

The Impact of the Current Economic Crisis on Greece and Its Entrance into a Financially Supportive System

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Bachelor Thesis
2013



Tomas Bata University in Zlín
Faculty of Humanities

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Faculty of Humanities
Department of English and American Studies
Academic Year: 2012/2013

BACHELOR'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

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Personal Code: **H10740**
Degree Programme: **B7310 Philology**
Degree Course: **English for Business Administration**

Thesis Topic: **The Impact of the Current Economic Crisis on Greece and Its Entrance into a Financially Supportive Mechanism**

Thesis Guidelines:

Study of specialized literature
Collection of research material
Formulation of hypothesis
Analysis of the material and testing of the hypothesis
Discussion of results and Conclusion

Thesis Extent:

Appendices:

Form of Thesis Elaboration: **printed/electronic**

Bibliography:

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Date Assigned: **30 November 2012**

Thesis Due: **3 May 2013**

Zlín, 1 February 2013


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ABSTRAKT

Czech abstract

Níže psaná bakalářská práce je o ekonomické krizi a jejím vlivu na Řecko. Obzvláště, je zde analyzováno na jaké úrovni je několik sektorů v Řecku ovlivněno touto krizí. Jinými slovy, jaký byl dopad ekonomické krize na zdravotní sektor, sociální život, vzdělání, řeckou společnost a turismus. Také je zde analyzován význam vstupu do finančně podporujícího systému (tak zvaného Memoranda) a jak by to bylo těžké pro řeckou ekonomiku a stejně tak pro řeckou společnost bez něj přežít. Dále, v analýze jsou lidé tázáni, jestli kvalita jejich životů díky Memorandu byla zlepšena.

Klíčová slova: Memorandum, Celosvětová finanční krize, Řecko, Regenerace.

ABSTRACT

English abstract

The below Bachelor Thesis is about economic crisis and its influence on Greece. Particularly, there is analyzed in what grade are several sectors in Greece affected by the crisis. In other words, what was the impact of the economic crisis on health sector, social life, education, Greek companies and tourism. Also there is analyzed the significance of entering the Financially Supportive System (so called Memorandum) and without it how difficult it would be for the Greek economy as well as for the Greek society to survive. Furthermore, in the Analysis the people are asked whether their quality of life was improved thanks to the Memorandum.

Keywords: Memorandum, Global Financial Crisis, Greece, Recovery

ACKNOWLEDGEMENTS

I would like to thank my supervisor Mgr Jana Vondrejcová for guiding me and giving me useful advices. Without her, the compilation of this Bachelor Thesis would be impossible.

Also I would like to thank Kostas Papadopoulos who provided me valuable information about issues that were complicated and thanks to him I understood it easier. Furthermore, I also want to thank Jason Bell, who gave me useful advices concerning the structure of the essay. Last but not least, I want to say a big thank you to Alan Cunningham who did the proofreading.

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INTRODUCTION

From the time the economic crisis hit Greece two opinions dominated. The first opinion was not to enter the Memorandum and leave the country to bankrupt. As a result, Greece would return to its old currency and there would be a restart in economy. Also this side claimed that we should follow the example of Argentina. However, they did not realize how dangerous and harmful it might be for the economy and for the people as well.

On the other side, the other opinion claimed that Greece should enter the Memorandum because the Memorandum was a one way road to exit from the crisis. It is believed that is different to reject the entrance to Euro zone (and therefore adopt your current national currency) with exiting the Euro zone (and again to adopt your previous national currency).

Also recently the Cyprian government replied negatively to the possibility of entering the Memorandum and the results were disastrous. Banks closed, people lost their deposits and the supermarkets started to have inadequate goods on their shelves. It would happen to Greece the same in case they would have rejected the entrance to the Memorandum. The reason is that if you do not enter the Memorandum you will be obliged to return to your old currency. The result would be the devaluation of the currency as a consequence it is useless and none of the foreign countries want it. Therefore, you cannot make imports and this is resembled in the supermarkets for example, where the shelves are more and more bare as time goes by.

Taking everything into consideration, in this Bachelor Thesis it will be proved that thanks to the Memorandum not only the Greek economy was improved but also the quality of life of the people got better. The Greek government decided correctly and entered into the Memorandum.

I. THEORY

1 ECONOMY FLASH BACK FROM 1960

1.1 1960-1973

This period can be also called the “golden period” of Greek capitalism, due to the fact that there were high rates of development and the inflation was low. (Kaladoukas, 2010)

Furthermore, this economic development was not a result of a random policy. Vice versa it was a result of a global development after the Second World War. As far as Europe is concerned, the unemployment rate was less than 2% and the GDP growth reached 5%. (Kaladoukas, 2010)

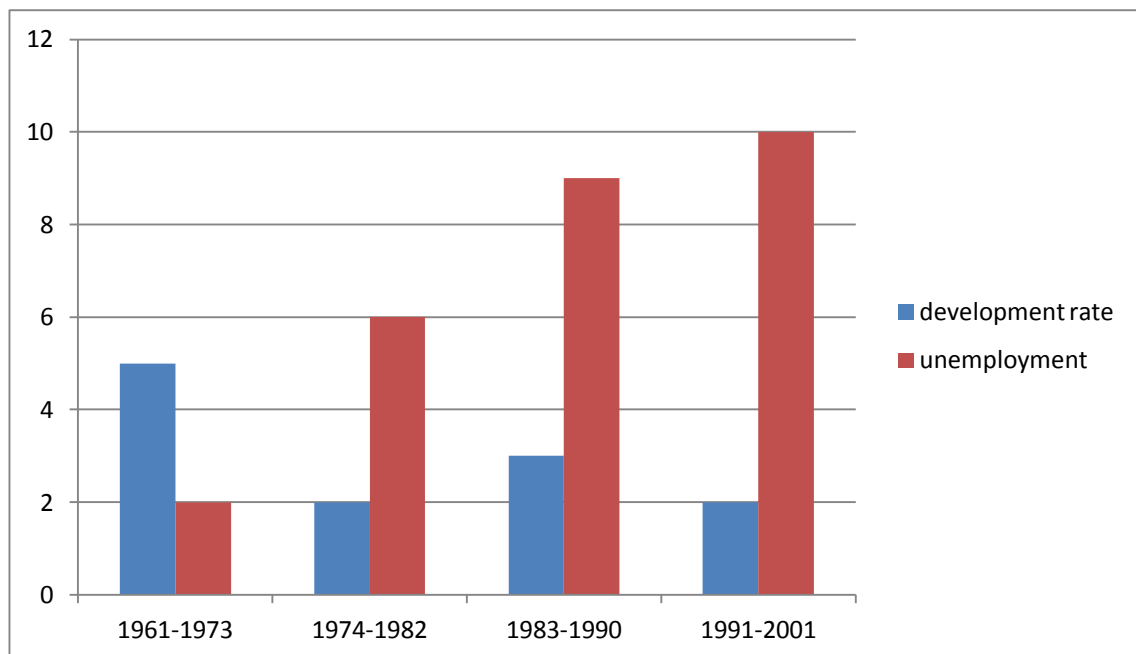


Figure 1. The development and unemployment rate according to Lukas Tsoukalis

Source: European Committee

As a consequence, Greece’s economic level was lower than the other countries of Western Europe, and it is remarkable to say that the Greek rates were higher than the European average. (Paparigopoulos 1853, 235)

At the beginning of the period the agricultural sector dominated in the economy. In 1950, the agricultural sector represented the 34% of GDP in 1956 and 54% of the Greek population was employed in agriculture industry. (Psiroukis 1940, 21)

During the decade 1964-73, the development of the industrial sector was impressive, and it is among the highest in the world. The result was that agriculture was surpassed by industry. (Psiroukis 1940, 29)

In 1960 the GDP rates of the economically advanced economies in Europe were lower than the rates of change of GDF in Greece. These economies can be also called “technological frontier” that Greece tends to approach by adopting methods such as technological and organizational which have been used with success in the developed countries of Europe. These methods are integrated into the capital stock and labor processes in Greece, which has low productivity, and leads to growth rates that exceed, long term, the rates which correspond in the more developed European economies, because these economies have used the latest technology and organizational methods that have fewer growth opportunities. (Abramovitz, 1986)

In the case of Greece, forces of convergence prevailed after 1955 because the “social capabilities” of the workforce, that were related with the use of new technologies and the adoption of new organizational methods, (Palloix, 1981) contributed greatly to the efficient use of imported technologies. Ilias Ioakimoglou claims that “the average annual growth rate of real GDP per capita in Greece was 3,4% between 1960 and 2008, compared with 2,3% in the EU.” As a consequence, in 2008 GDP per capita at constant prices were about 5 times higher than in 1960 in Greece while in the EU was 3 times higher. (Ioakimoglou, 2008)

1.2 Development and class contrasts

In 1960's despite the fact that the economic growth was high, the class contrasts were explosive. At that time we have big prosperity of economic indicators, but people were not satisfied at all. The income of an average labor worker covers only 64% of the minimum necessary maintenance of expenses of a family. (Kaladoukas, 2010)

If labor income was inadequate, the average farm income represented the 46% of the median income in the cities. In fact, in 1960's, the most significant event is the explosion of rural unrest. (Kaladoukas, 2010)

Public expenditures reached the lowest possible point. The result was that in 1961, many people were illiterate, and if we want to speak with statistics it is translated in 17,7% of the population. Every class had approximately 50-60 pupils, and there were schools, in which one teacher had to be in charge for 120 students. (Paparigopoulos 1853, 236).

1.3 The end of the “golden period” and the change of the regime

During the dictatorship economic growth has preserved its power (1967-1974). Tourism and construction were the most important levers for the economy. The high economic level of European countries have created a comfortable standard of living, which supplied the tourists while the economic boom continued and the international economic environment remained favorable. (Kaladoukas, 2010)

The change of the regime adjusted a scandalous policy in favor of the private capital, a fierce policy which had as a result the wages to be kept in low levels. During the dictatorship the growth of labor productivity was much higher than the growth of the wages. (Paparigopoulos 1853, 289).

