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A LINGUISTIC APPROACH TO THE SEVERITY OF THE GREEK FINANCIAL CRISIS

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ABSTRACT

The Greek financial crisis has been one of the most severe in the developed world since 1929. The causes of the crisis predated the global financial crisis of 2008, but came to the forefront with particular intensity. The crisis in Greece, is economic, fiscal and social. Back in 2001 it was expected that Greece's inclusion in the core of European economies would act as a catalyst to accelerate its real convergence with the advanced European countries. Unfortunately, these expectations did not materialize. In the years that followed, economic growth relied mainly on consumption rather than on saving and investment, while any attempts to change long-established structures met with strong reactions. Public spending kept increasing, while revenue could not possibly keep pace, leading to large deficits and historically high levels of public debt, despite the unprecedented low interest rates. The country enjoyed the benefits of the single currency, but failed to show that it respected the obligations arising from participation in the monetary union. The economic and social costs have been and remain heavy. The citizens' sacrifices have been and remain very painful. The austerity measures have negative impact on investment, industrial production, exports, wages, employment, health, education, pensions, social benefits, labour market, etc. Greece continues to face serious economic challenges despite the adjustment programs, which proved insufficient to exit the crisis.

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1. Introduction

In June 2000 the European Council decided that Greece, on the basis of macroeconomic and fiscal data for 1999, had met the criteria of the Maastricht Treaty and, as a result, was accepted as the 12th member of the Economic and Monetary Union (EMU) of the European Union. This decision came after a six-year period (1994-1999) in which the pursued economic policy had managed to gradually advance nominal convergence, although neither macroeconomic imbalances had been lifted on a sustainable basis nor structural problems had been radically addressed. **{1}**

The European commission welcomed the Greek application as a boost for the fragile euro, which has been shunned by investors in favour of the dollar. An enlarged euro area would be positive both for the Eurozone area and for the countries joining.**{2}**

Greece adopted the Euro on January 1, 2001 and on January 1, 2002 officially introduced the Euro banknotes and coins as legal tender. June 30, 2002 was the last day for changing old currency to Euro at any bank. Thereafter, old currency could be exchanged at national central banks and some specially designated banks. The irrevocable conversion rate for the Euro for the individual currency of Greece was 1 EUR= 340,750 GRD. **{3}**

With the entry of Greece into the euro area, the Bank of Greece became part of the Eurosystem, having participated, along with all the other national central banks of the EU Member States, in the European System of Central Banks (ESCB) since the latter's inception in June 1998. The primary objective of the Bank of Greece, and of all the other central banks of the Eurosystem, was to ensure price stability in the medium term. **{1}**

In 2007, the global financial markets were hit by a 'black swan event', an event so unlikely to occur that it surprised policy makers as much as most economists.

The bursting of the housing bubble in the United States and its domino effect on global financial institutions after years of deregulation contributed to a rapid

decline in international trade, credit availability and market confidence. The global recession intensity and symptoms varied cross-nationally, but for many countries involved a slowing down of their economic activity, an inability to finance budget deficits, and huge social costs in terms of rising unemployment and relative deprivation levels. In the Eurozone, the global economic downturn manifested in 'three interlocking crises'. First, there was a banking crisis, with major Euro-area banks experiencing a capital shortfall, as well as liquidity and solvency problems. Second, there was a sovereign debt crisis, with a number of Central and Eastern European countries, but also Greece, Ireland, Italy, Portugal and Spain facing rising bond yields and struggling to independently repay or refinance pre-existing and mounting government debts. Third, there was a competitiveness crisis, with slowing and unequal growth among Eurozone members, which exacerbated the burden on the indebted nations.

Greece found itself at the epicentre of this global crisis. Following a decade of fast economic growth (about 4% on average from 2000–2008) and notable achievements, such as the hosting of the 2004 Olympic Games, Greece was the first and most severely hit member of the Eurozone. A number of long-standing structural problems, such as its large, outdated and inefficient public sector, widespread corruption and systemic resistance to reforms from organized interest groups, had made Greece particularly exposed to the wrath of the global economic downturn. **{4}**

The Greek crisis is one of the worst in history, even in the context of recorded 'trifecta' crises and particularly severe. For its sheer intensity and duration, the Greek crisis is quite unprecedented. **{5}**

The aim of this thesis is to create a brief overview of the impact of the economic crisis in Greece that occurred in the late 2009, early 2010. Moreover, it is to examine the causes that led the country to the present situation, the consequences that austerity measures brought in Greece and to describe and analyze the effects of the crisis on the Greek society.

