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Before and After the Political Transition of 1974
Institutions, Politics, and the Economy
of Post-War Greece

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ABSTRACT

This paper reviews, analyses and interprets the evolution of the state and the economy of post-war Greece, before and after the political transition to democracy in 1974. The transition led to a regime-change involving a very large part of the ideological and institutional edifice that characterised Greece in the twenty-five years between the end of the civil war in 1949 and the transition to democracy in 1974. Although social and political institutions and performance improved significantly after 1974, economic performance deteriorated sharply. The analysis suggests that although this was to be partly expected because of international developments, the sharp deterioration is economic performance was mainly the result of the failures of the post-1974 political regime to substitute the commitment and coordination mechanisms that had contributed to the economic 'miracle' of the 1950s and the 1960s, follow appropriate and consistent rules in economic policy and introduce the necessary reforms. In addition, Greece entered the E.U and, later, the euro area relatively unprepared, something which contributed to the deterioration in its economic performance and, eventually, the debt crisis of the 2010s and the great depression that followed. The final section of the paper discusses several reforms that could help put Greece back on track economically, consolidating and improving its position in the E.U and the euro area, while strengthening the desirable social and political characteristics of the post-1974 regime.

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The political transition of 1974 is one of the most important milestones in the history of modern Greece. The collapse of the dictatorship in July 1974 did not just lead to the restoration of the flawed post-civil war democracy, but to an entirely different and in most ways superior political regime. This political transition, called *metapolitefsi* in Greek, ushered in the most mature democratic period of the country and the beginning of the end of the great social and political divisions created by the civil war of the 1940s. It was a genuine transition to democracy and change of regime.[1]

Until 1967, the country was ruled as a 'crowned democracy', the Kingdom of Greece, based on the constitution of 1952. However, an array of laws that had been put into place during the civil war of the late 1940s, allowing wide-ranging discriminatory practices against supporters of the left, were also in parallel operation, undermining political and social equity and freedoms. Furthermore, trade unions functioned under the umbrella of the state, which limited their influence, while workers' rights, collective bargaining and the right-to-strike were also limited. In addition, the crowned democracy was also characterised by unwarranted, and politically destabilising interventions by the 'palace', i.e. the King and his entourage, and, occasionally, foreign embassies or extreme nationalist factions within the army and the security forces. Eventually, one of these factions planned and executed the military coup of 1967 and imposed a seven-year dictatorship.

During the post-civil war democracy, loyalty to the western alliance and values and the pursuit of economic and social development and monetary stability evolved into the main ideological driving forces of the policy of the Greek state. Economic and social development of the country within the framework of a mixed 'western 'economy evolved into the 'new grand idea 'of Hellenism, was accepted by a broad majority of the population, and was actively pursued by the Greek state regardless of which government was in power. Under these policies the economy grew extremely quickly in an environment of fiscal, monetary and external balance and converged quickly towards the more advanced western economies. This experience amounted to a true 'economic miracle'.

After the collapse of the dictatorship and the transition of 1974, the political regime that took its place was the Hellenic Republic, a liberal presidential parliamentary democracy, based on the new constitution of 1975. This fully recognised and respected human and political rights, without exceptions, exclusions and discrimination among Greek citizens. The new regime has been associated with a full set of democratic institutions, an independent judiciary, press and trades unions, and the relatively smooth alternation of political parties in power. This is why 1974 did not just mark the restoration of the pre-1967 democracy but a genuine change of political regime.

The regime-change of 1974 also marked the beginning of a process of emancipation of the new social groups which had emerged during the period of high growth in the previous quarter of a century. These consisted of private and public sector employees, self-employed professionals, small and medium-sized entrepreneurs and farmers. These groups, which largely constituted the new middle class that had emerged in the first twenty-five years after the civil war, had shared in the benefits of economic growth, but had remained on the sidelines of political developments. In addition, the supporters and members of the parties

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[1] *Metapolitefsi* can be broadly translated as political transition or change in regime. In what follows we shall also occasionally use the term transition to democracy, as the transition took place following a seven-year dictatorship and was a transition to a genuine democratic regime.

of the left, who until then had faced intense adverse individual, social and political discrimination, stopped being second class citizens almost overnight.

The new middle class saw the change in regime as an opportunity to claim a more active role in the political process, to seek the redistribution of income and wealth in their favour, as well as the further convergence of their way of life and standard of living towards the those of the middle classes of the more developed economies of Western Europe.

Their aspirations have been one of the main driving forces of Greek politics and the economy during the last half century.

The political transition of 1974 very quickly led to the radical change of a very large part of the ideological and institutional edifice that characterised Greece in the twenty-five years after the end of the civil war in 1949. The 1975 Constitution had major differences from the previous Constitution of 1952, as it reflected social and political realities and perceptions that favoured individual and political liberties, the redistribution of income and wealth, and the expansion of state economic and regulatory activity.[2]

The monarchy was abolished, and with it the destabilising political interventions of the 'palace'. Moreover, as a result of the new social and political priorities, both the nature and role of political parties, trade unions and employers' organisations, the press, student unions and civil society, changed radically. The same can be said for the nature and scope of state economic activity and politics itself.

However, while the new social and political institutions were associated with greater freedom and social equality, the performance of the economy deteriorated significantly. Addressing this paradox is one of the primary aims of this paper.[3]

The 1974 change of regime took place during a critical time for the international economy. The Bretton Woods system of fixed exchange rates, the basis of post-war monetary stability, had essentially collapsed in February 1973, following successive crises over the previous five years. The E.E.C countries and Japan had already adopted a system of floating exchange rates based on the national autonomy of their monetary policies. Low oil prices, one of the foundations of the post-war economic growth of OECD economies, were already a thing of the past. 1973 had seen the quadrupling of oil prices brought about by the Organisation of the Petroleum Exporting Countries (O.P.E.C), following the embargo of October 1973. These events had led to the first major post-war international recession during 1973-1975, which marked the end of the long period of economic expansion after World War II. The 1973-1975 recession differed from previous ones because of its depth, its length and its association with a rise in inflation. Stagflation, the combination of falling economic activity and rising inflation, was at the time considered a new and puzzling economic phenomenon.[4]

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[2] Featherstone and Sotiropoulos (2020) contain a number of analytical studies on institutional and political developments in post-1974 Greece.

[3] For an earlier attempt to explain the differences in the performance of the economy before and after 1974 for the case of Greece see Alogoskoufis (1995). However, the analysis of that paper, although relevant to the questions addressed here, ended in the early 1990s, before the convergence and adjustment efforts of the 1990s and Greece's entry into the euro area. For two recent reviews and analyses of the economy of Greece after 1974, before and after euro area entry, see Alogoskoufis (2021) and Papademos (2021).

[4] For a comprehensive analysis of the international stagflation of the 1970s see Bruno and Sachs (1985).

The international developments of the early 1970s, in association with the stop-go economic policy of the dictatorship, had shaken the very foundations of the post-war growth model of the Greek economy. The excessive expansion of aggregate demand engineered by the dictatorship and its mishandling of the upheavals of the Bretton Woods system of fixed exchange rates had led to a burst of inflation, far greater than the increase in international inflation at the time. In its attempt to reverse course to deal with the high and rising inflation, the dictatorship put an abrupt brake to the expansion of aggregate demand in the latter part of 1973, which, combined with the international recession, had led the Greek economy to the deep recession of 1974.

In any case, the country's post-civil war political and growth models had begun to show cracks already since the early 1960s. The imposition of the dictatorship of 1967 'froze' and reversed the reform efforts that had begun a few years earlier, as well as Greece's association agreement with the E.E.C.

After the regime-change of 1974 there was a significant shift in the priorities of economic policy. This happened in the context of corresponding developments in most developed western economies, but also because of the domestic ideological, social, and political reactions to the previous regime and the excesses of the dictatorship.

