The Greek crisis - austerity measures as remedy or punitive action?

Bachelor thesis

Author: Lukas Thiele

Reg.No: 900821829050

Supervisor: Pieter de Vries

Department: Sociology of Development and Change, Wageningen University

Date: 27.05.2016

Abstract

The purpose of this literature study is to analyze the process of austerity measures imposed by the Troika on Greece. In 2008 the financial crisis hit Greece and in order to avoid bankruptcy the country turned to the Troika for bailout aid. Those bailouts were bound to harsh conditions that needed to be implemented in Greece. By using the Shock theory developed by Naomi Klein the neoliberalization process will be analyzed; furthermore, additional claims that argue for the implementation of austerity measures as a form of punishment will be investigated and put in a broader context. Further, proposed solutions for the Greek crisis will be identified. The analysis demonstrates that the Greek crisis is rather a European than just a national crisis and indications are exposed that display that a state of shock of the people in Greece was used to implement unpopular policies. Further, there are indications that the underlying drivers for austerity measures are more diverse than just a tool of remedy for the economy.

Table of Contents

Introduction....2
Background– How did Greece get into the crisis? 3
The Shock theory & neoliberalism 8
Is the Shock theory applicable to the case of Greece? 12
Greece as a scapegoat – blaming the victim? 19
What are the possible ways out of the crisis?....28
Conclusion 31
References....35

Introduction

In 2008 the financial hit Greece. The country was approaching bankruptcy and needed to find money lenders to pay back its enormous mountain of debt. That was a rather challenging task as the status of the country changed to one that money lenders preferred to avoid. Its call for help was answered by the formation of the Troika (recently renamed in "The Institutions"), a committee led by the European Commission with the International Monetary Fund and the European Central Bank. The Troika developed a rescue program to bailout the country for the approaching bankruptcy and to remodel the country's economy so that it can pay back its pile of debt in the future. Apart from transformations in many sectors of the Greek economy, the social implications for the Greek people were severe. Cuts on social spending through imposed austerity led big parts of the population to precarious situations. The introduction of austerity, privatizations and reform measures were seen by the Troika as the remedy to the crisis, however critics argue that the crisis was used to implement particularly those measures. This paper aims to analyze this claim by using the Shock theory developed by Naomi Klein. Further it aims to provide an insight in and an analysis of a number of statements that claim that the implementation of austerity measures in Greece should be seen as punitive measures rather than the country's remedy; those claims have been raised, among others, by the two former Greek financial minister Yanis Varoufakis and Evangelos Venizelos. Additionally alternatives to the Troika's strategy in solving the crisis that were raised from various actors working in different sectors of society are presented.

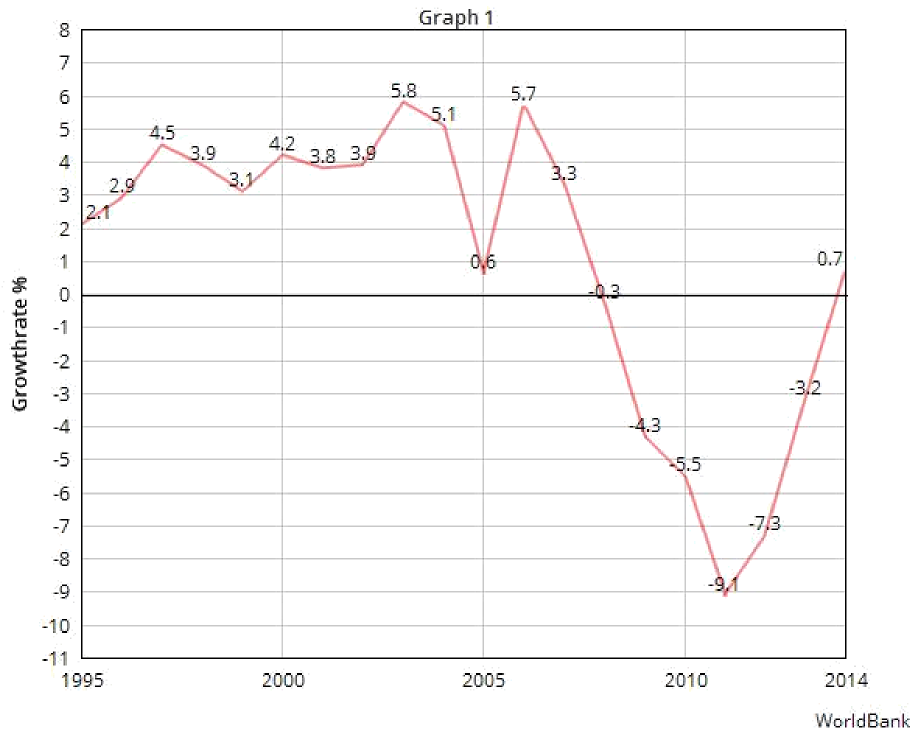
Because of the manifold events that occurred in the past years, in the first chapter I will provide background information on the Greek crisis. Thereby I give an overview of the main events in the crisis, which helps in grasping the argumentation in the following chapters. While the impact on the Greek population was intense, the positive impact of austerity in times of crisis is debatable. Naomi Klein developed the Shock Theory in which she argues that country can become object of a neoliberalization process during times of crisis. Whether Klein's theory is applicable to the case of Greece will be elaborated in chapter two. Through the doubtfulness of the success of these kind of measures on the wellbeing of a nations, questions arise about further potential reasons that justify the implementation of harsh austerity measures. In that regard the claim that Greece became a scapegoat and austerity is merely a tool of punishment will be analyzed in chapter three. Thereafter I will outline some of the diverse approaches on how the debt crisis might be solved. I will end with a conclusion derived from the foregoing chapters.

Therefore objective of this thesis is to find answers to the following questions:

- Is Naomi Klein's Shock Theory applicable to the case of Greece?
- What are the arguments brought up that justify the punishment and scapegoating of Greece?
- Are the identified arguments valid?
- What are potential ways out of the crisis?

Background– How did Greece get into the crisis?

In 2001 Greece joined the Eurozone, the monetary union of nineteen countries of the European Union (EU) that approved the Euro as their common currency. In order to join the union, countries needed to meet a number of requirements that are outlined in the Maastricht criteria. Thereby it should be ensured that the country had achieved economic convergence with the other member states and thereby would not endanger the common currency (Don, 2015). For Greece and other member states the entrance in the Eurozone meant, among other benefits, that they were allowed to borrow lots of money for low interest rates. Before the entrance, Greece could only lend money for interest rates around 18%, after the introduction of the common currency rates dropped down to around 3% (Bloomberg, 2015). Suddenly countries like Greece, Spain and Portugal were able to spend a lot more money, for instance on pensions and social welfare systems (Bloomberg, 2015). In Greece public sector wages doubled in the decade before the financial crisis and expenditures on defense continued to increase (Inman, 2015). Spending, housing and business investments flourished. The new currency secured funds from commercial banks while it increased the country's dependence on cheap loans in order to pay back debt.
The opportunity of big amounts of cheap money led to unprecedented growth of the Greek economy; annual growth rates were between 3.8 and 5.7 percent until 2007 (with the exception of year 2005) (see graph 1) (World Bank-GDP growth, 2016).



Tourism, the construction and banking sector as well as maritime logistics and the petroleum processing industry prospered (Roth, 2013). The unemployment rate fell from around 11% a year before the entrance in the Eurozone to 7,7 % before the crisis hit (see graph 2) (World Bank Unemployment data, 2016). Already in 1995, Greece had a negative trade balance with an export value of around 9,8 billion euro, while importing goods worth 22,8 billion euro; that stagnated in the following years until the introduction of the euro. Then imports increased rapidly, while exports grew much more slowly. The trade deficit grew enormously from 18 billion euro in 2002 to 37,7 billion in 2006, reaching its peak point before the crisis in 2008 with 55 billion euro (Simoes, 2016). In 2008, the financial crisis that arose in the US in form of a mortgage crisis, hit Greece. The global financial crisis was seen by many economists as the hardest financial crisis seen since the Great Depression of the 1930s and Greece was hit particular hard (Pendery, 2009). There are a number of national factors that contributed that Greece became the epicenter of the crisis in Europe.

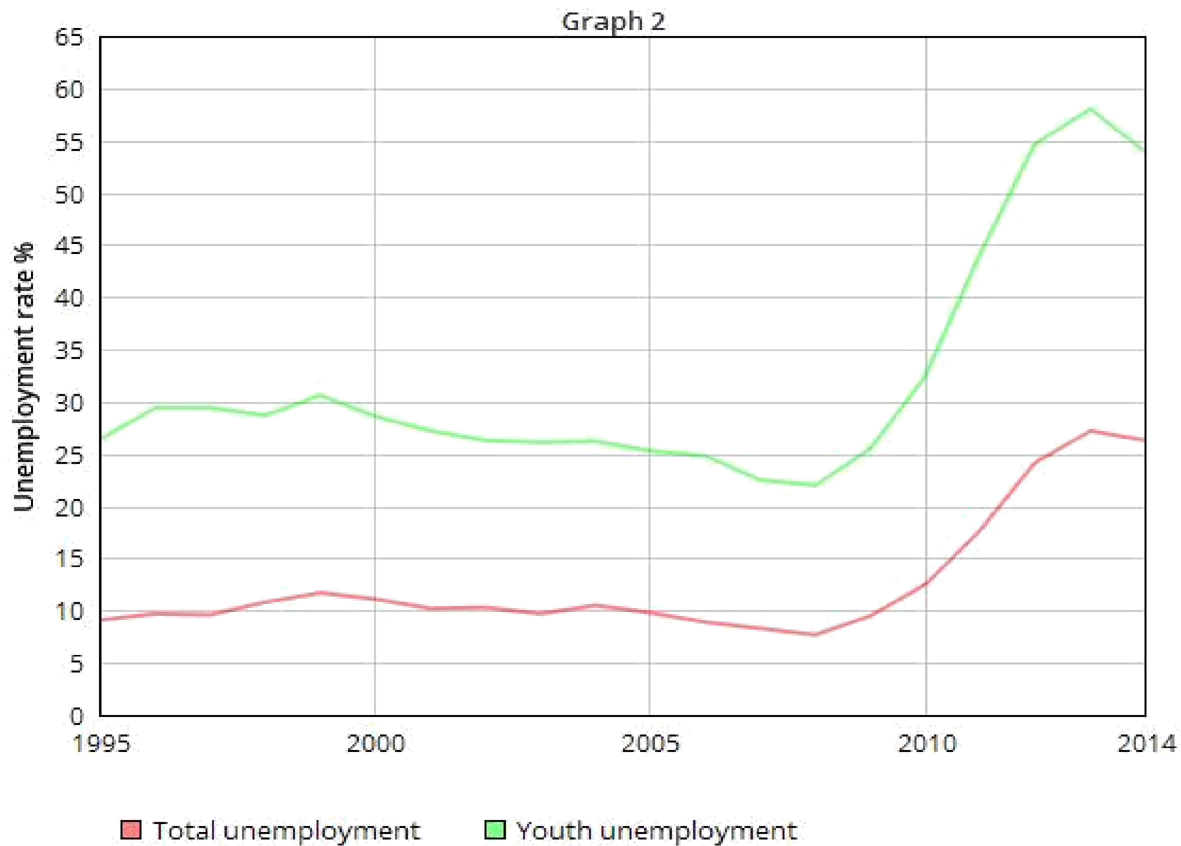
First of all, the entrance of Greece in the Eurozone was questionable in the first place. One of the criteria written down in the Maastricht criteria that was required to be met was that the governmental budget deficit may not exceed 3% of the country's GDP. With the help of the Goldman Sachs bank, creative accounting took place which "involved so-called cross-currency swaps in which government debt issued in dollars and yen was swapped for euro debt for a certain period - to be exchanged back into the original currencies at a later date" (Balzli, 2010). Thereby billions of military expenditures and hospital debts could be left out of the calculation in order to lower the budget deficit on paper. Greek media reports

