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Greece and the recent financial crisis: meltdown or configuration?

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AM (Accepted Manuscript)

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Greece and the recent financial crisis: meltdown or configuration?

Abstract

The recent financial and subsequent sovereign debt crisis caused shock and awe in Greek politics. For the first time since the restoration of democracy in 1974, Greece entered a period of prolonged recession from 2008 onwards. After signing up to the Troika (European Commission, European Central Bank and International Monetary Fund) bail-out in 2010, the recession intensified and was coupled with significant and widespread cuts in public spending and benefits along with big tax rises. Greece also had to implement a series of unpopular labour market and welfare reforms, restructure its state apparatus and proceed with mass scale privatisations. This economic and policy shift affected Greek politics immensely. The immediate impact of the crisis was a dramatic rise in protests, strikes and public discontent. The long-term impact seems to be the extensive reconfiguration of the post-1974 political system: in the June 2012 elections Greece's two major parties witnessed a dramatic decline in their vote share, while - for the first time in Greek history - extreme-left and extreme-right parties' popularity rose considerably.

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Please cite as: **Zartaloudis, S.** (2013) 'Greece and the recent financial crisis: meltdown or configuration?', in F. Panizza and G. Phillip (eds) *The politics of financial crisis since 1980*, Routledge: London

¹ The author is grateful to the editors of this volume and to Professor Dimitri Papadimitriou for their constructive comments that improved this paper. Any errors remain the author's responsibility.

Introduction

The ongoing financial crisis put the so-called European Union (EU) cohesion countries (Greece, Portugal, Ireland and Spain)² at the centre of a borrowing cost cyclone. Their ever-increasing borrowing costs and recourse to the so-called Troika (European Commission, European Central Bank and International Monetary Fund) for financial support meant that they had to implement extensive fiscal consolidation measures to tackle their unsustainable borrowing levels and costs. This chapter discusses the impact of the ongoing (2008-12) financial crisis on Greek politics. It first provides a succinct overview of Greek politics before the commencement of the financial crisis, arguing that Greece enjoyed one of the most stable, popular and widely legitimated democratic regimes of its modern history. Secondly, it discusses Greece's response to the financial crisis, arguing that the latter constituted a critical juncture for the country's politics and public policy (Collier and Collier 1991). Thirdly, it examines the impact of the financial crisis on perceptions (cf. Blyth 2002), arguing that the crisis has led to the rise of populism, extremism, violence and nationalism, while the fourth part assesses the impact of the financial crisis on Greek politics, arguing that it led not only to a significant rise in protests, strikes and public discontent, but also in the dramatic reconfiguration of the Greek political system, with the rise of extreme anti-systemic parties and the fall of mainstream ones. The chapter concludes by arguing that these political developments further exacerbate the Greek crisis as the country seemingly enters a Weimar-like period.

1. Greek politics before the crisis: democratic consolidation through public debt?

In 1974 Greece's seven-year dictatorship collapsed due to the Cyprus debacle instigated by the Colonels' regime. The Colonels themselves invited back to the country the previous premier, Konstantinos Karamanlis, who led the country back to democracy by conducting free

² They were named cohesion countries as, in the 1990s, they were the poorest EU members and a dedicated EU regional policy fund was created named the Cohesion Fund. The fund was set up to facilitate their economic convergence with their developed EU partners and join the Economic and Monetary Union (EMU) by the late 1990s (cf. Rodriguez-Pose 2002).

elections and legalising the until then outlawed Greek Communist Party. Karamanlis created a new centre-right party, New Democracy (ND), which was in office during 1974-1981. In the meantime a new leftist party – the Pan-Hellenic Socialist Movement (PASOK) – gained popularity among the Greek electorate with its populist anti-western (against USA, NATO and EU membership) and anti-capitalist discourse. In 1981, PASOK was elected to office and initiated a period of almost total dominance in post-dictatorship Greek politics during which its pre-1981 elections' radical discourse was dropped and the party assumed a clearly pro-western and pro-EU stance. PASOK remained in government for over 23 years of the 38 year-long democratic period since 1974 (1981-89; 1993-2004; 2009-12), while the remaining 14 years³ saw ND in power (1974-1981; 1990-93; 2004-09). In other words, both parties dominated Greek politics until 2012, governing the country in turn and enjoying an overwhelming majority of over 70% of their combined vote.

The 1974-2009 Greek political system was complemented by small parties of the extreme left and right which tended to have Eurosceptic and anti-western orientations (Verney 2011). Since 1974 the Greek Communist Party (Greek acronym: KKE) has been a constant member of the Greek parliament – a development which led to the incorporation of a long-persecuted part of society to the Greek political system. In addition, since 1993 a splinter group of the Communists – most of them Euro-communists and/or anti-Soviet/Stalinist – has been represented in almost all parliamentary terms (with the exception of 1993-96) as SYN (Coalition of the Left and Progress). In 2003 SYN was transformed to SYRIZA (Coalition of the Radical Left – Uniform Social Front). SYRIZA is a coalition where SYN is the biggest group, complemented by numerous leftist (Trotskyite, Leninist, Communist, new-left) factions (cf. SYRIZA 2012a). Most of the moderate pro-European members of SYN left SYRIZA and formed a new party with the acronym DHMAR (Democratic Left), which is in favour of

³ During 1989-1990 Greece had an ecumenical government because no party could gain majority and form a government.