This dissertation deals with the severity of Greek financial crisis and is divided into four chapters.

In the first chapter is presented an Overview of the Greek crisis, is explained why the default was the largest in world history and is given briefly the chronicle of the economic crisis.

The second chapter analyzes the causes which led to the present recession and how deep was its roots. The third chapter is given briefly the main stages of life of an economic crisis and what it can cause. In the fourth and last chapter are analyzed the effects that the financial crisis brought in Greek society.

2. An Overview of the Greek crisis

Greece became the first OECD member country to default on its sovereign debt, and that default was the largest in world history.

The global financial crisis that began in 2007 found Greece in a highly vulnerable position. As of 2007, Greece's current account deficit had reached 15.9% of (Gross Domestic Product) GDP, NFA stood at -99.9%, government deficit at 6.5%, and government debt at 103.1%. Greece's banking system was also vulnerable. While the ratio of private-sector loans to GDP in Greece was lower than in other European countries, the exposure of Greek banks to their sovereign was larger than in those countries.

Greece was hit by three interdependent shocks during the crisis. The first shock was a sovereign debt crisis: investors began to perceive the debt of the Greek government as unsustainable, and were no longer willing to finance the government deficit. The second shock was a banking crisis: Greek banks had difficulty financing themselves, and their solvency was put in doubt because of projected losses to the value of their assets. The third shock was a sudden stop: foreign investors were no longer willing to lend to Greece as a whole (government, banks, and firms), and so the country could not finance its current account deficit.

The three shocks were interlinked. The banking crisis made the government's fiscal problems worse. This was because the government had to inject equity capital into the banks, and had to provide them with guarantees so that they could borrow in the interbank market. Moreover, because banks had to curtail their lending, the economy slowed down and the government's tax revenues declined. These channels were at play starting from the Fall of 2008, when Greek banks faced significant

difficulties financing themselves in the interbank market. The Greek government passed a law in December 2008 that provided support to the banks, in the form of guarantees and equity capital.

Conversely, the sovereign crisis made the banks' liquidity and solvency problems worse. This was because concerns about default risk by the Greek government reduced the value of the Greek banks' government-bond portfolio, and this put the banks' solvency in doubt. Moreover, the government had to engage in significant fiscal tightening, and the ensuing recession meant that firms and households had difficulty repaying their loans, adding to the banks' solvency problems. Finally, the guarantees given by the government to Greek banks diminished in value.

Both the sovereign and the banking crises were closely linked to the sudden stop. Indeed, most of government debt was held by foreign investors: out of government debt equal to 103.1% of GDP in 2007, the debt held by foreign investors was 76.1% of GDP. Greek financial firms had also significant foreign debt: their gross external debt was 41.8% of GDP in 2007. Since the Greek government and Greek banks intermediated most of the flow of foreign capital to Greece, the withdrawal of foreign capital meant that both sectors' access to funds was seriously impaired.

In 2010, Greece agreed to follow an adjustment program financed and monitored by European Institutions and the International Monetary Fund (IMF). **{5}** On May 8, 2010 approved the "Loan Facility" ("Loan Facility Agreement") by the countries of the Euro and the "Settlement Funding Immediate Readiness" ("Stand-by Agreement") by the IMF. All these agreements are often called for short 'Memorandum'. Then group formed of representatives of the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF), also known as 'Troika', which evaluates quarterly the progress of the implementation of the terms of the Memorandums and decide on the disbursement of the relevant loan installment. **{6}**

Austerity measures required Greece to increase the VAT tax and the corporate tax rate. It must close tax loopholes and reduce evasion. It should reduce incentives for early retirement. It had to raise worker contributions to the pension system. A significant change was the privatization of many Greek businesses, including electricity transmission. EU leaders and bond rating agencies wanted to make sure

Greece wouldn't use the new debt to pay off the old. The loan only gave Greece enough money to pay interest on its existing debt and keep banks capitalized. The austerity measures further slowed the Greek economy. That reduced the tax revenues needed to repay the debt. Unemployment rose to 25% and riots erupted in the streets. The political system was in an upheaval. **{7}**

Under the terms of the agreement, Greece received a loan so as to avoid a default on its private creditors and reduce its government deficit more smoothly. In exchange, it had to engage in significant fiscal tightening and implement a battery of structural reforms. The agreed loan amount was 110bn Euros or 44% of Greece's 2010 GDP. Out of that amount, 80bn came from other EZ countries and the remaining 30bn from the IMF. **{5}**

In 2011, the European Financial Stability Facility added 190bn Euros to the bailout. Despite the name change, that money also came from EU countries.