assume that in 1999 the budget deficit was around 3,38%; that increased enormously in the following years (BBCNews, 2004).
Structural and institutional weaknesses in the Greek economy facilitated the crisis. Especially a tradition of tax evasion and avoidance cost the state billions of euro. Tax officials considered tax evasion as a “national sport” in Greece with up to 30 billion euro uncollected each year (The Economist, 2012). This is closely related to the issue of corruption in Greece. In 2013 Greece was ranked last place in the corruption perception index within the EU. According to the Transparency International NGO the roots for the high level of corruption are diverse. Among other things, the lack of audits and sanctions, a weak rule of law, a complex bureaucracy and a lack of transparency are reasons for tax evasion (European Commission, 2012). Authors of the Economists calculated that in 2009 the avoided taxes of self-employed people would have been enough to fill up 31% of the budget deficit in that particular year (The Economist, 2012).
The introduction of the euro in Greece let to another stimulation of the crisis; the country lost its competitiveness. Greece is a rather closed economy, with an average export to GDP ratio of 16 % between 1990 and 2000, compared to 24,2% in Germany (World Bank, exports data, 2016). An analysis of the European Commission (EC) suggests that the Greek economy already suffered a competitiveness gap since the mid-1990s. The most competitive sectors of the Greek economy are the transport services, tourism and agriculture; while electrical equipment, manufacturing and machinery are lacking far behind other countries. The EC argues that the country´s lack of competition occurred on the one hand due to rising labor costs and wages after the boom in 2000 and weak institutions that increased the effective costs of doing business, especially in the export sector (European Commission, 2014).
In 2009, according to Eurostat, the budget deficit of Greece reached 13,6 % and its debt increased to 115,1 % of its GDP (Grajewski, 2010). Soon after this news got public, the country got downgraded by the big rating agencies Fitch, Standard & Poor´s and Moody's, resulting in higher interest rates and a discouragement for investors and lenders.
Greece got in a challenging situation of attracting loans in order to pay off older debts.
In 2010 the Hellenic government approved two austerity packages in order to counteract the budget deficit. The measures included cuts in bonuses, a rise in the value-added tax and salary cuts of public and private employees. Thereby a saving of 5,6 billion euros was expected (European Commission, 2010).
On the 23rd of April 2010 the former premier minister George Papandreou, that described

its economy as a “sinking ship” (SpiegelOnline, 2010), asked for a 45 billion bailout package from the EU and the International Monetary Fund (IMF), after the first two austerity packages did not convince the markets to provide further loans that were needed to repay 16 billion euro of debt in the end of May; a rather difficult challenge after interest rates rose to 8,3% (Smith, 2010). A few days later the “First economic adjustment programme for Greece” was signed by the Greek government and the Troika (now known as “The Institutions”), a decision group formed by the EC, the European Central Bank (ECB) and the IMF. A bailout of 110 billion euro was granted, consisting of 80 billion in bilateral loans provided by the Eurogroup and 30 billion by the IMF (European Commission, 2010). The countries providing the biggest share of loans were Germany (22,3 billion euro), France (16,8 billion euro) and Italy (14,7 billion euro) (SpiegelOnline, 2010). The loan was attached to conditions that were outlined in a Memorandum of Understanding. The conditions aiming to achieve structural adjustment of the Greek economy included requirements for fiscal consolidation, enhancement of competition in open markets and sever decreases in governmental spending (European Commission, 2010). After the agreement the disbursements were made quarterly and the implementation of the reforms were reviewed by the Troika frequently. The conditions of the bailout were implemented in the Greek law in form of austerity packages.

In 2012 a second structural adjustment program was agreed upon, implementing further reforms, including privatization of state assets and reforms of the healthcare and pension sector; in return further bailouts were granted. In practice the bailouts were not a bailout for the Greek population but for its European creditors as most of the money provided went back to banks instead of flowing into the Greek economy; less than 10% of the money was left to use for the government to reform its economy (Inman, 2015).

The adjustment measures had far reaching effects on the population in Greece. Unemployment skyrocketed, reaching its peak in 2013 with almost 28%, while youth unemployment rate rose up to 58% (see graph 2).



Suicide rates jumped up 35% and cuts in the health sector let to an enormous increase in HIV and tuberculosis cases, while at the same time malaria found its way back into the country. The country's cancer screening program was cut down due to limited funds and rates of major depressions among the population have doubled within few years (Alfred, 2015). The reforms brought millions of Greeks into precarious financial situations, with one third at risk of poverty, leaving many homeless and hopeless for the future (Apostolou, 2015). Many of the higher educated people emigrated in the hope of a better future abroad. Migration outflows have risen 300% compared to pre-crisis levels (Smith, 2015). It seems Greece is transformed into a third-world country. The social impacts of the adjustment program have led to numerous outcries of the population in form of demonstrations, anti-austerity protests, strikes and riots in the years after the implementation of the first austerity package and are still ongoing.

The way in which Greece was intended to be transformed into a more efficient Western capitalist state is not a unique one. Many comparisons can be drawn to other countries in which neoliberal measures were taken in order to save the economy. From Chile, Poland,

Sri Lanka and Argentina; many measures taken in Greece were also visible during the economic transformation periods of those countries.

Naomi Klein, journalist, social activist and author of several books, has written the book "The Shock Doctrine" in which she outlines the Shock Theory. The theory focuses on disaster capitalism, which is a way of taking advantage of a catastrophe in order to implement policies that are unpopular within the general population and which would meet resistance of citizens in normal circumstances. Klein argues that countries (or regions) can become objects of this neoliberalization process when the population is affected by a disaster, for example a natural catastrophe, hyperinflation or war (Klein, 2007).

Yanis Varoufakis and Evangelos Venizelos, two former financial ministers of Greece, have further theorized the happenings in Greece. They argue that Greece was made into a scapegoat for the Eurozone debt crisis in order to hide the international institutions lack of competence to manage the crisis (Ghosh, 2011). Varoufakis argues that "the euro crisis is as much of a debt crisis as the pain caused by a malignant tumor is a pain crisis" (Varoufakis, n.d.). Timothy Geithner, former US financial minister, revealed the reaction of the European ministers beginning of February 2010 on the upcoming Greek bankruptcy during a meeting with a group of seven financial ministers in Canada. The Europeans were basically saying: "We're going to teach the Greeks a lesson. They are really terrible. They lied to us. They suck and they were profligate and took advantage of the whole basic thing and we're going to crush them" (Spiegel, 2014). Greece needed to be punished and according to former financial minister Yanis Varoufakis, through the loan agreements with the Troika, they were shattered, just as Germany was crushed by the Versailles Treaty after the first World War (Varoufakis, 2014).

This overview of the Greek crisis, while being far from complete, provides the basis for the argumentation in the following chapters and aims to put some light on the multitude of events during the past years in Greece.

The Shock theory & neoliberalism

In 2007 Canadian award-winning journalist and film-maker Naomi Klein published her third book "The Shock Doctrine: The Rise of Disaster Capitalism". Klein is a well-known anti-globalization and anti-capitalism activist that focuses on the destructive nature of capitalism on people and the environment. She has published four books, was involved in

several documentaries and frequently appears as speaker for the anti-globalization movement at events such as climate summits or demonstrations of the Occupy movement. Her newest book „It Changes Everything“ was published in 2014 and focuses on climate change, which she portrays as the result of the ongoing fight between capitalism and the environment.

In her former book “The Shock Doctrine” Klein argues that a number of places have become object of an imposed neoliberalization process that intends to transform the economy in that certain locality. Her examples reach among others from Pinochet’s Chile, to the reconstruction of Iraq and New Orleans after Hurricane Katrina further to the economic transformations of China, Poland and Russia. Klein conducted her theory from electroshock therapy experiments, in which researchers experimented to transform the brain of patients into blank slates which can be completely new written with a new personality and mindset. She claims that this concept resembles the model of rewriting an economy that was used at various location in the past forty years in order to modernize economies and she provides examples from various localities where that model of transforming an economy was imposed (Klein, 2007).

The main thesis of „The Shock Doctrine“ is that neoliberalism is the growing ideology in opposition with keynesianism and developmentalism since the 1970s and is in many cases pushed through aggressively without the consensus of the population. While Keynesianism consists out of various theories based on the works of John Maynard Keynes, Klein merely refers to Keynesianism as the advocacy for a mixed economy with market regulations, economic interventions and social spending (Klein, 2007). It developed in face of the market crash of 1929 when people started to realize that laissez-faire had failed and economic interventions were needed in order to redistribute wealth and regulate corporations (Klein, 2007). Developmentalism is an approach for developing nations that claims that countries can escape poverty by pursuing an inward-oriented industrialization and nationalization of natural resources instead of relying on foreign investment and export to developed countries (Klein, 2007).Those paradigms of “how to run an economy” were challenged by Milton Friedman and his Chicago School with the concept of neoliberalism.
While the term of neoliberalism already existed in the 1930s, the concept changed its meaning in the course of time; nevertheless it was never properly defined. Neoliberalism was first mentioned by the Freiburg School in Germany after the first World War (WW) as a moderate form of capitalism compared to “classical liberalism, both in its rejection of laissez-faire policies and its emphasis on humanistic values”; thereby referring to a social

market economy that was a proposed way out for the economic depression between the two world wars in Germany (Boas, 2009). Naomi Klein refers to neoliberalism as developed in the 1970s by Friedman and his “Chicago Boys” and implemented in Pinochet's Chile.

The essence of the ideology is that “economic forces of supply, demand, inflation and unemployment were like the forces of nature, fixed and unchanging” (Klein, 2007) and a free-market system is a perfect scientific construct. Individuals follow their self-interests and desires produce thereby maximum benefits for society as a whole. Thus this economic model would maximize the well-being of individuals by liberalizing entrepreneurial freedoms. The economic forces exist in a perfect equilibrium; any failures in the system, such as high inflation rates or rising unemployment, are according to neoliberal thinkers the result of a market that is not truly free (Klein, 2007). In practice neoliberalism pursued by Friedman refers to economic reform policies; in that regard scholars describe three sets of policies as neoliberal: Policies that lead to a liberalization of the economy, merely by reducing trade barriers and price controls and the deregulation of capital markets. Further, policies that reduce the role of the state in the economy above all through privatization and policies that “contribute to fiscal austerity and macroeconomic stabilization, including tight control of the money supply, elimination of budget deficits, and curtailment of government subsidies” (Boas, 2009).

Hence, it is based on free-market economics and the main argument is that the market is the most efficient instrument for the allocation of resources, therefore public wealth should be transferred into private hands. The market left alone would generate the right amount of products to the right prices, manufactured by workers that receive the right amount of income to purchase those products (Klein, 2007). The state should get out of the way as much as possible, because an open, unregulated and competitive market can stimulate growth, innovation and fosters a better functioning society. The logic of the market and competition should not just be the major force in the economy but should be extended to other institutions such as the state itself, schools, hospitals and such (Purcell, 2008), just as Friedman did with the promotion of privatization of healthcare, post offices and national parks (Klein, 2007).

Next to the economical aspect of the Shock Theory, Klein argues that it is part of a political strategy, with the premise of total integration of corporate and political elites (Klein, 2008). It is a philosophy of power about how to achieve political and economic goals and the aftermath of a disaster is seen as the best time to push through free-market ideas,

because it creates a window of opportunity in which resistance is less likely to happen (Goodman, 2007). As Friedman argues in his book Capitalism and Freedom: “only a crisis-actual or perceived-produces real change” (Friedman, 2009).

The Shock Theory focuses on how neoliberal ideology is implemented into economy and society. Naomi Klein argues that a fundamentalist form of capitalism has always needed a disaster in order to progress (Klein, 2007). Usually neoliberal policies are unpopular among the general population, in particular through its attacks on the welfare state, reduction of regulations for companies and the privatization of state-owned property. Thus, a way needed to be found to bypass the anger of the people. The theory argues that a locality (be it a country, region or city) first needs to be put in a state of shock. Those shocks can be man-made creations such as wars or political upheavals or naturally occurring catastrophes such as the hurricane in New Orleans or the tsunami in Sri Lanka 2004. Those disasters distract and disorient the population and make them unable to fight against unwanted policies; while they are still in a state of shock and are merely focused on their own survival, neoliberal policies can be introduced much easier than in a situation without a disaster. Disaster capitalists, according to Klein, have no intention to repair what was, but strive for building something new. Milton Friedman believed that only when a state became distorted, it would deliberately swallow the “bitter medicine” in form of neoliberal policies and thereby could be turned into a state of pure capitalism without interruptions such as government regulations and trade barriers (Klein, 2007). He coined this tactic “shock treatment” and he argued that the speed, suddenness and scope of such an economic transformation would lead to reactions in the population that would facilitate the adjustments (Klein, 2007). Friedman’s economic model is able to be realized in a democratic environment only to some extent, but only under authoritarian conditions the full vision can be implemented (Klein, 2007). As shown in numerous examples in Klein’s book, additional collective shocks were needed to at least temporarily revoke democratic practices.
The implemented policies in those countries have led on the one hand to increasing costs of living, declining wages and expenditures on healthcare and welfare; while on the other hand resulted in increasing power and benefits for multi-national companies and elites, thereby increasing inequality, poverty and corporatism.

Is the Shock theory applicable to the case of Greece?

The case of Greece during the financial crisis differs from the ones outlined by Naomi Klein in some ways. First of all, in contrast to the many cases provided by Klein, Greece was already a developed capitalist nation before the financial crisis occurred. Yet, Greece as a capitalist nation was still considered as a rather closed economy; while trade openness has increased from around 43% of GDP in 1995 to 60% in 2008, it was still relatively low compared to the average of 88% of GDP of the rest of the Eurozone (Magoulios, 2013).

Naomi Klein applied the shock theory on countries in which democratic practices were either temporarily abandoned or entirely non-existing. Chile, for instance was first under leadership of the Marxist Salvador Allende before he got removed through the military junta and general Pinochet who implemented the neoliberal ideology and transformed the country economically while leading it politically as a dictator. Poland and Russia were former countries of the soviet bloc and its disintegration at the end of the 1980s opened up the countries for political and economic transformation. Also in Indonesia, economic changes towards a capitalist system occurred during times of authoritarianism under Suharto in 1968. The shock therapy imposed on those countries were packages of neoliberal policies that intended to change the economy at once.