Greece's EU membership and in sum supports a social-market economy based on a strong welfare state in June 2010. As a result, since 2003, SYRIZA adopted a more leftist and anti-systemic discourse than SYN (see below on the ideational narratives on crisis causes and solutions). The Greek political system also had a number of splinter parties from PASOK and ND; these lasted for one to three elections and therefore will not be discussed in this chapter (cf. Nikolakopoulos 2005).

Table 1: Electoral results (%) - Greece

	1981	1993	1996	2000	2009	2012
PASOK	48	47	41	44	44	12
ND	36	39	38	43	34	30
KKE	11	4.5	5	5	7	4.5
SYN/SYRIZA	-	2.9	5	3	4	27
GD	> 0.2	> 0.2	> 0.2	> 0.2	> 0.2	7

Source: <http://ekloges.ypes.gr>; results given in rounded figures

Despite the historical changes in the Greek political system, economic policy in the post-1974 period remained surprisingly similar to the post-war one. More specifically, the dominant policy model during this period was statism – state intervention in economic and social activities – accompanied by clientelism, which marginalised any autonomous political organisation of disadvantaged classes or groups (Diamandouros 1983). Statism and clientelism, furthermore, were combined with the predominant role of the public sector in providing employment, resulting in a strategic use of the public sector by political elites using the provision of employment in the public sector to satisfy voters and/or expand their electorate. Finally, trade unions were highly subordinate to party politics while the pressure from civil society, social

partners and other societal actors for progressive redistribution was weak (Petmesidou 1991). Nonetheless, until the Greek dictatorship (1967-1973), Greece's economic model was based on monetary and fiscal stability (Pagoulatos 2003).

Since the restoration of democracy (a period known as 'metapolitefsi') Greek politics have been dominated by two parties: the centre-right ND party and the centre-left PASOK which continued on the same statist and clientelistic path, but with a major difference: monetary and fiscal stability were largely ignored by the post-dictatorship governments, as the expansion of the state was the main tool for democratic consolidation (Pagoulatos 2005). Hence, from 17.6% of GDP in 1970, public debt increased to 28.3% in 1981 and reached the level of 112% in 1986 (Ioakeimides 2001, 77). During this period, effectiveness and efficiency were completely neglected as the public administration was controlled by party cadres, and thus converted to a fundamental component of 'bureaucratic clientelism' (Lyritzis 1984). Additionally, the 1980s were characterised by strong government intervention in setting higher minimum wages not always in line with changes in productivity or levels of employment, but with the political promises and ideological convictions of the new PASOK government (Venieris 2006). This policy, however, had a negative effect on unemployment, which became an acute problem especially among the young and women (Katrungalos and Lazaridis 2003, 59).

Even though, after the early 1990s, both PASOK and ND governments implemented a number of privatisations and labour market reforms in order to achieve entry to the Economic and Monetary Union (EMU) by the late 1990s (cf. Pagoulatos 2005, 360), which trade unions opposed (cf. Featherstone 2003; 2006; Pagoulatos 2005; Mitsopoulos and Pelagidis 2012; Featherstone and Papadimitriou 2008), none of the post-1990s governments curtailed the hiring process in the public sector. After the early 1990s, Greek public debt and deficits remained high (see tables 2 and 3 below), despite some modest efforts towards fiscal consolidation. Moreover, continuous pay rises and generous pensions along with early retirement schemes were not abated (Tsakalotos 1998, 121). In addition, Greece had been traditionally plagued by low tax

revenues which had been consistently lower than the EU-27 average (Meghir et al. 2010, 10-13). The latter is not only related to public sector inefficiency and corruption, but also to the structure of the economy, as the country's unofficial sector is larger than the EU average and self-employment and/or family businesses are more common than in the rest of the EU countries (Katrungalos and Lazarides 2003). Despite the media coverage of public sector profligacy (cf. Featherstone 2011; Verney 2009), clientelism did not lead to an overstuffed public sector but one plagued by persistently low efficiency despite gradual improvement during the period 1990-2000 (Afonso et al 2005). In other words, it could be argued that it was overstuffed relative to the services provided which are lower than the EU average.

As a result of the above policies, Greece was plagued with persistently high public debt, deficits and sluggish growth during the 1980s. Nonetheless, when fiscal consolidation was coupled with privatisation after the early 1990s to achieve EMU entry, growth picked up and until 2007 Greece enjoyed a period of increasing prosperity, with high growth levels, decreasing unemployment levels and rising incomes, which led to achieving 94% of EU-27 average Gross Domestic Product (GDP) per capita in Purchasing Power Standards (PPS) (see Table 6). Unsurprisingly, the two main parties that led the country's democratisation, PASOK and ND,

Table 2: General government public deficit/surplus as a percentage of GDP

	1981	1988	1995	1997	1999	2000	2007	2008	2009	2010	2011
Greece	-11	-12.8	:	:	:	-3.7	-6.5	-9.8	-15.6	-10.7	-9.4
Euro-17	:	:	-7.2	-2.8	-1.5	-0.1	-0.7	-2.1	-6.4	-6.2	-4.1

Source: Eurostat; 1981 and 1988 data retrieved from: Dornbusch and Draghi 1990, 2
(: indicates unavailable data)

were highly popular and dominated Greek politics for the whole 1974-2009 period.