By 2012**,** Greece's debt-to-GDP ratio had risen to 175%, almost three times the EU's limit of 60%. Bondholders finally agreed to a haircut, exchanging $77bn in bonds for debt worth 75% less. **{7}**

The deteriorating economy is reflected in more and more cases of malnutrition issues presented in schools. In late January 2012 the Ministry of Education announced a soup kitchens for students to address the problem. The new measures accompanying the memorandum approved by the Government on 10 February 2012 included the following: a) 22% reduction in the minimum wage at all echelons of the basic salary (from 751 € to 586 €) and 32% of new entrants to 25 years. b) Remove 150,000 jobs in the public sector by 2015, of which 15,000 in 2012. c) Individual or business contracts rather than sectoral. Eliminate tenure in SOEs and state-controlled banks. d) Cuts pensions, benefits, health spending, defense and state functions. Elimination of social housing and Housing. e) Objective values increase and consolidation of real estate taxes. f) Full opening 20 closed professions. g) Increase travel on public transport and in the CIU 25%. h) Closing 200 tax offices, removing exemptions and low VAT on islands. The new measures of the second memorandum led to the resignation of the government. **{6}**

In March 2012, Greece agreed a debt restructuring with its private creditors. Under the terms of this Private Sector Involvement (PSI), government debt with face

value 199.2bn Euros was replaced by debt with face value 92.1bn. Greece was the only EZ country to default on its creditors.

The risk of Grexit was high around the double election of May and June 2012, and during the first half of 2015 after a new Greek government opposed to the adjustment programs had been elected in January 2015.

Greek banks went through a series of recapitalizations. Losses on the banks' government-bond portfolio reduced the capital of all banks and rendered most of the large ones insolvent. Some of the banks were resolved, and their deposits and some of the loans were transferred to the four largest banks. The latter were recapitalized. The resolution and recapitalization process was completed in July 2013. That first, large-scale recapitalization was followed by a second in April and May 2014. **{5}**

On June 27, 2015, the Greek Prime Minister announced a referendum on austerity measures. He promised that a "no" vote would give Greece more leverage to negotiate a 30% debt relief with the EU. On June 30, 2015, Greece missed its scheduled 1.55bn Euros payment. Both sides called it a delay, not an official default. On July 6, Greek voters said "no" in the referendum. Greece sustained extensive economic damage during the two weeks surrounding the vote. Banks closed and restricted ATM withdrawals to 60 Euros per day. **{7}**

A third recapitalization took place in the fourth quarter of 2015. Greek GDP per capita declined sharply during the crisis. The decline in GDP was accompanied by a large decline in investment. The austerity undergone by Greece during the crisis was more severe than in the other countries. A third program began in August 2015. **{5}**

In March 2016, the Bank of Greece predicted the economy would return to growth by the summer. But the Greek banks were still losing money. On June 17, the EU's European Stability Mechanism disbursed 7.5bn Euros to Greece. It planned to use the funds to pay interest on its debt. Greece continued with austerity measures. It has passed legislation to modernize the pension and income tax systems. It would privatize more companies, and sell off nonperforming loans.

In May 2017, the Greek Prime Minister agreed to cut pensions and broaden the tax base. In return, the EU loaned him another 86bn Euros. That allowed Greece to make payments on its existing debt. The Greek Prime Minister hoped that his conciliatory tone would help him reduce the 293.2bn Euros in outstanding debt. But the German government wouldn't concede much before the September presidential

elections. In July, Greece was able to issue bonds again and planned to swap notes issued in the restructuring with the new notes as a move to regain investors' trust.

On January 15, 2018, the Greek parliament agreed on new austerity measures. It needed to qualify for the next round of bailout payments. It helped banks reduce bad debt, opened up the energy and pharmacy markets, and recalculated child benefits. On January 22, the Eurozone finance ministers were expected to approve 6bn to 7bn Euros.

