

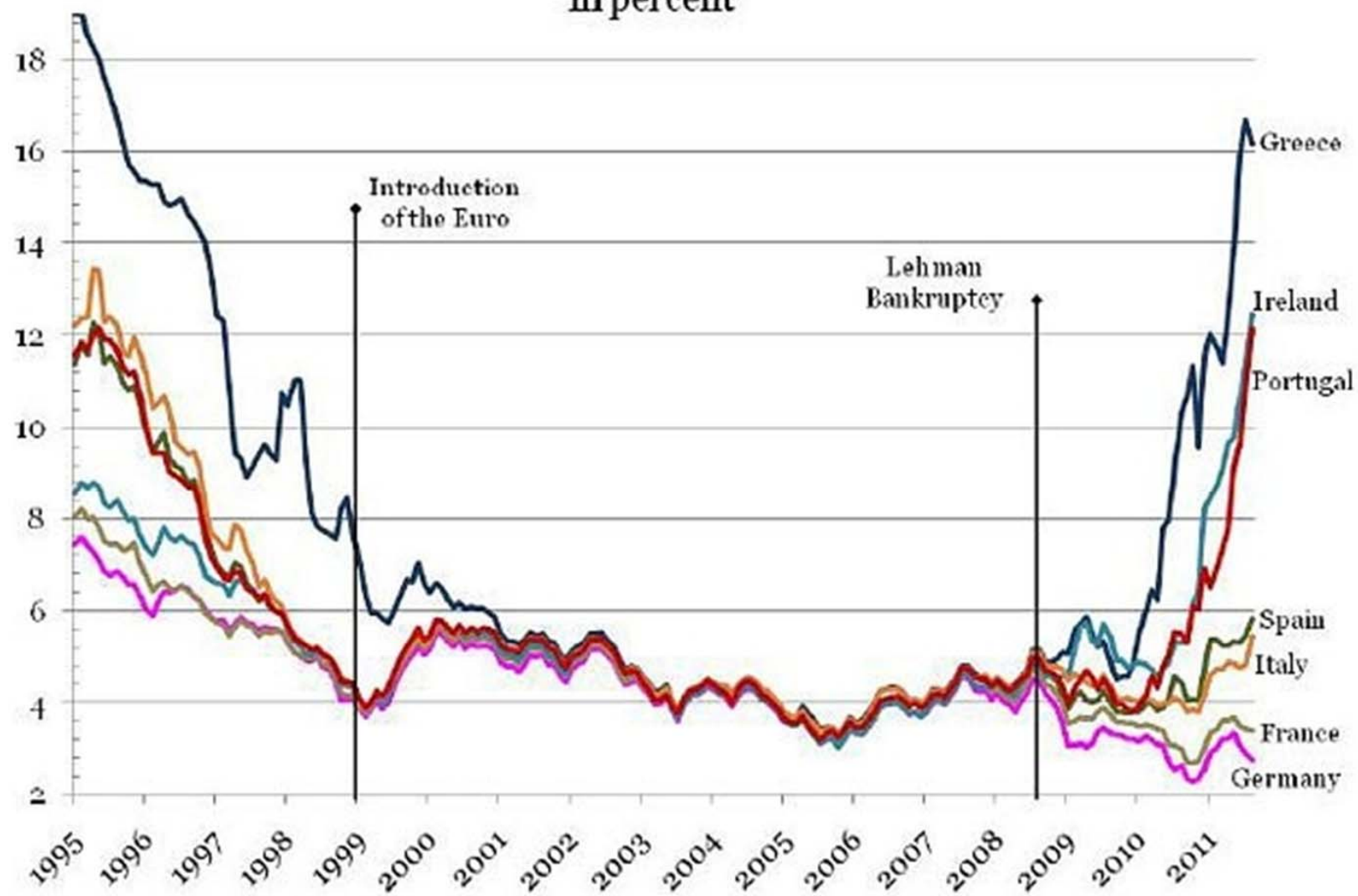
The Greek crisis, 2002-2015

Professor Harry Papasotiriou

1 January 2002 – circulation of the euro



Interest Rates on 10-Year Government Bonds In percent

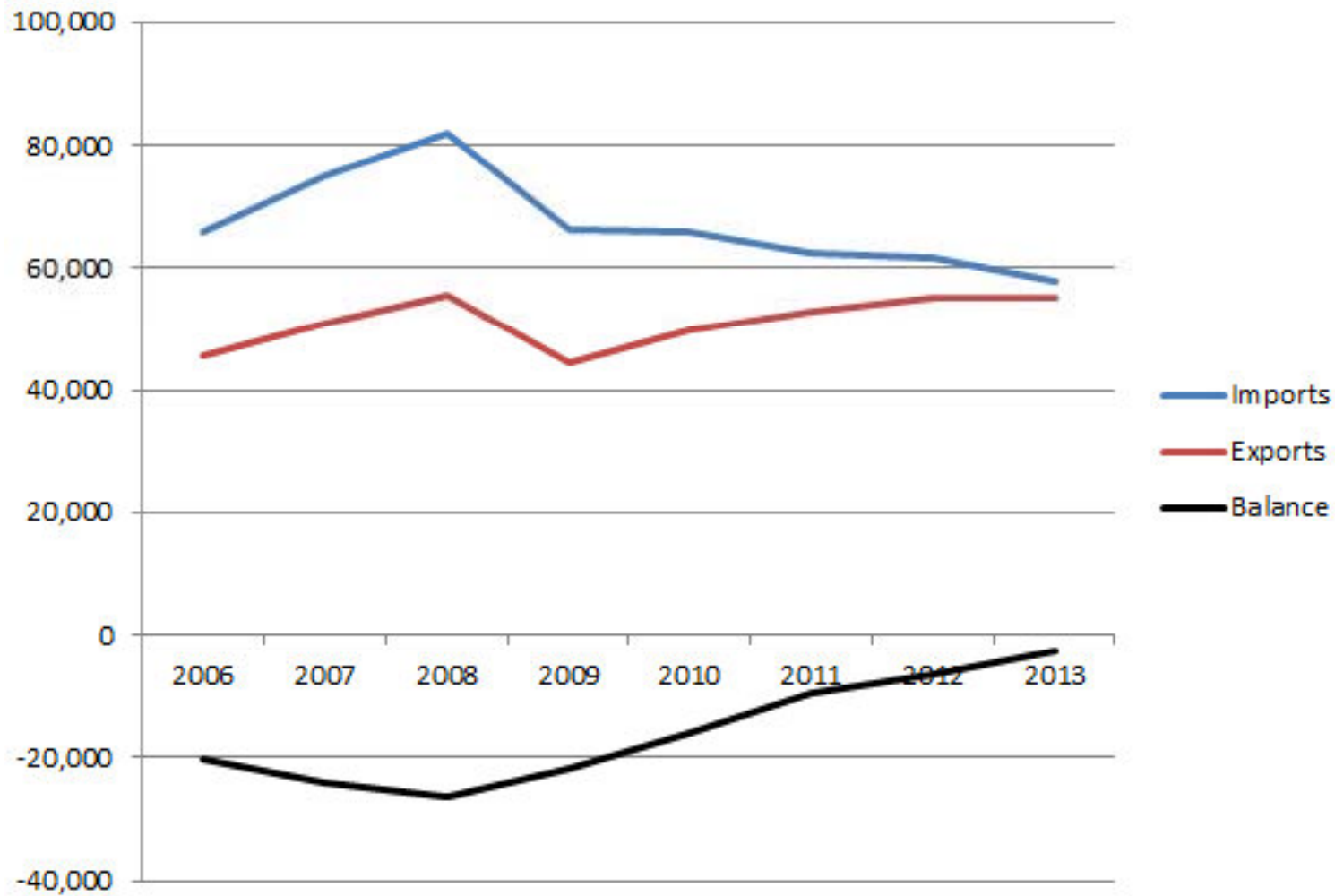


Greece - GDP : Annual Change



Source Datastream, Natixis AM; <http://philippewaechter.nam.natixis.com>

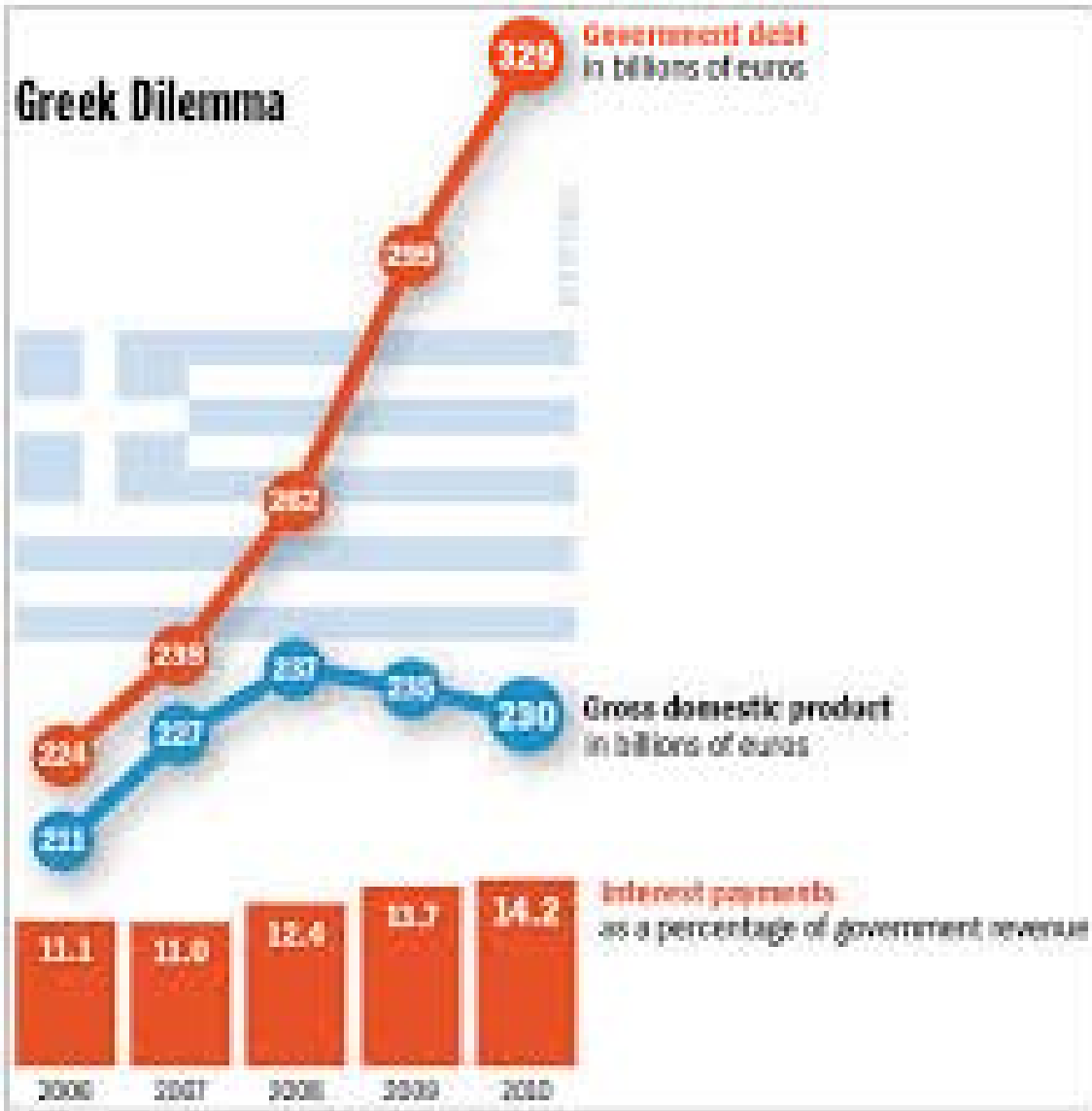
Greek current account, € millions



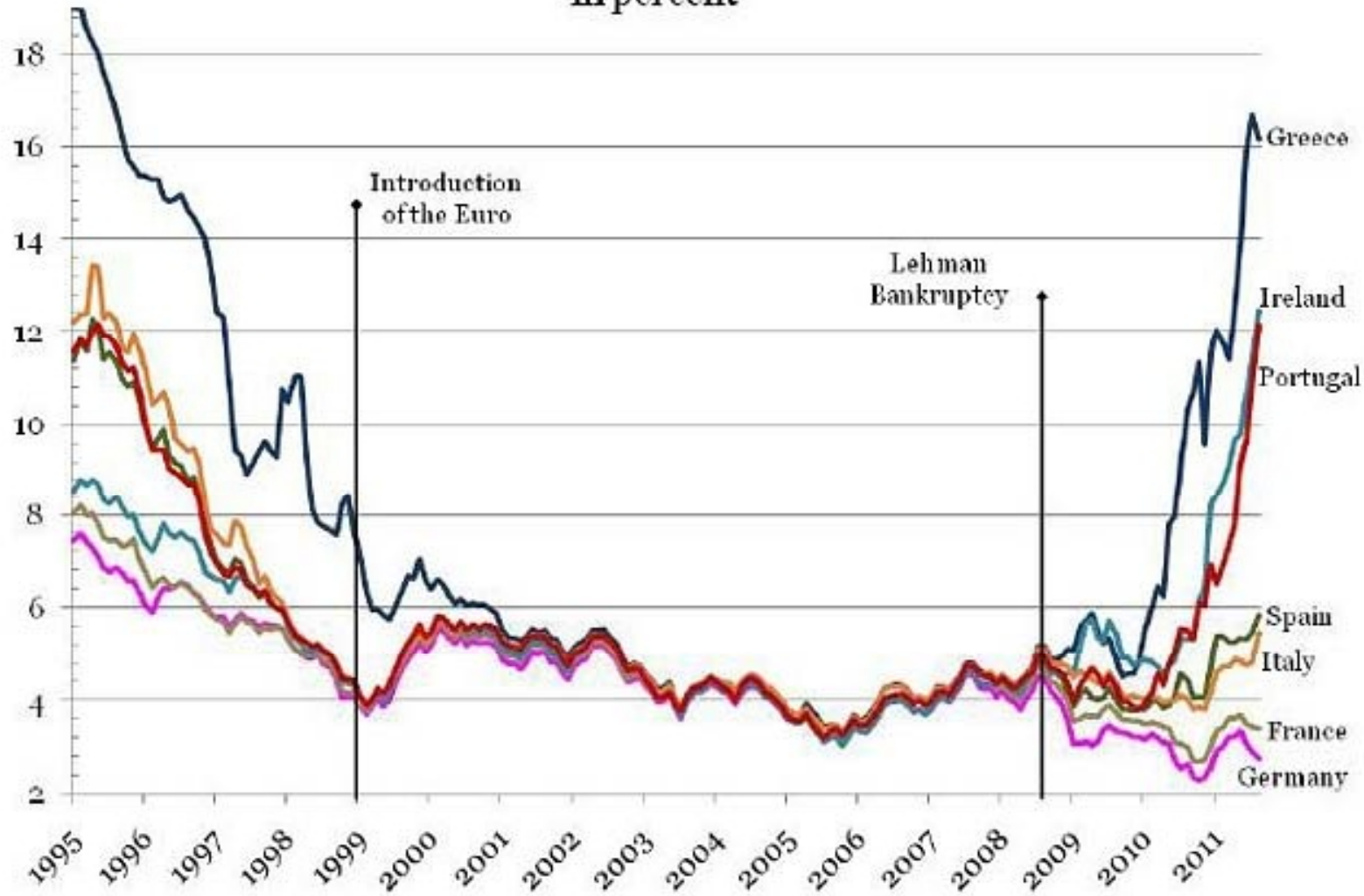
Greece: Debt over GDP Ratio

Source: European Commission, IMF