There was a shift towards strengthening the role of the state in the economy, redistributing income and wealth, creating a welfare state and a crude form of national 'Keynesianism'. Monetary and fiscal stability, two of the cornerstones of economic policy in the 1950s and the 1960s ceased to be economic policy priorities for a very long time. The change in the priorities of economic policy was initially reinforced by international developments that preceded the 1974 change in regime, such as the collapse of the Bretton Woods system of fixed exchange rate and the adoption of floating exchange rates, as well as the first international oil crisis.

The emphasis of macroeconomic policy in Greece shifted towards the dual goal of boosting employment and real wages, two pursuits that, in the face of slowing productivity growth and international supply shocks and disruptions, ultimately proved to be conflicting. During the early 1980s, this policy led to a prolonged economic stagnation, persistently high inflation, fiscal destabilisation, currency instability and a significant deterioration in the international competitiveness of the Greek economy. A two-year stabilisation program in 1986-1987 proved to be only partially successful and was in any case abandoned in 1988.

The adjustment efforts that followed from the beginning of the 1990s, in view of the need to prepare the economy for its participation in the European single market and the euro area, also proved to be insufficient and ultimately ineffective. Thus, although Greece was eventually deemed to have met the criteria for nominal convergence and admitted to the euro area, this took place after a period which had led to the significant deterioration of Greece's international competitiveness and little progress in dealing with Greece's underlying structural, macroeconomic and fiscal imbalances.

The period of euphoria which followed the adoption of the euro led to an economic boom, but also an unprecedented deterioration of Greece's external imbalances. Persistently high current account deficits led to a rapid accumulation of external debt. Thus, the stage was set for the 2010 sovereign debt crisis, the 'bailout' and the 'great depression' brought about by the adjustment programs imposed on Greece, following the post-2010 'memoranda' signed between Greece, its partners in the E.U and the I.M.F.

The period since the 1974 change of political regime cannot be evaluated without addressing the significance of Greece's 1981 accession to the then European Economic Community (E.E.C). The 1981 accession to the E.E.C, which later evolved into today's European Union (E.U), and Greece's 2001 accession to the euro area, were decisive factors behind post-1974 institutional, social, political and economic developments.

Institutionally, socially, and politically, E.E.C accession and E.U integration have undoubtedly been beneficial for Greece, shielding its democracy and contributing to its institutional and social progress, as well helping finance improvements in Greece's social and economic infrastructure. However, because of inadequate preparation, the accession also contributed to the rapid deindustrialisation and fall of investment and economic growth of the 1980s, due to the low competitiveness of Greek manufacturing. This was exacerbated by the freezing of the 1961 association agreement during the dictatorship, the international oil crises of the 1970s, the end of protection following E.E.C entry and by Greek economic and structural weaknesses and policy choices. The significant transfer of resources from the European Community was not only inadequate compensation for the negative economic effects of accession to the E.E.C, but also led to further distortions which contributed to the transformation of the Greek economy into an economy producing mainly services and non-internationally tradable goods. These developments are not unrelated to the deterioration of the country's economic performance after 1981 nor to the debt crisis of 2010.

Greece also entered the euro area relatively unprepared. It initially experienced an economic boom based on foreign borrowing, but, following the global recession of 2008-2009, at the beginning of 2010 Greece became the first E.U victim of a 'sudden stop' in the refinancing of its international debt, as it was essentially excluded from international financial markets. The Greek debt crisis also triggered a wider euro area crisis. Given the institutional inability of the European Central Bank (ECB) to function as a 'lender of last resort', Greece had to resort to a 'bailout' from the rest of the countries of the euro area, through a hastily prepared special re-financing mechanism. In return, it had to agree to three successive 'austerity' programs which led its economy to a great depression, resulting in the loss of a quarter of its annual output and income.[5]

Almost as soon as the adjustment programs ended and the economy had started to gradually recover, Greece, along with the rest of the world, was hit by another large shock, that of the pandemic of 2020. The rapid recovery of the Greek economy from the deep recession caused by the pandemic was a positive development. However, all international organisations expect a significant slowdown in the rate of economic growth for the foreseeable future.

The aim of this paper is three-fold: First, to briefly review the evolution of post-war Greece, before and after the 1974 change of regime, with a special emphasis on social conditions,

[5] The English language literature on the Greek economy has grown exponentially since the sovereign debt crisis of 2010. See, among others, Krugman (2010), Featherstone (2011), Arghyrou and Tsoukalas (2011), Alogoskoufis (2012), Ardagna and Caselli (2014), Monastiriotis (2014), Galenianos (2015), Orphanides (2015), Ioannides and Pissarides (2015), Roukanas and Sklias (2016), Gourinchas et al. (2017), Meghir et al (2017), Alogoskoufis (2021), Christodoulakis (2021), Leounakis and Sakellaris (2021), Louri and Migiakis (2021), Papademos (2021), Economides et al (2020), Andriopoulou et al (2020). Zettelmeyer et al. (2013) concentrated on the debt restructuring of 2012. Reinhart and Trebesch (2015) and Alogoskoufis (2023) have focused on a historical comparison of the 2010 crisis with previous Greek debt crises and defaults since the 19th century.

ideas and values, institutions, politics, and the economy. The focus is on the eighty years from liberation from Nazi occupation in November 1944 to 2024. The second aim is to demonstrate how the interactions of ideas and values, institutions, politics and economics, in conjunction with international developments, have shaped key policy choices and rules and contributed to differences in political and economic performance before and after 1974. Finally, the third is to discuss a number of reforms that could help improve Greece's future social, political and economic performance.

1. Main Domestic and International Developments, 1944-2024

The review, analysis and interpretation of developments in this paper is based on the distinction among a total of nine critical sub-periods in the evolution of post-war Greece, three before and six after the 1974 change of regime. These are as follows:

1. From liberation to the civil war, 1944-1949.
2. Post-civil war parliamentary democracy, 1950-1966.
3. Military dictatorship, 1967-1974.
4. Transition to democracy and E.E.C negotiations, 1975-1980.
5. E.E.C entry, political 'change' and economic destabilisation, 1981-1990.
6. Convergence and adjustment efforts for euro area entry, 1991-1999.
7. Euro-euphoria, 2000-2007.
8. Global recession, debt crisis, 'bailout' and 'memoranda', 2008-2018.
9. After the 'memoranda', 2019-2024.

Each of these separate sub-periods differs from the others in terms of the prevailing ideological and social conditions, as well as the political and economic institutions, priorities and policies. For this reason, each individual sub-period is first briefly reviewed and analysed separately, as this is the key to understanding the evolution of the politics and the economy of post-war Greece.

1.1. From Liberation to the Civil War, 1944-1949

The five years from liberation to the end of the civil war was a period of significant instability and fluidity in all areas, from ideological and national to social, political, economic and international. However, it was also the period during which state institutions were re-shaped, the economy recovered and Greece's position in the western alliance was consolidated.

From 1944 until 1946 Greece had a succession of unelected governments supported by the British, based on the pre-war Greek government in exile. Other institutions, from the judiciary to the security forces and the army were in tatters. The only functioning domestic institutions had been under the control of the occupying forces or under the control of the Communist Party of Greece (KKE, from its Greek initials). The Communist Party had dominated the other resistance forces, through the National Liberation Front (EAM from its Greek initials) and its military wing, the National People's Liberation Army (ELAS, from its Greek initials). EAM originally participated in the government of National Unity, led by George Papandreou, which took over in October 1944, immediately after the withdrawal of the Nazi occupation forces.

In early December 1944, there were violent clashes in Athens between the forces of EAM and the government, the latter being supported by the British. Although a temporary truce took effect in early 1945, these clashes marked the beginning of a five year open civil war.