The bailout program is scheduled to end in August, 2018. Greece's unemployment rate has fallen to 20% from more than 25% in 2013. Its economy grew 2,5%, compared to an almost 10% contraction in 2011. It expects to repay at least 75% of its debt by 2060. Until then, European creditors will supervise adherence to austerity measures. **{7}**

3. The causes of the debt crisis in Greece

The current sovereign debt crisis has deep roots. The period after 1974 was a period of high borrowing for Greece resulting in the rapid expansion of debt. Between 1980 and 1993, the debt soared from 28.6% to 111.6% of GDP. The deficit for the same period was also high. After 1993, the economy went into a smoother path in order to meet the convergence criteria of the Maastricht Treaty. Thanks to the achievement of higher growth and privatization, the debt began to decrease slightly as a percentage of GDP and the deficit fell by 1999 to below 3%, resulting in allowing Greece to join the EMU.

It was later revealed that the relatively high level of performance presented during this period was due to hidden defects and loans, a practice called creative accounting, the implementation of which helped the investment bank Goldman Sachs.**{6}**

The EU imposed no sanctions. Why not? There were three reasons. France and Germany were also spending above the limit at the time. They'd be hypocritical to

sanction Greece until they imposed their own austerity measures first. There was uncertainty on exactly what sanctions to apply. They could expel Greece, but that would be disruptive and weaken the euro. The EU wanted to strengthen the power of the euro in international currency markets. A strong euro would convince other EU countries, like the UK, Denmark, and Sweden, to adopt the euro. **{7}**

After the introduction of the euro in January 2001, the devaluation tool disappeared. Entering the Eurozone was a further problem when suddenly goods that where costing let's say 100 drachmas went up to 1 euro (300 drachmas), while there wasn't a corresponding increase in salaries.

The Greek economy, however, was one of the fastest growing in the Eurozone from 2000 to 2007. During that period, it grew at an annual rate of 4.2%, as foreign capital was flowing into the country. Despite this, the country continued to record high budget deficits each year. **{6}**

The inclusion of Greece into the European Union has had a damaging effect of the Greek rural economy. Of course, there were (and are) EU subsidies to Greece but many of the conditions set by the European Community regarding exports of many products have had a negative impact on the Greek producer.**{8}**

The long period with high yearly budget deficits caused a situation where, from 1993, the debt-to-GDP ratio was continuously found to be in the unhealthy territory of above 94%. In 2004 a huge amount of Greece's debt arises from the expenses incurred by the Olympic Games, where Greece spent bns in the development of infrastructure to meet the requirements of this event (including stadiums, bridges, highways, subways, airport etc). In autumn 2004, the Greek Finance Minister conducted economic census under pressure by Eurostat. The census revealed the country's previously concealed government spending leading to upward revision of the public budget deficits in the previous years. This led to the country's loss of credibility and to a three year surveillance period by the EU. In the same year, the Eurostat revised the Greek public budget for the preceding years, which showed that Greece had never met the Maastricht convergence criteria and even after the critical year of 1999 it still had a deficit of over 3%. Another consistent problem Greece has suffered from in recent decades, was and is the government's tax income.

Problems however started to surface when the global financial crisis peaked, with negative repercussions hitting all national economies in September 2008. Greece

was not the exception. The global financial crisis had a particularly significant negative impact on GDP growth rates in Greece. The global economic crisis combined with budget deficits of the country and the constant borrowing, resulted in the collapse of the Greek economy. The situation became unsustainable (causing the capital markets to freeze in April 2010), as the downturn had caused the debt level rapidly to grow above the maximum sustainable level for Greece (defined by IMF economists to be 120%). 20% of total debt was created in 2008-2009.

The Greek economy has derailed and both deficit and debt began to grow rapidly. On 3 May 2010, Greece requested 80bn€ from the rest (15) countries of the Euro and 30bn€ by the International Monetary Fund (IMF). The request came 3 attached memorandums:

1. "Memorandum of Economic and Financial Policies" (MEFP)
2. "Technical Memorandum of Understanding" (DMS) and
3. "Memorandum of Understanding on Specific Economic Policy Conditions" (SPOP). **{6}**

In conclusion, the root-causes of the Greek sovereign debt crisis were:

- -Continuous deficits for the last 36 years
- -High and rising public debt
- -No systematic efforts to control expenditure or contain tax evasion
- -The three fiscal consolidations (1986-1987, 1994-1999 and 2005-2006) were not sustainable
- -Continuous worsening of competitiveness after EMU entry
- -Greece entered EMU without adequate preparation and fell into both traps: the debt trap and the competitiveness trap
- -The magnitude and the frequency of the fiscal data revisions dealt a serious blow to the country's credibility**{9}**
- -The uncontrolled borrowing from banks
- -The political corruption and opaqueness of transactions**{8}**

The international financial crisis did not cause the sovereign debt crisis in Greece. It revealed and aggravated existing macroeconomic imbalances and structural fiscal problems. **{9}**

4. The stages and effects of an economic crisis

The main stages of life of an economic crisis are as follows:

1. Prodromal crisis stage

Always before an economic crisis occurs, there are some situations and labels for which no action or omissions are taken leading to unusual activities in the economy. All these are called precursor symptoms and any activity that happens, has its own symptoms.

2. Acute crisis stage

This stage is the period during which the economic crisis manifests itself mainly peaks. The duration of this period lasts according to characteristics of the economic crisis that is manifested.

3. Chronic crisis stage

This stage is the period in which they are observed and manifested the impact of the economic crisis and its consequences are visible.

4. Crisis resolution stage

The fourth and final phase of the economic crisis, is the period during which, the system starts to find again the rhythms that were before it emergence of the crisis.

The economic crisis causes dramatic effects on social life, as the decline or the absence of income causes loss of prosperity and pushes large ones parts of the population into poverty. When an economic crisis breaks out in a country automatically create many dramatic effects on citizens' lives in social as well as psychological level.

This situation proves three mainly interconnected problems:

- -the increasing trend of inequalities within countries,
- -inequality in social protection and health, and
- -the urgent issues of climate change and ecology degradation.

More generally, an economic crisis can cause the following:

- liquidity problems in banks and businesses,
- difficulty in providing loans,
- reduction in turnover and turnover of enterprises,
- mass layoffs,
- high unemployment,
- reduction in the trade balance,
- production reduction,
- reduction of national income,
- reduction in consumption,
- business bankruptcy,
- reducing the stock market of many financial institutions,
- low public revenues,
- increase in the government deficit,
- high levels of debt,
- reduction in exports,
- dramatic drop in the price of oil and, consequently, its reduction production costs,
- a fall in inflation and, therefore, a subsequent creation phase demand,
- fall in raw material prices and consequently decrease cost and inflation,
- fall in real estate prices and thus opportunities for purchases

Also, due to the economic crisis, pathogens are also caused, which are not let the economy work smoothly and make it harder to reach rise. In short, we have:

- -Increase in public debt,
- -Raising taxes with the consequence of increasing tax evasion,
- -Problems in the Insurance,
- -Intense Bureaucracy,
- -High Unemployment,
- -Productivity Deficit,
- -Discouraging Investments,
- -Problems in the Legal-Judicial System,
- -Over consumption**{10}**

5. The financial crisis and its mark on Greek society

The crisis in Greece is: a) economic (zero or negative GDP growth, reduction of investment, reduction of industrial production, reduction in exports, reduction of turnover, decrease in demand, reduction of wages, reduction in employment, increase in redundancies, (b) fiscal (increase in government deficits, public increase debt, collapse of public revenues and their finances insurance funds) and (c) social (increase in private health expenditure, under-funding of the social protection system, reduction pensions and social benefits, difficulties of Funds and Hospitals to fulfill in due time their obligations towards insured persons; retirees and suppliers, etc.).**{11}**

The Greek financial crisis has been one of the most severe in the developed world since 1929.

The austerity measures had an immediate negative impact on the Greek economy. The level of GDP fell, as a result of a fall in internal demand and exports. The fall in internal demand was caused by the impact of rising unemployment, public spending cuts, and reductions in social security benefits, which affected both consumption and investment. This led to reduced government revenues because of lower tax incomes and higher benefit payments.

There were reductions in defense spending, in the cost of buying drugs for hospitals, local authority staffing and wider reductions in public investment, all of which contributed to the deterioration of the Greek economy. The "troika" also demanded that the Greek government reform the public sector, particularly reducing public sector employment. The austerity measures weakened the Greek economy further. Consumption and government expenditure have continued to fall and government debt has increased.

