

**Managing the Greek Crisis:
Rationality, Loss-aversion and Bargaining**

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Abstract

The development of behavioural economics has demonstrated that decision-makers often do not behave as rational choice predicts. In this paper, we will precisely aim at confronting the explanatory power of the expected utility theory (EUT) with that of the prospect theory (PT) with regard to crisis bargaining during the Greek crisis. In order to empirically assess the rationality of European policy-makers, we will therefore first develop game-theoretic models incorporating both EUT and PT assumptions. Our theoretical predictions would suggest that there can be quite a gap in terms of bargaining strategies with rational and loss-averse players. Second, building on our games, we will construct an analytical narrative of the often overlooked events that took place in Spring 2014. We will argue that loss-aversion is more compelling than rationality in understanding the events of Spring 2014 that paved the way for the third Greek bailout.

Section 1. Introduction

On April 11, 2014, Greek Prime Minister Samaras met with German Chancellor Merkel in Athens during which he confirmed that Greece had achieved a primary surplus for 2013, ahead of schedule. In line with previous European pledges (Eurogroup 2012), Samaras publicly asked Merkel to start discussions on debt relief. However, she sternly turned down Samaras' offer. Arguably, this meeting signalled the beginning of the end for the second Greek bailout and Samaras' political career (Malkoutzis 2014). After the failure to complete the last review and elect a new President in December, Samaras called snap elections that SYRIZA won in January. This was followed by an infamous showdown between Greece and the Europeans. The new Greek Prime Minister, Alexis Tsipras, eventually yielded to most if not all of the Europeans' bailout terms but the brinkmanship strategy caused significant political costs to the European policy-makers (particularly for Merkel, see Wagstyl and Robinson 2015).

In this paper, we will try to understand why Europeans refused to settle with Samaras in Spring 2014 in the first place? Perfectly understandable reasons have already been put forward to explain the Europeans' decision, especially that Europeans considered Samaras as a lame duck (see Kalyvas 2015, see Varoufakis 2017). Yet, what remains strikingly puzzling is the degree of risk-taking the Europeans' decision entailed as the potential outcomes of negotiating with SYRIZA could have ranged from keeping the prevailing status quo to Grexit. Arguably, with Samaras, the possible outcomes could have been much less uncertain.

An important stream of the existing literature suggests that the management of the Greek (and the Eurozone) crisis has been the consequence of bargaining between individually rational stakeholders aiming at their own political survival under the constraint of safeguarding the Eurozone's integrity (see *inter alia* Ardagna and Caselli 2014, Schimmelfennig 2015, Lim et al 2018, Orphanides 2014). While the influence of domestic political considerations on the management of the Greek crisis is hardly disputable, there are many legitimate reasons to question the underlying rationalist decision-making model used more or less explicitly in those studies. As a matter of fact, there is overwhelming evidence that decision-makers tend to behave and take risky decisions in non-rational ways (Kahneman and Tversky 1979, see Rabin 1998 and Camerer et al 2004 for extensive literature reviews on behavioural economics)¹.

In this paper, we will precisely aim at challenging the rationalist model of decision-making under risk, the expected utility theory (EUT), with that of its behavioural equivalent, prospect theory (PT) in explaining bargaining strategies during (one episode of) the Greek crisis. We will thus first design game-theoretic models incorporating both EUT and PT assumptions in order to develop theoretical predictions. Second, building on our games, we will construct an analytical narrative of the often overlooked events that took place in Spring 2014. All in all, we will argue that it is more plausible that the Europeans' risk-seeking strategy was driven more by loss aversion and framing effects rather than by rationality.

¹ In this paper, we prefer to speak of non-rationality rather than irrationality. Non-rationality refers to predictable deviations from a normative decision-making model while irrationality refers to decisions that cannot be predicted altogether.

Section 2. Rational Choice, Prospect Theory and Political Science

While there is no perfect definition of rationality, rationality often implies that goal-oriented decision-makers are not only deemed reasonable but generally possess internally consistent preferences in maximizing their utility under constraints (see Kahneman 2011). When decisions are made under risk, rationality also implies that decision-makers *should* and *will* choose the option with the highest expected utility, depending on their degree of risk-aversion which is assumed to be constant (von Neumann and Morgenstern 1944).

There is overwhelming empirical evidence though that these normative assumptions are not descriptively correct. As a matter of fact, PT incorporates well-established psychological insights in its framework. First, people are more sensitive to changes relative to a reference point rather than absolute levels (Markowitz 1952, Kahneman and Tversky 1984). Second, preferences and risk-taking patterns are affected by how decision problems are framed relative to the reference point: decision-makers are generally risk-averse in the domain of gains and risk-seeking in the domain of losses. Decision-makers adapt more rapidly to gains than to equivalent losses because of loss aversion (Thaler 1980, Kahneman Knetsch and Thaler 1990): “losses loom larger than gains” (Kahneman and Tversky 1979: 298).

So far, only scholars of International Relations have been enthusiastic in applying prospect theory to a large variety of empirical puzzles (see Levy 2003, McDermott 2004 and Vis 2011 for reviews). While PT has numerous advantages since it is much more comfortable dealing with dynamic change and contextual factors (see McDermott 2004), applying it to political phenomena is difficult for two main reasons. First, the general applicability of PT to political phenomena remains a contested issue because prospect theory is a theory of individual choice (McDermott 2004 and Levy 1997). Second, applying prospect to empirical case studies is problematic because of operationalisation difficulties with both the dependent variable, i.e. risk-taking propensity, and the independent variable, i.e. framing of the decision problem (Vis 2011 and Levy 2003).

Section 3. Modelling rational and loss-averse strategic interactions

In this section, we will outline our main theoretical predictions based on game-theoretic models that integrate both rationalist and behavioural assumptions (see the Appendix for the full formal model, see Butler 2007). Adopting such a game theoretical approach will allow us to make sharp predictions about bargaining strategies and help us deal, or at least minimise, some of the major issues mentioned in the existing literature.

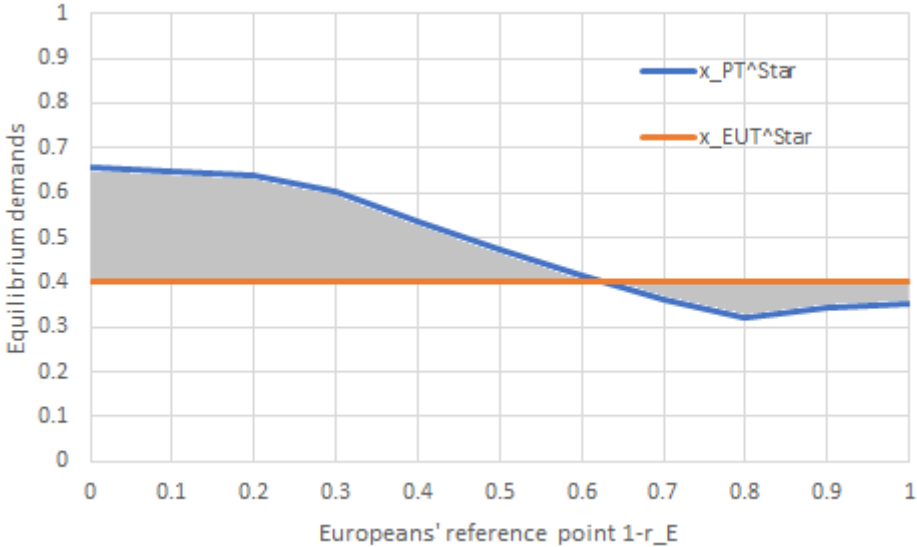
The games have five main characteristics. First, the bargaining game is modelled as a zero-sum game between Greece and the Europeans (we assume that Europeans’ preferences are proxied by German ones) where utility, defined as one’s share of cooperation gains, is derived from shifting adjustment costs onto one’s opponent. Europeans want to impose tougher austerity and repayments terms on Greece. Greece is precisely aiming at the opposite. Second, Greece has the possibility to make an offer over the distribution of the cooperation gains to the Europeans. Third, Greece has leverage in the negotiations as it can decide unilaterally to leave the Eurozone if the Europeans refuse its offer. Fourth, negotiating is assumed to entail audience costs for both players (see Fearon 1994). Finally, the Europeans have only imperfect information about Greece’s preferences ordering: they are unsure whether Greek policy-makers

prefer to back down to Grexit. Rejecting a Greek offer is therefore risky as Europeans can end up with the status quo or Grexit.

Because of imperfect information, the underlying logic of the game is about bluffing and affecting the opponent’s perception of one’s own preferences. Greece has an interest in making the Europeans believe that it credibly prefers Grexit to backing down in order to get a higher share of the cooperation gains. In the meantime, Europeans have an interest in making Greece believe that Grexit is manageable and that they are bounded to impose tough terms on Greece for their own political survival. All in all, at the equilibrium, Greece will offer a division of the cooperation gains that makes the Europeans indifferent between accepting and rejecting it.