Gradually, and despite the escalating civil war, state and political institutions were restored and the economy stabilised and recovered. The first post-liberation elections were held in 1946, just after the outbreak of the third and last phase of the civil war, while a referendum determined that the post-war political regime would take the form of a 'crowned democracy'. A list of political developments during this period is included in Appendix 1.

The process of recovery was facilitated by foreign aid, initially from Britain and the U.N Relief and Rehabilitation Agency (U.N.R.R.A) and after 1947 from the U.S.A, through the Truman Doctrine and the Marshall Plan.[6]

Internationally this is the period when World War II officially ended, and the 'cold war' began. The consolidation of the position of Greece in the western alliance, led by the U.S.A, helped stabilise its political regime, its economy and its borders, as they had been determined before World War II, with the addition of the Dodecanese, occupied by Italy before the war. The main issues which remained open for Greece were the wounds created by the civil war, the Cyprus question and Greek-Turkish relations.

On the economic front, stabilisation efforts, foreign aid, and the Marshall Plan were critical factors in underpinning the recovery in output, employment, and real incomes. It is estimated, by the Maddison Project among others, that in 1945, after the end of the occupation, Greek real GDP per capita was at a lower level even compared to 1833. The damage by the four-year occupation was enormous and Greece was plagued by hyperinflation. By the end of the civil war in 1949 real GDP per capita had almost doubled from its 1945 lows, while inflation had also declined significantly.

1.2. The Post-Civil War Parliamentary Democracy, 1950-1966

The period from the end of the civil war to the imposition of the seven-year dictatorship in 1967 is a period in which Greece had elected governments, which operated within the framework of the post-civil war regime of a 'crowned democracy', as defined in the 1952 Constitution.

The 1952 Constitution had been submitted by the competent parliamentary committee in 1949, shortly before the Parliament of 1946, which was empowered with drafting a new constitution, was dissolved for the 1950 elections. The new Constitution was finally ratified by the 1951 Parliament, shortly before it was dissolved in December 1951, and came into force on January 1, 1952.

Following the outcome of the 1946 referendum, the political regime took the form of a crowned democracy, with the King as the head of state. The constitution was largely based on the 1911 constitution, but it contained several features which made it less liberal. Such were the restrictions on press freedom (Article 14), the prohibition of strikes by civil servants (Article 11) and discriminatory clauses in the hiring of civil servants based on their political and social beliefs. (Article 100).

In addition, for a large part of this period, a 'parallel constitution' was in operation at the same time, as the emergency laws that were enacted during the civil war, and which allowed discrimination against followers of the left and those considered to be 'communists', remained in place. These also implied the granting of extraordinary powers to the security services. The Communist Party of Greece (KKE) was banned, but other left-wing parties were

[6] For a political and economic survey of the period from the viewpoint of the early 1950s see Sweet-Escott (1954). For a more recent detailed perspective of economic stabilization and development see Politakis (2018).

allowed to take part in parliamentary elections. The open persecution of communists continued for a time, culminating in the trial and execution of Nikos Belogiannis and his comrades in 1952.

We refer to the political regime that prevailed during this period as the 'post-civil war democracy'. Although the regime was nominally parliamentary and based on a democratic constitution, given the atrocities that had taken place during the civil war, and, given that during this period the 'cold war' was raging internationally, the discrimination against the followers of the left continued. The justification was that this was a measure of 'self-defence' of the political and economic regime against 'communism'. Gradually, discriminatory practices were weakened and blurred, but they did not cease during the operation of this regime. In fact, they were resurrected during periods of political instability, usually around elections.

An additional weakness of the 'post-civil war democracy' resulted from the unwarranted political interventions of the 'palace', and, on occasion, the U.S embassy, chiefly in matters related to public security and national defence. Such interventions undermined the very character of the regime as a parliamentary democracy and led to occasional political crises.

Both Nikolaos Plastiras and Alexandros Papagos, two prime ministers enjoying the support of parliament, faced this problem of unwarranted interventions by the 'palace' and the Americans in the early 1950s. Furthermore, two of the most important elected prime ministers of this period, Constantine Karamanlis and George Papandreou, were forced to resign following unwarranted interventions by the 'palace'. At the same time, in addition to the elected government, nationalist conspiratorial factions were operating and exerting underground influence in the army and security forces, which still possessed significant powers. Members of such factions had close links with US intelligence agencies and the 'palace'. After all, this was a period during which thousands of army officers had received training in the U.S.A.

Details about political parties, elections, governments and prime ministers for the 1950s and 1960s can be found in Appendix 1.

Despite the political drawbacks of the post-civil war parliamentary democracy, the performance of the economy was impressive. Following the official end of the Marshall Plan in 1952 and the fiscal and monetary stabilisation of the early 1950s, from the governments initially of Nikolaos Plastiras and then of Alexandros Papagos, there was an eight-year period of governments led by Constantine Karamanlis, a conservative politician who succeeded Papagos as prime minister and won three successive elections between 1955 and 1963.

The eight-year Karamanlis period was associated with the consolidation of fiscal and monetary stability and the acceleration of the country's economic development. By 1963, the Greek economic landscape had changed drastically, and Greece had developed into a rapidly growing economy, which was also characterised by fiscal stability and low inflation. The Union of the Centre governments of George Papandreou, who succeeded Karamanlis, proceeded to introduce additional measures of political liberalisation, income redistribution in favour of wage and salary earners and farmers, the establishment of free education at all levels, and a series of other social measures. Yet, despite the increase in public spending that resulted from these initiatives, the basic directions of the economic and development policy followed until then did not change. They were maintained by both the Papandreou government and the Stephanopoulos government of the so-called 'defectors' (apostates), during the period of political instability 1965-1966, after George Papandreou had been forced to resign by the intervention of the 'palace'.

Socially, this period also saw the rapid transformation of Greece. There was a huge wave of migration from the countryside to the urban centres, mainly Athens and Salonica. Many of the migrants became urban workers and founded small businesses, but a large number acquired higher education and became skilled professionals such as engineers, doctors, lawyers, and managers. The result was the emergence of a significant new urban middle class which transformed the social makeup of Greece. Gradually, this middle class started to seek political participation. The emergence of the Union of the Centre as a political force in the early 1960s owes a lot to the aspirations of the emerging middle class for political change.[7]

Throughout the 1950s, the world continued its recovery from World War II, aided by the post-World War II economic expansion. The period also saw great population growth with increased birth rates and the emergence of the baby boomer generation. Despite this recovery, the cold War developed from its modest beginnings in the late 1940s to a heated competition between the Soviet Union and the United States by the early 1960s. The ideological and strategic clash between communism and capitalism dominated the decade, especially in the northern hemisphere.

In the United States, a wave of anti-communist sentiment known 'McCarthyism' resulted in Congressional hearings by both houses in Congress. In the Soviet Union, the death of Joseph Stalin would lead to a political campaign and reforms known as "de-Stalinisation" initiated by Nikita Khrushchev leading to the deterioration between the relationship of the Soviet Union and China in the 1960s.

The cold war led to the space race with the launch of Sputnik 1 in 1957 and the United States would create N.A.S.A in response in 1958. Along with increased testing of nuclear weapons called the arms race, the tense geopolitical situation created a politically conservative climate.

The beginning of decolonisation in Africa and Asia also took place in this decade and accelerated in the following decade. It would lead to several conflicts throughout the decade. Wars included the first Indochina war, the Malayan emergency, the Korean war, the Algerian war, the first Sudanese civil war, the Vietnam war, the Cuban revolution, and the Suez crisis. Coups included the Egyptian revolution, the Iranian coup d'état, the Guatemalan coup d'état, the 14 July Revolution in Iraq, and the Pakistani coup d'état in 1958.