The social costs of austerity are affecting the whole of Greek society **{12}** Along with declining average living standards, consumption inequality has seriously grown and several reforms launched in the name of reducing labour costs, broadening the tax base or rationalizing the targeting of social benefits have had detrimental

effects on one of the most vulnerable population groups, namely families with children. The alarming increase of child poverty in Greece and the dramatic decline of the private and public resources most children currently live on is not only the most repulsive facet of the economic crisis, but also undermines future growth prospects and implies structural changes with regard to future social mobility and the equalization of the opportunity structure of the society. The evolution of child poverty is truly alarming. Child poverty rates have literally shot up during the crisis. Almost half of children in Greece now reside in households with the living standards of the "poor". A growing percentage of children live in households with unemployed parent(s). Even parents in employment have faced substantial wage cuts. At the same time, several reforms introduced in the tax and benefit system after 2012 on the basis of rationalizing the targeting of child benefits or expanding the income tax base have apparently had a big negative cumulative impact on families with children. Universal child benefits for families with three or more children were replaced in 2013 with means-tested child benefits, so that families belonging to the middle class were no longer entitled to such benefits. Even more importantly, until 2012 families with children were granted an additional tax allowance (its level depending on the number of children). This was abolished in 2013. The decline in the living standards of children within their families comes at a time when the quality of education, health and social care services provided by the state is deteriorating as well, putting pressure on the family as welfare provider. This is likely to create a child poverty trap with detrimental effects, since poverty has a direct or indirect negative impact on children's educational outcomes, health and future life opportunities. **{13}**

Since the onset of the crisis, several studies have been published investigating the effects on public health. While it will take several years for the full effects of the crisis on population health to be fully assessed, key indicators have already significantly deteriorated. **{14}**

Barriers to healthcare access emerged as one of the main negative consequences of austerity, as the proportion of Greek adults who reported unmet healthcare needs more than doubled, citing cost as the main reason for not receiving treatment or diagnostic tests. The impact of the crisis on healthcare extends beyond access factors and may include declining quality of care, aging infrastructure and staff

shortages, which might have important short- and long-term implications for morbidity and mortality. **{15}**

In relation to population health, the first effects of the crisis have been noted in self-reported health, mental health and infectious diseases.

There was a 45% rise in suicides between 2007 and 2011 (ELSTAT, 2013), and this increase was particularly pronounced for men of working age. In addition, a survey found a 36% increase between 2009 and 2011 in the number of people reporting an attempted suicide in the month before the survey, with a higher likelihood for those experiencing high economic distress.

Child health has also been affected. The latest available data indicate a rise in low-birth-weight babies by 19% between 2008 and 2010 (OECD, 2013), which can have long-term implications for a child's health and development (UNICEF, 2013). The long-term decline in infant mortality has reversed, with an increase of 43% over the same period (Eurostat, 2013). In addition, obstetricians have reported a 32% rise in stillbirths during the same period, while fewer pregnant women have access to prenatal care services.

In periods of economic turmoil, infectious diseases have been shown to spread and according to researchers at the Greek Centre for Disease Control and Prevention, Greece "has been suffering a disproportionately high morbidity and mortality burden of different large-scale epidemics since the beginning of the economic crisis". For example, Greece ranked 4th out of 30 countries in deaths from the outbreak of the A(H1N1) influenza virus, and additional outbreaks of malaria and the Western Nile virus were noted over the period 2009–2012.**{14}**

The overall uncertainty about the future of the country has had catastrophic consequences also on the educational decisions of young Greeks.

The government reduced the annual budget of all ministries, including the Ministry of Education. From 2011 onwards, this resulted in the closure of more than 1000 schools, forcing teachers out of work, pushing students into overcrowded classrooms and requiring them to travel further to school. It also created many other problems, including but not restricted to cuts in teachers' salaries, a reduction in the already limited resources of individual schools, and the abatement of intervention programs for schools with large number of students from migrant families. By 2013, educational spending had decreased by 33%. An additional 14% cut was implemented

in the years that followed, and predictions for coming years are even more inauspicious. If these predictions come true, there will be no funding available to cover basic costs such as heating educational facilities, restocking libraries, building new technology infrastructure and appointing teaching staff.**{16}**

There have been tremendous cuts in scientific research which has and continues to drive away many of the well-educated scientists. The budget cuts in scientific research have resulted in complications concerning the access to scientific journals. Many publications are likely to disappear from Greek libraries. Scientists are facing issues which affect not only their work and their future but also their livelihood.