Under some conditions, the two models make opposite predictions about Europeans’ bargaining strategies as the equilibrium offers are different. If the decision problem is framed as one between losses by the Europeans (high reference point, right-hand side of figure 1), loss-averse Europeans would reject an offer rational Europeans would accept. The certainty of losses associated with cooperation (i.e. accepting Greece’s offer) would appear as undesirable to Europeans compared to the uncertainty of losses associated with a non-cooperative move (i.e. Grexit or preserving the status quo): loss-averse Europeans would be risk-seeking compared to rational Europeans. Greece would thus have to “compensate” loss-averse Europeans compared to rational Europeans. On the contrary, when the decision problem is framed as one between gains by the Europeans (low reference point, left-hand side of figure 1), loss-averse Europeans would accept an offer rational European would reject. Uncertain gains resulting from non-cooperation would induce Europeans to secure lower certain gains associated with cooperation: loss-averse Europeans would be risk-averse compared to rational Europeans. Greece would thus be able to extract a “surplus” from risk-averse Europeans compared to rational Europeans

Figure 1. Equilibrium demands with EUT and PT assumptions
 ($q = 0.2 ; p_E = 0.1 ; c_E = 0.1 ; w_E = 2.2$ (40th percentile value))



Source: author’s own calculations

Notes: See the Appendix for the definition of the different parameters. In the model, the theoretical value ranges of the different parameters are specified on their own, except for the value of Grexit w_E which is specified by all the other parameters. Given the values of the other parameters, w_E ’s theoretical

value range is $[-1.8; 8.2]$: 2.2 thus refers to the 40th percentile of this range. *Reading notes:* The orange (blue) line is the equilibrium demand for the EUT (PT) model. Rational Europeans would reject any Greek offer above (below) the orange line. Loss-averse Europeans would reject any Greek offer above (below) the blue line. An offer of 0.4 (y-axis) implies that 40% (60%) of the cooperation gains are distributed to Greece (the Europeans). If Europeans' reference point is equal to 0.7 (Europeans' reference point is 70% of gains, x-axis), an offer of 0.4 (thus 40% of the gains going to Greece and 60% going to the Europeans) is framed as a loss by loss-averse Europeans. The grey areas indicate regions for which the two models produce different predictions.

Section 4. A narrative of the Europeans' refusal of Samaras' offer

In our games, the values of the equilibrium offers depend on five elements: the prevailing status quo, Europeans' belief over Greece's preferences ordering, the Europeans' political costs of settling with Greece, the Europeans' perceived cost of Grexit and the Europeans' reference point.

For each element of the equilibrium demands, we will develop a subjective, but as plausible as possible, assessment of their value. What is more, we will only consider information that was available for the players in 2014. Finally, we will assume that the division of the cooperation gains is determined by the relative distance between the negotiations' outcome and the initial ideal positions of the players on *repayment terms* and the *intensity of austerity* (see Lim et al 2018).

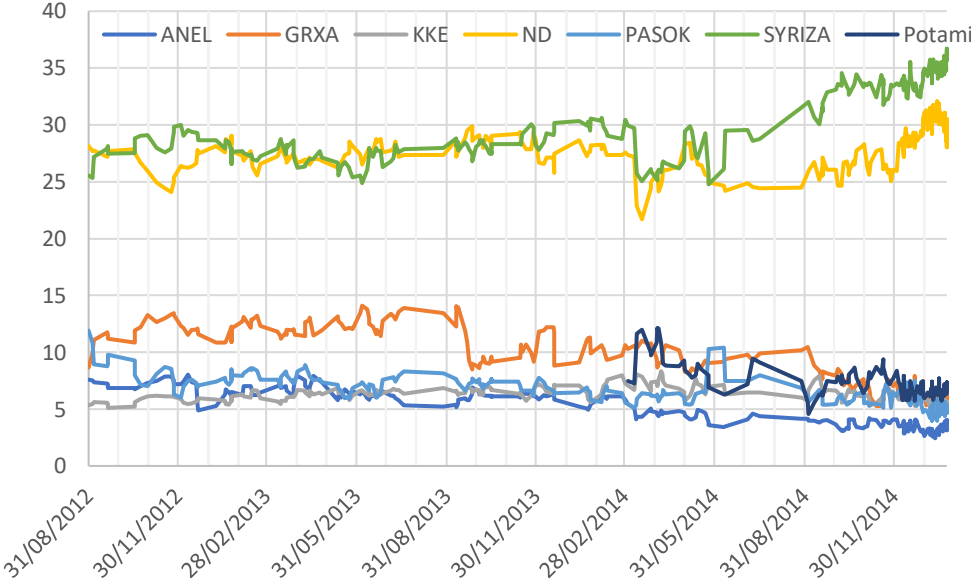
1. Equilibrium demand

First, the status quo resulting from the second Greek bailout deal was arguably in favour of the Europeans. Germany's position prevailed on austerity as further substantial measures and structural reforms were imposed on Greece. Greece nevertheless secured some minor wins as it obtained some debt relief that was "narrow in scope" (IMF 2017: 41). In November 2012, under the pressure of the IMF, medium-term primary surplus targets were postponed by two years while maturities were lengthened (Spiegel and Chaffin 2012, Eurogroup 2012). Still, these last measures were made to rekindle the program after the program went to a total freeze during Spring and Summer 2012 due to political stalemate.

Second, Samaras argued that Greece would likely prefer Grexit over extend-and-pretend. In a bid to improve his hand, he indeed warned the Europeans that if they do not grant him debt relief, they will end up with a much more unpredictable counterpart capable of blowing everything up. For Samaras' threat to be credible though, the prospects of SYRIZA ruling the next Greek cabinet *and* then willing to pull the Grexit plug must be more than virtual. By Spring 2014, it would not have been that fanciful to have expected SYRIZA to be ruling the next Greek cabinet (see figure 2). The political performance of SYRIZA was also to some degree endogenous to Europeans' decision as their inflexibility would weaken Samaras who could not deliver on his pledges to obtain better bailout terms.

Would SYRIZA ever pull the plug for all that? Even if SYRIZA had sent mixed signals since 2012 over its preferences ordering, it would have been more probable than ever before – still very unlikely because of the enormous economic, social, financial consequences of Grexit for Greece – that it would have preferred Grexit over the status quo. First, by 2014 Greece’s outside option had never been more credible since Greece was running a primary surplus: defaulting on its debt would have been relatively “manageable” (Münchau 2014). Second, SYRIZA was deeply divided over the question of Grexit (see Tsebelis 2016). Europeans’ inflexibility would thus plausibly strengthen the hardliners within a SYRIZA-led Greek cabinet. Finally, SYRIZA’s repeated electoral pledges to renegotiate a new memorandum with the Europeans (see the Thessaloniki Programme of September 2014) would work as a very powerful commitment device against backing down (see Pitsoulis and Schwuchow 2015).

Figure 2. Greek Opinion Polling (% , 3-polls moving average)



Source: pollofpolls.eu and author’s own calculations

Third, the Europeans would experience low to moderate political costs were they to settle with Greece. In Spring 2014 but more generally throughout 2014, the German political situation offered some political leeway to Merkel. By 2014, the SPD had replaced the FDP as the new junior coalition partner and was almost perfectly aligned with Merkel’s policy on Greece (Zimmermann 2014, Münchau 2012). However, Merkel’s European stance was challenged by the rising threat of the Alternative für Deutschland (AfD). While the AfD did not enter the Bundestag in September 2013, it exerted a powerful centrifugal effect on German politics and provided additional evidence that the German public was growingly critical of any deal with Greece short of Grexit.

Fourth, it is likely that Grexit would be particularly politically costly for the European policy-makers, even if the financial risks of Grexit had been circumscribed since 2012. Indeed, it is extremely difficult to believe that any European policy-maker with a strong sense of her own place in History would ever let such event happen. As a matter of fact, Chancellor Merkel ruled out this possibility several times over the course of the crisis at significant political costs

for her (see Spiegel 2014) and there is no reason to believe she had changed her views by Spring 2014.

Finally, in order to make comparison possible between the two models, we need to define the Europeans' reference point. Since the status quo was mainly in favour of the Europeans in 2014, it is likely that Europeans took it as their reference point. As research on the endowment effect has shown, decision-makers tend to accommodate instantly to gains (Kahneman Knetsch and Thaler 1990). Therefore, a Greek offer, implying a less favourable division of the cooperation gains, would be equivalent to backtracking on gains formerly obtained by the Europeans. Europeans would thus likely frame their decision problem in the losses domain.

2. *Samaras' offer*

Samaras was seeking to obtain better repayment terms and lower fiscal targets. In addition, he was not asking for a renegotiation of the reforms included in the MoU but rather for a smoother implementation schedule. Nevertheless, a solution could have been designed so as to minimise the change in the distribution of the adjustment costs by keeping Greece's implementation incentives more or less intact (see the French proposal made in November 2012, Blustein 2016).