Table 3: General government public debt as a percentage of GDP

	1981	1988	1995	2000	2007	2008	2009	2010	2011
Greece	28.8	73.6	97.0	103.4	107.4	112.9	129.7	148.3	170.6
Euro-17	:	:	:	69.2	66.3	70.2	80.5	85.4	87.3

Source: Eurostat; 1981 and 1988 data for Greece, retrieved from: Dornbusch and Draghi 1990, 2
(:indicates unavailable data)

Table 4: Total Unemployment Levels (%)

	1995	2000	2007	2008	2009	2010	2011
Greece	:	11.2	8.3	7.7	9.5	12.6	17.7
Euro-17	10.5	8.7	7.6	7.6	9.6	10.1	10.2

Source: Eurostat (: indicates unavailable data)

Table 5: GDP change from previous year (growth/recession)

	1996	2000	2007	2008	2009	2010	2011
Greece	2.4 ^p	3.5 ^p	3.0 ^p	-0.2 ^p	-3.1 ^p	-4.9 ^p	-7.1 ^p
Euro-17	:	3.8	3.0	0.4	-4.4	2.0	1.4

Source: Eurostat (p: provisional value; : indicates unavailable data)

Table 6: GDP per PPS compared to the EU-27 average

	1996	2000	2004	2008	2009	2010	2011
Greece	83	84 ^p	94 ^p	92	94	90	82
Euro-17	115	115	113	111	110	110	110

Source: Eurostat (p: provisional value)

2. Greece's response to the crisis: denial, inertia and infighting

When the economic crisis began in 2007, Greece was enjoying a period of economic growth. Employment rates were soaring and unemployment was decreasing. The incumbent ND government proudly proclaimed that Greece was 'safe', protected from the crisis since Greek banks were not involved in the sub-prime mortgage crisis. It was in a better situation than most EU counterparts, and the government accused the foreign press of witch-hunting when they highlighted Greece's increasing borrowing costs (Kathimerini 2008a; 2008b 2008c). This was mostly true as only one financial institution⁴ had invested in the toxic financial products that were at the root of the financial crisis in the US and some European countries while the overwhelming majority of the Greek financial institutions were not affected by the early stages of the financial crisis. However, this was only half the truth. Although Greece was not directly affected by the sub-prime mortgage crisis, it was indirectly affected by the lack of confidence in global financial markets and the increasing borrowing costs among financial and non-financial institutions. Hence, since 2007 borrowing costs for Greece started to increase slowly but gradually; nonetheless, the country faced no problems in financing its increasing deficits and debts from financial markets as its high growth rates secured confidence in the country.

Despite the relative calm before the upcoming storm, Greek politics had already been in crisis. The ruling party ND was ailing in the parliament with a marginal majority while protests started increasing. In addition, numerous scandals involving key ministers and members of the party were shaking its government. The political crisis further escalated when in December 2008 a teenage student was shot by a policeman in Athens. The entire country was engulfed in riots of young people protesting against the police, the government and the state. Most riots were accompanied with widespread destruction of public and private property (e.g. shops, cars and public buildings) along with severe clashes between protesters and the police. The country

⁴ This was the state owned Hellenic Postbank (<http://www.ttbank.gr/en/home>).

seemed completely ungoverned as a weak government gave specific orders to police to remain passive and allow the crowds to release their anger without any serious obstacles as this may have led to more loss of lives (Andronikidou and Kovras 2012, 721).

The endgame of the ND government began in 2009 when Premier Karamanlis ordered an early end of the Parliamentary session, ahead the general elections scheduled for October 2009 elections. However, this move rendered Greece almost ungoverned for more than six months while the financial crisis was escalating. Simultaneously, the country's finances were already off track and deteriorating dramatically: since 2008 Greece was in recession and its deficit was skyrocketing (see table 2 above). However, this was not reported as Greece was once again giving false figures about its public finances (EC 2010) even though both prime ministerial candidates (Karamanlis from ND and Papandreou from PASOK) knew the dire situation of Greek finances before the elections.⁵ In October 2009 PASOK won the elections on an agenda of economic expansionism based on pay and pension rises, along with tax cuts and re-nationalisations. Although the crisis had already hit Greece and the government announced in 2009 that the country's deficit would reach a double-digit figure, the new government remained impassive and inactive until April 2010 when Greece sought financial help from Europe and the IMF as it was unable to finance its deficit and debt through the financial markets. It is argued that the request for external support and the signing of the Memorandum of Understanding (MOU),⁶ notorious among Greeks, constitutes a critical juncture for Greek public policy and politics, as it meant the end of a long period where Greece was becoming wealthier and politicians were mostly following an expansionary fiscal policy (with some exceptions during 1990-93 and 1996-2000) financed through state borrowing (cf. Mitsopoulos and Pelagidis

⁵ The Governor of the Bank of Greece had informed Karamanlis and Papandreou in January 2009 and again before the elections that the country's deficit would be approximately 12% for 2009 (Skai 2012a).

⁶ There have been two programmes of financial support and subsequent economic adjustment for Greece which have been financed and overseen by the Troika. The first one was agreed in May 2010 and the second one in February 2012. In return for the bail-outs Greece had to agree with the Troika to a series of austerity packages and reforms –outlined in the Memoranda of Understanding – and then implement them in order to receive the necessary bail-out funds. The austerity package following the first Troika bail-out was announced in May 2010, the second in June 2011, the third in October 2011, the fourth in February 2012 and the fifth in November 2012.

2012). After the signing in May 2010 of the Troika bail-out, the recession intensified and was coupled with significant and widespread cuts of public spending and benefits along with an unprecedented rise in taxation. In addition, Greece had to implement a series of unpopular supply-side reforms, reform its health and tax collection services, restructure its state apparatus and proceed to mass-scale privatisations. Thus, the recent crisis created a radically new economic reality which had a profound impact on Greek public policy.