Europe continued to be divided into Western and Soviet bloc countries. The geographical point of this division came to be called the 'iron curtain'. Germany remained divided into two states: the capitalist Federal Republic of Germany in the west and the socialist German Democratic Republic in the east. Construction of the Berlin Wall by East Germany began in 1961.

In western Europe, where economies recovered through the application of the Marshall Plan, the main political breakthrough in the late 1950s was the creation of the European Economic Community (E.E.C), after the signing of the Treaty of Rome in 1957. Greece, signed an association agreement with the E.E.C in 1961, which foresaw the gradual adjustment of its economy for eventual participation in the E.E.C.

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[7] For the social and economic transformation of Greece during this period from the perspective of the 1970s see McNeill (1978).

1.3. The Seven Year Dictatorship, 1967-1974

Following a period of political instability, after the July 1965 resignation of Prime Minister George Papandreou, caused by an unwarranted intervention by King Constantine II, elections had been announced for May 28, in an attempt to defuse the political crisis that had developed in the meantime. However, on April 21, 1967, a group of army officers (junta), under the leadership of Colonel Georgios Papadopoulos, head of one of the conspiratorial nationalist factions of the army, seized power through a military coup d'etat.

King Constantine II, after swearing in the first government of the junta, participated in a failed attempt to overthrow the dictatorship in December 1967. After the failure of this countercoup, the dictatorship became firmly established and the King fled to Italy and then to Britain. For seven years, from April 1967 to July 1974, Greece was ruled by a harsh and brutal military dictatorship.

Although the dictatorship did not face mass resistance, it used particularly violent repression tactics throughout, with the displacement, imprisonment and torture of thousands of citizens, the main criterion being their political views and their alleged or suspected intentions for acts of resistance. Due to strict preventive censorship, this systematic violation of basic human rights was not widely disseminated domestically. Any information was based on broadcasts of foreign radio stations. Because of the international outcry, and to avoid the worst, the regime gave permission to a small number of its more internationally renowned opponents to move out of the country. In 1969, due to the systematic violations of human rights, the Council of Europe moved to expel Greece from its ranks, leading the dictatorial government to announce the country's withdrawal.

In the economy, despite their declarations for radical change and a policy that would be based primarily on the private sector, the governments of the dictatorship maintained the basic economic and development policy directions of their predecessors. After all, they had no viable alternative proposal. Ultimately, however, in their effort to maintain the tolerance of the population, they gradually led the economy to overheat, which, combined with grave mistakes in the field of monetary, exchange rate and development policy, resulted in large increases of external deficits and, after 1973, a burst of inflation.

Internationally, the late 1960s saw the escalation of the Vietnam war, the Arab Israeli six-day war of 1967, the gradual rise in U.S and international inflation and the destabilisation of the Bretton Woods system of fixed exchange rates. During the 1960s there was a revolution in social norms in western countries, including clothing, music, drugs, dress, sexuality, formalities, civil rights, precepts of military duty, and schooling. Internationally, its most important political manifestation was the May student revolt of 1968 in Paris that linked up with a general strike of ten million workers called by the trade unions. During the late 1960s university students also protested in the hundreds of thousands against the Vietnam War in U.S campuses, London, Berlin and Rome. The revolution in social norms had started affecting Greece in the early to mid-1960s. However, during the first years of the dictatorship there were attempts to suppress these trends, which nonetheless proved eventually unsuccessful.

Despite the relatively good performance of the economy until 1972, which initially contributed to the tolerance of a large part of the population towards the regime, the 1967 dictatorship never gained political legitimacy or traction. When in the early 1970s economic conditions began to deteriorate, the reaction to the dictatorship flared up, mainly through student uprisings. These culminated in November 1973 with the uprising at the Technical

University of Athens, which became generalised and destabilised the regime. Following the violent suppression of the uprising, a new countercoup, under the hard-line Brigadier General Dimitrios Ioannides, overthrew the dictator Papadopoulos, appointing in his place as the regime's 'President of the Republic' an army General, Phaedon Gizikis. Ioannides remained in the shadow.

Despite its impressive performance in the twenty-five years 1949-1973, in 1974 the Greek economy entered a deep recession, its first in the period following the civil war. Inflation had also risen significantly following the collapse of the Bretton Woods system of fixed exchange rates in 1973, the first oil shock of the 1970s, and the choice of the dictatorial governments to maintain a fixed parity to the depreciating dollar. In addition, the rise in oil prices following the oil crisis, further weakened the competitiveness of the energy-intensive Greek industry as well as the current account balance.

The dictatorial regime collapsed abruptly on July 23, 1974, under the weight of the Turkish invasion of Cyprus. The Turkish invasion followed a coup d'état in Cyprus, to overthrow President Makarios and to declare the 'union' of Cyprus with Greece, in which the Ioannides regime had colluded.

In the chaos that ensued, Gizikis, the appointed 'President' of the regime, convened an emergency meeting with the Chiefs of the Armed Forces, and prominent former politicians and several other important actors of public life from the period before the dictatorship. As a result of this meeting, Constantine Karamanlis, the former Prime Minister of 1955-1963, was invited to return to Greece and take over as Prime Minister. He returned from Paris, where he was living in self-exile since 1963, on the same evening. In the early hours of July 24, 1974, he was sworn in as Prime Minister. The change of political regime was set in motion immediately.

1.4. From the Political Transition to E.E.C Membership, 1974-1981

The political transition began on July 24, 1974, when a government of National Unity was formed under the presidency of Constantine Karamanlis. After putting in place the first measures to restore democratic order and deal with the problem of the Turkish invasion of Cyprus, the Government of National Unity proceeded to announce elections for November 17, 1974, to elect a Parliament, that would also be empowered to draft a new constitution. The Communist Party of Greece (KKE), which had been allowed to operate as a legal party, officially took part in these elections for the first time, in coalition with other left-wing parties.

Karamanlis founded a new party with which he contested the elections, called New Democracy (N.D). The new party prevailed with a large majority and Karamanlis became Prime Minister of the first parliamentary post-transition government. On November 22, 1974, a referendum was announced, which took place on December 8 of the same year, on the form of the political regime. The choice was between a Crowned Democracy and a Presidential Republic. The result of the referendum was overwhelmingly in favour of a Republic. On June 7, 1975, a new constitution was passed, establishing the Hellenic Republic. This period, from the creation of the Government of National Unity on July 24, 1974, to the entry into force of the new Constitution on June 11, 1975, was rightly characterised as a change of political regime, *metapolitefsi*, and is a milestone in the history of modern Greece.

Greece joined the European Economic Community (E.E.C) in 1981, following an application by Prime Minister Karamanlis, which was submitted to the President of the European

Council on June 12, 1975, immediately after the adoption of the new Constitution. The issue of Greece's accession was initially treated with great reservations by the European Commission and many European governments, but due to the persistence and diplomatic efforts of Constantine Karamanlis, the political climate finally changed. Full integration took place on January 1, 1981. In the meantime, Karamanlis had resigned as Prime Minister and had been elected President of the Republic.

Internationally, the 1970s was a period of economic upheavals, which signified the end of the post-war economic boom. Industrialised countries experienced economic recession and a significant rise in inflation, due to the oil crises of 1973 and 1979. These were the first instances of stagflation, which led to the partial abandonment of Keynesian economics and its replacement by monetarism and a return to market liberalism. The late 1970s saw the election of the government of Margaret Thatcher in Britain and President Reagan in the U.S.A, on agendas of economic liberalisation. In Asia, the People's Republic of China's international relations changed significantly following its recognition by the United Nations, the death of Mao Zedong and the beginning of market liberalisation by Mao's successors. Despite the oil crises, the economy of Japan witnessed a large boom in this period. Export-driven economic development, especially by the four 'Asian Tigers', Hong Kong, South Korea, Singapore, and Taiwan, eventually resulted in their rapid economic transformation and industrialisation.