3. *Rationality or loss-aversion?*

The Europeans would reject the Greek offer either if the Greek offer is above both equilibrium demands or if the Greek offer is below the EUT equilibrium demand but above the PT equilibrium demand. Assuming that Samaras' offer is slightly above the prevailing status quo, and Europeans' reference point is equivalent to the status quo, it would be rational for Europeans to reject such offer only if the costs attached with Grexit are relatively low, *ceteris paribus* (see figures 3 and 4). Such a scenario is quite unlikely. Consequently, it is more plausible that Europeans rejected Samaras' offer out of loss-aversion rather than rationality

Figure 3. Equilibrium demands with EUT and PT assumptions
(baseline scenario with **low** Grexit cost)

($q = 0.3 ; p_E = 0.05 ; c_E = 0.3 ; 1 - r_E = 0.7 ; w_E = 9.3$ (30th percentile theoretical value))

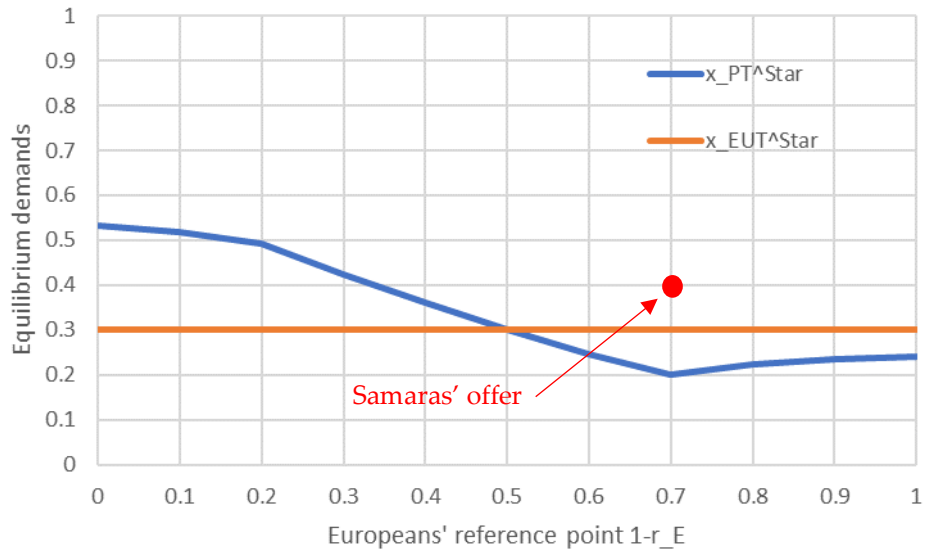
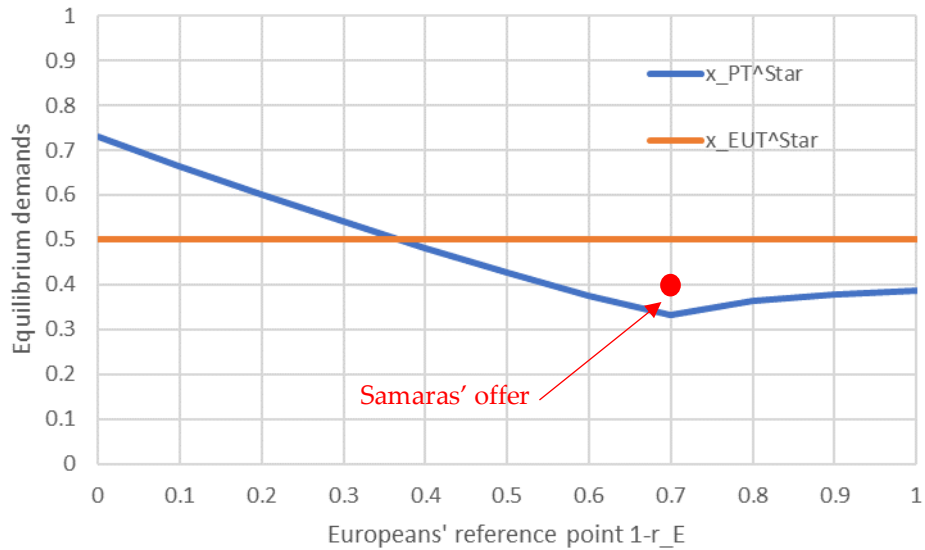


Figure 4. Equilibrium demands with EUT and PT assumptions
(baseline scenario with **high** Grexit cost)

($q = 0.3 ; p_E = 0.05 ; c_E = 0.3 ; 1 - r_E = 0.7 ; w_E = 9.3$ (average theoretical value))



Source: author's own calculations

Note: the values of the different parameters of the game are set equal to my baseline scenario.
See the Appendix for the definition of the different parameters.

Section 6. Concluding remarks

In this paper, we have shown that by sacrificing some degree of model parsimony for the sake of more accuracy, we were able to make theoretical predictions about bargaining strategies that deviate from rationality.

Building on our game-theoretical models, we were also able to make a novel analytical argument about an episode of the Greek crisis. Based on our narrative of the events that took place in Spring 2014, we have demonstrated that it is more plausible that Europeans adopted a risk-seeking strategy out of loss-aversion rather than rationality.

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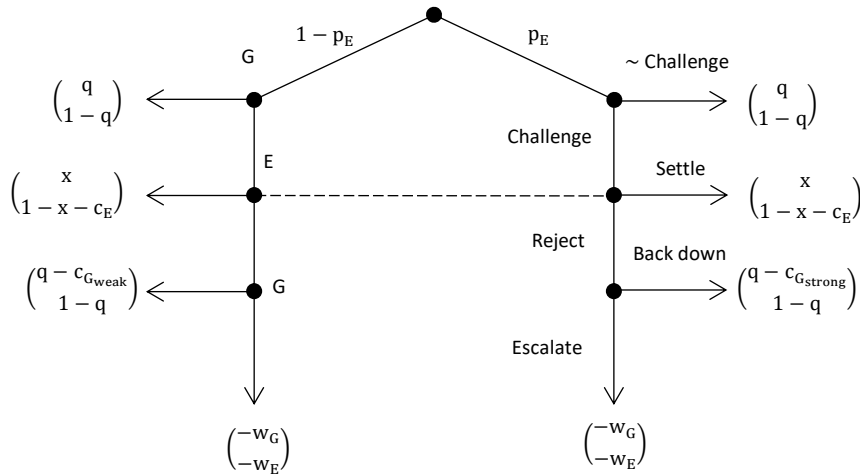
APPENDIX 1

1. Ultimatum zero-sum game with an outside option

Let us call the two players G (for Greece) and E (for the Europeans). Voluntarily abstaining from describing the complexity of group dynamics that would take place among European creditor countries (this could be an interesting topic for future research), let us assume that Germany is the representative European player.

The game goes as follows (see figure 1). G plays first and decides to challenge or not the prevailing division of the benefits of cooperation $q \in [0,1]$. q therefore represents the ex ante status quo or pre-existing distribution of the cooperation gains resulting from the last round of bargaining for G . $1 - q$ is the respective gain for E . When $q = 0$, G extracts no gain as it bears all the adjustment effort, and when $q = 1$, G extracts all the gain as all the adjustment effort is borne by the Europeans. If G challenges the status quo q , then it is making a new offer x over the distribution of the cooperation gain to E with $x > q$, $x \in [0,1]$. Like q , x represents G 's gain from cooperation while $1 - x$ is the respective gain for E . If G decides to play \sim challenge, the prevailing status quo q holds. If G makes a demand, E has to decide whether to settle or reject the offer. If E settles, the game ends with a new division of the cooperation benefits $\{x, 1 - x\}$ while E experiences political costs c_E that reduce E 's utility from cooperation. Negotiating with Greece indeed entails political costs for the Europeans because public opinions in Northern Europe, and in particular in Germany, are very critical of any form of rescue for Greece. On the contrary, if E rejects the offer, G must decide whether to back down or escalate. If G backs down after a challenge, the prevailing status quo continues to hold but Greece pays political costs c_G . By challenging the status quo and then backing down, Greek policy-makers would therefore have only spent in vain part of their political capital. If G escalates, negotiations breakdown and both players must bear the costs of Grexit $\{-w_G, -w_E\}$.