More specifically, the Troika-Greece deals and the subsequent MOUs had three main goals: 1) eliminate fiscal imbalances by achieving fiscal surpluses; 2) improve Greek competitiveness; 3) provide liquidity for Greece until it returns to the financial markets. Given the large fiscal imbalances of the country when it requested official support (see tables 2 and 3 above) the focus of the MOUs was initially on achieving fiscal consolidation by cutting public sector spending and increasing tax revenues. Greece implemented repeated rounds of public spending cuts including (cf. EC 2012a and 2012b): the reduction of public investment; a gradual abolishment of the two so-called 13th and 14th salaries (Christmas, Easter and summer bonuses) for public sector workers; the establishment of a uniform system of public sector remuneration; the introduction of a pay ceiling for general government employees (starting from approximately €3.000 per month in 2010 and currently being set at €1.900); reduction of allowances by approximately 30%; the introduction of a 1/5 hiring ratio - meaning that only one employee could be hired only for every five that left; and introduction of a labour reserve scheme whereby approximately 150.000 public sector workers would be fired or forced into early retirement (cf. Zartaloudis forthcoming). In November 2012, the newly elected coalition government implemented the latest austerity measures which included *inter alia*: the halving of all remuneration of local government officials; the further reduction of allowances for all public sector employees; the reduction of pay for all high-level bureaucrats and political personnel; inclusion of more employees of the wider public sector in the common remuneration system;

and further reduction of public sector employees paid via special arrangements (e.g. judiciary and army).

In addition, a series of pension cuts were implemented for all (public and private) pensioners: the 13th and 14th pension was gradually abolished for pensioners earning above €2,500 monthly or those below 60 years of age; all pension entitlements were frozen until 2014; pensioners earning more than €1,400 would pay an additional tax (3% - 9%); the retirement age was increased to 67 years old for all employees; many occupational funds providing more favourable conditions were merged with the main social security fund of the private sector - transforming therefore the Bismarkian Greek pension system to a multi-pillar pension system with separate contributory and non-contributory elements (Matsagganis 2011). Moreover, in November 2012 most pensioners lost a great amount (25-50% average) of the lump sum pay they received when they retired; a regressive reduction of pension remuneration was implemented (5% cut for pensions from €1,000 to €1,500 up to 25% for pensions above 4,000).

The above cuts were combined with a series of rises in taxation. More specifically, in the first year of the MOU a number of indirect taxes were introduced along with the steep rise in VAT. Additionally, Greece gradually harmonized its ceiling for taxable income with the EU average as it had the most generous scheme (€12,000) in the OECD (Garello 2011). Moreover, all Greeks earning above a certain income had to pay an extra tax called Social Solidarity Tax which would finance a cash benefit for the poorest Greeks. Furthermore, all home owners had to pay an additional property tax. Another key aspect of all MOUs was the reform of the tax collection system through a reduction of the number of agencies responsible for tax collection, the reduction of the staff numbers and bureaucratic processes along with the modernization of the tax collection system. The latter aspect still remains to be seen in Greece and has been proven to be the most difficult to implement (cf. EC 2012a and 2012b).

With regard to increasing competitiveness, Greece had to reduce its labour costs as it had previously given constant pay rises above productivity since the early 1980s. For this purpose

Greek governments introduced a series of pay freezes in the private sector as well as a new framework of lower minimum salaries and lower pay levels than the national minimum for young workers. Furthermore, a series of labour market reforms were implemented which resulted in the flexibilisation of employment relations by allowing collective agreements at the local, sectoral and firm level even if these were providing less favourable conditions than the national agreements. Another key element of the MOUs was a requirement linked with a number of EU directives regarding the opening up of the so-called closed professions as in Greece most professions (e.g. lawyers, pharmacists, taxi drivers and engineers) were heavily regulated with restrictions on entry, operation and service fees. Greece also had to implement a series of mass scale privatisations. However, on this front little progress has been observed given the dire economic situation of the country which would provide meagre revenues to the country along with the unwillingness of the Greek governments to privatise given the fierce opposition of the trade unions and other actors who argued that the MOUs were a tool to sell the country (see below).

The above measures not only constituted a critical juncture for Greek public policy and politics but also created a number of tensions between Greek governments and the Troika as they were quite unpopular among the Greek public. The Papandreou government took the public position that the MOU measures were against the party's ideology but were a necessary evil in order to save the country from bankruptcy throughout 2010. However, many members of the party, MPs and ministers who had a more statist approach and favoured the policies of the 1980s were openly critical of the Troika measures and called them the wrong medicine for Greece. Thus, some of the cuts and reforms that were voted through by the parliament were inadequately implemented (cf. EC 2012a and 2012b). For instance, many restrictions on the closed professions remained until November 2012. The one-in-five hiring ratio was not maintained, many public sector employees were not included in the uniform pay system and there were few

redundancies.⁷ The Papadimos government had a relatively less confrontational relationship with the Troika given the Premier's profile and the government's commitment in implementing the required austerity measures in February 2012 which were a precondition for Greece's Second bail-out (EC 2012b). During the last two elections uncertainty about Greece's commitment to the MOU and Euro entry increased and the Troika left the country until the new government was formed. Nevertheless, the current coalition government is based on a consensual agreement between three parties which were former adversaries (ND, PASOK and DHMAR) which are jointly pursuing a pro-EU and pro-bailout agenda and, therefore, appear to be openly committed to implementing the MOU measures. This could be considered an achievement given the considerable opposition to the MOU shown by the current Premier (Samaras) while he was in opposition (see below) and the low degree of consensus observed in Greek politics since the beginning of the crisis (cf. Afonso et al. 2012).