In Greece, the economic policy of the pre-accession period 1975-1979 led to a relatively satisfactory recovery of the Greek economy from the recession of 1974. Unemployment remained low, inflation fell, and there were significant current account surpluses. Furthermore, until 1980, the fiscal deficit remained low, below 3% of GDP, while wages and pensions improved markedly in real terms. However, the second international oil crisis that broke out in 1979 led to a new episode of stagflation and a significant increase in the fiscal deficit.

1.5. Political 'Change', Populism and Economic Destabilisation, 1981-1990

The next distinct sub-period begins in 1981. The accession of Greece to the European Communities took place on January 1, 1981. On October 18, 1981, national elections were held, in which the Panhellenic Social Movement (PA.SO.K from its initials in Greek), led by its founder Andreas Papandreou, son of the Prime Minister of the 1960s, was elected triumphantly, promising radical political 'change'.

The new government was elected at a difficult economic juncture, due to the second oil crisis, the recession, the rise of inflation and the widening budget deficit. The emergence of PA.SO.K was largely based on the new middle class that had emerged in the previous 30 years of high economic growth. Andreas Papandreou had addressed their social aspirations with his political pronouncements, promising a political 'change' in favour of the 'underprivileged'. Papandreou was a leader with wide popular appeal and prevailed in two more electoral contests, in June 1985 and October 1993.

The first government of PA.SO.K promoted important measures of social justice and, by officially recognising the National Resistance of the period 1940- 1944, contributed to national reconciliation. However, in its attempt to satisfy the social demands that brought it to power, instead of trying to stabilise the economy, it followed an unorthodox economic policy with characteristics of 'macroeconomic populism'.[8]

In contrast to what was happening in Greece, internationally the 1980s was a decade that saw the emergence of conservatism and free market economics, and a socioeconomic change due to advances in technology and a worldwide move away from planned economies and towards laissez-faire capitalism compared to the 1970s. Multinational corporations associated with manufacturing relocated into Thailand, Mexico, South Korea, Taiwan, and China. Japan and West Germany experienced significant economic growth during this decade. The United Kingdom, the United States and China liberalised their economies, using supply-side economic policies, and beginning a trend towards greater globalisation. Superpower tensions escalated as President Reagan scrapped the policy of détente and adopted a new, much more aggressive stance towards the Soviet Union. The world came perilously close to nuclear war for the first time since the Cuban Missile Crisis in 1962, but the second half of the decade saw a dramatic easing of superpower tensions and ultimately the total collapse of Soviet communism.

Developing countries across the world faced economic and social difficulties as they suffered from multiple debt crises in the 1980s, requiring many of these countries to apply for financial assistance from the International Monetary Fund (IMF) and the World Bank.

Major civil discontent and violence occurred worldwide, with a series of localised wars and conflicts, while Islamism emerged as a powerful political force.

By 1986, nationalism was making a comeback in the Eastern Bloc, and the desire for democracy in socialist states, combined with economic recession, resulted in Mikhail Gorbachev's 'glasnost' and 'perestroika'. 1989 brought the overthrow and attempted overthrow of a number of governments led by communist parties, such as in Hungary, the Tiananmen Square protests of 1989 in China, the Czechoslovak 'velvet revolution', Erich Honecker's East German regime, Poland's Soviet-backed government, and the violent overthrow of the Nicolae Ceaușescu regime in Romania. Destruction of the 155-km Berlin Wall, at the end of the decade, signalled a seismic geopolitical shift. The 'cold war' ended in the early 1990s with the successful reunification of Germany and the USSR's demise after the August Coup of 1991.

The 1980s saw the successful if painful reduction of inflation in the U.S and the E.E.C. The Volcker deflation of the early 1980s in the U.S.A, the Thatcher experiment in Britain and the successful establishment of the European Monetary System, ensured that inflation was successfully tackled throughout the industrial world.

In Greece, the economic policies followed during the 1980s not only caused inflation to rise and persist, but also the persistence of economic stagnation and a more permanent and particularly serious destabilisation of public finances and the economy in general.[9]

Three of the main problems that have burdened the Greek economy since, the extensive and inefficient public sector, high public debt and the low international competitiveness of

[8] The term macroeconomic populism was coined by Dornbusch and Edwards (1990). It is defined as an approach to economic policy that emphasizes the excessive expansion of aggregate demand and income redistribution, at the expense of high inflation, deficit financing, external imbalances and adverse reactions by investors. See also Dornbusch and Edwards (1991).

[9] For a number of studies on political and foreign policy aspects of the 'populism' of the 1980s see Clogg (1993). For studies of economic policies and the stagflation of the 1980s see Alogoskoufis and Christodoulakis (1991), Alogoskoufis and Philippopoulos (1992) and Alogoskoufis (1995).

the economy are basically legacies of the 1980s. A stabilisation program introduced after the elections of 1985 was successful in temporarily addressing the external imbalances that had emerged but was abandoned in late 1987. Furthermore, the post-1985 period was marred by a major political scandal and the deterioration of the health of Prime Minister Andreas Papandreou, who had to undergo open heart surgery in London.

In view of the 1989 elections, the government of the ailing Andreas Papandreou introduced an electoral system of proportional representation, with the aim of depriving N.D, which was leading in the polls, of a clear parliamentary majority. Thus, the country was led to two barren election contests during 1989, even though N.D commanded a clear and comfortable majority of the popular vote, which, under the previous electoral system it would have secured it a large parliamentary majority. It took a third election, in April 1990, for a marginal parliamentary majority to emerge, with Constantine Mitsotakis, then leader of N.D, appointed as prime minister. This was the first period of significant political instability following the 1974 political transition and had adverse consequences for the economy.

1.6. Adjustment and Convergence Efforts, 1991-1999

The new Mitsotakis government of 1990 adopted a fiscal adjustment program that gradually led to a significant reduction in fiscal deficits through the eventual creation of primary surpluses. At the same time, in the 1991-1993 period, the social security system, which had been driven to explosive impasses, was reformed, while a program of general market liberalisation was adopted, including privatisations, and product, financial and capital market reforms. All this was part of the effort to address Greece's macroeconomic and structural imbalances and prepare the Greek economy for the single market and the single currency programs of the E.E.C.

Internationally, the 1990s was a tumultuous decade. It witnessed the end of the cold war, as the dissolution of the Soviet Union marked the end of its status as a superpower, the end of a multipolar world and a rise of anti-western sentiment worldwide. This allowed the US to emerge as the world's sole superpower, although China's integration into the world economy accelerated during this period. There was a realignment and consolidation of economic and political power, such as the continued mass-mobilisation of capital markets through globalisation. A new economy was created by the proliferation of new media such as digital technologies and the internet.

The E.E.C transformed itself into the European Union (E.U) after the ratification of the Maastricht Treaty, which envisaged a path towards the creation of a single currency. Germany was unified. The single currency program, with its emphasis on trying to reduce fiscal imbalances and inflation, was for Greece a model of the path to follow in order to escape from the impasses of the previous decade. The European Monetary System, which was created at the end of the 1970s, and had contributed to the stabilisation of the E.E.C economies during the 1980s, had been a great missed opportunity for Greece.[10]

In March 1993, the first Convergence Program of the Greek Economy, which had been submitted by the Mitsotakis government was approved by the ECOFIN. This provided for the continuation of the efforts of fiscal adjustment and structural reforms, in order to enable the eventual participation of Greece in the euro area.

[10] Alogoskoufis (1993) and Papademos (1993) focused on the ways that Greece could adjust effectively in order to participate in EMU, from the perspective of the early 1990s.