Figure 1. Extensive-form game (EUT version)



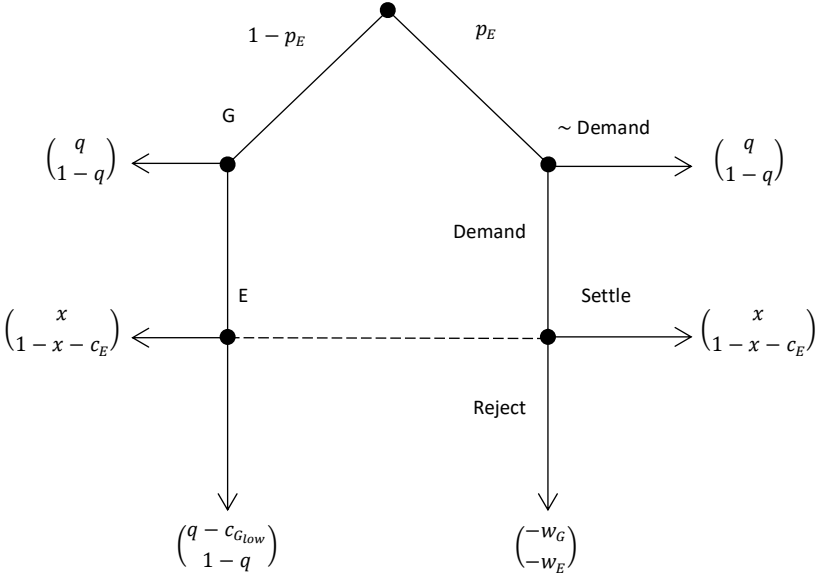
We assume that G has two types based on its preferences ordering: G has either *strong resolve* or *weak resolve*. G is strongly resolute if G prefers to escalate rather than back down, i.e. $U_G(\text{escalate}) > U_G(\text{back down})$, and conversely. G 's true type is private information but E holds belief over G 's type: G is strong with probability p_E and weak with probability $1 - p_E$.

(see figure 1). Since p_E is the perceived likelihood of G preferring escalation over backing down, the value of p_E is thus determined by E's perception of the value of G's political costs c_G and that of G's outside option w_G . If political costs c_G were perceived to increase (decrease), the perceived desirability of the outside option would increase (decrease) *ceteris paribus*, making Greece stronger (weaker) in terms of bargaining power because p_E would rise. Similarly, if the value of G's outside option w_G was perceived to increase (decrease) by E, the value of p_E would increase as well *ceteris paribus* since G threat to walk away from the negotiations would be deemed more credible.

Our understanding of political costs is very similar to what Fearon (1994) defines as audience costs: “domestic political costs a leader may pay for escalating an international dispute, or for making implicit or explicit threats, and then backing down or not following through” (Fearon 2013). Indeed, Fearon (1994: 577) argues that an essential feature of international crises is that they are “public events carried out in front of domestic political audiences.” And as Schelling (1960: 28) puts it: “When national representatives go to international negotiations knowing that there is a wide range of potential agreement within which the outcome will depend on bargaining, they seem often to create a bargaining position by public statements, statements calculated to arouse a public opinion that permits no concessions to be made.” Thus paradoxically, a player's political insecurity or the perception of its political insecurity, i.e. high political costs, would reinforce this player's hand. This idea is also similar to Putnam's (1988) argument that the stronger the domestic constraints the smaller the win-set and hence the higher the bargaining power at the international level. Policy-makers evolving in tight political contexts will credibly be less able to make compromises because any negotiated international agreement would need to be ratified at home (see also Moravcsik 1998 and Schimmelfennig 2015 with the concept of asymmetric interdependence).

In light of these elements, the game with imperfect information can be simplified in the following way:

Figure 2. Simplified extensive-form game (EUT version)



2. The game with rational players (EUT model)

i. Separating equilibrium

Let us assume there is a separating equilibrium where strong G always plays “demand” and weak G always plays “no demand.” After observing a demand from G, E would believe that a demand can only originate from a strong G. Given this belief, E’s optimal action is to settle since $U_E(\text{settle}) > U_E(\text{reject})$, i.e. $1 - x - c_E > -w_E$. A separating strategy is thus no Perfect Bayesian Equilibrium (PBE) as G will always have incentives to misrepresent and pretend to be strong in order to obtain a better deal.

ii. Pooling equilibrium

Let us now assume that there is a pooling equilibrium² where both strongly and weakly resolute G always play “demand.” After observing a demand from G, E’s beliefs are $\mu = \frac{p \cdot 1}{p \cdot 1 + (1-p) \cdot 1} = p$ in line with the prior probability distribution over the types of player G. Given these beliefs μ , E will be indifferent between settle and reject when:

$$\begin{aligned} EU_E(\text{settle}) &= EU_E(\text{reject}) \\ 1 - x - c_E &= (1 - p)(1 - q) - p w_E \\ x^* &= p(1 + w_E) + (1 - p)q - c_E \end{aligned}$$

Since $x^* \in [0,1]$, it implies that $w_E \in \left[\frac{c_E - (1-p)q - p}{p}, \frac{1 + c_E - (1-p)q - p}{p} \right]$. In order to specify the game, we will thus set arbitrarily that, for the Europeans, $c_E \in [0,1]$.

When $x \leq x^*$, E’s optimal action is to settle because $EU_E(\text{settle}) \geq EU_E(\text{reject})$, and conversely. Hence, when $x \leq x^*$, there exists a pooling equilibrium in the sense that both weak and strong G will make a demand as she will anticipate that E will settle: both types of G would have no interest in deviating from making a demand. When $x > x^*$, there also exists a pooling equilibrium where both strong and weak G will play “no demand.” On the one hand, a weak G will keep the status quo unchanged since backing down after making a demand that is refused is costly. On the other, a strong G will not make a demand since G will be worse off with Grexit compared to the status quo.

Since G chooses the value of x , she will always make a demand equal to the equilibrium demand and this will represent the unique PBE of this game. All in all, if the demand value x is lower (greater) than the EUT equilibrium demand x_{EUT}^* , then European policy-makers are rational to accept (reject) the offer.

3. The game with loss-averse players (PT model)

The underlying idea of game does not change: G has an interest in bluffing even when she faces loss-averse opponents. The payoffs are different though as the value function, based on Tversky and Kahneman (1992), is based on deviations from one’s reference point (see figure 3):

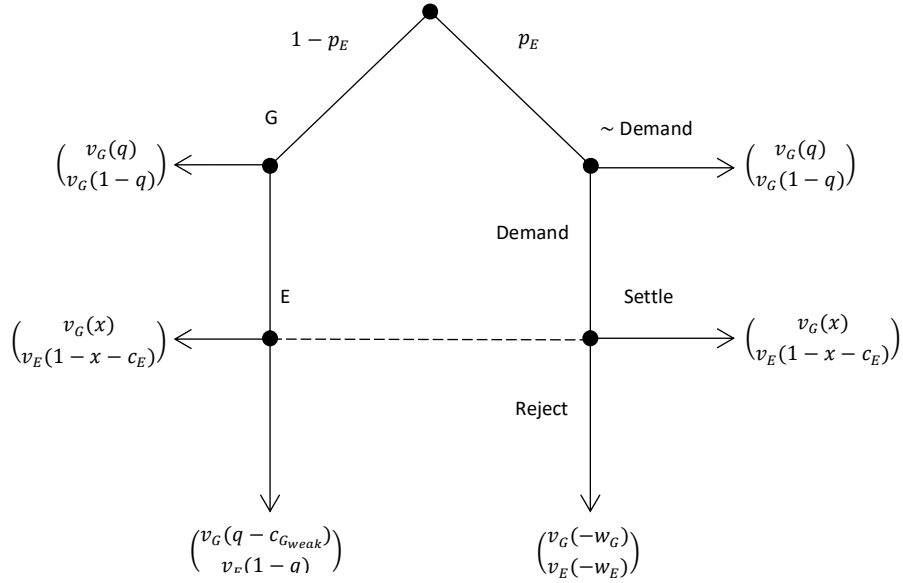
² For the sake of simplicity and because our game is only played once, we will assume that there is no semi-separating equilibrium.

$$v_E(\Delta_E) = \begin{cases} (\Delta_E)^\beta, & \Delta_E \geq 0 \text{ (gains frame)} \\ -\lambda(-\Delta_E)^\beta, & \Delta_E < 0 \text{ (losses frame)} \end{cases}$$

$$\text{with } \Delta_E = (1 - x) - (1 - r_E) = r_E - x$$

Δ_E is essentially the deviation from E's reference point $1 - r_E \in [0,1]$ while $v_E(z)$ is E's payoff with prospect theory assumptions: $\beta \in [0,1]$ being the degree of risk propensity and $\lambda > 1$ being the degree of loss aversion.³

Figure 3. Simplified extensive-form game (PT version)



For each final outcome of the game, we obtain the following deviations from E's reference point:

$$\begin{cases} \Delta_E(\text{status quo}) = (1 - q) - (1 - r_E) = r_E - q, \text{ either positive or negative} \\ \Delta_E(\text{Grexit}) = -w_E - (1 - r_E) = r_E - w_E - 1, \text{ always negative} \\ \Delta_E(\text{settle}) = (1 - x - c_E) - (1 - r_E) = r_E - x - c_E, \text{ either positive or negative} \end{cases}$$