The economic crisis in Greece has led to high unemployment rates which have in turn forced many Greek citizens, who have obtained a tertiary education, to leave the country. When these people leave, a gap is created which reduces the likelihood of progress in those sectors of society. Although one might think that a severe economic crisis is the worst possible scenario, a brain drain exacerbates the situation because it negatively influences that country's capacity to improve the damaged sectors during its recovery. **{17}**

The human capital lost to the financial crisis in Greece has been one of the greatest tragedies for the country with thousands of young Greeks 'fleeing' the country in the hope of a better future.

Young people are leaving the country or remaining unemployed, thus reducing the potential for future economic growth.**{18}** The decision of young Greeks about what to study and whether to do it domestically or abroad will determine the labour supply and the structure of the economy for the next few decades.

In 2016, 47,3 % of the Greek population aged below 25 was out of work. That's nearly half of the population and more than two times the average rate across the euro zone. **{19}**

A significant percentage of the large increase in unemployment is also due to the collapse of the engineering and construction sector. For decades, building has been a major contributor to GDP growth since it involved a considerable number of workers, craftsmen and engineers and, on the other hand, by using materials from many others (cement, ready-mixed concrete, steelmaking, logging, quarries, etc.), has also strengthened employment in these sectors.

The "collapse" of the construction industry has dragged a lot of professionals into unemployment and the daily quest for wages in order to secure a meager income for their survival. In addition, the range of construction work has shrunk considerably and has now been limited to arbitrariness, renovations and home repairs. **{21}**

Another exposed branch to the ongoing crisis is the automobile industry. The automobile value chain employs a large number of people through various service activities, such as car financing, insurance, dealers, and maintenance. The Greek crisis has a negative and statistically significant impact on car sales. The implemented austerity measures led car sales to a significantly lower level. The car sales sector is a sector of great importance for the Greek economy, since it accounts for a significant part of government revenues, especially through the registration taxes that are directly implemented, whenever a car sale takes place, as well as through the presumptions implemented once a year. It is estimated that about 3000 dealerships have shut down since 2010. Fuel prices also, play a significant role in shaping the trends, regarding the number of new cars sold. When fuel prices are rising, the number of new cars sold is decreasing.**{22}**

Today, 48% of the population, i.e. 5.1 million people, lives below the poverty line, which is 382 Euros per month. And out of this 48%, there are 1.5 million people living in extreme poverty, which is below 182 Euros per month. In the category of the poor-unemployed, the official figures are impressive as one in two unemployed (48%) is included.

From the official data of the Ministry of Labour ("Helios" system - December 2017) it appears that almost one in three pensions does not exceed 500 Euros a month, while for all pensioners, the average main pension from all the funds is 722 Euros. With the reductions coming in 2019 - 2020, the average pension, currently 722 Euros , will fall to 480 Euros, and if the tax-free reduction is applied in 2020 and the low tax pensions become low, then the average net pension in Greece will be at 450 Euros.**{23}**

The persistent unemployment means pension funds receive fewer contributions from the working population. As more Greeks are without jobs, more pensioners have to sustain families on a reduced income. **{19}**

The "flexible" forms of work, the permanent salary reductions, the payroll delays and the lowering of the minimum wage in the private sector, has led to the poverty line a lot of workers.

It is also estimated that in the coming years, the poverty line will be at a higher level, because in addition to lowering incomes, a new category is gradually emerging, so-called workers - the poor, i.e. people who work in a flexible form of employment and their salaries will range from € 200 to € 300 per month, i.e. below € 4,150 a year, which is the poverty line today. Recycling of unemployment is already recorded - by sharing a job with 2 or 3 unemployed, which demonstrates the collapse of full and stable employment. A new generation of "poor" workers, with a salary of 327 Euros, which is lower than the unemployment allowance (360 Euros), has been established in the labour market.**{23}**

Another serious issue is the judgment of the low prestige that Greece acquired because of the economic crisis. The country's image has been variously and often tarnished. Many Greeks feel a sense of humiliation from the constant austerity demands by its creditors and the damage they have inflicted on the national psyche.**{6}**