However, in September 1993, the Mitsotakis government lost its thin parliamentary majority, and the country was led to early elections. In the elections, which were held under a new electoral system of reinforced proportional representation, PA.SO.K under the ailing Andreas Papandreou was re-elected with a comfortable parliamentary majority. The new government revised the convergence program in September 1994. The revised program, while not substantially different from the original, provided for a more gradual fiscal and structural adjustment.

On the basis of this revised convergence programme, and thanks also to favourable international circumstances, the accession of Greece to the euro area was achieved in January 2001, two years later than the original 11 founding member countries. The accession was achieved during the second government of Costas Simitis, who had succeeded the ailing Andreas Papandreou as prime minister in early 1996 and had shifted PA.SO.K towards the political centre on an agenda of 'modernisation' of the party and the country. However, as we shall see below, the adjustment achieved during this period was lopsided. Inflation was tackled through the application of a restrictive monetary and exchange rate policy, but at the cost of a significant deterioration in Greece's international competitiveness, while the adjustment of fiscal imbalances and structural deficiencies was clearly insufficient. The policy of 'modernisation' of the Simitis government was a welcome shift towards the European middle ground but did not manage to tackle the deep macroeconomic imbalances and structural weaknesses of Greece.

1.7. Euro-euphoria, 2000-2007

By joining the euro area, Greece was now operating in an environment of low real interest rates, due to the elimination of the currency devaluation risk that for many years kept nominal and real interest rates at high levels. This allowed the country's households, businesses and governments to start borrowing cheaply, which led to an increase in both consumption and investment.

With its accession to the euro area, Greece was now deprived of any possibility of exercising an independent monetary and exchange rate policy, and the main tool left to it for macroeconomic stabilisation was fiscal, and partly, incomes policy.[11]

Unfortunately, as soon as the country secured its participation in the euro area, fiscal and incomes policy in Greece were relaxed once more. Despite the inadequate fiscal adjustment of the 1990s, fiscal deficits began to rise again as early as 2000, which was an election year. There were also tax cuts, large increases in nominal and real wages, and a further worsening of fiscal imbalances and international competitiveness. In the 2000 elections, the PA.SO.K government led by Costas Simitis prevailed with a marginal majority electoral majority, although a not so marginal parliamentary majority, due to the electoral system.

The already high public debt continued to persist. In addition, due to its conversion into euros and the widening current account deficits, it was very quickly transformed into external debt. As the Greek banks extended credit to domestic households and firms, in order to obtain liquidity, they borrowed from abroad using as collateral Greek government bonds which they held in their portfolio from the past. Thus, they contributed, in a crucial way, to the rapid transformation of the already high but initially internally held public debt into external debt.

[11] See Bryant et al (2001) for a number of studies on the prospects for the Greek economy after euro area entry, from the perspective of the period immediately after the event.

The adverse structural, fiscal and external consequences of the choices of its predecessors were inherited after March 2004 by the newly elected N.D. government, under Prime Minister Costas Karamanlis, nephew of the former Prime Minister. Karamanlis had been elected President of the N.D. party in April 1997 and had narrowly been defeated in the 2000 election.

After documenting the fiscal derailment that had occurred since Greece's euro area accession, with the completion of a fiscal audit in collaboration with Eurostat, the European Statistical Service, and after the conclusion of the 2004 Olympic Games, the Karamanlis government adopted and implemented a program of gradual fiscal and structural adjustment.

However, with the exception of this adjustment program of 2005-2007, the risks of increasing external borrowing following accession to the euro area, were largely ignored by everyone for almost ten years. Participation in the euro area and the acceleration of economic growth, due to the simultaneous increase in investment and consumption, had led to a continuous increase in living standards and a significant reduction in unemployment. At the same time, inflation had remained low due to the monetary policy of the European Central Bank (E.C.B). These positive economic developments, combined with the fact that external borrowing was conducted in euros, the supposed national currency of Greece, had led to relative complacency in relation to the accumulation of external debt, both in the country itself and in international financial markets.

Furthermore, until 2008, public debt did not show an upward trend as a percentage of GDP. The fiscal adjustment of the period 2005-2007, the low real interest rates internationally and the relatively high rate of economic growth had contributed to this.

Internationally, the early part of the decade saw breakthrough of economic giants in Asia, like India and China, which had double-digit growth during nearly the whole decade. The rapid catching-up of emerging economies with developed countries sparked some protectionist tensions during the period and was partly responsible for an increase in energy and food prices towards the end of the decade. Economic developments in the latter part of the decade were dominated by a worldwide economic recession, which started with the crisis in housing and credit in the United States in late 2007 and led to the default of major banks and other financial institutions. The outbreak of this global financial crisis sparked the so called 'great recession', the deepest international recession in the post-war period, beginning in the United States and affecting most of the industrialised world.

In Greece, fiscal discrepancies began to appear again in the summer of 2007, the period of the initial manifestation of the global financial crisis, but also a year of elections and major natural disasters, such as the widespread fires in the Peloponnese, which led to increases in public spending.

Despite the fact that the government of Costas Karamanlis announced early elections in order to get a fresh mandate to proceed with the second phase of the fiscal and structural adjustment program that had started in 2005, the parliamentary marginal result of the 2007 elections, the major global financial crisis and recession and the intensifying domestic political instability of 2008-2009, ultimately led to a reversal of these plans and a period of deepening recession and fiscal deterioration.

1.8. Global Recession, Debt Crisis, Bailout and Greece's Great Depression, 2008-2018

Fiscal disparities intensified during the deepening international recession of 2008-2009, both due to the operation of automatic stabilizers, i.e. the automatic reduction in public revenues and the automatic increase in social spending caused by an economic recession, and due to domestic political instability, which once again led to a suspension of the planned fiscal adjustment. Political instability intensified in 2008, due to the marginal parliamentary majority of the second Karamanlis government and the attitude of the opposition, which declared itself determined to bring about early elections, by leveraging the process of electing the President of the Republic, due in March 2010.

Due to the rapidly spreading political and economic instability, Karamanlis announced early elections for the beginning of October 2009, only two years into the second term of his government. The elections were again a confrontation between N.D and PA.SO.K, which was leading in the polls. During the election campaign, the outgoing Prime Minister Karamanlis argued that austerity measures were needed to deal with the crisis, while PA.SO.K under George Papandreou, campaigned under the claim that ‘money exists’. PA.SO.K prevailed comfortably and was elected in government with a large parliamentary majority.

Despite the significant worsening of the Greek fiscal and external imbalances and the generally negative state of the global economy during 2009, the newly elected government avoided committing to a credible post-election adjustment program. In addition, through a series of post-election actions and statements, the new government undermined the country's international credibility, with, as it turned out, disastrous consequences.

From the beginning of 2010 onwards, the Greek economy found itself in the vortex of the cyclone. It experienced an unprecedented crisis of confidence that led to a ‘sudden stop’ in international borrowing, a bailout through the E.U and the I.M.F and its deepest and longest recession of the post-war period.

The focus was on the country's weak fiscal situation, but also its low international competitiveness, two chronic structural weaknesses of the Greek economy, which were not adequately addressed neither before nor after the country's accession to the euro area. However, the ‘hard landing’ of the Greek economy is also due to a series of unfortunate government actions and omissions after the October 2009 elections.

After winning the elections, under the slogan ‘there is enough money’, George Papandreou as prime minister accused his predecessor of allegedly concealing the worsening financial situation of the country.

In the midst of the deepest post-war global recession and given the prevailing negative psychology in international financial markets, Greece was portrayed by its own government as the culprit and not the victim of the international economic crisis. In addition, the new Papandreou government proceeded with additional handouts, expanding the already high budget deficit of 2009, due to the recession and the elections. In addition, the budget it presented for 2010 included only minimal and unconvincing adjustment measures of the fiscal deficit.