Which give the following PT payoffs for E:

$$v_E(\text{status quo}) = \begin{cases} (r_E - q)^\beta, & r_E \geq q \text{ (gains frame)} \\ -\lambda(q - r_E)^\beta, & r_E < q \text{ (losses frame)} \end{cases}$$

$$v_E(\text{refuse}) = \begin{cases} -p\lambda(1 - r_E + w_E)^\beta + (1 - p)(r_E - q)^\beta, & r_E \geq q \text{ (mixed frame)} \\ -p\lambda(1 - r_E + w_E)^\beta - (1 - p)\lambda(q - r_E)^\beta, & r_E < q \text{ (losses frame)} \end{cases}$$

³ The prospect theory parameters β and λ are fixed at 0.88 and 2.25, respectively, in line with existing empirical evidence.

$$v_E(\text{settle}) = \begin{cases} (r_E - x - c)^\beta, & r_E \geq x + c \text{ (gains frame)} \\ -\lambda(x + c - r_E)^\beta, & r_E < x + c \text{ (losses frame)} \end{cases}$$

There are two cases for which E's decision problem would be in the domain of losses. First, when $r_E < q$, refusing a Greek offer represents clear losses for E because Grexit would obviously represent losses while the status quo would also be below E's reference point. In that first situation, Greece would only propose a losses-framed offer to E. This first case thus gives us a first equilibrium demand when

$$\begin{aligned} v_E(\text{settle, losses frame}) &= v_E(\text{refuse, losses frame}) \\ -\lambda(x + c_E - r_E)^\beta &= -p\lambda(1 - r_E + w_E)^\beta - (1 - p)\lambda(q - r_E)^\beta \\ x_1^* &= r_E - c_E + [p(1 - r_E + w_E)^\beta + (1 - p)(q - r_E)^\beta]^{1/\beta} \end{aligned}$$

Second, when $r_E \geq q$, E will frame the uncertain choice, i.e. "refuse" option, simultaneously as one between gains and losses. On the one hand, the status quo would be in the gains domain while Grexit would still be in the losses domain, hence the "mixed" frame decision problem. When the psychological losses from Grexit compensate more than the gains from keeping the pre-existing status quo – either because the value of p and/or w_E is too high –, playing "refuse" would remain in the domain of losses and Greece would propose a losses-framed offer to E. This second case thus gives us a second equilibrium demand when

$$\begin{aligned} v_E(\text{settle, losses frame}) &= v_E(\text{refuse, mixed frame}) \\ -\lambda(x + c_E - r_E)^\beta &= -p\lambda(1 - r_E + w_E)^\beta + (1 - p)(r_E - q)^\beta \\ x_2^* &= r_E - c_E + \left[p(1 - r_E + w_E)^\beta - \left(\frac{1}{\lambda}\right)(1 - p)(r_E - q)^\beta \right]^{1/\beta} \end{aligned}$$

Finally, when $r_E \geq q$ but the psychological losses from Grexit do not compensate any longer the gains from keeping the pre-existing status quo, playing "refuse" would be in the gains domain and Greece would propose a gains-framed offer to E. This third case thus gives us a third equilibrium demand when

$$\begin{aligned} v_E(\text{settle, gains frame}) &= v_E(\text{refuse, mixed frame}) \\ (r_E - x - c_E)^\beta &= -p\lambda(1 - r_E + w_E)^\beta + (1 - p)(r_E - q)^\beta \\ x_3^* &= r_E - c_E - [(1 - p)(r_E - q)^\beta - p\lambda(1 - r_E + w_E)^\beta]^{1/\beta} \end{aligned}$$

Placed end-to-end, these three equilibrium values produce the PT equilibrium demand x_{PT}^* below which the Europeans would accept the Greek offer and conversely. Figure 4 provides an illustration of the shape of the equilibrium demands under prospect theory and expected utility models. The prospect theory curve's inflection points are at the transitions between one critical value and the next.

The evolution of the European policy of SYN: the 1992-1999 period

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Abstract

Based on the bibliography of party-based Euroscepticism, the paper examines the first phase of SYN (1992-1999) in correspondence with changes/challenges in the European, national and internal level, trying to create an all-around picture about the events that shaped the European policy of the party. In the light of these, it is presented the main principles of party's European identity, its strategic goals and its attempt to be established as a New Left, non communist and modern political entity claiming a leading role in EU "setting". The findings indicate a gradual shift of SYN to more critical position towards social democracy and EU. Its disappointment for EMU's and EU's evolution reduces party's European "optimism" to a still optimistic but considerably reluctant position.

Introduction

The paper focuses on the European policy of SYN in its first period (1992-1999), outlining its great importance for the party's route as it struggles i) to adjust ideologically to EU's tremendous changes/ challenges including three European Treaties – Maastricht, Schengen & Amsterdam ii) to adjust as a minor opposition party following its participation in the coalition government –even failing to enter parliament in 1993 elections, iii) to decide about its future ideological direction as a result of the coexistence of two currents (former communists and euro-communists) and the relevant factions formed.

From party-based Euroscepticism literature, three angles have been chosen through which the material is filtered: a) ideology and European integration (Hooghe et al 2002, Marks and Wilson 2000, Marks et al 2002), b) national political systems and European integration (Taggart and Szczerbiak 2003, Sitter 2001, Taggart and Szczerbiak 2013, Taggart and Szczerbiak 2000) and c) party elites and European integration (Charalambous 2013, Harmel et. al. 1995, Harmel and Tan 2003).

The research questions based on this literature investigate the extent to which the changes in the party's European “orientation” are due to: a) ideology and how it shaped the party's response to the challenges of European integration, b) the party's relationship to political power, and c) the intraparty situation/events, e.g. leadership changes, party factions.

Respectively, the working hypotheses are that: a) The increasing “neoliberal direction of the EU” empowers the party's Euroscepticism, b) The more the party approaches government, the less eurosceptic it tends to be, c) The personality of the party president/nature of the leading faction tends to shape the party's European policy.

This case study uses mostly primary sources such as proceedings of the Hellenic Parliament, party's Central Committee decisions, election manifestos (both European and National elections), decisions of party congresses as well as political speeches, articles, editorials and interviews.

The european “vision” of SYN

SYN, founded in 1992 under Ms. Maria Damanaki leadership, brought together members from both euro-communist (KKE-int which rebranded in 1987 as Greek Left) and the “orthodox” communist current. This special characteristic is fundamental for the party's past, present and future as it highlights throughout the years its political history causing major confrontations, different approaches and even splits.

In its founding congress SYN has declared itself as a party of the New Left, neither social democratic nor communist, part of the European left, loyal to socialism (SYN1992a:2-5). At the same time the party supported post-materialist issues such as environmental protection and feminism trying to form its own new political identity (Tsakatika et al 2009: 287). Its vision for European integration depicts a democratic, federal EU as a fertile ground for the radical left forces to offer their own content to its policies (SYN1992a:2-6). SYN perceives Europeanism as a strategic policy to affect the future of integration in the interest of the people of Europe (SYN1994:4). The party aims at a general democratization of the EU with a strong European parliament, federal structure and a European constitution (SYN1992a:3). It has a comprehensive vision for the European integration, a vision based on democracy, social policy, protection of human rights and ecology. – The motto of this period is “Democracy-Society-Ecology”. In other words, SYN envisages a political, “green” and “people-centered” EU and its extended activation in the European level proves its deep desire for the European left to affect - even limited- the policies of the Union.

This strong will is the reason for its critical support to Maastricht Treaty (SYN1992b). According to Central Committee’s decision, Maastricht is a compromise between the bureaucratic/capitalist forces and the progressive ones that envisage a federal EU, a compromise which prevents “the disarray of EU and promotes European integration” – SYN supports this step in order to be covered the democratic deficit (SYN1992b:1). Moreover it offers the basis for a common foreign policy, environmental strategy, strong European social policy and the common currency (SYN1992a:10, SYN1992b:1). This is the first and last treaty the party voted in favor of, not only in this period but in its entire political history so far. The other two “votings” of the period include an intense “No” to Schengen Treaty and a “painful” abstention to the treaty of Amsterdam, an extremely stressful moment for the European policy of the party.

The Schengen Treaty is a really special case as it has to deal with sensitive issues such as the protection of people’s privacy and the protection of human/civil rights/liberties - the party interprets unanimously the Treaty as “a nightmare” for the European democracy, incompatible with its principles (Danellis 1997: 7309-7310). On the one hand, the Amsterdam Treaty causes a trichotomy (Yes-No-Abstention) in the party and leads to an Extraordinary Congress to discuss its official position, an element that proves the importance SYN assigns to the EU as well as its political innovation and progressiveness (Dunphy 2004:110). The “winner” of this Congress is abstention as it considers itself as a European power, fighting for an integrated EU away from “paralytic compromises” (Konstantopoulos 1999:4463).