Greece, on the other hand was under democratic rule since the referendum in 1974 and joined the EU (back then the European Community) in 1981. This constitutes the second difference between Greece and the cases provided by Naomi Klein. A neoliberal shift in European decision-making was already observable since the beginning of the 1980s which was formalized in the White Paper on Completing the Single Market in 1985 and a year later in the Single European Act that encouraged open and more liberal economic policies. The mechanisms of the Single European Market (SEM) and later the Economic Monetary Union (EMU) facilitated the neoliberalization of Europe. The SEM encouraged the removal of trade barriers in the EU and the EMU, with its requirements established in the Maastricht Treaty, fostered an open market with free competition and price stability as its primary goal (Moss, 2001). Thus, Greece was under neoliberal pressures long before the crisis had started. In the early 1990s Greece introduced a number of structural reforms that were intended to secure market efficiency and competition; also subsidies that aimed to stimulate foreign investment and capital mobility, were introduced. The EU played a central role in this, because on the one hand they provided financial aid for the implementation of those programs; on the other hand, the EU provided legitimation of the

structural changes as they were requirements for being part of the Union. In other words, Greece was an object of neoliberalization under the hand of the European Union long before the crisis hit.

The initial shock in Greece was on the one hand, the result of the spread of the financial crisis in the US around the world and on the other hand encouraged through the revelation of cooked budget books and the twist of the national economic indicators that disguised the approaching bankruptcy of Greece. Those events put a different perspective on Greece in the eye of creditors. Creditors turned their back on the country and loan offers dried up (Kitsantonis, 2012). That was the starting point of a perennial struggle of Greece to pay back its debt. A way out was provided by the Troika and their bailout program that was bound to tight conditions. The austerity measures imposed by the Troika in the coming years can be seen as a recurring intensification of the shock experienced by the Greek people. The initial shock of an imminent bankruptcy that justified economic reforms to tackle the budget-deficit in 2009 was accompanied by measures that shocked and disoriented the public even further in the years to come.

Naomi Klein argues that information is a tool for shock resistance, thereby the media becomes an important instrument. When people lose their narrative through shocks, a functioning media is essential to keep the people oriented (Scott, 2013). In 2013 Kostas Vaxevanis, editor of the magazine that published the Lagarde-List (a spreadsheet of around 2000 tax evaders with undeclared bank accounts in Switzerland), claims that Greeks have reached a point where they had to read the foreign press to find out what was happening at home. He argues that the media owners are closely connected with politics and many events have been ignored by the mainstream media. He refers in particular to the torture of anti-fascists by the police and his own prosecution after the Largade-List revelation that had been ignored by the national media. “It is precisely what happened under the junta. It is not democracy or freedom of press”, he says (Quinn, 2013). The role of domestic and foreign media will be not discussed in detail, but as studies show the media has a significant role in agenda-setting and in creating images of society (Papathanassopoulos, 2014; McCombs, 1972).

Between 2010 and 2015 eleven austerity packages had been released in order to lower the expenditures of the state, but in some way they also facilitated by the shock itself. Due to the enormous amount of austerity measures only a number of them will be mentioned that contributed to an increase of the shock for the people.

In 2012 the Greek government promised to cut 150,000 of its approximately 750.000 jobs

in the public sector by 2015 (Kitsantonis, 2012); while also decreasing wages and pensions. Greece is the only country in Europe that experienced a decrease in the minimum wage since 2008 (Buchanan, 2015). Between 2008 and 2015 the minimum wage fell by 14%, while the average wage dropped by 24,2% (International Labor Organization, 2015). Unemployment skyrocketed, reaching its peak in 2013 with around 28%. Youth unemployment rates rose up to 58% (see graph 2). Vast changes in the pension system resulted in 45% of pensioners living below the monthly poverty level of 665 euro (Henley, 2015).

Also funding for the health sector was cut; state funding for mental health dropped by 20% between 2011 and the prior year and another 55% in the subsequent year (Brinded, 2015). State-run hospitals had to cut costs up to 50%, resulting in low supply of basic tools such as gloves, syringes and paper tools; furthermore there was a critical low amount of doctors and nurses running those hospitals. Hospital chiefs talk of a humanitarian crisis hitting Greece as diseases such as tuberculosis, HIV/AIDS and malaria are on the rise again (Chrisafis, 2015).

Between 2011 and 2013 spending on education had been cut by 33% with a further decrease of 14% in the years thereafter; aiming to decrease the share of GDP spent on education below 2%, which is among the lowest rates in the world. This resulted in teacher dismissals and the closing or merging of up to 2000 schools (OLME, n.d.). This is reflected in the PISA study 2012 in which Greek teenagers were ranked last within the EU (OECD, 2014). In general students had slightly worse scores compared to PISA 2006 (OECD, 2007; OECD, 2014).

Purchasing power of Greeks declined through increases in the value-added tax (TradingEconomics, 2016) and raises of the excise taxes on alcohol, fuel and tobacco went up a third (BBCNews, 2011).

The reforms brought millions of Greeks into precarious financial situations, with one third at risk of poverty, leaving many homeless and hopeless for the future (Apostolou, 2015). In 2013 in Athens alone, the Orthodox Church distributed around 55,000 meals a day in addition to the 7000 meals provided by the municipal authorities in soup kitchens in order to tackle the increasing malnutrition. Frontline charities report that in the poorest regions of the city up to 90% of the families need to rely on food banks and volunteers that distribute food (Smith, 2013). Many of the higher educated people emigrated in the hope of a better future abroad, with an emigration outflow with over 300% compared to pre-crisis levels (Smith, 2015).

It is not erroneous to argue that those cuts can be life changing events that can put people in a state of shock. Many people lost their jobs and homes and were put in an everyday

fight for survival. When money and food gets scare, people do not have the power to fight against unwanted policies; they have other things in mind, their own life and that of loved ones, rather than organizing resistance against large-scale structural adjustments.

Yet resistance was not unknown in Greece. Especially the rise and election of the anti-austerity party SYRIZA can be seen as a profound signal of the Greek population against the measures. The Greeks also expressed their aversion in recurring demonstrations, strikes and riots in Athens and throughout the country. The success is yet debatable as even the left-wing government cannot revoke the pressures of the Troika and continues to implement imposed measures; resulting in further dissatisfaction of the population and clashes between demonstrators and the police (The Guardian, 2016).

The appointment of Lucas Papademos, former vice-president of the ECB, as Greek prime minister (PM) in 2011 raises further questions about the quality of democratic processes during the crisis. The technocrat who has never been elected to any public office stated that his primary goal is to keep Greece in the Eurozone and to facilitate the bailout from the EU (BBCNews, 2011). It could be argued that it is rather ironic to appoint a former governor of the Bank of Greece as PM in face that the crisis was strongly supported by poor decisions of bankers. Alexis Tsipras stated as reaction on the appointment that Papademos "is someone who has not been elected or judged by the Greek people" and "the new government and the new prime minister are being called to impose a political policy that does not have democratic legitimization" (Smith, 2011), thereby undermining the popular sovereignty and democratic legitimacy of the country.

The fiscal austerity measures discussed above that aim for an elimination of the budget deficit by tightly controlling the money supply are simultaneously contributors to the state of shock of the Greek people and aspects of a neoliberalization process in Greece.

In addition to the austerity measures, a variety of economic policies were introduced to structurally alter the Greek economy. After a 11-month long investigation of the Greek economy the OECD identified 555 regulatory restrictions, whose removal would lead to major benefits for the economy. The study focused on the food processing, retail trade, building materials and tourism sector. They also proposed the removal of obsolete legislations, that were either laws that were superseded by more recent legislation or became obsolete by nature. In terms of barriers for business entry a variety of specific changes were proposed, for instance an extension of fresh milk shelf life or the repeal of the need for licenses for the trade of asphalt and investments in certain tourism activities such as car racing tracks. Joseph Stieglitz, Nobel prize winner and former chief economist of the World Bank, argues that Dutch and other European milk producers want to increase

their sales and by an extension of the shelf-life of milk their long-distances transported milk seems as fresh as locally produced ones; thereby foreign large-scale producers can outcompete local small-scale producers (Stiglitz, 2015). Also the removal of price controls was promoted, as those price distorting regulations decrease the operational efficiency of the market. In the building material sector a harmonization with EU standards was encouraged, thereby suppliers from other EU countries can enter the market more easily. While many taxes were raised, some were eliminated; the advertising tax for instance should be removed to simplify the business entry (OECD, 2014). All sectors of the Greek economy, from transport over pharmacy to the energy sector were subject of liberalization in order to foster international competition.

Another aspect of the Greek transformation was the privatization of state assets. While privatization played a minor role in the past years, it gained in importance in the most recent Memorandum of Understanding in 2015. Naomi Klein argues that countries in crisis have often no choice to accept privatization when it is packed together with free-trade policies and financial bailout (Klein, 2007). The plan aimed to raise 50 billion euro through privatization by 2015. 25 billion euro of the revenues were intended to go for the recapitalization of banks, 50% of the remaining gains for the repayment of debt and the remaining 12,5 billion euros should be reinvested in the Greek economy (European Commission - Memorandum of Understanding, 2015). Eurozone leaders demanded the transfer of Greek assets into a fund based in Luxembourg overseen by German's finance minister Schäuble, but Greeks financial minister managed to domicile the fund in Athens and also convince the Troika to extend the sales period from three to thirty years, because of the strong undervaluation of Greek assets throughout the crisis (Varoufakis, 2015). Many assets were completely for sale, in others investors could buy shares. For sale were, among other assets, fourteen regional airports, the international airport Hellinikon in Athens for a period of 99 years, 66 % share of the Greek gas operator DESFA and twelve ports among them 67% share of Greeks two largest port Piraeus and Thessaloniki Port. Further, 648 km of highway in Northern Greece, the Hellenic Post and Petroleum companies and Athens Water Supply and Sewerage Company, airplanes and property rights are up for privatization (European Commission - Asset Development Plan, 2015). While the privatization is still in process, some deals are already completed. The German airport company Fraport took over the fourteen regional airports in 2015 for 1,23 billion euro (The Guardian, 2015) for a 40 year (with possible 10 year extension) period; additionally the company is obligated to invest 330 million euro by 2020 in the airports and

needs to pay a yearly rent of 22.9 million euro. Forecasts estimate the revenues for the Greek state in the next forty years to be up to eight billion euro. Considering that tourism is a key sector for the Greek economy, accounting for 18% of GDP, the airports are of major significant for revenues from tourism. According to Fraport, 18 million international tourist entered Greece in 2014, which is a 17% increase compared to the year before and further increases are expected to come (Fraport, 2014), further the amount of flights in Greece increased 13,8% in 2014 (Schmitt, 2015). The two airports Chania and Thessaloniki alone produced 10 million and 14 million euro in profits in 2014, the expected overall profits in the coming decades will exceed the investment payment by far.
The original plan was to merge all airports, profitable and unprofitable into groups, thereby it should be ensured that investors would need to use some of the profits to support some of the deficit airports; yet in the end just the fourteen most profitable airports were for sale (European Commission, 2011). During the negotiation, the Hellenic privatizations fund called in technical advisors and were consulted by the Lufthansa Consulting GmbH (ZeitOnline, 2015). The GmbH is the daughter company of Lufthansa, that is with 8,45% of the shares directly involved in Fraport AG (Fraport, 2016). This indicates a conflict of interests, as the adviser of the negotiation deal is on the payroll of Fraport. Another interesting aspect of the privatization deal comes to light when you look at the other shareholders of Fraport AG. The biggest shareholders of the company are the German federal state Hessen with 31,34% and the city Frankfurt with 20,01%. This means in practice that the biggest part of the profit made in Greek airports ends in the German treasury. This puts a different light on the term “privatization” as used in Greece, because in practice it is more a transfer of the ownership of a state owned company in the hands of another state; in this case the German state. In an interview Christios Spirtzis, Greek’s infrastructure minister argues that deal resembles more a privatization model that would be implemented by a colony, but not by a member of the European Union; while the fourteen most profitable airports get given away, Greece keeps over thirty airports that do not produce profits and that are dependent on subsidies(Schmitt, 2015), while the German state receives a big part of the revenues.
Other foreign corporations interested in Greek state assets are for instance the Chinese state-owned shipping and logistics company China Ocean Shipping Company (COSCO) that intends to buy the shares of Greeks biggest port Piraeus and whose bid of 400 million euro has been unchallenged by other bidders (Reuters, 2016). Finally the deal was sealed and a payment of 280.5 million euro for 51% of the port and a further payment of 88 million euro after five years for additional 16% of the share and after the company has invested

350 million euro, was negotiated. The finalization of the deal resulted in protest of dockworkers and a worker judges the deal: “Why should China be masters of the game at Piraeus and not the Greek state? This is not a concession, it's a giveaway of property belonging to the Greek people” (Koutantou, 2016). For Chinese export the Piraeus port is strategically well situated; it is the nearest harbor in the northern Mediterranean Sea to the Suez Canal and will encourage the Chinese conquest of European markets (Smoltczyk, 2015). Also in the COSCO deal, power over property is transmitted from Greece to foreign actors and countries.