3. The ideational impact of the financial crisis on Greeks

The third part of this chapter examines the impact of the financial crisis on Greek perceptions (ideas, rhetoric, symbols, narratives and other accounts of the social production of inter-subjective meaning), arguing that the crisis resulted in the exacerbation of pre-existing trends in Greek politics, namely political violence, populism and nationalism (cf. Clogg 1993; Stavrakakis 2002; Andronikidou and Kovras 2012) along with the rise of extremism. Initially, the crisis was denied by Greek elites and the public. Premier Papandreou consistently argued that Greece was attacked by 'speculators' and 'financial predators' which were unjustifiably and excessively betting on a Greek default in order to attack the Euro. This view was widely reproduced by Greek media until the signing of the MOU in April 2010. It is argued that this state of denial had a very negative impact on the Greek management of the crisis, as Greece was portrayed as an innocent victim of a global currency war – weakening any voices highlighting

⁷ The only measure to reduce public sector staff was the non-renewal of short-term staff.

the structural deficiencies of the country's economy that put Greece on the spotlight of the financial crisis (see also below).

If the Greek government was ambivalent about the recourse to official help mainly from the IMF but also from the EU as well, the opposition was clearly against it. With the exception of the small populist right-wing Popular Orthodox Rally (Greek acronym: LAOS) which supported the first bailout (but then opposed the second), all other parties were openly against the signing of the MOU. The most surprising adversary of the MOU was ND, which arguably played a key role in the worsening of Greece finances and competitiveness when in office during 2004-09. The new leader of ND – Antonis Samaras – rejected the MOU and argued that Greece needed another 'policy-mix' which would promote growth (ND 2010; XO 2012). The remaining opposition parties (KKE and SYRIZA) were openly and vehemently against the MOU, calling it a neo-liberal onslaught against workers devised to save the elites and the banks. KKE argued that there is no bailout in capitalism and that only when the workers will revolt they will be saved; this could be done by an immediate withdrawal from the EU and NATO (KKE 2011; 1996). SYRIZA adopted a less anti-capitalist and anti-European discourse but openly attacked the government for signing the MOU. It denounced the IMF as an institution due to its harsh neoliberal stance (Tanea 2012a; Enet 2010; SYRIZA 2010). Notably, all parties and opponents of the MOU followed the same logic and focused predominantly on the involvement of the IMF in the bailout, which ended up embodying the Troika while the EU was forgotten. It is argued that this was a strategic choice, as most Greeks were predominantly pro-European (cf. Pagoulatos 2012); arguing against a European deal would seem an extreme position and would identify all MOU opponents with the KKE.

Another strategic decision of the opposition was to focus on the MOU and its measures that were necessitated for Greece to receive support rather than the whole bail-out deal. The aim of this strategy was to uncouple the necessity for unpopular measures in return for new loans that would help Greece finance its public and trade deficits until its return to the financial

markets. Hence, the opposition was able to criticise the government by stressing the negative effects of the measures on incomes and not the reward for these measures, namely the Troika loans. As a result, two informal camps gradually formed in Greek public discourse: those who supported the MOU (called memorandians or in Greek: μνημονιακοί) and those who opposed it (called anti-memorandians or in Greek: αντί-μνημονιακοί). Arguably this distinction is rather misleading as it ends up in an arbitrary and Manichaean divide. For instance, both camps have favoured tackling tax evasion, cutting waste, and improving Greece's institutional, legal and bureaucratic framework. Similarly, while the anti-memorandum camp rejects austerity and the recession, it is more than certain that without the MOU Greece would have to implement even further austerity measures as it would have to eliminate its deficits immediately. Hence, this division not only obfuscated the real policy dilemmas facing Greece (i.e. what kind of measures Greece must implement to improve its economic situation) but also further escalated the denial about the country's systemic problems.

Further, the cuts and the MOU signing provoked a number of general strikes and protests. The anti-memorandum camp gained a strong street-like character where social media, daily protests and non-party groups became the focal point of the opposition to the MOU as austerity and the recession intensified from late 2011 on. One of the first such groups to emerge was the social movement 'Sparkle', which declared the voting of the MOU unconstitutional and argued that Germany wanted to steal Greek land, monuments and natural resources (Zougla 2010). Sparkle held rallies against Papandreou and MOU in many cities and portrayed the government as subordinate to Germany and treacherous. Another group which shaped Greek perceptions about the crisis were the so-called indignants – inspired by the Spanish *indignados* movement. The Greek indignants stationed in Athens' Constitution square and protested outside the parliament for several months – something unprecedented for Greek politics. Even though the indignants were very diverse and had many demands for the Greek government, most of them agreed on demanding a referendum for the MOU, a reversal of austerity, the punishment of

corrupt politicians and the respect of weak citizens. Many political groups from the extreme left and right took advantage of the indignant and joined them in protesting outside the parliament against the government and the MOU. After several weeks two informal camps within the indignant were formed: the so-called 'upper Syntagma square' (the area of the square where nationalists were gathering) and the 'lower Syntagma square' (the area of the square where leftists were gathering) (Tovima 2011). All protesters united whenever the parliament had to vote on a new austerity package. Shockingly, most protesters were chanting that the parliament building should be set ablaze, that the politicians should be hanged in public because they stole public money and that they were defending the country from a dictatorship (the left was arguing that this was a neo-liberal dictatorship while the right that the politicians were traitors).