As it has already been mentioned, the common foreign policy and the common currency were two vital reasons for the support of the Maastricht Treaty. In Central’s Committee decision for the “Redefinition of Foreign Policy”, Dunphy mentions one of the most

typical difference between SYN and KKE: the deep support of SYN meets the total rejection of KKE. SYN perceives EU participation not only as a profitable thing by “itself” but also as a political entity that is juxtaposed with “nationalism, the distressing battles in the Balkans”, the fundamentalism and the American superpower. The EU is presented as the guarantor of Greek interests not only in the Balkans but worldwide (Dunphy 2004:111, SYN1996a:5)

Similarly, the common currency is perceived as a boost towards the federalist direction of the EU (SYN1998:13), however the party criticizes very harshly the EMU for promoting the monetary part against the economic one. SYN asks for strong social policies to protect employment and contribute to real convergence (SYN1998:2, SYN1996b). The introduction of such policies is interrelated with the democratization of European institutions such as the European Parliament to “supervise” the European Central Bank. Maastricht treaty negotiations on the other hand is not a negative step - the party is still supportive but it has been realized that the neoliberal forces left their deep mark “in the Maastricht compromise” trying to strengthen the monetary dimension of European integration instead the economic and the political one (Avgi 1995:37-44).

The strategic goals of SYN - The internal debate

Following its participation in the coalition government (1989-1990), SYN tries to find its place in the national political system as a united party -anymore- of the minor opposition. At the 1993 national elections, SYN pictures itself as the third pole, with intense radical left elements with motto is “unity in diversity”. Its strategic goal is to be part of a coalition government i) to fight against bipartisanship ii) to “pull” the political scene towards left (Balafas 2012: 47, SYN1993). In this manifesto, it is expressed for the first time in the official documents of the party the need “of urgent and radical reform of the Maastricht Treaty” (SYN1993), a consistent request from then on. Despite its efforts, SYN didn’t manage to enter the parliament (see Table), a result that sets in motion internal developments: an extraordinary congress. Out of this Congress, emerged a new president, Nikos Konstantopoulos. As Vernardakis mentions, this choice led to the “redistribution of political forces in the party” and to a shift to the left of the political spectrum (Vernardakis 2011:281-282).

In the next European elections, SYN tries to overcome its failure. The party elected two MEPs, namely Al. Alavanos and M. Papagiannakis (see Table). In the European election manifesto, the party repeats its main principles (federalism, reform of the Maastricht Treaty, common foreign policy) suggesting measures for boosting employment and social policy. The party mentions that EU should evolve to a more democratic, ecological and social entity, otherwise it will not be viable (SYN1994:6).

The second regular Congress of the party took place two years later offering a more post-materialism perspective preparing the party for the new century. The European orientation is closely related with post-materialism requests: the party envisages a EU that will be characterized by ecology, democratization of institutions, feminism, active citizenship, sustainable development and the protection of minorities' rights. Internationalism is a key-concept for the party, proven by its intense activity in transnational organizations such as the parliamentary group of United European Left-Nordic Green Left and the New European Left Forum. This "European international solidarity" seems to be a vital element of the European radical left forces (March and Mudde 2005:42).

The national elections of 1996 were a great opportunity for a comeback. SYN entered parliament, electing 10 MPs (see Table). By using the motto "The parliament is just the beginning", SYN tries to present the similarities of PASOK and ND, emphasizing the need to fight bipartisanship in order to create coalition governments (Avgi 1996:20-21). It is noted that the relationship between SYN and PASOK is a very "painful" issue for the party. SYN pursues a government with ecological/ left and central-left forces (SYN1992), position that gets weakened as time passes by. The shift to a tougher stance on PASOK is clearer since 1996 and it is connected with a turn to more radical programmatic attitude of the party.

One of the key-concepts of the party's program is the so called progressive modernization of the national political scene (*Proodeftikos eksichronismos*), which is continually repeated in this era (SYN1996a:4-6, Avgi 1996:20-21). The party acknowledges Greece's participation in the EU as part of this concept and this is also the reason behind asking so intensively the reform of the Maastricht Treaty. More stable and faster steps have to be made for the complete democratization of the European integration.

Conclusion

Looking back at this period, SYN becomes more eurosceptic towards the "neoliberal direction of EU" -as the party itself calls it- with the Amsterdam Treaty to be the turning point. The party was critical, nevertheless supportive to Maastricht Treaty, however moved to an "aggressive" No to Schengen Treaty ending with a "European" abstention to Amsterdam Treaty. SYN is loyal to "left Europeanism" but it turns to be more critical in EU policies such as the EMU (1st hypothesis).

The second hypothesis deals with the party's attempt to adjust as a minor opposition party after its predecessor's experience in the coalition government (1989-1990), let alone its failure to enter the Greek parliament in 1993. At the beginning of the period,

SYN is positive to a governmental cooperation with PASOK in certain conditions but this possibility moves away as the years go by. Since 1996, SYN stands away of the social democracy, tries to make a clear separation from its policies and defines itself as more radical left party.

The Amsterdam Treaty is a crucial point also for the third hypothesis. The trichotomy of the party members highlighted the internal struggle between the major two currents (communist and eurocommunist/reformist) to determine SYN's political orientation. The change of leadership brings out a new faction (*Paremvasi* – Intervention) that combines features from both currents; the opposition towards PASOK from the first one and the pro-european orientation from the second one (Vernardakis 2011:281-282).

To sum up, SYN still interprets the EU as a fertile ground for political struggle offering many possibilities to the left political forces to transform it. The millennium finds the party increasingly critical towards PASOK and social democracy, disappointed with the evolution of EMU but still optimistic for the future of European integration, or reluctantly optimistic to be more precise.

Table : Electoral strength of SYN, 1992-1999

	National Elections				European Elections	
	1993		1996		1994	
Political Party	Vote (%)	Seats	Vote (%)	Seats	Vote (%)	Seats
SYN	-	-	5,12	10	6.3	2

Source: Ministry of Interior, <http://www.ypes.gr>

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The economic background of the stance of the Greek Capitalist Class towards the Economic Adjustment Programs

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Summary

My paper presents a comprehensive explanation of the stance of Greek capital towards the Greek Economic Adjustment Programs by examining it in the context of its economic embeddedness into “globalisation” and its strategic choice to join the EU/EMU. The paper drawing on the Marxist Political Economy assesses that stance as rational taking into account on the one hand the fact that the reforms implemented reduced the labour cost, hence increased the profit margin; on the other hand, the Greek capital considered certain repercussions of the implemented policy (higher taxation, lack of liquidity, instability) as necessary side effects of its overall weakened bargaining power due to the desperate economic situation of the Greek state since 2010. All things considered, the almost unequivocal support by Greek capital of the remaining of Greece in Eurozone as it was expressed in particular in 2015, reflected its economic interests and its long-term strategy.

My paper presents a comprehensive explanation of the stance of the Greek Capitalist Class (GCC) towards the Economic Adjustment Programs (EAPs) by examining it in the context of its economic embeddedness into “globalisation” and its strategic choice to join the EU/EMU. Despite their relevance, the issues my paper deals with have been neither theoretically nor empirically adequately discussed in the recent literature. The theoretical framework applied draws from Marxist and Neo-Gramscian IPE.

The main arguments developed here are the following:

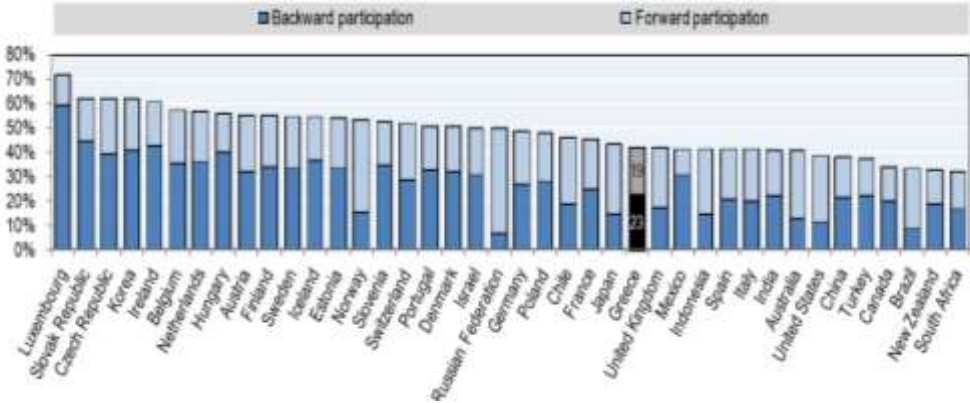
- a. The GCC has a medium range integration in the global economy, since it is not highly integrated in the Global Value Chains (GVCs).
- b. The GCC is embedded into a multinational network comprised of states and transnational corporations.
- γ. The GCC is allocated in the low-middle scale of the capitalist pyramid, which means that by its international economic activities it does not only transfer value to more advanced capitalist classes but it also appropriates super-profits from less developed capitalist classes.