The Chinese company is also interested in the purchase of the Greek railway company TrainOSE (Koutantou, 2016). Three further railway companies from Russia, France and Romania fight with China over the ownership of TrainOSE S.A., the Greek state owned company that maintains the railway transport throughout the country (European Commission – Asset Development Plan, 2015).

While a revenue of 50 billion euro was expected by 2015, only 3,2 billion euro in assets has been sold so far. Political economist Jens Bastian who was involved in the privatization efforts of the Troika, argues that the selloff of state assets in Greece resembles a fire sale, as the assets are currently undervalued through the crisis and would be sold for a portion of their value. He further sees it as a mistake that the Troika set the revenues target at 50 billion without support of Greek politicians, who have never embraced the idea of privatization (Rankin, 2015). Big criticism for Germany’s push that Greece should sell off its water utilities, were raised by activists and NGOs, because it was seen as a further backward step for the country. While Greece should sell its state water companies, there is a trend that municipalities around the world buy back the water service and sanitation companies. Between 2000 and 2014, 180 companies have been re-municipalized, from which 136 cases were in high income countries especially in France and the US (Lobina, 2014). Also Berlin bought back its shares in the local company, shortly before pursing Greece to sell off theirs (Mathiesen, 2015).

Also Yanis Varoufakis has a clear opinion of the privatization during crisis: “It's not very clever to sell off the family jewels in the middle of deflationary crisis... It is wiser to develop state property and increase its value using smart financial resources to strengthen our economy” (Draper, 2015). He argues that the privatization plan is politically toxic as the fund is managed by the Troika; it is financially harmful as most of the revenues are used to repay unsustainable debt and it is economically a failure because it destroys the opportunity for home grown investments (Varoufakis, 2015). This is in line with the

expected results of the privatization. While it strengthens the fiscal budget by providing a sale revenue, it can have severe negative consequences. The claim that privatization increases the efficiency of companies in conducting their services, has not been confirmed by a study focusing on privatized state assets of Spain. Two thirds of the studied cases showed no or negative improvements in the economic performance, only 33% of the cases enhanced its performance (Bosch, 2009). Also on employment and working conditions privatization tends to have a negative effect. An impact study on privatization found privatization generally led to increasing workloads for employees which were merely linked to reduction of the labor force. The study also shows links between privatization, liberalization and increasing inequality between former public sector workers (Hermann, 2009). The transformation of publicly owned assets to private companies also changes the perspective of the company from providing a public service to essentially making profit. Especially for important public services such as education, healthcare and transport profit should not be the primary objective.

While it is too early to draw conclusions about increased about the increasing influence of multi-international companies in Greece due to the lack of scientific studies and due to the fact that the crisis is still ongoing, there are indications that Greece has been subject of a neoliberalization process close to the one described by Naomi Klein. From a shock in form of the debt crisis in the beginning, to ongoing disorientations of the population that fostered the implementation of policies and sale off of public assets that are not in the interest of the people, to appointed technocrats that execute the orders of the Troika rather than challenging it. It can be unmistakably said that Greece is currently under structural economic transformation that has sever implications for the social and political quality of the country and that opens up the periphery country for capital out of core countries such as Germany and France.

Greece as a scapegoat – blaming the victim?

Can Greece during the crisis be considered as a scapegoat? And if yes, a scapegoat of what? A number of people, among them former financial minister Yanis Varoufakis have claimed that Greece has become a scapegoat; others acknowledge that the country is object of punitive measures. The potential reasons why the Greek people must suffer

through austerity as punishment and not merely as an economic instrument to get the

economy running again, are diverse. Some argued that Greece must be punished in order to discipline other member-states of the Eurozone, others insists that Greece has a moral obligation to pay back its debt. Another claim is that Greece became a scapegoat for the mismanagement of the Eurozone, others again want to punish Greece for its white-washing of budget indicators.

The assumption that there are reasons to believe that Greece is subject of scapegoating and punishment can be derived from the fact that Greece holds an unsustainable amount of debt and the imposed reforms will not clear it off. Joseph Stieglitz argues that the austerity measures do not help the Greek economy because it drives Greece further into depression with staggering unemployment, a 25% decline of the GDP since 2008 and plummeting living standards. Those steps do not make sense out of the creditors perspective and certainly not for the Greeks themselves (Stiglitz, 2015). Already in 2012 a leaked confidential report distributed to senior Eurozone officials suggests that the imposed austerity measures lead Greece deep into depression, that it is in risk to not be able to climb out of the debt hole (Strupczewski, 2012). Economist Paul Krugman commented on the debate over the third bailout package:" This goes beyond harsh into pure vindictiveness, complete destruction of national sovereignty, and no hope of relief. It is, presumably, meant to be an offer Greece can't accept; but even so, it's a grotesque betrayal of everything the European project was supposed to stand for" (Carden, 2016). The IMF considers debt that exceeds 120% of the GDP as unsustainable; in 2016 Greece is expected to reach 201% of the debt-deficit. IMF director Christine Lagarde, argues that Greek's debt has become unsustainable and a significant debt relief needs to be provided. Germany, with financial minister Wolfgang Schäuble as the leader of the negotiations with Greece, has yet rejected the proposal to provide further haircuts to Greece (Graham-Harrison, 2015).

Why to continue with harsh austerity when it continues to drive the economy into depression and the payback of, at least the complete, debt has become unrealistic?

I will outline several potential reasons why Greece is the object of punitive measures.

In an article written by Yanis Varoufakis, he claims that there is a plan in Europe "that Greece should be eased out of the Eurozone in order to discipline member-states resisting his [Wolfgang Schäuble's] very specific plan for re-structuring the Eurozone. This is no theory of mine. How do I know Grexit is an important part of Dr. Schäuble's plan for Europe? Because he told me so!" (Varoufakis, 2015) At a negotiation meeting between

Greece and the Troika, Varoufakis asked Schäuble whether he would sign the austerity package agreement if he would be in his shoes; Schäuble replied:" As a patriot, I wouldn't" (Carden, 2016). According to Varoufakis, the Greek exit out of the Eurozone was planned as the beginning of an European restructuring and the creation of a new Eurozone. The Grexit would be stimulated through harsh austerity measures and an unrealistic debt repayment strategy. Varoufakis agrees with the need for an institutional change of the Eurozone in order to manage the current and future crisis, but he disagrees with the changes proposed by Germany's financial minister Schäuble. The plan envisages a European budget commissioner, that can reject national budgets that don't correspond with the rules and the establishment of an Eurozone parliament. This would establish a kind of "United States of Europe", in form of a fiscal and monetary union. Varoufakis argues that those changes are not enough to safeguard the European economy and would undermine the very principles of democracy and sovereignty of nations (Varoufakis, 2015). Schäuble's restructuring of the Eurozone can only be successful if participating countries don't resist against it.

Varoufakis argues that the fate of the profligate Greeks would be a moral lesson for other countries in the Eurozone. A give-in of the Troika in the negotiations would provide an incentive for other countries in crisis, such as Spain, Portugal and Italy to ask for better loan terms as well. Timothy Geithner, former financial minister of the US, agrees with this claim. In his book "Stress Test: Reflections on Financial Crises", he remembers back on a meeting he had with Schäuble in 2012: "a Grexit would be traumatic enough that it would help scare the rest of Europe into giving up more sovereignty to a stronger banking and fiscal union. The argument was that letting Greece burn would make it easier to build a stronger Europe with a more credible firewall" (Geithner, 2014).

In the past year there has been a left-wing trend in government elections in crisis countries. The Greek left-wing party Syriza won the elections beginning of 2015 and party leader Alexis Tsipras became premier minister. In Spain the anti-austerity party Podemos, founded in 2014, is on the run and took around 8% of the votes while the dominant parties lost votes. Portugal, for the first time in its democratic history is run by a socialist PM after the Socialist party, Bloco de Esquerda (left bloc) and the Communist/Green alliance passed a no confidence vote against the newly elected minority right-wing government (Tariq, 2015). The currently strongest party in Italy is Partito Democratico, a left-centered party, followed by the Five Star Movement, that cannot be categorized in the traditional left-right paradigm, but that considers itself as a citizen's movement (Cocozza, 2014).

For the Troika it is already inconvenient to have a left-wing party in power in Greece that opposes the types of policies it is forced to implement. A further left trend in other crisis countries that have received bailout funds and that are object of austerity measures can bring trouble to the Troika. Thus, it is from interest to make sure that those countries do not dare to do what Greece is doing in terms of negotiating, fighting for better loan agreements, not to mention pressing for debt forgiveness. The punishment of Greece through harsh austerity policies, the threat of a Grexit and such, sends a sign to those countries to better stay quiet, repay the debt and eat the medicine of austerity.

An argument that was brought up particularly in Germany is that Greece has a moral obligation to pay back its debt. The IMF argued that the debt has reached an unsustainable level and only debt relief measures can bring a turn in the Greek crisis (IMF, 2015). Wolfgang Schäuble, while admitting that the IMF was right, denied a debt haircut. It would violate EU rules and “would infringe the system of the European Union", he argues(O’Donnell, 2015; Anampa, 2015).

One of the biggest argument that turned not just the negotiators but also the citizens of Germany against a debt reduction, is the talk about the “European taxpayer's money” that is provided to Greece in form of bailouts. Despite the fact that Greece simply cannot pay back all its debt; the impression that taxpayer's money finances the pensions of “greedy Greeks” (Neues Deutschland, 2015), turned many Germans and other European citizens against the rescue of the country. If ordinary citizens have to pay for Greece, a haircut would hurt them as well.

French economist Thomas Picketty reacts on the statement as follows: “When I hear the Germans say that they maintain a very moral stance about debt and strongly believe that debts must be repaid, then I think: what a huge joke! Germany is the country that has never repaid its debts. It has no standing to lecture other nations“(Chibber, 2015).

Two arguments question the validity of Schäuble's stance of denying a haircut and the German moral superiority in this matter. First, Germany received huge debt reliefs in the past from Greece and other countries and secondly Germany and other north European countries benefit enormously from the crisis and cannot be considered to be victims that are being exploited.

Out of a German perspective, it is rather ironic to deny Greece a debt relief. In the past century Germany had started two world wars. After WW I the Weimarer Republic lived off credits provided by the United States, additionally they had to borrow money to pay back required reparation payments captured in the Versailles Treaty. Because of the Wall street

crash in 1929, the US called in its loans and the German economy collapsed. The effects were vastly rising unemployment rates, people were starving and unsatisfied and circumstances were created that facilitated the rise of Adolf Hitler in Germany (History Place, 1996). In 1945 Germany surrendered to the Western Allies and the Soviet Union after leading the world into WW II. The crimes of Germany under Hitler are well-known; from the establishment of the Third Reich, the occupation of Europe to the Holocaust and a war with over 60 million people left dead. Among other countries, Greece was occupied by German forces from 1941 to 1944. German soldiers plundered the country and crashed its economy. The destruction of the Greek infrastructure, industry and agricultural sector resulted in least 300.000 dead Greeks because of famine and malnutrition (Baranowski, 2010); another 200.000 were killed through military activity (Antaios, 2006). The total loss of Greek people is estimated between 7 and 11%. In 1953 after Germany lost WW II, reparations were brought up and in London a debt agreement was negotiated. The negotiation resulted in a 50% debt relief and an extended time to pay back the debt for Germany. Further the debt payments were linked to Germany's exports and ability to pay. Also some of the payments could be postponed until the reunification of Germany (Guinnane, 2015; , Secretary of State for Foreign Affairs, 1953). In 1960 Germany payed 115 million Deutsche Mark to Greece, that insisted that this is only part of the payment required for the war crimes of Germany (Christodoulakis, 2014). Germany's role in Europe today would have been certainly different if the debt forgiveness would have been denied. This was made possible by an agreement which was also signed by Greece.

In 1990, shortly before the reunification of East and West Germany the 'Treaty on the Final Settlement with Respect to Germany' was signed by both German parts and the four powers that occupied Germany. This treaty replaced an official peace treaty. Out of German perspective this treaty drew a line under any further claims for war reparations (Dearden, 2015).

In 2015 the Greek government demanded reparation payments for the crimes in the two world wars. The Greek finance ministry calculated that Germany owns Greece 9.2 billion euro for WW I, 322 billion euro for WW II and 10 billion euro for money that Greece had to borrow to Germany without any interest-rates in 1942 (Connolly, 2015). Germany's vice chancellor Gabriel argued: "The issue of reparations has, for us, been dealt with both from a political and a legal perspective", thereby referencing to the Treaty in 1990 (Rinke, 2015). Thereafter the dispute concerning reparation payments was out of German perspective off the table.