1.4 1974-1981

The global economic crisis' first shock was quickly overcome. This was because the crisis was related only with the developed countries of the center and the periphery (and hence Greece). Thus, Greece had the highest growth rate in the OECD during the period 1974-1979. (Paparigopoulos 1853, 320)

However, Greece and all the developing countries of that time were hit by the further deterioration of the global economic crisis that was triggered in 1979. (Kaladoukas, 2010) GDP's growth tempo declined, investors did not want to make any movements, and because of that what happened in the Greek economy was called stagflation (economic stagnation and high inflation at the same time). (Kaladoukas, 2010)

The overall economic slowdown in the Greek economy had as a consequence that spending of the government were increased, the rate of the revenue had decreased as a result the Greek government borrowed money in order to rise to 8.5% of GDP (1981). As mentioned above in 1981, when was the election year, there was this stagflation which decreased the GDP by -1.6% and it increased the inflation by 24.5%. (Kaladoukas, 2010)

The worst of all was that the competitiveness of Greek businesses and private balance of payments were deteriorated. The trade deficit from \$1.3 billion (1971) reached \$3 billion (1975) and \$6.8 billion in 1981. (Kaladoukas, 2010)

In 1981, everyone could easily realize that the “golden period” of Greek capitalism was over. If we compare the trade deficit between 1971 and 1981 we would notice that it was five times greater while the current deficits are seven times higher. Any extra private investments were precipitated. (Kaladoukas, 2010)

1.5 1981-1993 “The stone years”, economic crisis

During the decade of 1980s the state size of the state was not big. The problem was the private sector and not the government sector. As it progressed, for example “European integration” and the tariffs which were eliminated between the countries beyond EU, as much the Greek capitalists were losing the competition against their opponents in Western Europe. The “growth gap” between the Greek capitalism and the more developed western European rift widened with accession to the EEC and this was one of the main problems of the Greek economy. (Kaladoukas, 2010)

2 IMPACT ON EDUCATION

According to an international research, from 2008 until today in many countries of the European Union, the financial crisis is visible in their educational systems. (Vlaxoy, 2012)

“The impact of the economic crisis in education sector since 2008 until today“ was presented by the OLME team at the European Confederation of Teachers. It also involved 55 unions that represented the teachers of 26 EU countries and 14 non-EU. (Vlaxoy, 2012)

As it was expected, Greece wasn't the exception and was hit by the financial crisis in the education sector as well. To be more specific, according to the data of the teacher association, Greece has the 4th biggest percentage (20%), regarding the cuts of expenditures on education. Latvia is considered the “champion” with 55% percentage in cutting expenditures. Moreover, Romania follows in the second place with 50% and Hungary is third with 27,5%. Although, it was observed that in Greece there would be layoffs and eventually they didn't happen. However, Greece found the alternative and it was recorded that they made the highest wage cuts (30%). As far as wage cuts are concerned, Romania has reduced 25% the wages in education sector and Ireland reduced 18%. (Vlaxoy, 2012)

Basically, the conclusion of the survey is that:

- There have been limitations in expenditures in 22 countries.
- The wages of the teachers have been reduced in 12 countries, in 19 countries they have been “frozen”, and in 9 countries there have been cuts in retirements and in 16 different grants.
- The working hours have been increased to 12 hours
- There have been layoffs in 16 countries, in 23 countries it was recorded merges of school units and in 22 countries it was recorded abolishment of schools.

The representatives of trade unions from different countries, reported that hiring new people in education sector is not as frequent as it used to be. What is more, they also supported that the teaching profession because-and low-offs are no longer attractive to many people. (Vlaxoy, 2012)

3 IMPACT ON THE SOCIAL LIFE

According to the psychologist and career counselor, Elisavet Georgiou, psychological problems such as panic attacks and depression have grown rapidly due to economic crisis. Moreover, these problems have led to suicide on some occasions. Also, she adds that the crisis influenced the people, who work in pharmaceutical and retail trade. (Tsakiri, 2011)

The economic crisis has as a result the rapid increase of psychological problems. Generally, social phenomena like increasing unemployment, changes in labor and work stress have affected either directly or indirectly the vast majority of workers. The people who got fired, and the people who must work under the new hard conditions react to the amount of time that they have to spend in work as well as to the salary reductions. According to the World Congress of Mental Health, the most common mental disorders that occur due to the economic crisis are anxiety disorders, depression, phobias and panic attacks. As a result, insecurity and uncertainty are provoked. Thousands of people are driven to suicide, which is also an extreme manifestation of frustration and despair. This trend is also in Greece and the Organization Scale in collaboration with the Ministry of health recorded 1018 suicides in the last three years, when the crisis started. Moreover, the people who call to helplines are 60 to 70% more than in the past. (Tsakiri, 2011)

The example of pharmaceutical industry is the most suitable to the problems that the workers face nowadays. The Pharmaceutical industry in Greece is the industry with the highest profit with remunerated executives. Apart from the fees, which are associated with data enhancement of their social profiles, the employees in this sector are used in very good benefits such as luxury cars for the middle managers or large displacement cars for the sellers. The Pharmaceutical sector made many redundancies and reduced their salaries and benefits due to the wider economic crisis. This of course, affected economically the workers as well as their families. The people who subsisted this (being laid off) must show a different face and they must adjust in lower-paid jobs either in the company that they worked or in other industries. On the other hand, the people, who are not laid off, must subsist the constant changes in environment and also they must be ready as they are required to do much more things to do. These things do not happen only in pharmaceutical industry but also in IT industry as well as in advertising. The companies do not invest in new technology and reduce advertising costs due to the limitation on costs. (Tsakiri, 2011)

3.1 The economic crisis and its impact on the mental health of young people

Problems and disorders of emotion, behavior, growth, with significant short and long term effects are the main characteristics for 9.5-22% of children and adolescents according to the World Health Organization. From the time that the people are born until 14 years old there is 50% possibility that the mental disorders will begin. These disorders often recur or persist. (Kolaitis, 2011)

The children and the adolescents, who have mental health problems, usually have psychological, social and economic burden as well. This can have as a consequence, to face difficulties in communication with peers, the school performance not to be as it was expected, the adulthood not be smooth, to have troubles with law, and also difficulties with PSYPE services and welfare. The UN Convention on the Rights of Child must take measures and it must act urgently in order to solve this problem. However, investment in adult mental health is more than that in mental health of children and adolescents. (Kolaitis, 2011)

3.2 Behavior Disorders

Very popular is the example of conduct disorders, due to which there is created an economic burden. An English study was conducted, in which there was a comparison made between children who do not have problems, children with conduct problems and children with conduct disorders. More particularly, among these disorders are aggression, stealing, lying, truancy, gone, vandalisms and so on. 30% of the children were classified in the latter category and it was known that they are becoming adults with unsociability. Very often they indicated their extreme mood for criminality. The costs for ages from 10 to 28 years old were assessed by this study in mental health, education, welfare, court and so on. The results were that the third group was the most expensive. More specifically, it cost to the state 125.000 while the first and the second group cost 12.500 and 50.000 respectively. (Kolaitis, 2011)

Nearly 3 out of 4 families that have a child with disorders of the autism spectrum spend more than 800 euro –the insurance covers less than 400 euro- according to a study in progress of the University of Child psychiatry. Significant physical problems or mental health problems, especially depression symptoms are the main problems that half of the mothers have. So the most frequent question is how can families like these resist the

pressure and respond adequately to the increased demands of the new economic conditions. (Kolaitis, 2011)

Poverty in children and other effects of psychological adversity might influence someone either directly or indirectly. An example of direct effect is the harsh and punitive attitude of the parents while the indirect effect is the outcome of the previous, which is the antisocial behavior. Some studies refer how the children are associated with poverty and mental health problems through different mechanisms. (Kolaitis, 2011)

There were many experiments carried out which were related to the behavior in marmosets or in other words squirrel monkeys. More specifically, when the females had lack in food the behavior that they adopted can be characterized as inert. Moreover, the contact with their children was less than before, while the young animals need more care and consequently more contact. Despite the fact that this was the result, we cannot compare the difficulties in finding food for monkeys and poverty for humans. Although, it is one significant element that is similar and associated them. The physiological problems in animals and humans are similar. The lack of food therefore, had impacted negatively not only to the mothers but to their parental behavior as well. (Kolaitis, 2011)

Worse mental health may arise from the low socioeconomic status, while the bad mental health reduces the ability of improving or even acquiring a better socioeconomic status. According to a recent study of the World Health Organization, which was conducted in 7 countries (including Greece), it was found that the more positive perceptions and emotions in children and better mental health was linked with the highest level of family and with the highest educational level of parents. (Kolaitis, 2011)

Newer opinions say that the inequalities increase the mental health problems and emphasize that the mental health problems do not come from the absolute shortage of money. To speak more particularly, the children, who have grown up in a low socioeconomic background, they present emotional problems such as stress and unhappiness in comparison to the children who live for a while in poverty it has a consequence to present hyperactivity and conflicts with their coevals. (Kolaitis, 2011)

All in all, it is crucial to remember that poor mental health and inequality have as a result that the children will have the worst status in their adulthood. Among other things, violence, lower educational outcomes, poor reproduction and sexual health, substance use and many other health problems are associated with poor mental health in childhood. Also there are

problems like parents' divorce, economic hardship and insanity of parents which are associated with mental disorders in adulthood. (Kolaitis, 2011)

3.3 Lack of infrastructure

Unfortunately, in Greece the investment for adult mental health is more than the mental health of young people. The National Action Plan 'Psychargos' also confirmed it for the period 2000-2009. (Kolaitis, 2011)

The conclusion that was made by a team of European evaluators, was that the rates is not big achievement for services and infrastructures like child guidance centers, integrated centers for autism, day centers of autism, hostels for people with autism and last but not least short stay hostels. In addition, the infrastructure and the services related to special categories of patients are insufficient. (Kolaitis, 2011)

The county of Attiki there are the most buildings and the widest variety of services and this is great inequality since the rest of the Greece has poor infrastructure concerning these issues. The rest of the counties have insufficient number and type of services that they provide. A great example which would resemble the above is that there are 13 child guidance centers out of 22, which is the total number. (Kolaitis, 2011)

The evaluation team proposed that the existing gaps in services should be taken seriously. Also, specialized services are needed especially for people with autistic disorders, mental retardation, eating disorders and so on. (Kolaitis, 2011)

The parents, who have mental health problems, should be given support and there must be prevention of neglect and abuse. Bullying and aggression must be impeded. Depression must be reduced. Protect the children rights and address the violence. Fight against stigma and combat discrimination. PSYPSE schools must be promoted and must collaborate with other schools, in order for the young population to participate in these social services. Neighborhood's role must be strengthened. These are main priorities for the authorities and measures must be taken in order to solve them. (Kolaitis, 2011)