The above extra-parliamentarian protest groups were joined by almost all trade unions (e.g. public sector workers, Taxi drivers and pharmacists) which demonstrated repeatedly in the streets of Athens against the MOU and the austerity measures. Further, non-parliamentary parties from the extreme left and right seized the opportunity to mingle with the protests to gain popularity and legitimacy. The most successful of them was the neo-Nazi organisation Golden Dawn (GD) which focused predominantly on the issue of migration and was vocally against the existence of immigrants in Greece. Given the economic recession, the sky-rocketing unemployment and the increase of the number of immigrants, asylum seekers and refugees, GD succeeded in legitimising its anti-foreigner hate speech and actions. Moreover, GD argued that Greece was governed by corrupt traitors who sold out their country to its creditors without defending the national interest (Ethnikismos 2012).

Violent protests, which have been a common feature in Greek politics since 1974 (cf. Andronikidou and Kovras 2012), became more frequent. Almost every demonstration was combined with street violence between protesters and the police. Further, many politicians were attacked or ambushed by protesters. This period of instability and increasing violence reached its peak in October 2011 when protesters stopped the ceremonies commemorating the decision

not to surrender to the Axis powers during WWII in many cities throughout Greece. In these protests, public officials were heckled or attacked; more worryingly, the President of the Hellenic Republic was heckled and attacked as a traitor sold out to the Germans and the MOU. Given the social, economic and political downfall, Premier Papandreou, in a desperate attempt to fence off internal party opposition and increase the legitimacy of his governments' actions, declared a referendum on whether Greece should sign the second bailout package.

Since the vote of the first bailout, the opposition – especially SYRIZA and Sparkle – called the second bailout deal the final nail in Greece's coffin and denounced the debt relief procedure as a legal stealing process favouring the banks. Papandreou's referendum never took place due to both internal (PASOK and ND) and external (Merkel and Sarkozy) opposition. Rather, after weeks of deliberations a coalition government between PASOK, ND and LAOS was formed with a mandate to complete the debt relief process by negotiating with private bondholders (known as Private Sector Involvement (acronym: PSI)) and then call for snap elections. The government was led by the appointed Premier Lucas Papadimos who was the widely respected former ECB Vice-Chancellor. During the Papadimos government the debate turned even more vitriolic, especially from the far-left. SYRIZA declared him a neo-liberal banker with no democratic legitimacy who worked for the profits of the financial elite against the interest of Greek citizens (Skai 2011; Tvxs 2011). The KKE portrayed him as a servant of financial markets and the leader of the black block given the participation of the LAOS party (Tvxs 2011). Both the left and the right denounced Papadimos's government as a dictatorship of the banks, the ECB and the neoliberal elite of Brussels (cf. Tvxs 2011; Axia 2012). Numerous strikes and demonstrations were held albeit in a more low key fashion.

When the PSI was completed Papadimos resigned and Greece entered one of the most divisive electoral periods in its post-1974 history. The memorandian and anti-memorandian discourse reached its peak as all parties were positioned according to the pro/anti-MOU axis. Hence, two large informal blocs were created: on the one hand ND, PASOK and the small

Democratic Left (Greek acronym: DHMAR) were in favour of continuing the country's course that Papandreou and the PASOK government chose (implement the MOU terms in order to receive financial and technical support from the Troika); on the other hand, SYRIZA, LAOS, AN.EL.⁸, KKE and other extra-parliamentary extreme parties including GD were against the MOU and asked the vote of the people to stop or reverse the pro-MOU policy.

The debate during the two subsequent elections in May and June 2012 became rancorous. On the one hand, the pro-memorandum camp argued that the MOU and implementing the bailout agreements which the Greek parliament had voted for in agreement with the rest of the Eurozone members and the Troika were the *sine qua non* for Greece's remaining in the EMU, while the opposition was leading the country to international isolation through bankruptcy and a certain Euro-exit. In order to fight the rising popularity of the anti-memorandum camp, all pro-memorandum parties gave a vow to 'renegotiate' the terms of the bailouts implying that austerity could be less severe. By contrast, the anti-memorandum parties vowed to end the MOUs and Greece's destruction by the so-called rescues. According to SYRIZA's leader the EU policy was creating a 'humanitarian' crisis (Guardian 2012). The accusations against incumbent politicians of being traitors, neoliberal and sell-outs continued while the pro-memorandum Greeks were in a defensive mode by arguing that they were forced to accept these agreements in order to save Greece and keep it in the Euro. This debate reflected to a great extent the divided and confused Greek public opinion. Even though more than 80% of Greeks were in favour of Eurozone membership, around 70% was also against the MOU and the austerity imposed to remain in the EMU (Lifo 2012). The inability to link the austerity and internal devaluation process with EMU membership can be considered a victory for the opposition which either accepts the Troika loans or requests for better terms (mainly lower

⁸ AN.EL. is the Greek acronym of the right-wing Independent Greeks party and is led by a former ND MP (Kammenos) who along with some leading Sparkle members and some former ND MPs are protesting against the bailout calling the EU loan-sharks and the pro-MOU politicians as traitors. Even though ANEL's leader was a leading ND member and former minister of the government that led Greece to bankruptcy, the party received about 7.5% of the votes in the June 2012 elections.

interest rates) but argues that the required measures are unnecessary, counterproductive and imposed by Germany, which lead to the destruction of Greece (Aggelioforos 2012b). Notably, because most pro-memorandum parties – especially PASOK and ND – have been winning votes for the last 40 years through clientelistic practices (cf. Lyritzis 1984; Mitsopoulos and Pelagidis 2012; Nicolacopoulos 2005), austerity is presented as a necessary evil imposed by outside in order to remain in the Euro. Hence, both pro and anti memorandum camps are generally negative towards the measures that are necessary for Greece to return to the financial markets.