The second argument against the claim that the Greeks are wasting taxpayer's money is that many North-European countries actually have benefited from the crisis, foremost Germany. A study published in 2015 suggests that Germany has saved more than 100 billion euro between 2010 and 2015. Even in the case of a Greek default in 2015, Germany still would have made around 10 billion euro in profits thanks to the crisis. This can be explained through two effects; the safe-haven effect and the monetary policies implemented by the ECB (Dany, 2015).
The safe-haven refers to countries that are perceived as safe locations for investments. While in countries like Greece there is a higher risk that investments cannot be paid back, Germany is seen as a promising country for investments and has the image of a safe debtor. This effect increased through the crisis. Whenever investors hear bad news about Greece, they turn their backs to the country and hurry to Germany and its neighbors to buy its bonds with low interest-rates. Thereby the revenues are lower, but also the risk. Countries such as the Netherlands and France have benefited as well from this effect, but to a lower extent than Germany (RussiaToday, 2015). The second effect arises through the low interest-rates set by the ECB. Thereby Germany needs to pay much less interests on its debt, contributed by high ratings by the rating agencies (ZeitOnline, 2013). The revenues through exports are also increased by the strong competitiveness of the German economy. This was partially stimulated by the poor performance of other Eurozone members, that held the appreciation of the euro down and encouraged exports (Norris, 2011). If Germany benefits from the crisis, it might be in its own interest to keep the crisis going.

In the past years the Greek crisis has dominated the headlines and many have seen it as a synonym for the Eurozone crisis, thereby making Greek the culprit of the crisis.
But is the crisis in the Eurozone the fault of Greece?
„We should not be the scapegoat or the easy excuse that will be used by European and international institutions in order to hide their own lack of competence to manage the crisis,“ Greek former minister of finance Evangelos Venizelos argues in an official statement in 2011 (The Wall Street Journal, 2011). In 1999 already, Paul de Grauwe, professor for international economy, described the Eurozone as a beautiful villa that Europeans were ready to enter. But the villa was missing the roof. As long as it was sunny, everybody wanted to settle in the house but once it rained everybody would regret it (Grauwe, 1999). Once the crisis began, it started to rain. De Grauwe argues that there were design failures in the Eurozone from the beginning on. In the Eurozone monetary

policies are centralized, while the rest of economic policies are in the hand of national governments. Booms and busts of the economy occur at the national level without resulting in a dynamic for the overall Eurozone (Grauwe, 2013).
The single interest-rate imposed by the ECB, intensifies rates of boom and recession of countries. The rate is too low for nations experiencing an upswing and too high for countries in recession, thereby exacerbating the differences between countries and leading to stronger booms and recessions compared to no monetary union. Because of the size of the German economy compared to the rest in the Eurozone, the ECB must give bigger consideration to the conditions there, thereby the comparably slow growth of the Germany economy contributed to low interest-rates.
A single interest-rate also makes it more difficult for lenders to assess the risk of not getting their money back. In the past market signals, such as rising interest-rates and declining exchange rates would warn lenders and the country itself before debt and borrowing becomes unsustainable. This mechanism was abrogated. Further, the low interest-rate and cheap available credit increased the demand for imports, contributing to the trade deficit and a depreciation of the currency was not possible due to the single common currency.
With the entry in the Eurozone countries lost control over their currency and dismissed their central banks. In the past, when debt was due it could be issued in the national currency and guaranteed that money was available to pay back debt, because a country could force its central bank to provide liquidity in times of crisis. In the Eurozone, crisis countries cannot guarantee liquidity thereby investors lose confidence, sell their bonds and move further to safe-haven countries. This phenomenon occurred in countries like Spain, Ireland and Portugal. In order to counteract the liquidity crisis from international institutions, countries borrow money that is bound to conditions and austerity. The cuts in spending and rise in taxes lead the country even further into recession, resulting in less revenues for the state, that thus has to further increase the austerity measures.
A paper that developed a structural-institutional explanation of the Eurozone crisis argues that the Eurozone itself is not an optimal currency area because it consists of Northern and Southern European countries that differ in their model of capitalism. Iversen and Soskice identified institutional differences between Northern and Southern European countries (Iversen, 2013).
In Northern Europe wages in the high-productivity export sector are held relatively low, while in the non-traded sector wages and benefits are kept high. This leads to high international competitiveness and high domestic price levels. In Southern Europe the

opposite occurs, the export sector enjoys high wages while in the non-traded sector, consisting partially of a big informal sector, wages are kept low; thereby domestic prices are kept low and the national's competitiveness is weakened. The authors argue that the Eurozone and its key institutions were built around the Northern model of capitalism (Iversen, 2013).

In order to join the economic and monetary union (EMU), countries had to meet the convergence criteria outlined in the Maastricht treaty. The requirements imposed control on inflation, government debt, debt-deficit and convergence of interest-rates. In terms of debt-deficit, the ratio must not exceed 3% of GDP of the previous year and the ratio of gross government debt to GDP must not cross 60%. Countries that intended to join the EMU were assessed by the European Commission and the European Central Bank (European Commission – The Euro, 2015). While the Treaty was intended to confirm convergence between countries, the competitiveness gap between nations was neglected.

Greece cheated to join the Euro. Greece was lying about its budget numbers.

This or similar expression could be heard in the news after the white-washing of the Greek budget-deficit got broader attention (Blome, n.d.). Greece managed to white-wash its debt-deficit in order to stay below the required 3% and to obscure billions in debt from the overseers in Brussels. The government artificially reduced its deficit with derivatives. In 2001 a legal entity, called Aeolos, helped to reduce the debt on paper. It did so with the help of the big banks Morgan Stanley, EFG Eurobank other banks, that offered cash up front with government payment in the future. Those deals were left off the books as the transactions were classified as sales and not loans and Greece traded away prospective airport fees and in another deal its future lottery revenues (Story, 2010). Also other banks such as Goldman Sachs and Deutsche Bank were involved in complex transactions that lowered the debt-deficit of Greece through the use of currency swaps. Currency swaps are over-the-counter transactions in which two parties can exchange the loans or interest payments of a loan in another currency, thereby interest rates and the debt-ratio can be reduced. Back then, those arrangements were controversial but perfectly legal. Government debt consisted of the liabilities in currency, deposits, securities but excluding financial derivatives. Further, according to former Greek financial minister George Papaconstantinou, Eurostat was informed of those transactions (Chaffin, 2010). The office for European statistics denies that; nevertheless in 2003 the Risk magazine published an article that revealed the currency swaps done by Goldman Sachs. There it states that the Greek financial minister made a public statement in November 2001 concerning Greeks

debt management strategy. In his speech he pledged to reduce the country's debt „by means that included the extensive use of derivatives“ (Dunbar, 2003). Eurostat spokesman Johan Wullt also stated that the statistical office did not need to be informed of those individual deals (Martinuzzi, 2010). While Eurostat might not have been aware of the embellishment of the Greek debt, it certainly was not a well sheltered secret.

Timothy Geithner recalled the reaction of a number of European financial ministers on the revelation that Greeks debt was much higher than expected, that met February 2010 in Canada in the leaked transcript of his book: „...the Europeans came into that meeting basically saying: “We’re going to teach the Greeks a lesson. They are really terrible. They lied to us. They suck and they were profligate and took advantage of the whole basic thing and we’re going to crush them,” was their basic attitude, all of them… “

Greece certainly took advantage, but it took advantage of an accounting flaw made by the European Union. Revelations of Gustavo Piga, former financial minister of Italy, show that the drafting of the section on derivatives in the ESA95 (a manual on government deficit and debt accounting, published by EC and Eurostat) was subject of debates between government statisticians and debt managers. While the debt managers argued that countries need the freedom to use derivatives to adjust deficit ratios, the statisticians promoted to treat derivatives as financial transactions that do not impact interest rates and deficits. The debt managers won the argument which resulted in the flaw (Dunbar, 2003; Piga, 2001).

Also other European countries took advantage of this loophole. For instance, Piga`s research shows that Italy used these kind of calculations in order to enter the Eurozone in 1999.

Another aspect besides the white-washing through creative accounting, is its goal to stay below the required 3% of debt-deficit. Greece was not the only country that exceeded the 3 %. Apart from the other European countries in crisis, such as Ireland, Spain and Portugal that did not met the requirements for years; also strong countries such as Germany, France, (United Kingdom) and even the Netherlands did not manage to keep the debt-deficit low enough. Germany's deficit was slightly too high from 2003 to 2005 and later in 2009 and the following year. France hasn't been below the 3% since 2007 with reaching its peak with 7,2% in 2009 and also Belgium struggles to stay below the guideline (European Commission – Transparency International, 2015). The international outrage on the mismanagement of the national's deficits in those countries seems respectively smaller than in Greece and none of those states have been punished yet.

As shown above, there are a variety of arguments that justify a punishment of Greece, yet

if you look more closely most of these reasoning lose their validity when put in the right context.

What are the possible ways out of the crisis?

Many different economist, journalists and academics have expressed their opinion on how to end the Greek crisis. In contrast to the solution provided by the Troika, that following their orders, paying back debt, implementing harsh austerity and policies that foster a structural adjustment will transform Greece into a competitive nation that can create wealth and welfare for its citizens, Naomi Klein has a different approach. She acknowledges that there is a fear of contagion in the EU, it is the fear that the rebellious attitude of Greeks might swap to other crisis countries such as Spain, Ireland or Cyprus. Klein wants to use that fear; she argues that individual countries have not enough power to stand up against the Troika and their conditions, the crisis countries should oppose the Troika together as a block. The creation of what she calls a debtors' cartel, would increase their negotiating power and might lead to a renegotiation of debt and conditions for the crisis countries (Edmonds, 2013).

Joseph Stiglitz believes that the imposed policies do not work and will lead to "depression without end", increased unemployment and inequality; therefore he argues that Greece is in need of "debt restructuring, better structural reforms and more reasonable primary budget surplus targets" (Stiglitz, 2015). His call for debt relief is supported by IMF director Christine Lagarde, who considers the amount of Greek debt as unsustainable.

Citigroup, a multinational investment banking corporation based in New York City, developed another way out of the crisis. Willem Buiter, the corporation's chief global economist, argues that a never-ending cycle of mutually damaging brinkmanship between Greece and its creditors was created during the crisis. This cycle needs to be broken. According to Citigroup two conditions need to be satisfied; on the one hand the Troika needs to "grant the Greeks their wish to be (or appear to be) masters of their own destiny", on the other hand the creditors exposure must be diminished (Verhage, 2015). A five step plan was created that intends to achieve just that: First, Greek's sovereignty must be restored, in terms that the country can decide on its own over fiscal austerity and structural reforms; any deficit needs to be funded from the market. This move would silence critics that blame the Troika's actions as humiliating and punitive. Further, the debt that the

country owns to the ECB and the IMF needs to be bought back by the European Stability Mechanism (ESM), because it could not be repaid by Greece in the predicable future. The government can declare a moratorium for some (or all) its liabilities and stop debt service until real GDP growth reaches the level before the crisis. The government would be financially on its own as international institutions would not lend money to Greece anymore, yet they should provide some debt relief to the country's official creditors. Based on the ECB's risk management framework, new exposure of the bank to the sovereign debt would decline. Those actions would result in insolvent Greek banks. Greek banks hold a remarkable amount of the sovereign debt and Greek sovereign-guaranteed financial instruments (in total around 43,6 billion euro) and with no perspective for further funding by international institutions the value of those would fall considerably and haircuts offered by the banks would rise. The last step of the plan would involve the restructuring and recapitalizing these banks through the authorities of the ESM, in order to enable their functioning without relying on government-issued collateral. The ESM would then become the main shareholder in Greek banks. It would be prohibited for the banks to provide any loans to the government, further money extractions through taxations as capital levies would be seen as a hostile act. In case of tax increases on Greek banks, the creditors should expedite their claims on the Greek sovereign. This Citigroup plan would make the Greek ruler of their own policies again and would make it possible to rescue Greek banks without rescuing the government. They further promote the establishment of a sovereign debt restructuring mechanism (SDRM) for the Eurozone that would be in charge of analyzing debt sustainability of governments that request ESM funding. The SDRM together with the ESM would create a European Monetary Fund, that they consider as "IMF with teeth". The creation of such a mechanism would compensate some of the weaknesses of having a monetary union (Buiter, 2015).