The existing scientific knowledge, the research for the evaluation of the provided services, the relation between cost/effectiveness, the constant training of the specialists should be urgently improved. (Kolaitis, 2011)

According to World Health Organization study, maintaining the mental health systems in the financial crisis needs to be done. Also other important things that should be done is mental health investment as well as continuation of psychiatric reform. However, the organization

‘Psychargos’ tends to close since 210 of its structures are not active anymore. (Kolaitis, 2011)

Both within and outside the National Health system, it is obvious that there is huge need for economy. Therefore, it means that the cuts (due to the Memorandum) should not be as big as in the other branches of the economy due to the fact that this is a sensitive area. This is logical because the demand for services like these is rapidly increased and the present staff or even the present services are not enough in order to satisfy this huge number of people who suffer. (Kolaitis, 2011)

Due to the fact that many parents do not have the ability to raise their children, the children are abandoned in pediatric hospitals. The risk of regression is multiplied and this is visible in Greek institutions. Also another very frequent incident is that many children are dispatched to the University Clinic of Child Psychiatry, after the suicide of their parents due to the crisis. (Kolaitis, 2011)

3.4 Consequences of salary cuts

The current period is the most inappropriate time to cut salaries or make other limitations in mental health. By making these limitations it can have harsh consequences in the near future, because the cost of maintaining a person with health mental problems is higher than his/her treatment. (Kolaitis, 2011)

Vice versa, it is high time to make investments in science-based prevention interventions, make researches concerning the treatment of mental disorders, which can be financially beneficial not only in the areas of health. (Kolaitis, 2011)

4 IMPACT ON HEALTH

Human resources is one of the most important resources in the Greek health system. Comparing to the other resources, this resource has a difference, which is that it is sensitive to environmental factors such as geographical, political, social and of course economic. (Kanelopoulos 2012, 66)

It can be said that the most significant consequence of the crisis was on the public sector and this was the dismissal of a large number of people. In addition to this many extra bonuses stopped. . (Kanelopoulos 2012, 66)

Due to the fact that the health system is part of the public sector it didn't escape from the impact of crisis. Many adjustments were made and they are visible in the below figure.

As it can be derived from the above figure the more we reduce our costs on health system the more we will have negative impact on human resources. All these can be explained with two types of reduction. (Kanelopoulos 2012, 66)

- Direct reduction – wages and bonuses that are granted to staff according to the results obtained in work, are decreased. Therefore, human resources are affected both directly and indirectly after this reduction.
- Indirect reduction – this is the reduction of other types of expenditure. When these expenditures are reduced, they immediately affect the quality of hospital activities. For instance, when we have reduction of consumables, more attention is required on the use of these resources in hospital practice. As a consequence, the medical attention is decreased and it provokes medical errors. (Kanelopoulos 2012, 66)

The expenses in the health sector that have been reduced in recent years in Greece are higher than the European average. One reason for this is that many people consider the health sector as unproductive and consequently its priority to budget allocation is low. Furthermore, through two mechanisms, trade unions and particularly doctors, we have lower costs in this sector. The first is that, just like in every country so it is in Greece, the personnel costs are the main costs. Concerning the second mechanism, it can be said that the doctors determine and influence the medical expenses. Not a big number of medical staff has the intention to reduce the medical consumption and to decrease the share of health budget to GDP. From 2011 until today, despite the fact that the health professionals are

more than they used to be, the EU average remains higher related to the population. (Kanelopoulos, 2012).

Taking into consideration the reduced funding, which lasted for long period, and simultaneously the demographic phenomena that appeared in the Greek society such as aging population, mortality and morbidity, it would be expected that the health expenditure per capita to be higher than the average, and the multi-annual projections should have reflected it on. (Kanelopoulos, 2012).

Also, as the costs will be diminished and the Greek economy will constantly contract, due to Memorandum which will be analyzed later, it is inevitable that the health sector will be affected. Memorandum involves that within the next years Greece must reduce human resources in the public sector. (Kanelopoulos, 2012).

The above Memorandum actions have as a consequence every single person in the health sector, tries to work more intensively just to show that they are more useful and necessary than the other collaborators. Of course this is negative because of the devotion on the workload – or in other words on the hours worked – the quality of the work is not as good as it should be. As a result, we lack quality and then extra costs are necessitated and the progress of the performance is constantly decreasing. (Kanelopoulos, 2012).

Additionally, during the crisis the handling of the human resources in the health sector is weak, given that European countries have a higher average insurance population than Greece. Apart from the maladjusted territorial distribution of medical personnel, it was also noticed that the Greek health sector doesn't have adequate specialists, in branches like public health and health care management, social, medical, preventive and insufficient staff in cities. There are also other issues which have to do with the elimination of motivation of making a career in the health sector and the inadequate support to a newcomer doctor or nurse. According to Dimitris Kanelopoulos ‘‘ It is also observed small organization process and postgraduate training of doctors, low wages and lack of connection between performance and income. The crisis also generates a dysfunction in the process of planning and training of medical staff, aspects that are controlled by institutions without a coordinated policy.’’ (Kanelopoulos, 2012).

Therefore, Dimitris Kanelopoulos advises that we have to change with big caution the expenditures which affect the health sector. Also he points out that ‘‘ This is because this area is designed to maintain the society at a high level of health. Doctors and nurses are the

representatives of the system and have the role to "fix" and to "maintain in good working" standards the health system. It is necessary to keep a lower rhythm of reduction of expenditures in this sector to keep a level still "optimistic" in this area higher than in other areas." (Kanelopoulos, 2012)

5 IMPACT ON GREEK COMPANIES

According to the Association of Management Consulting Firms (SESMA), which conducted a survey, the general impression of the impact of the current financial and economic crisis on Greek businesses is negative for the next five years. This survey was conducted in the first half of 2010 (the crisis started in 2009, Ed.) on a sample of 180 senior Greek firms. (Kalofolias, 2010)

Also, the conclusion of the survey was that the difficulty of access to credit (64%) is the most important impact of the crisis. In addition to that, the combination with the high cost of capital it remarkably impedes their funding. (Kalofolias, 2010)

What is more, from the appearance of the crisis, the financial sizes of companies have worsened remarkably. To be more specific, from the sample, almost 70% of the companies declare that their sales are lower. Regarding the net profit, the estimations are similar, because 71% of firms in the sample predict reduction in net profits. As far as the investment activities are concerned, only three out of five companies admitted that they have managed to make lower investments so far. (Kalofolias, 2010)

The expectations of the companies for the development of their main sizes over the next couple years will be less pessimistic and more careful in contrast to the period before crisis appeared, when the expectations were really high. Particularly, 49% of the companies in the sample said that on the one hand the sales are reduced, but on other hand the rate of the sales (69%) is lower than in the previous year. Meanwhile, the estimates for net income are similar. The estimates concerning the employment are also careful, due to the fact that 39% of the companies foresee that their credit rankings will be deteriorated. (Kalofolias, 2010)

Most of the businesses have the belief that due to economic crisis they will be stricter with the observance of the budget (96%), they will reduce costs (92%) and that if they adopt conservative management practices they will minimize the risk (86%). Moreover, usage of services like ‘outsourcing’ are being used by the majority of the companies. However, 37% of the companies declared that they will not limit their extroversion due to the crisis and this is an optimistic thing. (Kalofolias, 2010)

47% of the companies show a small optimism for the next two years, whereas the other half (52%) express pessimism. (Kalofolias, 2010)

In conclusion, according to the participants' opinions that were recorded in the survey, there are four main measures that must be taken by the Greek government in order to get the Greek economy out of recession and improve its competitiveness. These are:

- Reducing the bureaucracy especially in financial and insurance services.
- The public sector should increase its effectiveness and reciprocity.
- Establishment of a sound legal and regulatory framework
- To give more incentives and motivation to the people that want to invest. (Kalofolias, 2010)

6 IMPACT OF ECONOMIC CRISIS ON GREEK TOURISM FOR 2012

Even if the Greek economy passed very hard moments in 2011, one of the few elements that saved it was the tourism, which had quite positive performance. On the other hand, according to the bookings of the first quarter of 2012, the tourism in 2012 was expected to be more inauspicious. (Karantzavelou, 2012)

According to the registered statistics of GfK Travel Insights, earnings for holidays remained high particularly for the German market, even though Europe was living in a tough economic situation. Comparing to the previous year (2011), there is an increase of 8,5% in bookings according to German travel agencies and tour operators. The bookings from Holland remained almost the same, just like in year 2011. As far as the rest of Europe is concerned, since the bookings are made at different times, it is very early to define which country they will choose as their summer destination. (Karantzavelou, 2012)

6.1 Trends for destinations in 2012

A popular tourist destination is Spain, which has 6% growth rate on profits only from German tourists. Additionally, Turkey, Egypt, Italy, Greece, Portugal and Tunisia are the main destinations where the Germans choose in order of preference. Spain, Turkey, France, Greece and Italy and then countries in North Africa, especially Egypt and Tunisia are the destinations that the Dutch tourists choose. (Karantzavelou, 2012)

In this point, it is remarkable to mention that Greece is not among the three most popular destinations for these markets, as it used to be. (Karantzavelou, 2012)

6.2 The progress of the Greek tourism so far

A significant reduction in the choice of Greece is observed concerning the two most important tourist markets summer destination preferences, especially if we compare the competing neighboring countries in the Mediterranean. It is very significant because these are the two most important markets. This is crucial due to the fact that, the summer months are the only months which bring high amounts of tourists. Also it is remarkable to mention that the Greek tourism is dependant mostly to these two countries, which are the main nations and help the income of tourists to Greece and thanks to them the other Mediterranean countries have a significant increase in profit for booking holiday packages. Approximately 135.000 less Germans will come this summer to Greece and concerning the

Dutch the number reaches up to 37.000 less tourists. The percentages are the following: -27.4% from Germany and -13.7% from Holland, and also if we take into consideration the reduction in the average price of packages, we can easily realize how serious things are.

(Karantzavelou, 2012)

6.3 Increase of the competitiveness of the neighboring countries and the impact of the crisis

The most serious and visible reason for the fall of tourist influx is the competition of the neighboring countries, particularly Turkey and countries of North Africa, which seem to get over the social upheavals. (Karantzavelou, 2012)

The percentage increase, which signifies the number of German tourists that will visit Turkey this summer, is double digit, whereas the increase for the Dutch tourists is single digit. Karantzavelou argues that ‘ ‘ Important aspect is the increase in the average selling price of the tourist package holidays to Turkey on both the German and the Dutch market.’ ’

(Karantzavelou, 2012)

According to GfK Travel Insights, Egypt expects more than 200.000 German tourists in the coming months and this number is translated into 21.9 % increase. As far as the Dutch tourists are concerned, they reach the 50.000 or in other words they increase it by 14,5%.