The most commonly used scapegoat for the unpopular austerity measures and reforms has been Germany. Initially, the harsh and sometimes offensive German press coverage of the crisis and German politicians' statements on the issue (e.g. German magazines with offensive images and comments on (ancient) Greece along with claims about the need to annexe some Greek islands to Germany as a return for the bail-out) hurt the national pride of the Greek population. The shock expressed by Greek public opinion was leveraged by Greek politicians like the vice-president of the 2009-2011 PASOK government Theodore Pagkalos who argued that Greece may end up being the victim of a potentially new German racism against southern Europe. Furthermore, both PASOK and ND claimed that Greece was unjustifiably punished by Northern Europe as Greece was not responsible for the Eurozone crisis which was a European crisis – a position repeatedly supported by Papandreou and Samaras. Tellingly, Papandreou consistently argued that Europe (referring mainly to Merkel and Sarkozy) adopted a clearly conservative approach to the Eurozone crisis while Samaras argued that the Troika recipe was doomed to failure.

Thereafter, Germany – Merkel in particular – was soon used as the scapegoat for Greece's quandary in an opportunistic fashion in Greek politics. More specifically, ANEL adopted most of the positions of Sparkle arguing that after the bail-out, Greece had fallen under foreign occupation and become a 'Merkelite-protectorate' (Aggelioforos 2012a; Zougla 2012). Similarly, although SYRIZA is a far left party, it adopted a very nationalistic discourse. For

instance, its leader denounced the Papadimos government as not Greek enough and repeatedly ascribed treacherous motives to the pro-memorandum camp. In addition, he adopted a nationalistic discourse against Germany and Chancellor Merkel. On the 19th of November 2012 he called Samaras a ‘Merkel-collaborate’ and accused the President of the Republic of being silent and failing to state a position or express an opinion on the legislation he ratified thus transforming Greece into a ‘debt-colony’ (Skai 2012b). Moreover, leading figures of both parties have consistently argued that it is Germany that owes money to Greece and not vice versa due to: 1) the World War II reparations that have not yet been repaid; and 2) a loan that the Nazis issued during Greece’s occupation by Hitler. Hence, any Greek signing the bailout and the MOUs was unpatriotic and Germany was behaving again as an occupier (cf. Barber 2012; Deutsche-Welle 2012). Therefore in many ways the discourse of the left and the right often intersected with each other in their accusations against incumbent politicians and their adoption of a nationalistic discourse blaming an external enemy (cf. Halikiopoulou et al. 2012).

It appeared that very few Greeks were self-critical enough to realise that Greece, through a clientelistic interplay between citizens and elected politicians, had created an unsustainable economic model whereby the government kept borrowing to finance its annual public and trade deficits, since it was not able to collect enough taxes to finance its long-standing expansionary policy (cf. Meghir et al. 2010). In addition, the competitiveness of the Greek economy gradually deteriorated by the unorthodox socialist experiment of the 1980s. Although the 1990-2000 governments tried to modernise the Greek economy through privatisations, labour market and pension reforms, they did not succeed in modernising the Greek economy and state (Pagoulatos 2003; Mitsopoulos and Pelagidis 2012). Hence, some Greeks resorted to a blame-shifting discourse where for the country’s predicament a scapegoat had to be found: for some it was the Germans and Merkel who wanted to once again enslave southern Europe and Greece in particular; for others it was the corrupt and treacherous elites (mainly politicians and bankers) who stole public money and sent the bill to everyday people.

In sum, the financial crisis fuelled tendencies within Greek society that lurked in the background such as populism, nationalism, extremism and violence – evidence of the incomplete and defective democracy of the Metapolitefsi. Conspiracy theories thrived, along with blank condemnation of the existing political system and institutions as failures. Moreover, Greek public opinion was divided over how to respond to the crisis: for some accepting the MOU was a necessary evil that Greece had to accept in order to stay in the Euro, while for others it was an unacceptable punishment to Greece that should have never been accepted. Hence, even though the vast majority of Greeks remained in favour of the EMU membership, there was great disagreement about the right way forward.