While the Citigroup plan strives to solve the crisis through financial means, Yanis Varoufakis has a transformation on a bigger scale in mind, his answer on the crisis is the establishment of a social movement in order to bring democracy back to the European decision-making. He calls this movement "Democracy in Europe Movement 2025" (DiEM25). While he acknowledges that the vision of the movement is utopian, he argues that so is the vision of the survival of the European Union under its ant-democratic conditions (Varoufakis, 2016). His call for the creation of the movement arose not just through the failures in solving the debt crisis but also in the need to stabilize the other ongoing crisis in Europe, mainly that of banking, low investment, migration and rising

poverty. Varoufakis argues that the old-fashioned concept of creating a political party in the context of the nation-state, that makes promises that they cannot fulfill once in power, has failed; thus there is a need of a new approach (Varoufakis, 2016). Further, Varoufakis argues that the movement intends to prevent the rise of xenophobia, racism and ultra-nationalism as seen as in Europe in the 1930s after the financial crisis (Jones, 2016). This approach consists of a political movement arising in all European countries in which people across parties can come together and discuss common problems and develop solutions. After his experiences as the Greek finance minister he concluded that there has been in shift in Europe that important decisions are made by institutions such as the ECB, ESM and EC in "democracy-free zones" in Brussels and Frankfurt, that are not answerable to anyone. He was shocked by the disregards of EU officials for democracy that considered that there is no space for democracy in the creation of economic policy. "We were elected to challenge the Troika of creditors and it was at that point the Troika asserted quite clearly that democracy cannot be allowed to change anything", he states (Polychroniou, 2016). During one of the various 10-hour Eurogroup debates, one of the attending finance ministers turned to Varoufakis and said:" Yanis, you must understand that no country can be sovereign today. Especially not a small and bankrupt one like yours"(Varoufakis, 2016). Varoufakis argues that in a federal republic there are mechanisms that enables the people to dissolve the government, in the EU that is not the case, the Europe working groups or the Eurogroup for instance, are bodies that the people cannot get rid of because of the lack of institutional mechanisms that enable that (Raza, 2016).

The "contempt" for democracy of bureaucrats, as Varoufakis describes it, goes in line with the general trust of Europeans in the EU that to some extent seem to be aware of it; in 2015 only 40% of the population had trust in the union, compared to 57% in 2007 (European Commission – Standard Eurobarometer, 2015). In order to pressure democratic processes, the movement demands full transparency in the decision-making in the EU Council, Eurogroup meetings and such, by live-streaming them and by publishing ECB council meeting minutes publicly. Varoufakis argues in an interview that if the bailout negotiations in which he was involved with the Troika would have been filmed and made public, history would have taken another course. He claims that many things have been said by ministers and bureaucrats that would have never been said if the people that put them in power would be able to hear it. For instance, in a conversation with the head of the ECB, German finance minister and head of the IMF, all three confessed that the program imposed through the ultimatum in 2015 would simply not work. If the public would have

known of these confessions the ultimatum could never be imposed. Further demands for transparency focus on the publication of documents crucial for negotiations that affect European citizens future, eq. TTIP documents and a compulsory register for lobbyists. The movement intends to Europeanize the five crisis unfolding in Europe, while at the same time returning the power back from Brussels to national governments and regional levels. Therefore a restructuring of existing institutions is needed. Within two years the movement wants to create a constitutional assembly consisting of representatives elected on trans-national tickets. Thereby the vote is not bound to nationalities and citizens of one country can choose representatives of other nations. According to the manifesto, Europeans have the right to choose the union's future and have the duty to transform Europe into a democracy with a sovereign parliament that respects national self-determinism and shares power with national councils. Thereby the movement wants to bring an end to the role of "unaccountable technocrats, complicit politicians and shadowy institutions" (DiEM25,n.d). The elected constitutional assembly would have the power to establish a democratic constitution that would replace all existing European treaties. The manifesto points out five principles of Europe that seem to be abandoned and yet are significant in the context of the Greek crisis. "Rules should exist to serve Europeans, not the other way round", "currencies should be instruments, not ends-in-themselves"; a single market is only democratic if weaker nations and the environment is protected by democratically chosen powers; democracy is not a luxury good that can be declined to debtors while enjoyed by creditors and democracy is substantial in restricting the destructive drives of capitalism (DiEM25, n.d.). Those forgotten principles would receive new emphasis under DiEM25 in Europe.

The DiEM25 promotes a much needed shift in the structure of the EU from a union that is merely economic to a political one.

Conclusion

In face of the financial crisis that hit Europe and in particular Greece in 2008 this report aimed to spread some light on the transformation of the Greek economy encouraged by the Troika. While the Troika has claimed that following their agenda will restructure the country in order to enable debt repayment and safeguard the well-being of the people, critics have claimed that the Troika's urge for imposing austerity has more underlying

reasons than the ones that have been presented to the public. Therefore an analysis of the Greek crisis based on the work of Naomi Klein was intended to investigate the connection between a created state of shock of the Greek people and the implementation of unwanted neoliberal policies.

While the crisis is not overcome yet and ultimate conclusions regarding this issue should wait, there are a number of indications that suggests that the shock theory is an applicable approach to better understand the Greek crisis. In contrast with many cases brought forth by Klein, Greece has been under neoliberal pressure since its entrance in the European
Community (the former European Union) and not just since the start of the Troika's involvement in the crisis. Yet the analysis of the crisis starting in 2008 shows that the population has been driven to a state, that Naomi Klein would describe as a state of shock. Plummeting living standards, increasing unemployment and reduction of the medical and social sectors through imposed austerity measures, drove many Greeks to a state in which the mere survival and the increasing daily challenges are the foremost tasks and objectives. The low possible level of expected resistance of the population was used to implement policies that do not receive the approval of the majority. The appointment of a technocrat for the office of the premier minister emphasizes the neoliberal tendencies during the crisis, that undermine the popular sovereignty of the nation. The imposed changes in legislations in all parts of the Greek economy and the privatization aspirations, while far from finished, underline the existence of a neoliberalization process. While the two sealed privatization deals resemble a neoliberal trend, they also show differences to this particular economic process. While neoliberalism generally intends to limit the state, in the case of the two mentioned privatizations the purchaser (or tenants) are not private companies, but to a big extent state-owned companies. This process therefore has not only an economic neoliberal dimension, but also a disguised colonial one. The German (and Chinese) government have profited from the conditions created through the crisis; from a state of shock, to the loss of sovereignty through the Troika's conditions, to the implementation of unwanted policies and privatizations many aspects during the Greek crisis resemble Naomi Klein's shock theory.

Out of the claim that the shock theory is applicable to the case of Greece and the fact

that full debt repayment has become unrealistic, questions arose about real underlying motives of Troika for austerity measures; those have been discussed in chapter two. The claim of austerity as punitive measures raised by various people from different fields, led to the suspicion that there are more underlying objectives than the official ones and the ones derived through the shock theory. Many economists and other actors have condemned the measures as punitive and ineffective in achieving the goal of debt repayment. A number of claims have been discussed and the validity of the statements analyzed. The analysis indicates that the underlying reasons for austerity can be various and it is not possible to conclude what the main intentions are, rather we can assume that a variety of underlying intentions have encouraged the austerity measures. The claim of austerity as a moral lesson that presents austerity actions as a way to discipline other Eurogroup crisis member states, increases in signification in face of a drive for a re-constructing of the Eurozone and the claim of the Troika's institutions for sovereignty and authority in Europe. The fact that the anti-austerity party SYRIZA continues to implement the Troika's austerity measures exemplifies the authority of the institutions. The claim of particularly Germany of the existence of a moral obligation to pay back debt can be questioned as European core countries have benefited throughout the crisis and Germany itself had received the biggest debt relief in the past century for events far more severe than being in debt. The assertion of Greece as a lying state that purposely white-washed its budget, can be put in perspective when realizing that most European states did similar measures. Further, the analysis of the claim of Greece as the scapegoat of the European crisis indicates structural design failures and flaws that are institutionalized in the multiple bodies of the Eurozone that facilitated the emerge of such a crisis.

The question of underlying drivers that justify punitive austerity measures led to the question of possible ways out of the crisis. Just as the claims for punishment are various, so are the proposed solutions to handle the Greek crisis. Actors from different fields have expressed their opinions and it is not surprising that the proposed actions go in line with the fields those actors originate from. The investment bank Citigroup, for instance, proposed transformation of the Eurozone in a financial sense, while Naomi Klein highlights the need for the creation for a bloc of crisis countries in order to increase negotiating power. While most solutions are focused on

a certain aspect of Greek crisis, DiEM25 developed the most comprehensive approach that emphasize the loss of democracy in Europe and insists on the need of a restructuring of the European institutions. This goes in line with the claim that Greece is presented as the culprit of the European crisis in order to hide the flaws of the European institutions.

Both, the claims for punishment and the proposed solutions for the crisis are diverse and they are mostly dependent on the perspective the actor has on the crisis. Therefore it would be beneficial to create a forum in which different actors can debate such claims and especially the proposed solutions in a constructive manner. The "Democracy in Europe Movement" aims to achieve that to some extend as it promotes the involvement of all European citizens in the structuring of Europe. While Varoufakis acknowledges that the movement has an utopian vision, it leads to various debates about the future of Europe in general and how to solve and prevent crises such as the one in Greece.

While no final conclusion can be drawn on whether the imposed austerity measures were intended as punitive measures or are the result of technocratic calculation of the Troika that indeed strived for an improvement of the situation in Greece; it can be assumed that the underlying intentions for austerity were diverse and no single claim can be accused of being the main driver after the analysis. That the reforms had a punitive character in its implications because of the numerous negative consequences for the population, that cannot resist those measures, is evident. Further, many indications suggest that the Greek crisis should not be considered notably a national Greek crisis, but rather an European one.
The discussed flaws of the European institutions, the plan of financial minister Schäuble to restructure the Eurozone and the need to keep other crisis countries in line express such a European crisis. The fact that European countries that are better off than the ones in the periphery can benefit through such a crisis raises further questions about institutions about the Eurozone. Further, the possibility of countries to white-wash its budget numbers, while being limited already, signals another weak spot in the management of debt and in the European monetary system.

From economic drivers, social implications and political negotiations, this report touched upon a multiplicity of different topics and issues that are part of the Greek

crisis. Many of these subjects deserve a more in-depth analysis. For instance an analysis of the institutional flaws within the Eurozone and its implications and benefits for European core and periphery countries could form the basis of the construction of a more equal, just and democratic Europe. In terms of privatization more research should be done focusing on the implications of company privatizations in terms of efficiency and welfare of people by differentiating between different economic sectors. Further, a similar analysis based on Klein's shock theory on other crisis countries within the European Union could provide a clearer picture on the neoliberalization process within Europe. Generally more research is needed to fully understand the Greek crisis, as it contains economic, social and cultural aspects on the national as well as on the international level.

References

Alfred, Charlotte. " The Deadly Cost Of Austerity On Greece's Health Care System." Huffington Post, 07.03.2015. Accessed 23.03.2016. http://www.huffingtonpost.com/2015/07/03/deadly-austerity-greece-health_n_7718306.html.

Anampa." Schaeuble: IMF right but debt 'haircut' for Greece is not on the cards." Anampa, 09.07.2015. Accessed 13.04.2016. http://www.amna.gr/english/articleview.php/articleview.php?id=10540.

Antaios, Petros, Panagiotis, Aronis, Manolis Glesos, et.al."Das Schwarzbuch der Besatzung." 2nd edition. Athens: Nationalrat fuer die Entschaedigungsforderungen Griechenlands and Deutschland, 2006. http://www.distomo-griechenland.de/pdf-dateien/mavri_vivlos_katochis.pdf.

Apostolou, Nikolia and Matina Pashali. " Magazine: Greece through the eyes of the homeless." Aljazeera, 17.07.2015. Accessed 23.03.2016. http://www.aljazeera.com/indepth/features/2015/07/magazine-greece-homeless-150712092603300.html.

Balzli, Beat." Greek Debt Crisis: How Goldman Sachs Helped Greece to Mask its True Debt." Spiegel, 08.02.2010. Accessed 24.03.2016. http://www.spiegel.de/international/europe/greek-debt-crisis-how-goldman-sachs-helped-greece-to-mask-its-true-debt-a-676634.html.

Baranowski, Shelley. "*Nazi empire: German colonialism and imperialism from Bismarck to Hitler*." Cambridge University Press, 2011.

BBCNews." Greece admits fudging euro entry ." BBCNews, 15.11.2004. Accessed 24.03.2016. http://news.bbc.co.uk/2/hi/business/4012869.stm.

BBCNews." Greece swears in unity cabinet and PM Lucas Papademos." BBCNews, 11.11.2011. Accessed 24.03.2016. http://www.bbc.com/news/world-europe-15691697.

BBCNews." Greek government austerity measures." BBCNews, 19.10.2011. Accessed 29.03.2016. http://www.bbc.com/news/business-13940431.

Blome, Nikolaus and Nikolaus Harbusch et.al." So frisierten die Griechen ihre Bilanzen." Bild, n.d. Accessed 03.05.2016.http://www.bild.de/politik/wirtschaft/griechenland-krise/so-frisierten-die-griechen-ihre-bilanzen-14474970.bild.html.

Bloomberg. "The European Debt Crisis Visualized." Youtube, 2015. Accessed 24.03.2016. https://www.youtube.com/watch?v=j4_tyEl84IQ.

Boas, Taylor C., and Jordan Gans-Morse. "Neoliberalism: From new liberal philosophy to anti-liberal slogan." *Studies in Comparative International Development* 44, no. 2, 2009: 137-161.