(Karantzavelou, 2012)

Furthermore, the increase of bookings for Tunisia reaches the 50%, concerning the German tourists, and concerning the Dutch tourists the number might double as well, since it remains cost effective summer destination. On the other hand, it is observed that the average price of package tours to Egypt is significantly increased. However, in both countries it is observed a dramatic declination of the length of the stay. (Karantzavelou, 2012)

A reason why the rate reservation and purchase tour packages are low is that Greece is frequently portrayed in news in a negative way. This is because the media publicize difficult economic conditions, the uncertainty if the country stays in or out of the Euro zone, unsteady political conditions, and the rumors that say that here in Greece predominates an anti-German sentiment. In practice, this means that the profit was declined by 6% only from German tourists, while from Dutch tourists it was declined by 3.9%. (Karantzavelou, 2012)

The impact is now visible by everyone. According to the National Bank of Greece, from 466.7 million euros that it was the last year, we have a decrease of 15.1% which means 396.3 million euros. Due to the political instability that dominates in the country, the bookings for the summer have been reduced by 10 to 15%. Moreover, if it goes like this, Greece will have 1,5 million less tourists. This had consequences such as the closure of 20 hotels, and the reduction of workforce jobs by 14,000. A stifling environment in tourism has been created due to the unprecedented economic crisis. The negative image of the country has been established in the minds of tourists due to the continued defamation of the country and due to the scenarios for the possible exit from euro zone. (Mpechrakis, 2012)

7 HOW DID THE GREEK CRISIS COME?

To begin with, many people wonder how Greece could borrow money so easily and with low interest rate and now they are threatened with bankruptcy. This is one question that must be answered, so that the people will comprehend the problems that Greece faces today. There is high possibility that the loan that a government takes is non refundable since the interest rate is quite high. An example would be during the decade of 90s when Germany borrowed 16-18 times less than Greece. After having entered the European Monetary Union (EMU) the spreads were reduced to less than one unit but recently it was increased to 4 units. (Galenianos, 2010)

In years 1999-2008, the Greek economic growth was the second highest in European Union for that decade. More specifically, the growth of the economy raised 3.5-4% every year. Taking into consideration the inflation, the growth of the nominal GDP was 7-8% per year, which means that it was two times more in the years 1999-2008. (Galenianos, 2010)

Despite this rapid economic growth, there was a downside in that period, which was the large deficit. Also, even though the income doubled in years 1999-2008, the debt remained the same. In addition, if the deficit would be at the limits where it should be, which is 3% annually, then the debt would fall to 75% of GDP by 2008 because GDP growth would be much higher than the increase of debt. If the Greek government kept the debt stable it could be reduced up to 54% of GDP. This shows the mistake of the government and the actions that should have been taken in order to reduce more easily the debt. (Galenianos, 2010)

Although, in 2008 everything changes. After the crisis in the 30s, the global economy experiences the toughest crisis of the western capitalism. The economic recession leads to the worsening of fiscal sizes of all countries because the economic shrinkage results in lower revenues from taxes and higher expenditures which are mainly aimed for the support of banks and the support of the lower class citizens. (Galenianos, 2010)

As far as Greece is concerned, in the very beginning the crisis did not hit Greece bad due to the fact that banks had not expanded and there were not any major issues in the housing market. However, the second wave of the crisis, hits Greece in its Achilles heel, which is the solvency of the public sector. In years 2007-2009 there were 2 elections. During this period, the spending that was made by the government increased rapidly while the income was reduced. Particularly, the statistics show that costs regarding the expenditures rose from

43% to 50% of GDP whereas the revenue followed a fall from 40 to 37% of GDP. (Galenianos, 2010)

Nevertheless, the rapid increase of the deficit had great impact and caused many problems to the state budget and at that time the global crisis was not visible at all in the other countries. The impact of the crisis was that it reduced the revenue from taxes, and also regarding the growth it made it harder. The last point is quite significant since thanks to growth Greece covered deficits. The large fiscal deficit and the low growth expectations shoved many countries (including Greece) to major adjustments. In Greece, the situation was not the most attractive for the investors, especially when they saw that the country has 6-7% deficit, and the possibility of not receiving back the money is high. (Galenianos, 2010) Therefore, the consequences of the above were that they obliged the Greek government to borrow with higher interest rates. The Republic of Ireland experiences a similar situation as the Greek one, with a similar deficit, but the only difference is that their debt is less and the financial crisis is bigger due to the problems that the Irish banking sector face. What investors see between these two countries is that Ireland made greater effort to deal with these issues by passing three austerity packages in 2009 with the aim of reducing the budget deficit. Unlike Greece, before the elections in 2009 did not make anything remarkable and after the elections the government states that the deficit eventually is twice as much without having any plan to reduce it. (Galenianos, 2010)

Last but not least, observing the Greek and the Irish spreads, it is visible that from the beginning of the crisis they moved together. Nevertheless, from December 2009 the Irish spreads had a big declination of 1-1.5% higher than German. The Greek spreads vice versa follow the opposite way and they remain stable at 3-4%, which makes very hard to reduce the deficit. (Galenianos, 2010)

8 THE MEMORANDUM

The agreement between the Greek government and the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) is called ‘Memorandum of understanding’. It is a program, which contains economic adjustments and its main goal is to help Greece to tackle the economic crisis. (European Committee, 2012)

Greece requested this agreement in April 2010 and it eventually happened. However, there was a need for second agreement and it happened in March 2012. The Memorandum includes measures in various sectors of the economy, which the Greek authorities should implement in order to get out of the crisis and in order to improve the structures of targeting economic growth. Also, from the time that the Greek government will sign these Memorandums the ECB is obliged to give loan agreements, which were 110 and 130 billion respectively. As long as Greece has more expenses than income and as long as it will not be able to request help from the financial markets due to the problematic financial situation, these loans are necessary for the functioning of the economy. The European partners of Greece therefore, make an act of solidarity, without which the country would have been bankrupt and austerity measures would be more painful for people. (European Committee, 2012)

8.1 The objectives of the economic adjustment program for Greece

The main aims are to support liquidity in the economy, the consolidation of the financial situation of the country, improving competitiveness and recovery from Greece's productive base. Also another objective is to change the productive model of the economy that will be based on investments and exports and not loans as it used to be. (European Committee, 2012)

8.2 Ways that these objectives will be achieved

In order to achieve the above measures, in the program there are included a full set of policies which are ambitious and interrelated.

In the fiscal part, there are measures which will help the Greek economy to reduce the budget deficit and will also contribute to the gradual reduction of public debt below 120% of GDP by 2020. In the financial sector, the program's function is to support the liquidity and to recapitalize banks as well. The program aims for the implementation of structural

reforms such as making the public sector more modern, strengthening the tax system, improving the business environment, the implementation of a plan, which includes privatizations; also it aims in improving the quality of health delivery and reduces costs in product markets. All these reforms have as a goal to improve competitiveness and development. (European Committee, 2012)

8.3 The total amount of aid given to Greece

The total amount of money given to Greece so far is 240 billion Euros. More specifically 110 billion were given during the first program and 130 billion for the second. The entire GDP of Greece is smaller than this amount. Also the retroactive reduction, the lending rate as well as the Public Sector Involvement (PSI) played a very significant role due to the fact that they reduced its debt by 100 billion Euros and improved significantly the repayment of the balance. (European Committee, 2012)

8.4 The possibility of renegotiating the program

Every 3 months the program is updated and adjusted. In addition, the Greek government has the right apply for replacement of other individual measures, which will have the equivalent effect as the previous measures. Although, in order to make the renegotiation, all the involved organizations and Member States participating in the EFSF (European Financial Stability Fund) must agree. Moreover, there must not be forgotten the fact that if there is any extension of time to implement financial objectives of the memorandum, the financial effects that will arise, should be covered by the Member States. The memorandum is a bilateral agreement. If one side decides unilaterally to reject it, the other side is not obliged anymore to meet the agreed commitments, namely the provision of installments of loans. (European Committee, 2012)

8.5 The possibility of receiving financial assistance without having to implement the program

If the Greek government does not implement the program, the ability to repay the financial aid that came from European taxpayers in other Member States and therefore the recovery of the country would put into question. Consequently, a stable government that can implement the program is the most important thing for Greece. This program will have as a

result to put a path to a sustainable growth and competitiveness and restore the distorted economy that led to this situation. (European Committee, 2012)

8.6 The possibility of exiting the crisis

If Greece follows the rules of the Memorandum and implements all the fiscal measures that are included, it is expected that the surplus that it will have in 2014 will be greater than in 2013. Also, the Structural Funds of the EU, which will contribute to the development and the creation of jobs will play important role. Thanks to these developments not only the credibility and dignity of Greece will be restored, but also they will provide relief to the people. (European Committee, 2012)

8.7 How Greece reached Memorandum 3

As the result of the above in 2010 the new government signed the memorandum in order to reduce the deficits and to make the economy more competitive. Many deputies were against it, because the Memorandum contained measures like salary cuts, which meant that people will not like it and consequently they will not vote for the deputy, who will vote in favor of these measures. As a result the Memorandum was presented as something bad which will destroy the Greek society. People didn't see its positive side and some of the measures that it contained, which would put everything in order.

The demonization of the Memorandum by the Greek media and by most politicians shows once again the weakness of Greek media and the Greek population to understand reality. The current government blames the opposition about the current situation, and the opposition blames the current government, claiming that if they were in the government's position, they would adopt different ways so that the Memorandum would be avoided and we would not reach it.

There has been a division of the Greek society on a topic that a small number of people know – the Memorandum. Also, many people will vote according to the attitude of the parties towards this. Moreover, there are many people that believe that the crisis that Greece is being through is because of the Memorandum. Their belief is 100% wrong of course. The truth is that the crisis was about to come and everybody knew that. This could be easily realized by the policies that the previous governments adopted. The Memorandum is just a helping tool, which contains some rules that Greece must adopt, and if these rules

are implemented then the European Central Bank will provide the loan that the Greek economy desperately needs.