2. Typology of the economic activities of GCC

2.1 The GCC’s integration in the GVCs

According to the OECD country report (2013: 2), the participation of GCC in GVCs before the crisis was a middle range one (figure 1), which means that it retains a relative autonomy from the global economy.

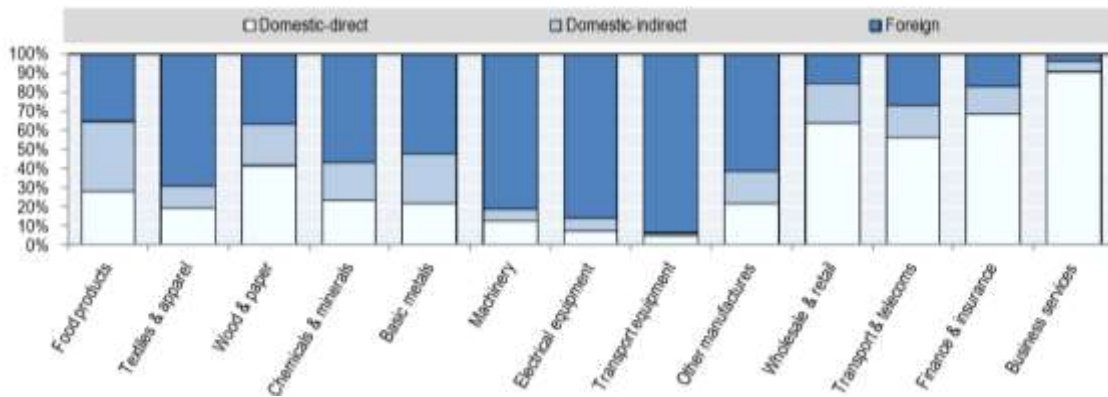
Figure 1. GVC participation across countries, 2009



Source: OECD

The GCC was already in 2009 integrated into the low-medium level of the GVCs, which implies labour intensive activities and hence technological inferiority. In final demand for manufactured goods sold in Greece the value added has been largely created abroad, while market services show the largest domestic value added. It is also remarkable that the foreign value added share for electrical equipment and transport products was nearly 100%.

Figure 2. Domestic and foreign value added in final demand by products, 2009



Source: OECD

2.2 Imports - Exports

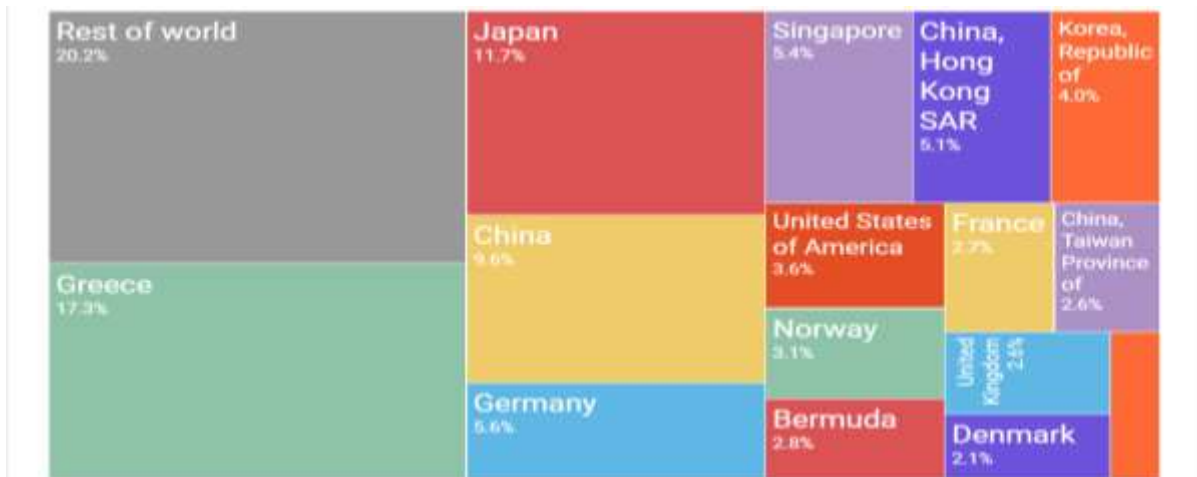
In 2017 by far the main Greek export good was refined petroleum, which represented 27% of the total exports, while the second most exported good, namely packaged medicaments, represented only 4.3% of the total exports. Nevertheless, the issue that raises the dominant presence of refined petroleum in the Greek exports, is that it is actually depended upon the import of crude petroleum, which represented the 15% of the Greek imports in 2017. This indicates that GCC is only marginally involved in manufacturing GVCs of petroleum (and chemicals and minerals in general) due to the sourcing of intermediates from abroad. Moreover, figure 1. shows that the domestic (direct and indirect) added value in chemicals and minerals is only 40%. This sector is highly oligopolistic and they are dominating two of the largest Greek multinational corporations, Hellenic Petroleum and Motor Oil.

In order for the GCC to compensate for its technological backwardness in comparison with more advanced capitalists it has oriented its export activities towards a multinational set of partners, the majority of which are less or equally developed economies. In 2017 in the first position for Greek exports is Italy (9.9%), while Germany and Turkey with 6.9% share the second position and the rest of the countries are Cyprus (5.8%), Lebanon (4.6%) and Bulgaria (4.5%). This highly differentiated customer base depicts that the GCC is oriented towards markets, in which it can profit from its „competitive advantages” (Shaikh 2007). This is also a strong indication that GCC has a certain independence in determining its export policy.

2.3. The Greek Shipping Capital (GSC)

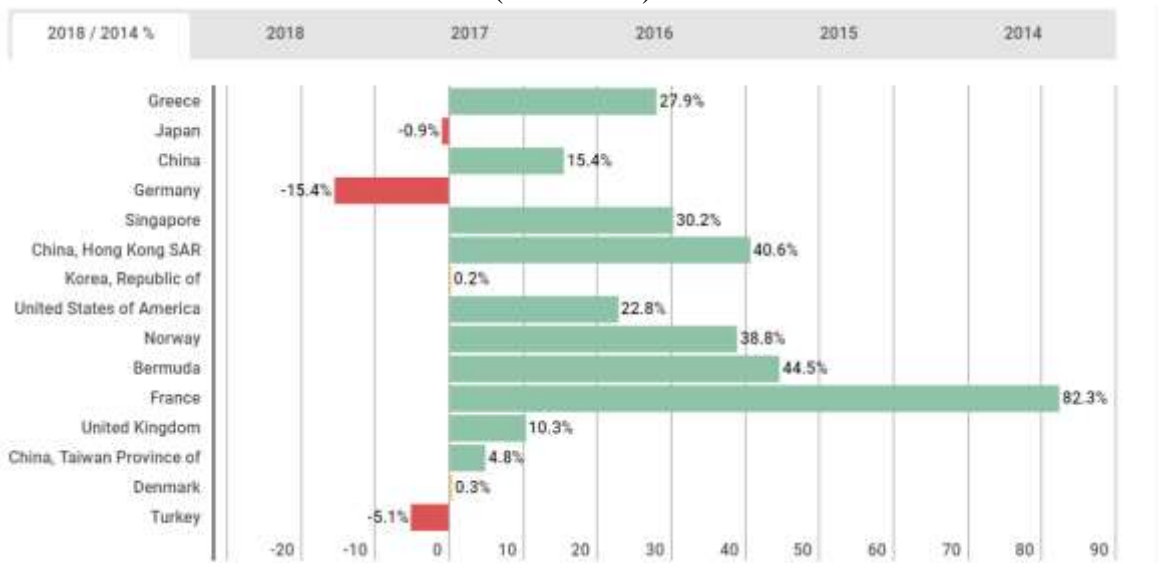
The GSC, owned by Greek shipping families with a long tradition in shipping, is probably the most transnationalised sector of the GCC with economic activities in all over the world. As we observe in figure 3. The GSC in 2018 owns the largest share (17.3 %) of the world fleet, which is the largest in the world and it is the only sector of the GCC that it has expanded its fleet by 27.9% between 2014-2018 (figure 4).

Figure 3. Share of world fleet in % owned by main 15 countries in 2018



Source: OEC

Figure 4. Merchant fleet of main shipowning nations (thous. DWT) (2014-2018)



Source: Info Maritime

Due to space constraints I shall not refer to the Greek banks. Nevertheless, I only briefly mention the rest of the major fractions/sectors of the GCC that have economic activities related to my research question. The Tourism Capital, the largest actors of which have economic partnerships with foreign travel and tourism companies. The construction and generally contractor capital, which mainly undertakes public works but it has also some economic activities in the Middle East.

3. The European course of Greek capitalism as a „virtuous circle”

A comprehensive assessment of the Greek economic circle should entail the examination of the period just after the end of the previous major crisis (1974-5) until the end of the next major

crisis (2010-?). A crisis usually initiates deep reforms and restructuring of the system and Greece is not an exception.