Bosch, Maria Teresa. "The Effects of Privatisation on Companies' Economic Performance: The Spanish Case." Universitat Autònoma de Barcelona*,* 2009. http://webs2002.uab.es/jverges/pdf%20doc%20treb/The%20effects%20of%20privatisation%20on%20the%20economic%20performance.pdf.

Brinded, Lianna." How the Greek financial crisis has made its citizens physically and mentally ill." International Business Times, 27.01.2015. Accessed 29.03.2016. http://www.ibtimes.co.uk/how-greek-financial-crisis-making-citizens-more-physically-mentally-ill-1485386.

Buchanan, Elsa." Why Greece is the only EU country where the minimum wage has decreased since 2008." International Business Times, 26.02.2015. Accessed 29.03.2016. http://www.ibtimes.co.uk/why-greece-only-eu-country-where-minimum-wage-has-decreased-since-2008-1489676.

Buiter, Willem, Ebrahim Rahbari, Tina Fordham et.al." It's Time to Break the never-ending cycle of crises in Greece." CitiGPS, 05.07.2015.Accessed 13.04.2016. https://www.citivelocity.com/citigps/OpArticleDetail.action?recordId=576.

Carden, James." Is a More Democratic Alternative to the EU Possible?." The Nation, 02.05.2016. Accessed 03.05.2016. http://www.thenation.com/article/is-a-more-democratic-alternative-to-the-eu-possible/.

Chibber, Kabir." Thomas Piketty has wise words on German hypocrisy and how to solve the Greek debt crisis." Quartz, 06.06.2015. Accessed 13.04.2016. http://qz.com/445373/thomas-pikettys-wise-words-on-german-hypocrisy-and-how-to-solve-the-greek-debt-crisis/.

Chaffin, Joshua and Kerin Hope. "EU demands details on Greek swaps." Financial Times, 15.02.2010. Accessed 13.04.2016. http://www.ft.com/intl/cms/s/0/cc82f954-1a3f-11df-b4ee00144feab49a.html#axzz3zyv1ANrn.

Chrisafis, Angelique. " Greek debt crisis: 'Of all the damage, healthcare has been hit the worst'." The Guardian,09.07.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/jul/09/greek-debt-crisis-damage-healthcare-hospital-austerity.

Christodoulakis, Nicos. Germany's War Debt to Greece: A Burden Unsettled. Palgrave Macmillan, 2014.

Cocozza, Paula. "European elections: six countries that went left, not right." The Guardian, 26.05.2014. Accessed 13.04.2016. http://www.theguardian.com/politics/shortcuts/2014/may/26/european-elections-six-countries-went-left.

Connolly, Kate and Helena Smith. " German anger over Greek demand for war reparations." The Guardian,12.03.2015. Accessed 24.03.2016.http://www.theguardian.com/world/2015/mar/12/german-anger-over-greek-demand-for-war-reparations.

Dany, Geraldine, Reint E. Gropp, and Gregor von Schweinitz. "Germany's benefit from the Greek crisis." IWH Online 7,2015.

Dearden, Lizzie."Germany rejects Greece's demands for $11 billion of Second World War reparations." Independent, 10.02.2015. Accessed 13.04.2016. http://www.independent.co.uk/news/world/europe/germany-rejects-greeces-demands-for-11-billion-of-second-world-war-reparations-10035837.html.

DiEM25."The EU will be democratised. Or it will disintegrate - Manifesto." DiEM25, n.d. http://diem25.org/wp-content/uploads/2016/02/diem25_english_long.pdf.

Don, Melvin." Greece: How did it get into this mess?." CNN, 07.07.2015. Accessed 24.03.2016.http://edition.cnn.com/2015/07/06/europe/greece-how-did-we-get-here/.

Draper, Lucy."German, Russian and Chinese Companies race to buy up Greek infrastructure." Newsweek, 20.05.2015. Accessed 29.03.2016. http://europe.newsweek.com/german-russian-chinese-companies-race-buy-greek-infrastructure-327554.

Dunbar, Nick. " Revealed: Goldman Sachs' mega-deal for Greece." Risk.net, 01.07.2003. Accessed 13.04.2016. http://www.risk.net/risk-magazine/feature/1498135/revealed-goldman-sachs-mega-deal-greece.

Edmonds, Lynn."Is Greece in shock?." EnetEnglish, 26.04.2013. Accessed 13.04.2016.

http://www.enetenglish.gr/?i=news.en.article&id=766.

European Commission. Directorate-General for Economic and Financial Affair. “ The Economic Adjustment Programme for Greece.“ Occasional Papers 61. Brussels, 2010.http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf.

European Commission. Directorate-General for Economic and Financial Affair. “The Economic Adjustment Programme for Greece Fourth Review – Spring 2011.“ Occasional Papers 82. Brussels, 2011. http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp82_en.pdf.

European Commission. Economic and Financial Affairs." The Euro: Who can join and when?.“ Brussels, 2015. http://ec.europa.eu/economy_finance/euro/adoption/who_can_join/index_en.htm.

European Commission. Eurostat.”General government deficit and surplus – annual data.” Luxembourg, 2015. http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=teina200&plugin=1

European Commission. Hellenic Republic Asset Development Fund." Asset Development Plan July 30th, 2015.“ Brussels, 2015. http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf.

European Commission. Standard Eurobarometer. "Public Opinion in the European Union.“Brussels, 2015. http://ec.europa.eu/public_opinion/archives/eb/eb83/eb83_first_en.pdf.

European Commission. Transparancy International. “ National Integrity System Assessment Greece.“Brussels, 2012.

European Commission."Memorandum of Understanding between the European Commission acting on behalve of the European Stability Mechanism and between the Hellenic Republic and the Bank of Greece.“Brussels, 2015. http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf.

European Commission. “The Puzzle of the Missing Greek Exports.“ Economic Papers 518. Brussels, 2014.

Fraport." Basic Data & Shareholder Structure." Fraport, 2016. Accessed 29.03.2016. http://www.fraport.com/en/investor-relations/the-fraport-share-/basic-data-shareholder-structure.html.

Fraport." Fraport Consortium Wins Tender for 14 Greek Regional Airports." Fraport, 25.11.2014. Accessed 29.03.2016. http://www.fraport.com/en/press-center/reports---publications-/archive/2014/fraport-consortium-wins-tender-for--14-greek-regional-airports-.html.

Friedman, Milton. "Capitalism and freedom." University of Chicago press, 2009.

Geithner, Timothy F. Stress test: reflections on financial crises. Crown, 2014**.**

Ghosh, Palash.“ Greeks Treated as 'Scapegoat' for Eurozone Debt Crisis: Finance Minister.“ Ibtimes, 19.09.2011. Accessed 23.03.2016. http://www.ibtimes.com/greeks-treated-scapegoat-eurozone-debt-crisis-finance-minister-315242.

Goodman, Amy." The Shock Doctrine: Naomi Klein on the Rise of Disaster Capitalism."DemocracyNow!, 17.09.2007. Accessed 29.03.2016. http://www.democracynow.org/2007/9/17/the_shock_doctrine_naomi_klein_on.

Graham-Harrison, Emma. " Greece needs further debt relief after third bailout deal in five years, says IMF chief.“ The Guardian, 16.08. 2015. Accessed 13.04.2016. http://www.theguardian.com/world/2015/aug/15/greece-needs-more-debt-relief-imf-lagarde.

Grajewski, Marcin. “ Greek 2009 deficit revised higher, euro falls.“ Reuters, 22.04.2010. Accessed 24.03.2016. http://www.reuters.com/article/us-eu-deficits-idUSTRE63L1G420100422.

Grauwe, de Paul. "Design Failures in the Eurozone: Can they be fixed?." *LEQS paper* 57,2013.

Grauwe, de Paul. "Risks of a Roofless Euroland." *Time Magazine, January* 11, 1999.

Guinnane, Timothy W. "Financial Vergangenheitsbewältigung: the 1953 London debt agreement." Yale University Economic Growth Center Discussion Paper 880, 2015.

Henley, Jon. “ 'Making us poorer won't save Greece': how pension crisis is hurting its people.“ The

Guardian,17.06.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/jun/17/greece-pension-crisis-people.

Hermann, Christoph and Jörg Flecker." *Privatisation of Public Services and the Impact on Quality, Employment and Productivity (PIQUE) – Final Report* ." Forschungs- und Beratungsstelle Arbeitswelt, Vienna (2009). http://cordis.europa.eu/documents/documentlibrary/122489371EN6.pdf.

History Place."The Rise of Adolf Hitler." History Place, 1996. Accessed 13.04.2016. http://www.historyplace.com/worldwar2/riseofhitler/begins.htm.

IMF. "Greece: An update of IMF staff's preliminary public debt sustainability analysis." IMF country report No. 15/186. Washingtion D.C.2015. https://www.imf.org/external/pubs/ft/scr/2015/cr15186.pdf.

Inman, Phillip. " A decade of overspending: how Greece plunged into economic crisis." The Guardian,03.07.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/jul/03/greece-overspending-defence-wages-taxation-economic-crisis.

Inman, Phillip. " Where did the Greek bailout money go?." The Guardian,29.06.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/jun/29/where-did-the-greek-bailout-money-go.

International Labor Organization. International Labor Office."Global Wage Report 2014/15." Geneva, 2015. http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_324678.pdf.

Iversen, Torben and David Soskice. "A structural-institutional explanation of the eurozone crisis." Unpublished manuscript. Cambridge, MA: Harvard University, Department of Government, 2013.

Jones, Owen and Adam SIch and Alex Healey." Yanis Varoufakis: 'I'd love to give Brussels a bloody nose' – video interview." The Guardian, 15.04.2016. Accessed 04.05.2016. http://www.theguardian.com/commentisfree/video/2016/apr/15/yanis-varoufakis-eu-owen-jones-video-interview.

Klein, Naomi. "Shock Doctrine – The Rise of Disaster Capitalism." New York: Metropolian Books, 2007.

Klein, Naomi, Neil Smith, and Caitlin Patrick. "The shock doctrine: a discussion." Environment and Planning D: Society and Space 26, no. 4, 2008: 582-595.

Lobina, Emanuele, Satoko Kishimoto and Olivier Petitjean."Here to stay: Water remunicipalisation as a global trend." Public Services International Research Unit (PSIRU), Transnational Institute (TNI) and Multinational Observatory, 2014. https://www.tni.org/files/download/heretostay-en.pdf.

Kitsantonis, Niki."Greece to Eliminate 15,000 Government Jobs." NewYork Times, 06.02.2012. Accessed 29.03.2016. http://www.nytimes.com/2012/02/07/business/global/data-show-greeces-debt-ratio-growing-as-economy-shrinks.html.

Koutantou, Angeliki and Brenda Goh." After Piraeus Port, China's COSCO eyes Greek trains to build Europe hub - sources." Reuters, 05.02.2016. Accessed 03.05.2016. http://www.reuters.com/article/greece-china-port-idUSL8N14X17R.

Koutantou, Angeliki. "Workers protest as Greece sells Piraeus Port to China COSCO." Reuters, 08.04.2016. Accessed 03.05.2016. http://uk.reuters.com/article/uk-eurozone-greece-privatisation-china-c-idUKKCN0X50XD.

Magoulios, Giorgos, and Athianos Stergios. "The trade balance of Greece in the euro era." South-Eastern Europe Journal of Economics 2, 2013: 187-216.

Mathiesen, Karl." Germany's hypocrisy over Greece water privatisation." The Guardian,14.08.2015. Accessed 24.03.2016. http://www.theguardian.com/sustainable-business/2015/aug/14/germanys-hypocrisy-over-greece-water-privatisation.

Martinuzzi, Elisa and Garvin Finch." Greece's currency swaps under the legal spotlight." BusinessDay, 17.02.2010. Accessed 13.04.2016. http://www.bdlive.co.za/articles/2010/02/17/greece-s-currency-swaps-under-the-legal-spotlight.

McCombs, Maxwell E. and Donald L. Shaw. "The agenda-setting function of mass media." *Public opinion quarterly* 36.2 (1972): 176-187.

Moss, Bernard H. "The EC's free market agenda and the myth of Social Europe." The Politics of Europe. Palgrave Macmillan UK, 2001: 107-135.

Neues Deutschland." »Bild« stachelt gegen »gierige Griechen« auf." Neues Deutschland, 26.02.2015. Accessed 03.05.2016. https://www.neues-deutschland.de/artikel/963150.bild-stachelt-gegen-gierige-griechen-auf.html.

Norris, Floyd. " Euro Benefits Germany More Than Others in Zone." NewYork Times, 22.04.2011. Accessed 13.04.2016. http://www.nytimes.com/2011/04/23/business/global/23charts.html?_r=0.

O'Donnell, John and Balazs Koranyi. Greece needs debt haircut but we can't help: Germany's Schaeuble." Reuters, 09.07.2015. Accessed 13.04.2016. http://www.reuters.com/article/us-eurozone-greece-debt-schaeuble-idUSKCN0PJ1W120150709.