From 2010 there were signed 2 Memorandums. The problem was due to the fact that the measures were hard for the society due to sentimental reasons they were not implemented. Therefore the first two Memorandums were unsuccessful. In 2012, a new government was elected and the EU gave the last chance to Greece (Memorandum 3) to implement the rules that the Memorandum contains.

9 CONTENTS OF MEMORANDUM

Private sector will be subsisted big changes since the compensation in case of dismissal will be smaller than it used to be. Also, the new measures are not related only with the private sector but also with the public sector. Apart from the measures and cuts, the Memorandum contains 3 structural changes, such as opening up closed professions. (Raptis, 2012)

9.1 Layoffs-transfers

The Memorandum includes the dismissal of thousands public employees. After passing ten days from the publication of this measure, the public employees, who have not good qualifications, will be dismissed. It is remarkable to mention that many others will be evaluated until December. (Raptis, 2012)

The first round of the layoffs concerns 2000 public employees. The main priority is to dismiss public employees from education from the administrative departments. Moreover, they will be dismissed without being evaluated. This happens because these employees were not hired with the traditional way (a process which is called ASEP in Greece). (Raptis, 2012)

The second round of layoffs will concern only the employees, who work in organizations that are abolished or merged. The government promised that in 2013 will be dismissed approximately 25.000 public employees of this category. When the merge of the organizations happens, the employees that will not be dismissed, they will be transferred to other organizations in order to cover the needs of the State. The organizations that have lack in personnel will make a request to fill the vacant positions. As it is said, only skillful people will be taken into account and will be given priority. (Raptis, 2012)

9.2 Pensions

Pensions once again will be subsisted cuts. These cuts will be already the fifth in row since 2010. What is said is that the pensions which exceed 1000 Euros will be cut from 5 to 15%. In addition to that, the extra pensions that are received every Christmas and Easter as a gift will be cut permanently. (Raptis, 2012)

What is more, after accepting the recommendations of members of PASOK, the Greek Minister of Finance, Giannis Stournaras, decided that the people that are disabled will not have any cuts in their pensions. Although, Stournaras imposed the removal of specific grants while being unemployed and the removal of special income support for the people

who were redundant due to merges or transfer from an organization that they worked. Another measure is that the EKAS will be paid from 2015 to low income pensioners, who have completed their 65th year. (Raptis, 2012)

9.3 Education

The main change that might cause the biggest reactions is the mandatory transfer of educators from school to school. According to the Minister, teachers will be transferred across the country to the schools that lack in personnel. Also, the hiring of new educators will be extremely limited since ASEP will take place every three years. (Raptis, 2012)

Furthermore, another measure that is related with education is that the private schools as well as colleges can use their facilities after school for other activities, such as extra lessons. As far as the universities are concerned, it is mandatory to vote electronically the Dean and the Directors, just like Ms Diamantopoulou said. (Raptis, 2012)

9.4 Health

The people, who are insured, must pay lots of money in order to save EOPYY (Organization which provide health services). The patients, who will be hospitalized from 2014, will be obliged to pay 25 Euros per ticket that goes to EOPYY. Another innovation is the prescription, which will be based on active voting. The last measure provoked the doctors and the pharmaceutical companies as well. (Raptis, 2012)

9.5 Taxes

The first predictions say that these measures will have as a result an income of 319 million Euros. The price in cheap cigarettes is expected to be increased by 30 cents, whereas the price of tobacco will be increased by 1 euro. (Raptis, 2012)

The Memorandum also includes the abolishment of traffic signal fees, which will be paid every year from 1st November to 31st December. The vehicle's registration plates will be removed from the people, who will not pay in time. Also the new measures include a secretary who will be in charge of tax revenue and his service will last 5 years. (Raptis, 2012)

Furthermore, the revenue from the photovoltaic is expected to be increased from 25% to 35%. This is something unusual and that is why it will last only for two years. (Raptis, 2012)

Last but not least, in order to make the system simpler, the single fare to entry a casino will be 6 euro and the provisions in the Code of Books and Records will be abolished. (Raptis, 2012)

10 WHY GREECE SHOULD NOT FOLLOW THE EXAMPLE OF ARGENTINA

A large number of people in Greece says that Greece should abandon the Euro and adopt its own currency so that the own currency will be devalued and through this process the economic recovery will come. Although, in order to make such a big decision the political nature of the program of euro must be evaluated initially and after there should be adopted a policy, that will be sustainable. (Blejer, 2012)

The single currency was not an economical but a political plan. Furthermore, it is not secret that currencies like the Euro have several downsides. The fact that the member states of the euro zone have different characteristics and preferences, results in the fact that they need different long term interest rate as well as different long term parities. However, the euro exists in order to keep the member states more close so that they can serve all their interests equally. (Blejer, 2012)

As a consequence, the survival of the euro is definitely costly and the member states who are benefited by this must take it on. A characteristic example was the reunification of West with East Germany. This reunification cost approximately 2 trillion euro. On the one hand this cost was paid by Germans, but on the other hand the rest of Europe paid as well, due to the low economic activities and the high interest rates. Therefore, it is obvious that there is a cost for the Euro, which should be paid by the strong European economies, especially Germany. It can be pretended that the euro is sustainable if all countries follow some particular rules, but the truth is that from the time that the union transfers will be excluded the project of the common currency is simply condemned to death. (Blejer, 2012)

First of all Greece should not abandon euro. The Argentineans realized it when they abandoned the connection of the peso to the dollar, that the cost to make the change from a monetary regime to another is huge and the benefits are not certain. Nevertheless, in case Greece abandons euro, the Greek banking sector will be scanned whereas the transfer of the contracts to the new currency and the entry of drachma will create chaos and it will worsen the political instability. (Blejer, 2012)

This comparison is not complete. After having devaluated their currency and dept moratorium, Argentina recovered very quickly with the only difference that they did not abandon their currency. Additionally, the most significant achievement was that they achieved to reduce their deficit by applying a disciplined regime for many years. The

connection of peso to dollar was also unilateral move and was not supported by anyone, since the only one who supported it was Argentina itself. Unlike Greece is a full member of a multilateral project and has every right to seek support and assistance in order to remain in the euro. (Blejer, 2012)

What is more, it is realistic to expect financial support for Greece because it is not only for European solidarity reasons. The imminent exit of Greece from the euro zone would provoke an infection to Europe and after many other countries will follow Greece's example. In other words it will work as a domino. Also, it will enhance the chances of collapse of the single currency in practice demonstrating the unwillingness of Europe to pay for its political project. (Blejer, 2012)

Thus, Europe must grant 3 things to Greece, provided that Greece will remain to euro

- First, the conditions of austerity that are not sustainable must be relaxed.
- Secondly, in order to strengthen the growth and the competitiveness fiscal transfers are required
- Third, the Greek debt must be deleted further (Blejer, 2012)

As far as the competitiveness is concerned, since there is no possibility of adaption through the change of an exchange rate, intra-EU transfers should aim to reduce production costs. Since the inability to cut further salaries is visible, a temporary funding for wages from external resources must be required until the structural reforms will increase productivity. The imminent funding of the European Investment Bank combined with these measures can increase the competitiveness in a reasonable time. (Blejer, 2012)

As far as the further deletion of the Greek debt is concerned, servicing of the debt to the public sector must be postponed in order to balance the treatment that official creditors got in the Greek PSI at the expense of the private sector. (Blejer, 2012)

Therefore, Greece must meet its commitments in terms of reforms and fiscal adjustment to some reasonable pace. Once the recovery begins austerity becomes much more acceptable. In Argentina, only when the recovery was restored the government deficit was reduced to zero. (Blejer, 2012)

11 SCENARIOS OF BANKRUPTCY AND THE EXAMPLE OF CYPRUS

Many people wonder what will be the effect of Greek bankruptcy on the salaries and on the deposits. If Greek government would not sign the Memorandum, Greek banks would bankrupt. Now because it is signed they are healthy thanks to the Memorandum the EU loaned 52 billion euro to Greece and thanks to them all the banks made the recapitalization, which makes them safe and secure for deposits. Although, it is remarkable to analyze, what would happen if Memorandum would not enter in the life of Greek banks. (Pappous, 2011)

The first scenario is the controlled bankruptcy. In other words, it means restructuring of the debt and cut the debentures. According to this solution, those who lend to the Greek government, they will have the right to negotiate with the Greek government in order to solve the repayment of the debt. The most possible scenario is the cut of Greek debentures, which means that they will be reduced by 30% to 40%. Therefore, Greece would owe 200 to 250 billion euro and not 360 billion, as it is today. By all means this is very positive for the fiscal stability but should happen under harsh conditions. In fact, this is a long term control of our country, where all the aspects of the economy such as income and expenses will be monitored by our lenders. This have as a goal to get the money back guaranteed. This alternative cannot be achieved without having lower interest rates and elongation of the duration of the debt as well. (Pappous, 2011)

The second scenario is the uncontrolled bankruptcy. This means the unilateral restructuring of debt by stopping to pay salaries and negotiate with those who lend to Greece for new repayment terms. It was considered the worst possible scenario for both Greece and lenders. Just like Argentina stopped the payment of salaries in 2001 so Greece should had done if it would not disburse the 52 billion euro that were thanks to the Memorandum. Also the government's obligation would have been to prepare a recovery plan of the country. Part of this recovery plan would be the cut of Greek debentures but significantly greater cut than in the first scenario. In Argentina they cut them by 75%, which means that 25 out of 100 dollars were paid back. The negatives are the isolation of the country from the markets, the inability of borrowing more money for many years. Argentina for instance, is still not able to recover from the bankruptcy and return to the markets. (Pappous, 2011)

11.1 Scenarios of leaving or staying in Euro zone

In the first scenario, this is the controlled bankruptcy. In this scenario the stay in Euro zone is hard but not impossible. Also, Greece would have the right to borrow and the losses that have the banks would be controlled so that they cannot collapse. However, this model is risky since it is hybrid and untried. This happens because there is the other side of the coin, which is the exit of the Euro zone. The exit from Euro zone means the return to the old currency (drachma), which will be devaluated in order to correct immediately the problem of competitiveness of the economy and make a new start. (Pappous, 2011)

The second scenario is the uncontrolled bankruptcy, which means the direct exit from Euro zone, since the lenders will not lend to anymore. Although, this scenario is more complicated due to the fact that there is not any treaty that includes the exit of one country from the Euro zone. (Pappous, 2011)

11.2 Impact on salaries

In the controlled bankruptcy, the long international control generally means that the revenue and the expenditure will be placed under a direct control of our creditors and it also means low incomes, new cuts in wages, possible dismissals in the public sector and even higher taxes. Also the workers would have to work in a period of austerity, which would have negative impact on wages and incomes. Additionally, if there would be any additional revenue during the execution of the budget, it would go directly to the holders of Greek debentures. (Pappous, 2011)

In the second scenario by stopping the payment of salaries and with the exit of the country from the capital markets, the balancing of the budget will be in very violent way. This means that the public spending will be at same level as revenue. As a consequence, the previous activity will provoke cuts in salaries or layoffs. Although, if Greece exits Euro zone, then there would be given the opportunity to the government to print new national currency instead of reducing salaries in Euros. Therefore, the employees and all the expenses will be paid in the new currency. Thus, the employees of public sector will save their jobs and they will not be eventually redundant. However, the real income of the employees will be reduced to the percentage that the new national currency will be devaluated against euro, but also due to the hyperinflation that will arise. (Pappous, 2011)

For instance, nowadays the price of a liter of petrol costs 1.65 euro (550 drachmas) but if it would be drachmas as currency it would cost 750 drachmas due to the devaluation.