With the country's international credibility in tatters, after the allegations and the laxity of the new government, Greece was at the beginning of 2010 the first E.U victim of a ‘sudden stop’ in the refinancing of its international debt, as it was essentially excluded from international financial markets.

Given the institutional inability of the European Central Bank (ECB) to function as a ‘lender of last resort’, the Greek government, after the crisis of confidence, which it itself partly caused with its statements, actions and omissions, was obliged to take additional fiscal measures. Finally, as these proved insufficient, Greece had to resort to a ‘bailout’ from the rest of the countries of the euro area. A memorandum of understanding between Greece and the E.U obliged Greece to follow a strict adjustment program designed by the 'troika' of the European Commission (E.C) and the European Central Bank (E.C.B) and the International Monetary Fund (I.M.F).

The debt crisis in Greece was followed by a debt crisis in the rest of the euro area, as Portugal and Ireland also had to resort to bailouts. The Greek crisis was the beginning of a wider euro area crisis, generating fears of contagion.[12]

The first memorandum was only the beginning. Two more memoranda followed, one in 2012 and a third in 2015. In the meantime, political developments were also rapid.

Between 2010 and 2015 there were two coalition governments, one led by former Governor of the Bank of Greece and former Deputy Governor of the European Central Bank Lucas Papademos, who succeeded George Papandreou in November 2011after he resigned, and one led by Antonis Samaras, President of ND, after double elections in May and June 2012.

At the end of 2014, and after the inability of Parliament to master the required enhanced majority for the election of a new President of the Republic, due to the negative attitude of the opposition parties, new parliamentary elections were announced for the beginning of 2015. In these elections, the Coalition of the Radical Left (SYRIZA from its initials in Greek) led by Alexis Tsipras, prevailed and formed a government with the Independent Greeks (ANEL from its initials in Greek), a right-wing party, which had been created by former deputies of New Democracy. After unsuccessful negotiations with the E.U, the Tsipras government called a referendum in July 2015 on whether to accept the draft agreement submitted by the 'troika' of the European Commission, the European Central Bank and the International Monetary Fund. This announcement caused panic and an outflow of capital, as it was interpreted as a harbinger of Greece's exit from the euro area. Finally, in order to prevent the further outflow of funds from Greece and deposits from the banking system, strict controls were imposed on the movement of capital and withdrawals from banks. Despite the negative result of the referendum, the Tsipras government continued discussions with the E.U for a new agreement, which finally resulted in a new memorandum on July 13, 2015. The intra-governmental reactions to this agreement finally led Alexis Tsipras to expel the dissidents and call for new elections in September 2015, after as a result of which he continued to govern with the support of ANEL, implementing the adjustment program included in the third memorandum.

Despite the weaknesses of the adjustment programs foreseen in the memoranda and the more permanent reduction of its productive capabilities, the Greek economy appeared to have entered a period of mild recovery after 2016.

1.9. After the Memoranda, 2019-2024

After the completion of the program of the third memorandum in 2018 and the 2019 elections, in which N.D prevailed under Kyriakos Mitsotakis, it appeared that a greater emphasis would be placed on growth friendly reforms. However, at the beginning of 2020, a new major international crisis broke out, due to the coronavirus (Covid-19) pandemic. This

[12] For studies that focus on the wider dimensions of the euro area crisis see, among others, Lane (2012), O'Rourke and Taylor (2013), Chen et al (2013), Baldwin and Giavazzi (2015, 2016), Alesina et al (2015), Orphanides (2015, 2017 a,b), Brunnenmeier et al (2016), Kang and Shambaugh (2016), Papademos (2016), Stiglitz (2016), Wyplosz (2016), Mody (2018), Alesina et al (2019), and Alogoskoufis and Jacque (2021). For analyses of the euro area before the crisis see Blanchard and Giavazzi (2002) and Wyplosz (2006).

crisis led the Greek economy to a new deep recession, which was dealt with through a temporary expansion of public spending, tax cuts, grants and aid from the European Union.

The relatively satisfactory treatment of the effects of the pandemic by the government, but also the rapid recovery that took place after 2021, led in 2023 to the triumphant re-election of the N.D Mitsotakis government and the electoral collapse of the official opposition. The head of the official opposition Alexis Tsipras resigned from his position and his party, despite electing a new leader, entered a period of crisis.

However, despite the fact that the Greek economy recovered quickly from the recession of 2020, for the next few years all international organisations expect a significant slowdown in the rate of economic growth. As new clouds have gathered over the global economy and given the structural weaknesses of both the eurozone and the Greek economy, the biggest risk appears to be related to complacency.

The evolution of ideas and values, domestic political and economic developments as well as developments in the international environment during these 9 sub-periods are summarised in Table 1.

The period from liberation to the end of the civil war is a period of great ideological, institutional, political and economic instability. Two worldviews clashed during this period, both within Greece and internationally: that of communism and a centrally planned economy and that of a liberal parliamentary democracy and a mixed market economy. It was during this period that the political and economic character of post-war Greece, as well as its international position were shaped. Greece's integration into the 'West' at the start of the 'cold war', the restoration of a parliamentary democracy and the reliance on a mixed market economy were critical. It is also during this period that the foundations were laid for the economic reconstruction and subsequent economic development of the country.

The next two distinct periods before the 1974 change in regime are characterised by an emphasis on economic growth and monetary stability. Both economic growth, which appeared to be the nation's new 'grand idea', and monetary stability were pursued with great success, despite some weaknesses in industrialisation efforts and the excesses and failures of the period of the dictatorship. On the other hand, the post-civil war political regime, even before the dictatorship, had significant weaknesses, such as the discrimination against the supporters of the left and the extra-institutional interventions of the U.S, the King and his entourage, in violation of the 1952 Constitution. Internationally, this period saw the evolution of the Cold War and the operation of the Bretton Woods system. Bretton Woods relied on a system of fixed exchange rates based on the US dollar, which provided for controlled liberalisation of international trade, restrictions on the movement of capital and rules for balancing external imbalances and adjusting exchange rates. Towards the end of the period, new problems began to emerge, with the gradual rise of international inflation, the crisis and collapse of the Bretton Woods system, and the economic policy mistakes of the dictatorship.

After the transition to democracy in 1974, demands for civil liberties, equality and social justice, through redistribution of income and wealth and the development of the welfare state, became the dominant ideas and values. The political regime was transformed into a liberal presidential democracy. Internationally, the Bretton Woods system gave way to a new era of globalisation, with further liberalisation of world trade and capital movements and