OECD. "OECD Competition Assessment Reviews: Greece." OECD Publishing, 2014. http://dx.doi.org/10.1787/9789264206090-en.

OECD. " PISA 2012 Results in Focus." OECD Publishing, 2014. http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf.

OECD. " The Programme for International Student Assessment (PISA)." OECD Publishing, 2007. http://www.oecd.org/pisa/pisaproducts/39725224.pdf.

OLME."The consequences of the memoranda policies on education in Greece." Greek Federation of Secondary Educatrion State School Teachers, n.d. Accessed 29.03.2016. http://www.fenprof.pt/Download/FENPROF/SM_Doc/Mid_226/Cat_460/Anexos/intervencao_OLME-Grecia.pdf.

Papathanassopoulos, Stylianos. "European Media views of the Greek crisis." The Media and Financial Crises: Comparative and Historical Perspectives, 2014.

Pendery, David. " Three Top Economists Agree 2009 Worst Financial Crisis Since Great Depression; Risks Increase if Right Steps are Not Taken." Reuters, 27.02.2009. Accessed 24.03.2016. http://www.reuters.com/article/2009/02/27/idUS193520+27-Feb-2009+BW20090227.

Piga, Gustavo. "Derivatives and public debt management." International Securities Market Association (ISMA), 2001.

Polychroniou, C.J." Why Varoufakis' DIEM25 Will Fail to Produce Change in Europe." Greekreporter, 10.02.2016. Accessed 13.04.2016. http://greece.greekreporter.com/2016/02/10/why-varoufakis-diem25-will-fail-to-produce-change-in-europe.

Purcell, Mark, and Mark Purcell. Recapturing democracy: Neoliberalization and the struggle for alternative urban futures. Routledge, 2008.

Quinn, Ben, Phil Maynard and Richard Sprenger." Kostas Vaxevanis: Greeks read the foreign press to find out what's happening in Greece – video." The Guardian, 03.04. 2013. Accessed 24.03.2016. http://www.theguardian.com/commentisfree/video/2013/apr/03/kostas-vaxevanis-greeks-foreign-press-video.

Rankin, Jennifer." The great Greece fire sale." The Guardian,24.07.2015. Accessed 24.03.2016. http://www.theguardian.com/business/2015/jul/24/greek-debt-crisis-great-greece-fire-sale.

Raza, Zain." Yanis Varoufakis: Democratizing the EU & Transnational Corporations." Activism, 05.04.2016. Accessed 03.05.2016.http://www.actvism.org/en/news/yanis-varoufakis-democratizing-the-eu-transnational-corporations/.

Reuters. " After Piraeus Port, China's COSCO eyes Greek trains to build Europe hub - sources." Reuters, 05.02.2016. Accessed 24.03.2016. http://www.reuters.com/article/greece-china-port-idUSL8N14X17R.

Rinke, Andreas and Gernot Heller." Germany dismisses Greek demand for billions in WW2 reparations." Reuters, 07.04.2015. Accessed 13.04.2016. http://www.reuters.com/article/us-eurozone-greece-reparations-germany-idUSKBN0MY1JR20150407.

Roth, Karl Heinz. *Greece: What is to be Done?: a Pamphlet*. New Alresford: John Hunt Publishing, 2013.

RussiaToday." Germany made €100bn profit on Greek crisis – study." Russia Today, 11.08.2015. Accessed

13.04.2016. https://www.rt.com/business/312080-germany-profits-greece-debt/.

Schmitt, Jan, Kim Otto and Frank Konopatzki." Milliarden-Deals mit Griechenland: Wer sind die Profiteure der Privatisierung?. " Das Erste, Monitor, 23.07.2015. Accessed 29.03.2016. http://www1.wdr.de/daserste/monitor/sendungen/milliarden-deals-mit-griechenland-100.html.

Scott."How the Shock Doctrine is being applied to Greece."Scott,26.04.2013. Accessed 29.03.2016. http://www.sott.net/article/291859-How-the-Shock-Doctrine-is-being-applied-to-Greece?utm_source=twitterfeed&utm_medium=twitter.

Secretary of State for Foreign Affairs."Agreement on German External Debts." London, 1953.

Simoes, Alexander. "Greece." Observatory of economic complexity. Visualization, 2016. Accessed 24.03.2016. http://atlas.media.mit.edu/en/profile/country/grc/#Imports.

Smith, Helena. " Greece activates €45bn EU/IMF loans." The Guardian,23.04.2010. Accessed 24.03.2016. http://www.theguardian.com/business/2010/apr/23/greece-activates-eu-imf-loans.

Smith, Helena. " Greece's food crisis: families face going hungry during summer shutdown." The Guardian, 06.08. 2013. Accessed 24.03.2016. http://www.theguardian.com/world/2013/aug/06/greece-food-crisis-summer-austerity.

Smith, Helena. "Lucas Papademos to lead Greece's interim coalition government." The Guardian, 10.11. 2011. Accessed 24.03.2016. http://www.theguardian.com/world/2011/nov/10/lucas-papademos-greece-interim-coalition.

Smith, Helena. "Young, gifted and Greek: Generation G – the world's biggest brain drain." The Guardian,19.01.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/jan/19/young-talented-greek-generation-g-worlds-biggest-brain-drain.

Smoltczyk, Alexander. "One Port, Two Worlds: China Seeks Dominance in Athens Harbor." SpiegelOnline, 09.04.2015. Accessed 03.05.2016. http://www.spiegel.de/international/business/china-seeks-gateway-to-europe-with-greek-port-a-1027458.html.

Spiegel, Peter. "Drahi's ECB management: the leaked Geithner files." Financial Times, 11.11.2014. Accessed 24.03.2016.http://blogs.ft.com/brusselsblog/2014/11/11/draghis-ecb-management-the-leaked-geithner-files/.

Spiegel, Peter. "Greek debt nightmare laid bare." Financial Times, 21.02.2012. Accessed 13.04.2016.http://www.ft.com/intl/cms/s/b5909e86-5c0f-11e1-841c-00144feabdc0,Authorised=false.html?ftcamp=published_links/rss/world_europe/feed//product&_i_location=http%3A%2F%2Fwww.ft.com%2Fintl%2Fcms%2Fs%2F0%2Fb5909e86-5c0f-11e1-841c-00144feabdc0.html%3Fftcamp%3Dpublished_links%2Frss%2Fworld_europe%2Ffeed%2F%2Fproduct&_i_referer=http%3A%2F%2Fwww.greekcrisis.net%2F6c77b5296dfcb240cdcae1c25245cddc&classification=conditional_standard&iab=barrier-app#axzz1mxxmyuQq.

SpiegelOnline." Reform der Euro-Zone: Berlin treibt europäische Schuldenbremse voran." SpiegelOnline, 17.05.2010. Accessed 03.05.2016. http://www.spiegel.de/wirtschaft/soziales/reform-der-euro-zone-berlin-treibt-europaeische-schuldenbremse-voran-a-695183.html.

SpiegelOnline. "Rettungspaket: Internationaler Währungsfonds billigt Kredite für Athen." Spiegel, 09.05.2010. Accessed 24.03.2016. http://www.spiegel.de/wirtschaft/soziales/rettungspaket-internationaler-waehrungsfonds-billigt-kredite-fuer-athen-a-693884.html.

Stiglitz, Joseph." Greece, the Sacrificial Lamb." New York Times, 25.07.2015. Accessed 29.03.2016.http://www.nytimes.com/2015/07/26/opinion/greece-the-sacrificial-lamb.html?_r=0.

Story, Louise and Landon Thomas Jr and Nelson Schwartz." Wall St. Helped to Mask Debt Fueling Europe's Crisis ." New York Times, 13.02.2010. Accessed 13.04.2016. http://www.nytimes.com/2010/02/14/business/global/14debt.html?pagewanted=all&_r=1.

Strupczewski, Jan." Factbox: Details of Greek debt sustainability report." Reuters, 20.02.2012. Accessed 03.05.2016. http://www.reuters.com/article/us-greece-debt-troika-report-idUSTRE81J1CE20120220.

Tariq, Syma. "Portugal senses a chance for change after pro-austerity government is ousted." The Guardian, 11.11.2015. Accessed 13.04.2016. http://www.theguardian.com/world/2015/nov/11/portugal-senses-a-chance-for-change-after-hated-government-is-ousted.

The Economist. ”A national sport no more.” The Economist, 03.11.2012. Accessed 24.03.2016. http://www.economist.com/news/europe/21565657-greek-tax-dodgers-are-being-outed-national-sport-no-more.

The Economist. “In flagrante“ The Economist, 04.09.2012. Accessed 24.03.2016. http://www.economist.com/blogs/freeexchange/2012/09/tax-evasion-greece.

The Guardian. " Germans to run Greek regional airports in first wave of bailout privatisations.“ The Guardian,19.08.2015. Accessed 24.03.2016. http://www.theguardian.com/world/2015/aug/19/germans-to-run-greek-regional-airports-in-first-wave-of-bailout-privatisations.

The Guardian. " Greek farmers and riot police clash in Athens.“ The Guardian,12.02.2016. Accessed 24.03.2016. http://www.theguardian.com/world/2016/feb/12/greek-farmers-and-riot-police-clash-in-athens.

The Wall Street Journal.” Statement of Greek Finance Minister Evangelos Venizelos.” The Wall Street Journal, 18.09.2011. Accessed 13.04.2016. http://blogs.wsj.com/dispatch/2011/09/18/statement-of-greek-finance-minister-evangelos-venizelos/.

TradingEconomics. 2016. Greece Sales Tax Rate | VAT. New York City.: Trading Economics. http://www.tradingeconomics.com/greece/sales-tax-rate.

Varoufakis, Yanis. “CRUSH THE GREEKS! The Greek bailout revisited in the light of the Geithner revelations.“ Yanis Varoufakis: toughts for the post-2008 world, 13.11.2014. Accessed 23.03.2016.http://yanisvaroufakis.eu/2014/11/13/crush-the-greeks-the-greek-bailout-revisited-in-the-light-of-the-geithner-revelations/.

Varoufakis, Yanis. “ DiEM’s first Press Conference – Berlin 9/2/2015.“ Yanis Varoufakis – thought for the post-2008 world, 11.02.2015. Accessed 23.03.2016. http://yanisvaroufakis.eu/2016/02/11/diems-first-press-conference-berlin-922015.

Varoufakis, Yanis. “ Dr Schäuble’s Plan for Europe: Do Europeans approve? – English version of my article in Die Zeit.“ Yanis Varoufakis – thought for the post-2008 world, 17.07.2015. Accessed 23.03.2016. http://yanisvaroufakis.eu/2015/07/17/dr-schaubles-plan-for-europe-do-europeans-approve-english-version-of-my-article-in-die-zeit/.

Varoufakis, Yanis. “Europe’s Greek Moment.“ Jacobin, Issue 5: Phase 2, n.d.

Varoufakis, Yanis. “ Europe’s Vindictive Privatization Plan for Greece.“ Project Syndicate, 20.07.2015. Accessed 23.03.2016. https://www.project-syndicate.org/commentary/greece-privatization-plan-public-assets-by-yanis-varoufakis-2015-07?barrier=true.

Varoufakis, Yanis. “The EU no longer serves the people – democracy demands a new beginning.” The Guardian, 05.02.2016. Accessed 04.05.2016. http://www.theguardian.com/commentisfree/2016/feb/05/eu-no-longer-serves-people-europe-diem25.

Varoukafis, Yanis.” Why we must save the EU.” The Guardian, 05.04.2016. Accessed 03.05.2016. http://www.theguardian.com/world/2016/apr/05/yanis-varoufakis-why-we-must-save-the-eu.

Verhage, Julie.” Citigroup: Here's Our Five-Step Plan to Solve the Greek Crisis.” Bloomberg, 07.07.2015. Accessed 13.04.2016. http://www.bloomberg.com/news/articles/2015-07-07/citigroup-here-s-our-five-step-plan-to-solve-the-greek-crisis.
World Bank. 2016. Data:GDP growth (annual %). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=2.

World Bank. 2016. Data: Unemployment, total (% of total labor force). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?page=1.

World Bank. 2016. Data: Exports of goods and services (% of GDP). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?page=3.

ZeitOnline. “Bund spart wegen Niedrigzinsen mehr als 100 Milliarden Euro.” ZeitOnline, 11.06.2013. Accessed 13.04.2016. http://www.zeit.de/politik/deutschland/2013-06/bund-spart-milliarden-wegen-niedrigzinsen.

ZeitOnline." Griechische Regierung kritisiert Privatisierungsdeal mit Fraport." Die Zeit, 24.07.2015. Accessed 29.03.2016. http://www.zeit.de/wirtschaft/2015-07/griechenland-privatisierung-fraport-kritik.

Graph references:

Graph 1:
World Bank. 2016. Data:GDP growth (annual %). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=2.

Graph 2:
World Bank. 2016. Data: Unemployment, total (% of total labor force). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?page=1.

World Bank. 2016. Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate). Washington, D.C.: The World Bank. http://data.worldbank.org/indicator/SL.UEM.1524.ZS.