Nevertheless, the main problem is that the amount of fuel that is imported will be reduced due to the fact that the Greek currency will not have significant value in international commodity markets and it will not be able to obtain sufficient foreign money. Therefore, the quality of life and the standard livings of Greeks would be lower than in the past. (Pappous, 2011)

11.3 Impact on deposits and loans

In the first scenario, which is the controlled bankruptcy, the deposits will be saved, because the banks will be saved. Although, these deposits would be wasted very fast because the salaries would not be adequate to make living, so that many people would be obliged to withdraw money out from their bank accounts. Liabilities to loans will remain as they were. Furthermore, there would be cuts to the loans of the borrowers that had been proven bankrupt. (Pappous, 2011)

As far as the second scenario is concerned, this is the uncontrolled bankruptcy, what would happen is the entrance in the "terra incognita" status. New legislation would be created and this would be the result of the exit from Euro zone. Bank assets like liabilities (deposits of citizens and businesses) and requirements (loans to individuals and businesses) would be directly affected by the new national currency. Also, all deposits would have been transmitted from euro to new national currency and they will also be devaluated. (Pappous, 2011)

11.4 Example of Cyprus

In 20th March 2013 the decision of the Cyprian government to say "no" to the Memorandum and to the decision of the Euro group is historic and would have had very bad consequences. The ECB stopped large injections of liquidity in local banks. When the banks opened, the depositors demanded their money, but the banks were not able to respond due to the fact that the ECB closed the tap of liquidity.

This led automatically to bankruptcy, liquidation of banks and much higher losses for depositors from the imposition of the fee. The only thing that the Cyprian government could make was either to change their answer to the Euro group –and reply positively- or to adopt the currency that it had before Euro. The last option (adoption of the old currency) could lead mathematically to the exit from the euro zone, the bankruptcy of the banks and the

state would be obliged to live in deep long recession. The country, without liquidity would not be able to do imports of basic goods.

Eventually, the Cyprian government changed their mind and replied positively answered to the decision of the Euro group and they are about to sign their first Memorandum. This was a logical action from the Cyprian government which saved the Cyprian government. Even though the Cyprian government acted slowly and lately they eventually did the right thing.

II. ANALYSIS

12 RESEARCH OBJECTIVES

The objective through this research is to be proven that thanks to the Memorandum the quality of life of the people has been improved. This is associated with the large injections of liquidity, which brought the economic stability, and thanks to these people found jobs and generally spent money not only for the basic needs (rent and food) but also for self actualization needs.

12.1 Outline of the research

The research that was conducted in January 2013 included 60 respondents. The scale of age of the respondents ranged from 18 years old to 50 years old. Also the research consists of 10 questions through which it would be concluded that the Greek government decided correctly and entered the financial support system and it made good not only for the Greek economy but it also improved the quality of life of Greek people.

12.2 Questions

- 1) What was your job status in year 2011?

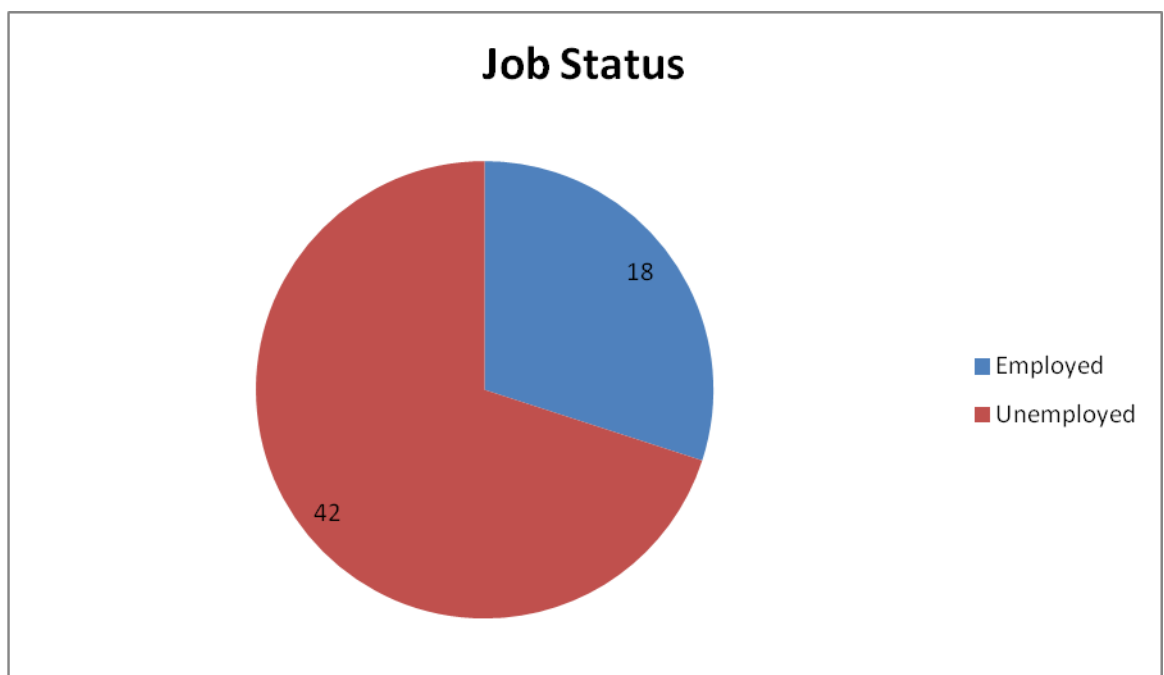


Figure 2. Job status in year 2011

Source: Author

In the first question the 60 respondents were asked whether they were employed or unemployed in year 2011. According to the questionnaire, 42 of them were unemployed whereas a small minority of 18 people was employed.

2) What is your job status now?

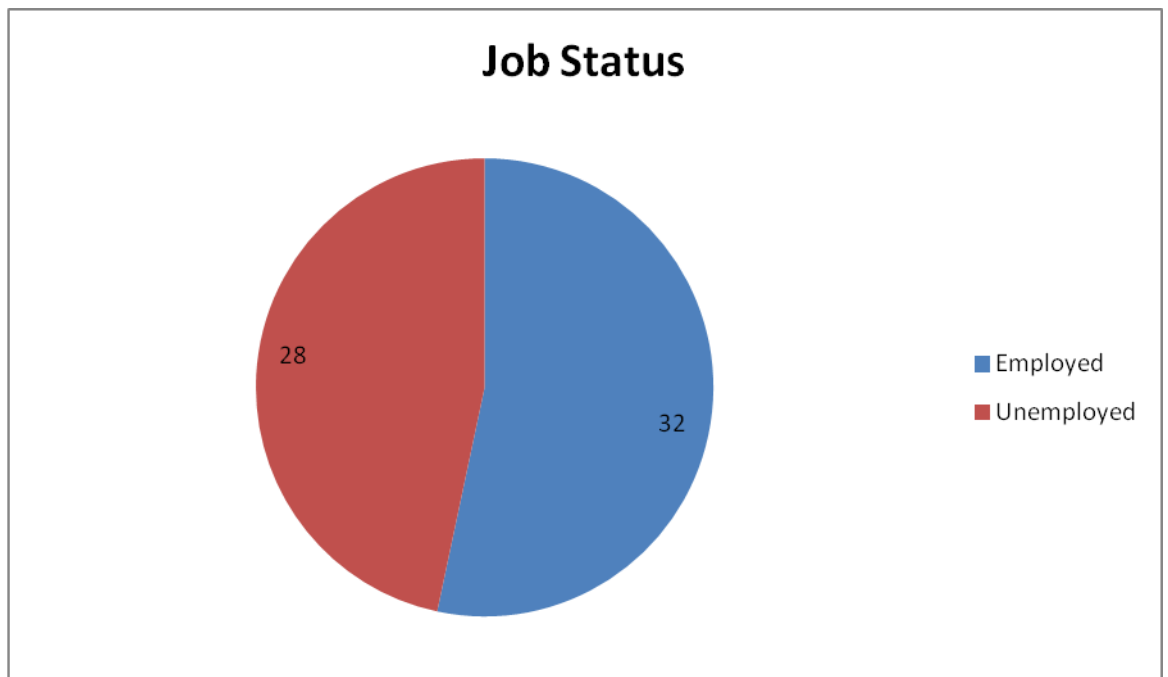


Figure 3. Job status in year 2013

Source: Author

In the question number two, the respondents were asked what their current job status is. Apparently the unemployment has decreased and this is obvious according to the answers of the respondents. Many people found job in the new investments that occurred over the past 5 months.

3) How often did you travel in year 2011?