4. The impact of the financial crisis on Greek politics

The impact of the financial crisis on Greek politics began to be felt in Greece after the 2009 elections as it was only then realised that Greece would be directly affected by the crisis. While most Greeks were expecting a boost of incomes through pay and pension rises along with tax cuts and credits coupled with an increase of investment, in line with PASOK's pre-electoral promises, the government soon revealed that the country's deficit was almost triple the one previously announced. After the MOU signing in 2010, Greece entered the period of path-breaking policy, economic and rhetorical/symbolic shifts discussed above. These shifts affected Greek politics immensely as they led to a radical reconfiguration of the post-1974 political system. More specifically, since the 1981 elections, Greek politics have been dominated by two parties: the centre-left PASOK and the centre-right ND which jointly accounted for more than 70% of the votes in Greek national elections since 1981. However, in the June 2012 elections, PASOK witnessed a catastrophic decline in its vote share (from 44% to 12%), while – for the first time in Greek history – extremist parties' popularity rose considerably. SYRIZA skyrocketed from around 3% to 27% and GD's vote share rose from its miniscule 0.2 to 7.5%. In the latest poll (November 2012), SYRIZA leads by 3%, ND is second and GD third (Kapa-

Research 2012). Research on electoral preferences has shown that there is a stark intergenerational divide among the Greek electorate: Greeks aged up to 35 years old tend to vote predominantly anti-memorandum parties such as SYRIZA and GD, while Greeks above 40 and especially above 50 tend to vote predominantly for ND, PASOK and DHMAR (Eklogika 2012; Vernadakis 2012). This division can be explained to a great extent by the huge unemployment rates among young Greeks – over 50% for 16-25 year-olds – and the harsh economic conditions for young families with children.

Unsurprisingly, the two big winners of the crisis – SYRIZA and GD – have campaigned on a populist anti-austerity / anti-bail-out strategy. They also accuse PASOK and ND of being traitors, corrupt, neoliberal elites or a combination thereof, who had to be overthrown by the people. This strategy was favoured by a considerable section of the Greek electorate which was angered at the suffering caused by the country's current predicament. Furthermore, both parties have adopted a clientelistic agenda which resonates among desperate and disappointed Greeks. For instance, SYRIZA gives false hope to most Greeks by promising a reversal of the austerity measures, as its leader Alexis Tsipras promised that when in power he will return salaries and pensions to pre-crisis levels, abolish any additional taxation measures imposed after 2010 and increase hiring in the public sector due to staff shortages (Capital 2012). These policies are rather unrealistic given Greece's financial hardship but they also resemble the pre-crisis clientelistic policies (e.g. income rises not directly linked to productivity; low taxation; strategic use of the public sector by governments in providing employment) which resulted in Greece's insolvency. GD has adopted a more hands-on clientelistic practice of offering protection of old people while walking in some areas of Athens to protect them from 'illegal criminals', and providing free food and other safety net support only to Greeks (Tanea 2012b). However, it is argued that these political developments further exacerbate the Greek crisis as neither party is offering realistic alternatives to Greece's problems. Further, both parties follow a populist blame-shifting agenda towards the EU, Germany, global capitalism, Greek and European elites

while they seemingly neglect Greece's fundamental weaknesses, such as widespread tax evasion; unsustainable public finances; structural problems in pension and labour markets; and low competitiveness (cf. Kalyvas et al. 2013; Featherstone and Papadimitriou 2008; Meghir et al. 2010; Featherstone, 2006; Kazakos 2004).

Ironically, some of these developments can be considered as evidence of continuity instead of change for Greek politics. For instance, SYRIZA resembles the pre-1981 PASOK party, as the latter had until 1981 some radical factions and adopted an extremely populist discourse of rising incomes through socialism and abolishing capitalism (cf. Pappas 2010). Moreover, SYRIZA has adopted a statist and populist approach like the PASOK of the 1980s. Subsequently, many PASOK MPs and members have moved to SYRIZA due to ideological differences with PASOK's new policy of austerity.

Despite the rise of the extremes in the 2012 elections, Greece succeeded in forming a pro-EU and pro-memorandum government which passed another austerity package in November 2012 – the toughest until now. It is expected that with these reforms Greece will achieve a primary budget surplus by 2013. However, unless the government, in liaison with its Eurozone partners, implements policies to stimulate growth, it seems unlikely that the recession will abate – something that will result in even more unemployment, poverty and political turmoil. In addition, it is becoming increasingly obvious that Greece needs substantial debt relief in order to reduce its debt levels below 100% given the unprecedented recession. Hence, the current EU response to the Greek crisis seems to need urgent revision to prevent total meltdown.

Conclusions

The financial crisis constituted a critical juncture for Greek politics. The country had to request financial support from its Eurozone partners and the IMF, resulting in the signing of numerous agreements known as MOUs. After the first MOU signing in 2010, Greece entered a period of path-breaking policy, economic and rhetorical/symbolic shifts compared to the post-

1974 period. These shifts affected Greek politics immensely. The immediate impact of the crisis was a dramatic rise of protests, strikes and public discontent. The long-term impact seems to be the radical reconfiguration of the post-1974 political system: in the June 2012 elections Greece's two major parties witnessed a dramatic decline in their vote share, while – for the first time in Greek history – the popularity of extremist parties, at both ends of the political spectrum, rose considerably. It remains to be seen whether this will be maintained and, therefore, that Greece will enter a process of political meltdown; or whether there will be a significant but controllable reconfiguration of the political system.

Regrettably, it seems that a large part of the Greek electorate turned to extreme and populist parties (SYRIZA, GD and ANEL) as soon as the post-1974 established parties (PASOK and ND) were unable to offer what the electorate demanded since 1974: prosperity through tax evasion, public sector employment, early retirement and increasing public investment financed by EU funds and loans from financial markets. In other words, a significant part of Greek society has not critically appraised the post-1974 economic and political *modus operandi* which led to the country's current predicament but is voting for anyone that promises to return Greece to the pre-2010 situation (as SYRIZA, GD and ANEL do). This lost opportunity for achieving consensus on tackling the long-standing deficiencies of the Greek economy, state and society may arguably be the worst impact of the financial crisis on Greek politics.

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