Greece’s debt currently stands at close to €330 billion, over 180 percent of GDP. Almost 70 percent of this debt is owed to European official creditors, reflecting the fact that Greece has been largely cut off from private debt markets for the past eight years. Without restructuring these debts—particularly the €131 billion owed to the European Financial Stability Facility (EFSF), which financed the bulk of official lending to Greece from 2010 until 2014—Greece cannot hope to return to private funding after its financing program with the European Stability Mechanism (ESM) ends in August of this year. While Greece has tapped capital markets twice in the past 12 months, most recently this February, its ability to do so was predicated on the expectation of additional official debt relief. The fact that Greece’s public debts must be restructured is by now widely accepted. The latest debt sustainability analyses of the European Commission (EC) and the International Monetary Fund (IMF) agree on this point (EC 2018, IMF 2017). What remains controversial, however, is the extent of debt relief needed to make Greece’s debt sustainable. Euro area finance ministers have all but promised more relief, subject to a debt sustainability analysis at the end of the program period, but not said how much (Eurogroup 2017). **{24}**

Greece continues to face serious economic challenges. Rapid fiscal consolidation of the kind implemented in Greece has seriously damaged social cohesion, has introduced major inequalities, especially regarding the shrinking of the

middle class and the exacerbation of consumption poverty, and has impacted most severely on the most vulnerable population groups (like families with children). The Greek experience should therefore serve as a “don’t try it at home” experiment and foster the understanding at a European level that fiscal consolidation strategies should be more distributional sensitive. **{13}**

In every country and in every period there is acne and decline, so is the case in Greece. Despite the economic crisis there is a daily struggle for a better future. Greece is a country that has gone through many difficulties but in any difficulty was able to get out as a winner. It may take too long to come back in the period of prosperity, but that will be succeeding in one or another way. Moreover such a crisis it may was necessary for the country to find weaknesses and try to improve them or extinct them.**{20}**

6. Conclusions

The global financial crisis that began in 2007 found Greece in a highly vulnerable position.

Greece was hit by three interdependent shocks during the crisis. The first shock was a sovereign debt crisis, the second was a banking crisis and the third was a sudden stop of lending, when foreign investors were no longer willing to lend to Greece. The three shocks are interlinked.

The Greek debt crisis started in 2009 when the government announced that it had previously misreported the data on public debt and deficit levels. This event harshly and negatively affected Greece's ability to borrow from the markets since mistrust of financial creditors led to very high borrowing rates for the country. Therefore, Greece was forced to ask for help from international organizations such as the International Monetary Fund and the EU agencies.

The global economic crisis combined with budget deficits of the country and the constant borrowing, resulted in the collapse of the Greek economy. The situation became unsustainable (causing the capital markets to freeze in April 2010), as the downturn had caused the debt level rapidly to grow above the maximum sustainable level for Greece.

Its causes were largely endogenous in nature, because its source originated in mismanagement of the Greek economy and of government finances. Also, were more structural and have to do with the characteristics of the Greek growth model. Greece's growth for a long time was fuelled primarily by domestic consumption of non-tradable products and services. The international financial crisis revealed and aggravated existing macroeconomic imbalances and structural fiscal problems. Furthermore, Greece's membership in the Eurozone prevented it from exercising full control over its monetary policy, which meant that interest rates were kept too low for too long relative to the inflationary pressures that were building up in the Greek economy. Monetary policy was out of sync with a booming economy and easy access to credit. Greece paid the price of this lack of control of its monetary policy in terms of a severe contraction in GDP and living standards.

The crisis in Greece is: a) economic (zero or negative GDP growth, reduction of investment, reduction of industrial production, reduction in exports, reduction of turnover, decrease in demand, reduction of wages, reduction in employment, increase in redundancies), (b) fiscal (increase in government deficits, public increase debt, collapse of public revenues and their finances insurance funds) and (c) social (increase in private health expenditure, under-funding of the social protection system, reduction pensions and social benefits, difficulties of Funds and Hospitals to fulfill in due time their obligations towards insured persons; retirees and suppliers, etc.).

The economic crisis became a humanitarian crisis and affected the whole of Greek society. The Greek state was and is unable financially to support the most vulnerable people in society. The austerity measures squeeze the incomes.

Rapid fiscal consolidation of the kind implemented in Greece, has seriously damaged social cohesion, has introduced major inequalities, especially regarding the shrinking of the middle class and the exacerbation of consumption poverty, and has impacted most severely on the most vulnerable population groups. The Greek experience should therefore serve as a “don’t try it at home” experiment.

Fiscal consolidation strategies should be more distributional sensitive and planned a Greek economic program that would have involved a very much lesser degree of budget adjustment that would not have sunk the Greek economy.

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