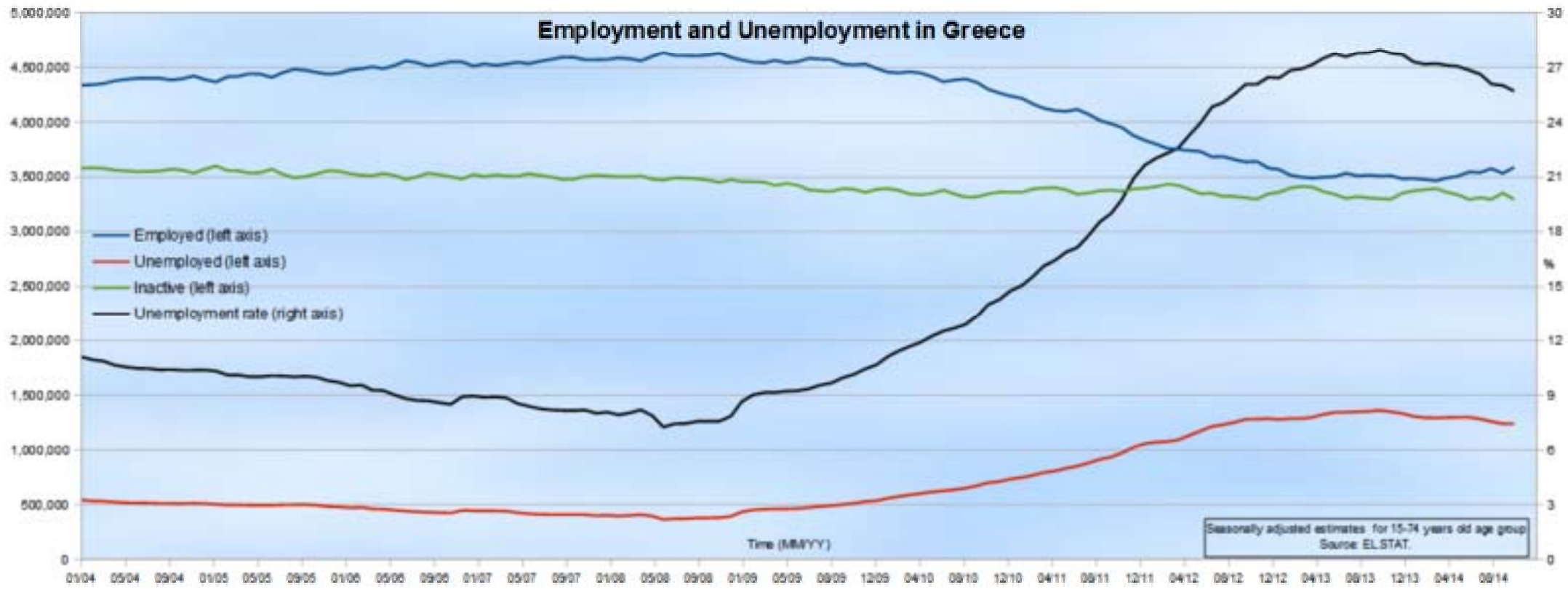




Interest Rates on 10-Year Government Bonds In percent

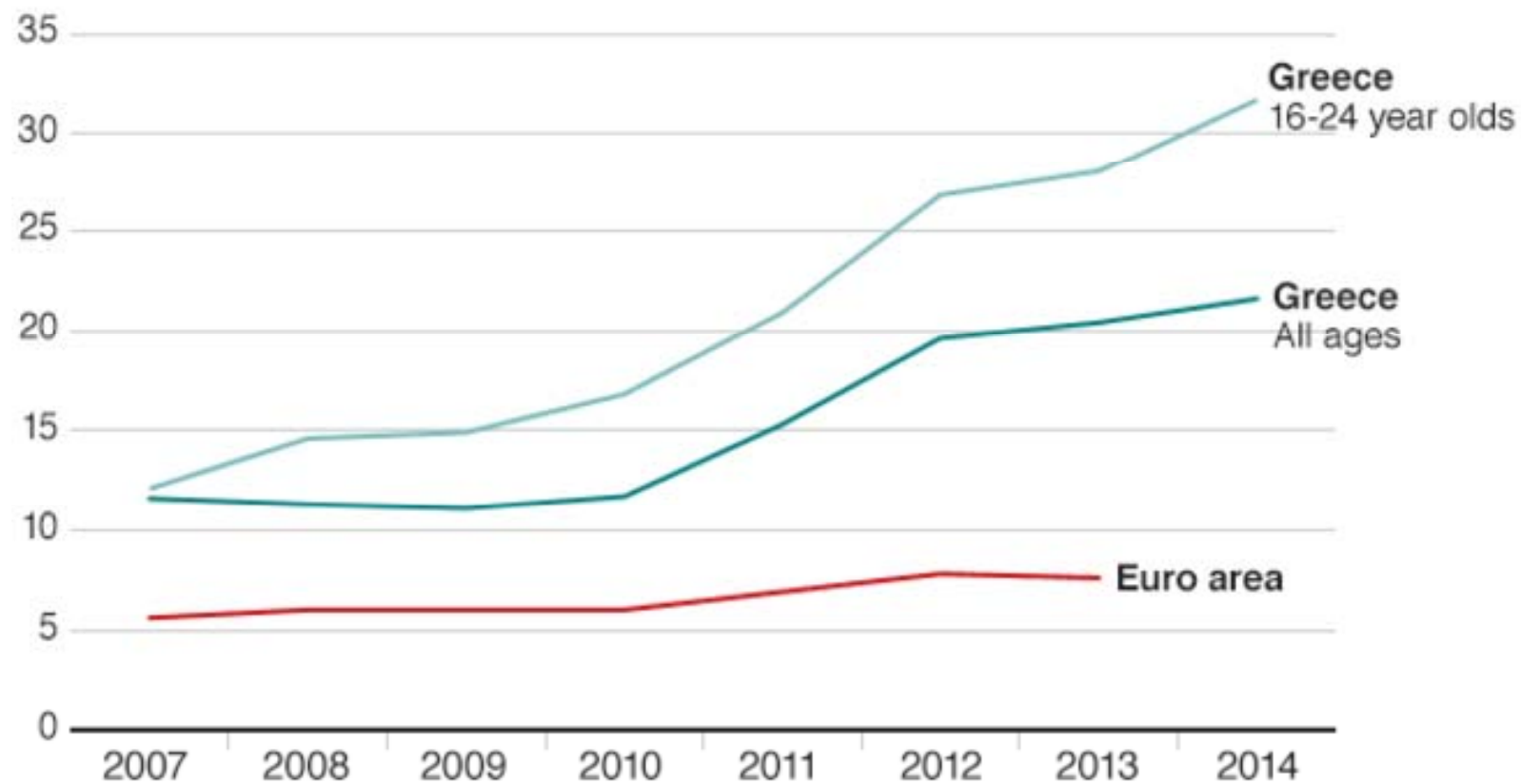


Employment and Unemployment in Greece



People experiencing severe deprivation

% of population



Note: the material deprivation rate tracks the proportion of people living in households that cannot afford at least four of nine common items

Source: Eurostat

Greek migration

Migrants per 1000 people



Note: The figure is calculated as the difference between the total change and the natural change of the population