The entrance of Greece in the EEC in 1981 was a strategic choice for the Greek state and the GCC. Apart from the (geo-)political reasons it reflected the fact that „territorially restricted capital cannot compete with its transnationally mobile counterpart. In any part of the world capitalists beyond the smallest of scale find that they must ‘globalise or perish’...“ (Robinson 2004: 20). The transnationalisation of production and the liberalisation of the commodities and capital flows deepens the inter-capitalist competition and accelerates the concentration of capital into fewer hands. This obliges smaller capitals, such as the Greek, either to adjust to the new circumstances or be outcompeted. Nevertheless, the entrance into the EU/Eurozone created opportunities for the GCC to counteract the possible losses or even to upgrade upon the imperialist pyramid:

a. The common currency enabled the GCC to borrow money with almost the same interest rate as Germany. Among other things, this facilitated its expansion to Balkans and Turkey in an attempt to undertake an advanced role in the wider region, hence improving its position in the imperialist pyramid. Many large Greek corporations such as Titan, Intralot, Karelis, Sarantis and Furlis expanded in Turkey since the late 90s and operated in many sectors such as merchandise, natural gas, telecommunications, Real Estate, construction, transports etc. In addition, the National Bank of Greece was involved since 2006 in the Turkish banking system through the acquisition of Finansbank, which was sold to QNB Group in 2016 due to the necessary contraction following the Greek economic crisis. The GCC was also active in Balkans in many sectors such as Banking, telecommunications, mining, petroleum, textiles etc. (To Vima 2008) and it still is among the three largest investors in the region.

b. By reforming the labour and product market and transferring the cost of adapting to “globalisation” to the working class and the middle strata. According to Mavroudeas (2015: 156) “Greek capital abandoned progressive Keynesian policies and turned to capitalist restructuring policies which cover the whole 1985–2007 period”.

The pre-2010 “virtuous circle” entailed the signs of a deeper crisis triggered by the global economic crisis. The abolition of customs and capital controls after 1993 facilitated the deindustrialization of Greece as well as the “transfer of value” to the more advanced core capitalists (Mavroudeas and Seretis 2018; Tsaliki et al. 2017). The current account deficit reflected the low competitiveness of the GCC not due to high Unit Labour Costs, but because of the lower productivity and despite the relative increase of it until 2008. The Greek state subsidized the GCC in many possible ways, either by reducing the corporate tax rates between 2002-2009 from 35% to 25% or even in more scandalous ways such as the Greek Stock Market scandal of 1999 or the illegal awards of public contracts. All these along with the financial assistance measures to the banks, which amounted from 2008 to 2013 to a total of 24.8% of GDP (ECB 2015: 19), contributed to the rapid increase of the public debt, which became unsustainable in 2010 and led the Greek government to sign the loan agreement with TROIKA.

4. The condition of the GCC in the age of EAPs

The EAPs, which accompanied the loan agreement, constitute the final phase of an economic circle that commenced in the late 70s but it is still not complete despite the official completion of the third EAP.

The five main effects of EAPs on the interests of GCC are the following:

a. The EAPs restructured the labour market and public administration in terms favourable for capital profitability paving the way for the subsequent virtuous circle. Between 2010-2016 the Unit Labour Costs were decreased in every sector of the Greek economy, increasing the profit margin (Ioakeimoglou 2018: 4). The increasing appropriation of surplus value is partially offset by the decline of domestic (private and public) demand, which shrinks the realisation of surplus value.

b. The retained earnings dropped from 2008 to 2010 but they stabilized after the introduction of the EAPs. The expectation of the 2015 elections and the political instability in 2015 provoked a decline in earnings, which started to recover again in 2016 (GSEE 2019: 70).

c. The foreign and domestic investments are still creeping in due to unresolved issues such as the sustainability of the public debt. The real net investments were negative over the whole period of EAPs (GSEE 2019: 65) provoking a productivity decline. This decline had partially offset the competitive advantages gained in the tradable sectors by the decrease in the ULCs (Paitaridis 2018: 164). Nevertheless, the profit margin for the Greek exporters has increased during the crisis (Paitaridis 2018: 177).

d. The EAPs increased the “red loans” contributing to the instability of the Greek banking system over the decade and making private credit even more expensive for domestic investors (Kathimerini 2017).

e. The only major purchase of Greek public assets that went exclusively into Greek hands, was the acquisition of Hellinikon by Lamda Development, a company that belongs to the richest Greek businessman, Spyros Latsis. In the rest of major privatisations the GCC participated in joint ventures with foreign transnational corporations. The 33% of OPAP was acquired by Emma Delta, a joint venture controlled by J. Smejč (66.7%) and D. Melissanidis (33.3%). The Port of Thessaloniki was purchased by a joint venture of German (DIEP) and Russian-Greek capitals (Savvidis). Fraport Greece, which purchased the fourteen regional airports, is also a joint venture between Fraport AG (65%) and Kopelouzos Group (35%). On the other hand, the Greek railways (Ferrovie), and DESFA (Senfluga Energy) were acquired by foreign enterprises. Although, the privatisation of Greek public assets is still in process, it would be safe to say that so far the GCC has obtained a fair share of the privatised assets.

5. The stance of the GCC towards the EAPs

In the 2013 general assembly of SEV, its chairman, D. Daskalopoulos stated that “even the most resilient productive units –those that in these difficult years kept the prospect of recovery alive– have today been brought to their knees by the weight of taxes, higher energy costs, lower demand, lack of liquidity” (Daskalopoulos 2013). In the conclusions drawn from its industrial conference in 2016, SEV characterized Greece as a country of “high-risk investment” (SEV 2016: 54). At the same time, they supported full-heartedly those aspects of the neoliberal agenda that fostered capital profitability. In the heated time of the SYRIZA’s government negotiations in 2015, SEV along with the majority of the Greek employers’ associations sent two open letters to the Greek Prime Minister, asking him to come to an agreement at any cost. The above indicate that for the majority of the GCC despite the cons of the EAPs, the pros were significant and the remaining of Greece in Eurozone is beyond any negotiation.

I now examine two cases, in which fractions of the GCC showed for different reasons a more “open-minded” stance towards the possibility of a GREXIT from the Eurozone.

The first case has also a political background and it concerns the powerful fraction of the Greek shipping capital, which since 2015 acquired 140 vessels from insolvent German shipping companies under favourable terms (Wall Street Journal 2018). As a result, the former German Finance Minister Schäuble in an interview in a Greek daily newspaper reminded Tsipras his election promise to abolish the tax privileges for Greek shipowners (National Herald 2017). This was interpreted by the president of the Greek Shipowners' Association as an "unwarranted attack", which arises the question whether "the motivation behind the Minister's statement" is "the inability of the German maritime policy to successfully support its shipping" "despite favourable arrangements at all levels". This political conflict reflects actually the economic competition between the German and Greek capitalist classes and it reveals, that despite the overall superiority of German capital, in certain sectors it is the GCC that takes the lion's share against German interests. In the referendum's period there was no official position of the Greek Shipowners Association, but there were some unofficial leaks in the press saying that the seagoing shipping will not be severely affected from a possible GREXIT, since it has its business and its money outside Greece (New Money 2015).

The second case refers to the Greek pharmaceutical industry, which is the second larger Greek exporter, but it was severely affected by the EAPs. As the President of the Hellenic Union of Pharmaceutical Industry, T. Trifonos, in his interview (Kathimerini 2015), stated "The policies applied in pharmaceutical industry during the crisis forced us to a constant "crisis management", which decreased significantly our capacities for a strategic development. There is no room for further measures, unless the goal is the prevalence in the Greek market of expensive imported medicines and the total de-industrialisation of the country". The vice president of the largest Greek pharmaceutical corporation, D. Giannakopoulos stated only for 4 days before the Greek referendum that "from the perspective of the Greek pharmaceutical industry, we are the sector that has suffered most from the creditors and the interests they serve" and he was one of the few that supported "OXI" in the referendum (Kourdisto Portokali 2015).

5. Conclusions

The stance of the GCC towards the EAPs can be characterised as rational for the following reasons:

1. The desperate situation of the public finance in 2010 rendered inevitable the adoption of recessionary measures.
2. The GCC has a low-middle position in the imperialist pyramid, which means that it has certain limitations in its bargaining power. For instance, both the level of the debt and the high primary surpluses are damaging for their interests, but the GCC as well as the Greek state do not have the economic and political potential to impose them to their European partners in full extent.
3. The embeddedness of GCC into globalisation renders unilateral actions, such as GREXIT, de facto too risky and it constrains the spectrum of choices for the less strong capitalist classes. Nevertheless, the GCC has a multidimensional trade network, which gives it the possibility to compensate for its technological laggardness and to broaden the spectrum of choices.

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