 1994 and 2008 the Greek GDP had been increasing with a mean annual rate of 3.5% (Varoufakis and Tserkezis 2014). In addition, the monetary policy of 'hard drachma' confronted inflation and improved the balance of payments. However, in accordance to all these positive facts, the Greek economy was transformed into a typical economy of services. The 'new paradigm', emerged during the Euro era, was associated with the sectoral specialization of Greece's 'comparative advantages': tourism, shipping, real-estate, banking and telecommunications.

However, some of these sectors were (despite extensive privatizations) tightly connected with the state. Initially, this hermaphroditic intermixture is one of the chief reasons behind Greece's fragile and problematical economic structure. Furthermore, Greece's participation in the Eurozone in 2001 was associated with the absence of state's intervention which was crucial for enterprises' protection through tariffs and economic policy (Hadjimichalis 2011). Unavoidably, this elimination accelerated the course of de-industrialization which was evident already by late 1980s. Some cases such as Kastoria's beaver industry, Lavrion's mining and textile and fruit in Naoussa are illustrative of the path of de- industrialization (Liddle 2009). Historically (and theoretically) speaking, the immediate result of de-industrialization is manufacturing decline and productivity loss. Thus, Greece's productivity was much lower to other European Union's nations, thus affecting the hard core of country's competiveness (Mitsopoulos and Pelagidis 2011). Additionally, the second 'development' law (Law 3229/2004), which was voted by the Conservative Party and aimed to provide initiatives to potential national (or international) investors, brought sparse economic outcomes.

On the other side, the mega-project of the 2004 Olympic Games exemplified a (typical) economic disaster, as Whitson and Horn (2006) put it, due to huge economic costs (20 billion euros). In addition, Olympic Games sharpened inter-regional contrasts, which brought about, as in other countries organiz-