Source: Eurostat

Memoranda I and II

Low interest loans of 110 billion euros and 130 billion euros respectively

Two conditions:

- 1. Fiscal – cut spending and increase taxes
 - The Greek governments refused to fire public sector employees
 - Burden on horizontal pensions and public sector salary cuts plus tax increases
- 2. Competitiveness – structural reforms
 - Privatizations and selling public property (Ellinikon) – few successes
 - Freeing markets – reforms were frequently undone subsequently
 - Civil service reform
 - independent revenue service – not done
 - End of patronage – not done

Results of memoranda I and II

- Limited reforms
- Small growth in 2014 after 5 years of recession
- Better growth prospects for 2015

The rise of Syriza in May 2014 and January 2015

Euroelections in May 2014

- In Greece – Syriza victory
 - Samaras ends reform effort and makes a populist turn
 - He decides to bring forward the presidential election to December
 - In effect he passes the poison pill to Tsipras
 - Syriza makes the gamble, no president is elected
 - Presidential elections require a super-majority

Parliamentary elections in January 2015

- Formation of Syriza-Anel government



WHEN CAN WE EXPECT A RESULT IN THE GREEK DEBT NEGOTIATIONS WITH EUROPE?

SOON, I THINK...

HE'LL FOLD ANY SECOND...

TSIPRAS

K&L

eece's

Geopolitics

- Two Tsipras visits to Moscow
- Turkish/Greek Stream
- China



Referendum and capital controls

- The referendum polarized Greek society in unproductive ways
 - The yes supporters wanted Greece to remain in the euro
 - The no supporters wanted an end to austerity
 - Overall a significant majority wanted to remain in the euro
- Capital controls
 - Legal – a continuation of ECB assistance to Greek banks after 30 June would have been of questionable legality
 - A small foretaste of what a grexit would look like

The Tsipras U-turn

- Evening of referendum on 5 July – Tsipras declared that the no vote was about bargaining within the euro
- Monday 6 July – resignation of Varoufakis
- Monday 13 July – new agreement
 - It passed the Greek and German parliaments