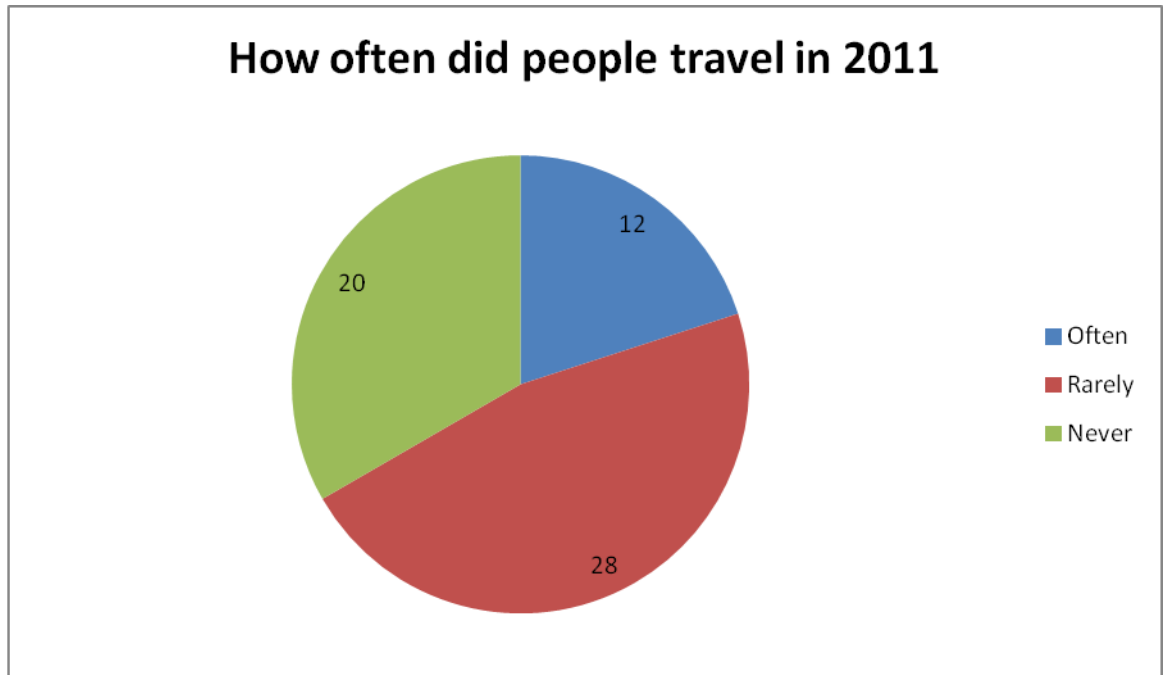


Figure 4. The frequency that people travelled in year 2011

Source: Author

The third question is concerned about the frequency that people travelled in year 2011. Apparently due to the unemployment and the lack of money people were not able to travel as much as nowadays. More particularly, 12 of them responded that they used to travel often, 28 of them used to travel rarely and 20 of them did not make any trip at all.

4) How often do you travel in year 2013?

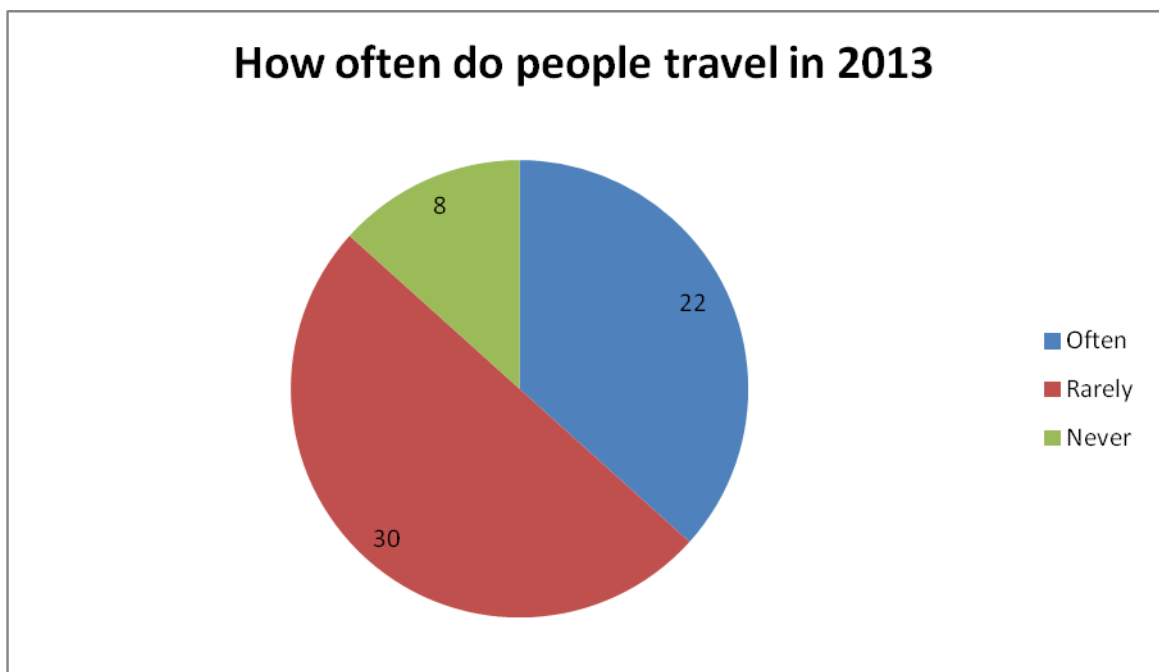


Figure 5. The frequency that people travel in year 2013

Source: Author

A significant development is observed in the frequency of trips that people make in year 2013. It was inevitable that this would happen because people found jobs so that they now have cash to spend on their personal needs and as it was mentioned above to spend for their self-actualization needs. In other words, in 2013 22 respondents travel more often than in 2011, 30 respondents travel rarely and last but not least 8 respondents do not travel at all.

5) What was your weekly budget in year 2011?

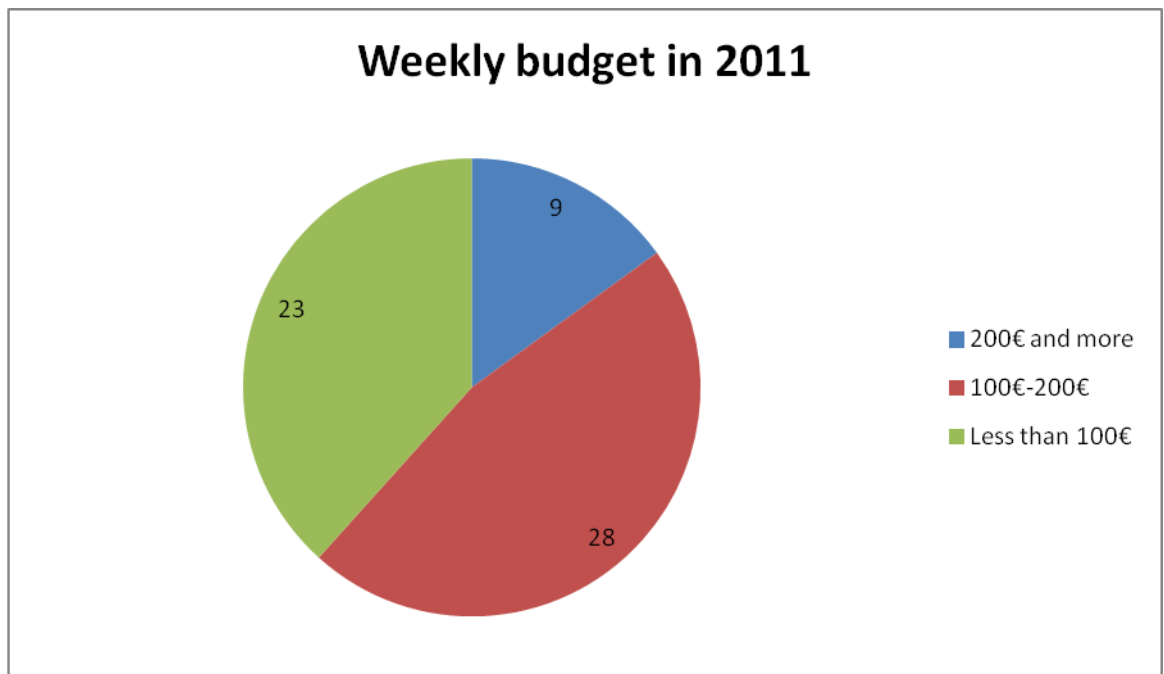


Figure 6. The budget that people had each week in year 2011

Source: Author

As far as the fifth question is concerned, a very crucial question was asked to them, which asks the amount of money they had available every week that were used for entertainment or other personal needs. The results were not surprising since 9 respondents answered that their weekly budget was 200€ and more, 28 respondents answered they had from 100€ to 200€ available and finally 23 respondents had less than 100€ available.

6) What is your weekly budget nowadays?

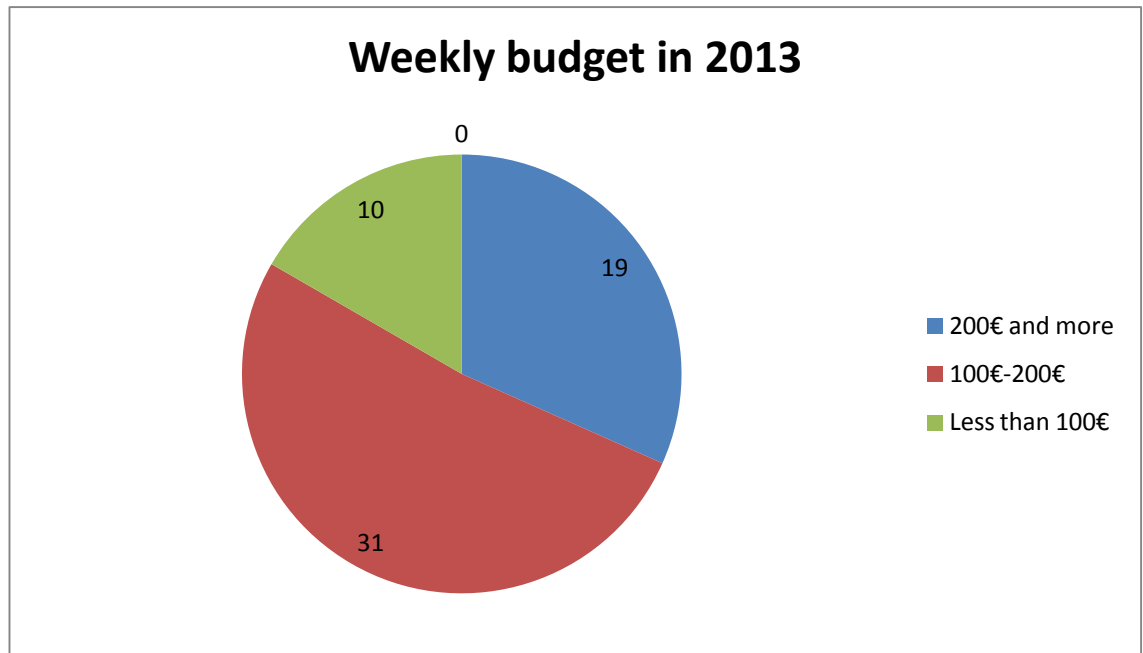


Figure 7. The budget that people have each week in year 2013

Source: Author

The more people that are employed the more money they will have. These are the results of the investments that Greece attracted. Generally, people have more money available now. This is translated into 19 people have 200€ and more available, 31 people have 100€-200€ available. Nevertheless, there are still 10 people who have less than 100€ available.

7) Where did you live in 2011?

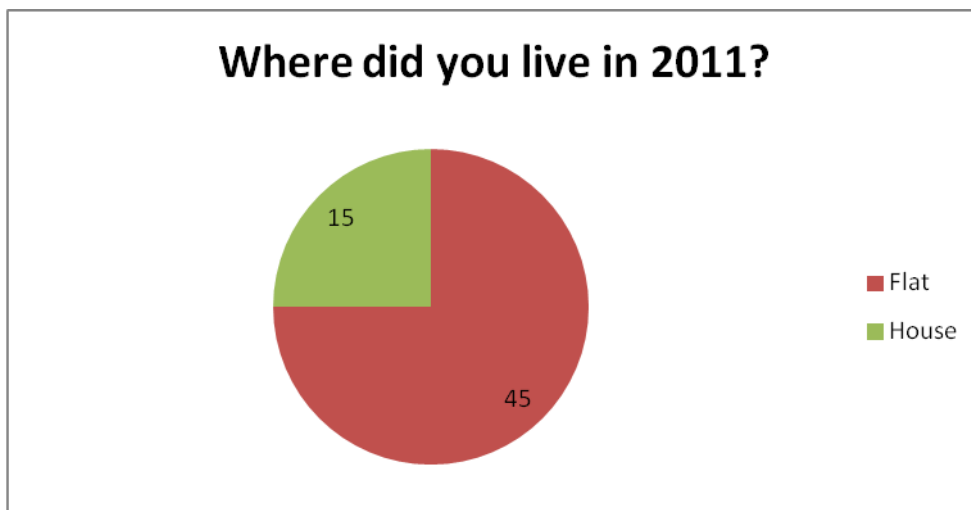


Figure 8. The place where people lived in 2011

Source: Author

According to the answers that were given in the questionnaire, a vast majority of people used to live in a flat due to the fact that they could not afford to pay the rent for a house. Specifically, 45 respondents used to live in a flat in contrast with 15 respondents which used to live in house.

8) Where do you live in 2013?

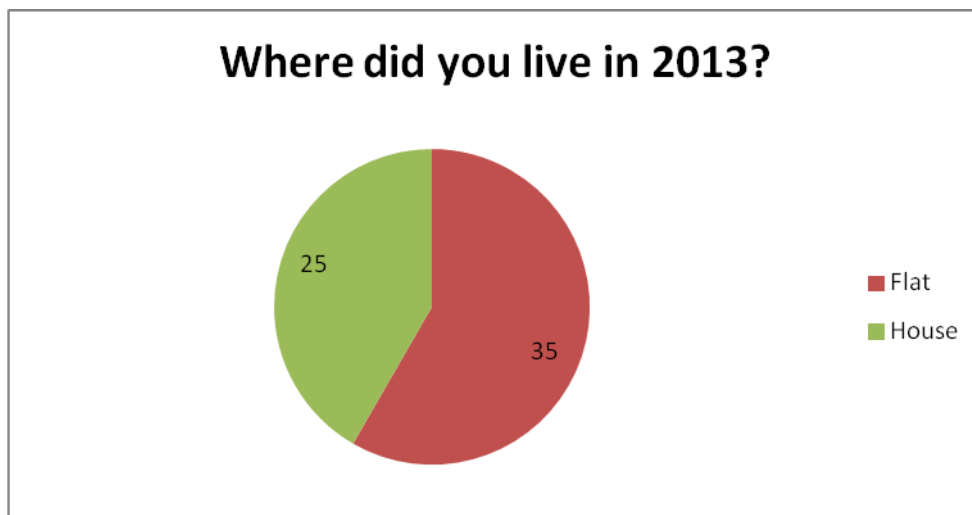


Figure 9. The place where people live in 2013

Source: Author

A remarkable change occurred in 2013. More and more people demand a higher quality of life and this has as a result to move to a house. In the above question the numbers speak themselves. From 15 people that were in 2011 living in houses now the number has been increased by 10 people, which means that 25 people live in houses now. Although, 35 people still live in flats. However, the change is remarkable.

9) Did you visit the doctor in 2011? If no, state the reason

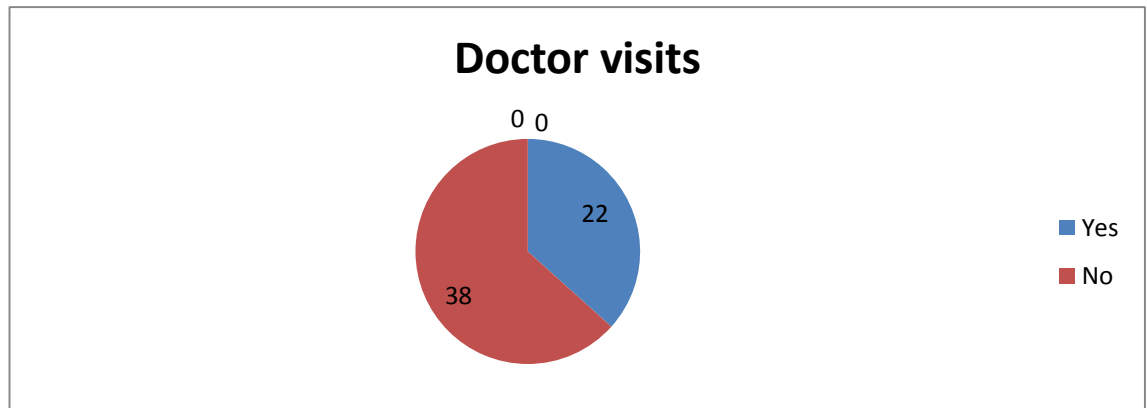


Figure 10. How many people visited the doctor in 2011

Source: Author

Only 22 people answered positively to this question. The other 38 answered negatively. The reasons that they did not visit the doctor were many. However, the main reasons that were mentioned were lack of time and money.

10) Do you visit the doctor nowadays? If no, state the reason.

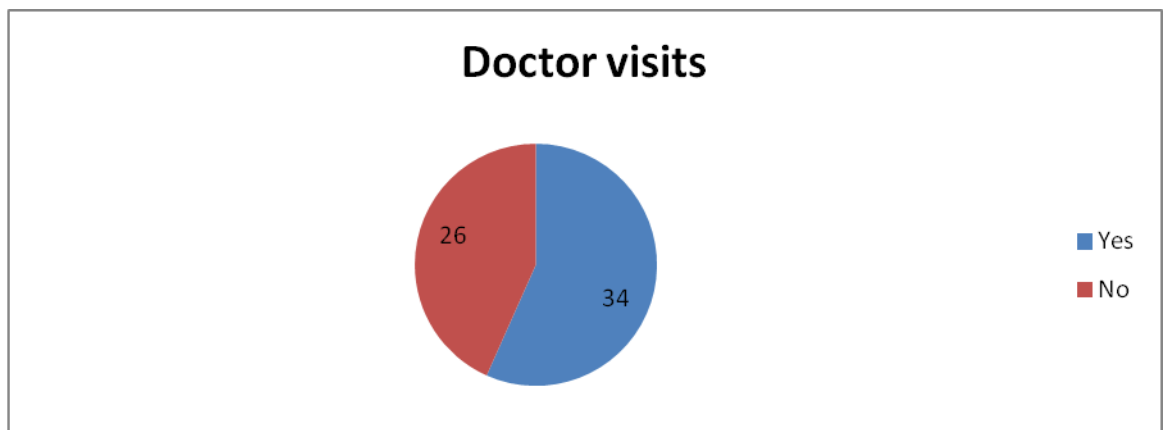


Figure 11. How many people visit the doctor in 2013

Source: Author

An expected change is observed in the number of people who visit the doctor. Due to the fact that they do not lack anymore in the above reasons they have the chance to visit the doctor without any problems. Despite this good new, there rest 26 are still unable for the reasons mentioned above.

CONCLUSION

All in all, it is obvious that the quality of the life of people in year 2011 (when the crisis was deep and the Memorandum was not implemented yet) was inferior to the current. In addition to this, there is more liquidity in the market, which means that the economy is constantly developing. As a result, the improvement in the quality of life of the people is visible and the future for the Greek people is bright. Moreover, the Memorandum brought economic and fiscal stability which means that the depositors must not be afraid anymore that they will lose their deposits (because in case of bankruptcy all the deposits are reduced by 70% or more) and they can invest them. Another positive aspect is that the fiscal stability was escorted with new foreign investments which reduced significantly the unemployment. Therefore, the Greek government decided correctly and entered the Memorandum.

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APPENDICES

P I Questionnaire

APPENDIX P I: APPENDIX TITLE

Questionnaire for Bachelor Thesis

Dear readers,

My name is Nikos Chaliamentas and I study English for Business Administration in Tomas Bata University in Zlin. In my Bachelor Thesis I analyze the importance of Memorandum and how it did influence the economy of Greece and the people as well. The below questionnaire belongs to my practical part, which will help me to prove whether the Memorandum influenced positively or negatively the quality of life of the people. I would be more than glad if you answer to the questionnaire, which will be anonymously, that is given to you. In each question please select only one answer. Thank you for your time.

1. What was your job status in 2011?
 - a) Employed
 - b) Unemployed
2. What is your current job status?
 - a) Employed
 - b) Unemployed
3. How often did you travel in 2011?
 - a) Often
 - b) Rarely
 - c) Never
4. How often do you travel in 2013?
 - a) Often
 - b) Rarely
 - c) Never
5. What was your weekly budget in 2011?
 - a) 200€ or more
 - b) 100€-200€
 - c) Less than 100€
6. What is your weekly budget nowadays?
 - a) 200€ or more

b) 100€-200€

c) Less than 100€

7. Where did you live in 2011?

a) Flat

b) House

8. Where do you live nowadays?

a) Flat

b) House

9. Did you visit the doctor in 2011? If no, state the reason

a) Yes

b) No

Reason:.....

10. Do you visit the doctor nowadays? If no, state the reason

a) Yes

b) No

Reason:.....