Table 1: Values, Politics, Economics and the International Environment

Period	Ideas-Values	Political Institutions	Political Parties Elections	Economics	International Environment
From Liberation to Civil War 1944-1949	Communism vs Liberal 'Western' Democratic Values	Civil War	Elections '46 Referendum '46	Foreign Aid Reconstruction Stabilisation	Geopolitical Instability 'Cold War'
Post-Civil War Democracy 1949-1967	Democracy Growth Monetary Stability Anti-Communism	1952 Constitution Crowned Democracy Discriminatory Legislation and Practices	ERE, CU, EDA Elections '50, '51, '52, '56, '58, '61, '63, '64	High Growth Low Inflation External Balance	Cold War Bretton Woods High Growth Low Inflation
Military Dictatorship 1967-1974	Growth Monetary Stability Anti-Communism	Dictatorship	Military Dictatorship	High Growth Rise in Inflation Emergence of External Imbalances	Cold War Bretton Woods Crises Rise in Inflation First Oil Crisis
Transition to Democracy EEC Pre-Accession 1974-1980	Civil Liberties Political Equality Redistribution Social Justice E.E.C Accession	1975 Constitution Presidential Republic	ND, CU, PASOK Elections '74, '77 Referendum '74	Economic Recovery High Inflation External Imbalances	Cold War Second Oil Crisis Stagflation
EEC Accession Political Change Economic Destabilisation 1981-1990	Civil Liberties Political Equality Redistribution Social Justice 'Socialism'	1975 Constitution Presidential Republic EEC Treaties	PASOK, ND, KKE Elections '81, '85, '89 (06), ΄89 (11)	Stagflation Fiscal and Monetary Instability External Imbalances	Cold War Globalisation E.M.S Economic Recovery Disinflation
Convergence and Adjustment Efforts 1990-1999	Civil Liberties Political Equality Social Justice Economic Liberalisation Euro Area Accession	1975 Constitution Presidential Republic EU Treaty	PASOK, ND, KKE Elections '90, '93, ΄96	Gradual Recovery Disinflation External Imbalances	Collapse of USSR Globalisation High Growth Low Inflation
Euro-euphoria 2000-2007	Civil Liberties Political Equality Social Justice Growth Monetary Stability	1975 Constitution Presidential Republic Revised EU Treaty	PASOK, ND, KKE Elections '00, '04, '07, '09	High Growth Low Inflation Major External Imbalances	Globalisation High Growth Low Inflation
Global Recession Debt Crisis Bailout Great Depression 2010-2018	Disillusionment 'Anger' Ideological Confusion	1975 Constitution Presidential Republic Revised EU Treaty 'Memoranda'	PASOK, ND, Syriza, KKE Elections '12 (05), '12 (06), '15 (01), '15 (09) Referendum '15	Great Depresssion Low Inflation Restoration of External Balance	Slowbalisation Global Recession Euro Area Crisis Global Recovery
After the 'Memoranda' 2019-2024	Civil Liberties Political Equality Social Justice Growth Monetary Stability	1975 Constitution Presidential Republic Revised EU Treaty	Syriza, ND, PASOK, KKE Elections '19, '23 (05), '23 (06)	Weak Recovery Recession Low Inflation External Imbalances	Slowbalisation Covid Pandemic Geopolitical Instability

floating exchange rates. In Greece, due to the drawbacks of the post-civil war growth model, income redistribution was pursued through social conflicts and the adoption of policies that resulted in economic stagnation, fiscal destabilisation and currency instability. At the beginning of the 1990s there was a shift towards the pursuit of economic and monetary stabilisation, in the context of the path towards the single currency adopted by the European Union. The same period also saw the collapse of the Soviet Union, which marked the end of the cold war and the overthrow of the communist regimes in Central and Eastern Europe. A little earlier, China had begun to liberalize its economy and gradually join the globalisation system, along with other emerging economies such as Russia and India.

Due to the weaknesses of the adjustment and convergence efforts in the 1990s, Greece eventually adopted the euro without meeting the necessary economic preconditions. This resulted in a period of economic euphoria caused by the fall in real interest rates, but also persistent external imbalances that made Greece vulnerable to the international financial crisis of 2008-2009. It was followed by debt crisis, the sudden stop, the bailout and the memoranda and the great depression of 2010-2013, from which the Greek economy has not yet fully recovered. The global financial crisis and the global recession of 2008-2009 resulted in restrictions and checks on the globalisation process and the gradual adoption of more protectionist policies worldwide.

After the ideological confusion of the period of the memoranda and the great depression, in Greece the ideas of economic growth, monetary stability and social justice came back to the fore as the main social and economic drivers. However, the recovery from the great economic downturn of 2010-2016 has been weak and was also affected by the great international recession caused by the 2020 pandemic.

2. The Greek Economy Before and After the Political Transition of 1974

In reviewing the evolution of the Greek economy before and after the 1974 transition to democracy, we shall start by examining the four main economic indicators that characterise the performance of an open economy: The evolution of the real GDP per capita, an indicator of economic growth and development, the evolution of the annual inflation rate, an indicator of price and monetary stability, the evolution of the unemployment rate, an indicator of the efficiency of the economy in the utilisation of human resources but also of social efficiency in general, and, finally, the current account of the balance of payments, an indicator of the condition of a country’s external transactions. Subsequently we shall look at aspects of fiscal and monetary and exchange rate policy.

Economic developments before and after the 1974 transition to democracy are summarised in Table 2, where we distinguish between the nine separate sub-periods we have already referred to. In addition, we distinguish between three consecutive longer 25-year periods. The period 1950-1974 before the transition to democracy, the period from the 1974 transition to democracy to entering the euro area in 1999, and the period after joining the euro area, 2000-2024.

In the period from the end of the civil war to the 1974 transition to democracy (1950-1974) the average growth rates of both total GDP and GDP per capita were particularly high. 6.9% per year for total GDP and 6.1% per year for GDP per capita. However, after the transition to democracy in 1974 the growth performance deteriorated dramatically. In the twenty-five years 1975-1999, before joining the euro area, the average growth rate of GDP per capita fell to just 1.5%, almost a quarter of the rate during the previous twenty-five years. And in the last twenty-five years, after joining the euro area, the average growth rate of the real GDP

Table 2: Main Economic Developments by Period, 1944-2024

	Period	Economic Growth	Inflation	Unemployment	Current Account
1. From Liberation to Civil War	1944-1949	16.0%	8.8 bn %	-	-
2. Post-Civil War Democracy	1950-1966	6.1%	4.7%	5.8%	-0.8%
3. Military Dictatorship	1967-1974	6.1%	7.2%	3.8%	-3.1%
Before the 1974 Political Transition	1950-1974	6.1%	5.5%	5.1%	-1.5%
4. Transition to Democracy Negotiations for E.E.C Accession	1975-1980	3.3%	15.8%	2.1%	-3.1%
5. E.E.C Accession Political Change Economic Destabilisation	1981-1990	0.2%	19.0%	6.5%	-3.6%
6. Convergence and Adjustment Efforts	1991-1999	1.7%	10.1%	9.7%	-2.2%
7. Euro-euphoria	2000-2007	3.7%	3.3%	10.3%	-8.9%
8. Global Recession Debt Crisis Bailout Great Depression	2008-2018	-2.2%	1.1%	19.9%	-5.4%
9. Weak Recovery interrupted by Pandemic	2019-2024	2.3%	2.8%	14.1 %	-6.3%
Before Euro Area Accession	1975-1999	1.5%	15.0%	6.6%	-3.0%
After Euro Area Accession	2000-2024	0.8%	2.2%	15.4%	-6.7%
After the 1974 Political Transition	1975-2024	1.1%	8.6%	11.0%	-4.9%

Sources: National Statistical Service of Greece and European Commission, AMECO Data Bank.
Definitions: *Economic Growth*: Average Annual Growth Rate of GDP per Capita at constant 2015 prices. *Inflation*: Average Annual Growth Rate of the Consumer Price Index, 2015=100. *Unemployment*: Average Annual Rate of Unemployment as a percentage of the Labor Force. *Current Account*: Current Account as a percentage of GDP.

per capita decreased to just 0.8% per year, less than one-eighth compared to the first post-war twenty-five-year period. For the entire post-1974 period, the average growth rate of real

GDP per capita fell to 1.1%. The worst of the nine sub-periods in terms of economic growth was the period of the debt crisis, the memoranda and the great depression, 2010-2018, in which the average growth rate was negative, -2.2%. The second worst was the decade 1981-1990, with an average growth rate of just 0.2%.

Average inflation rose from 5.5% in the period 1950-1974, to 15.0% in the twenty-five years between 1975-1999, before joining the euro area. After Greece joined the euro area, it fell to just 2.2% on average in the 2000-2024 period. For the entire post-1974 period, average inflation stood at 8.6%. As one might have expected, joining the euro area resulted in tackling the problem of inflation, but at a great cost in terms of economic growth and unemployment.

Both the unemployment rate and the current account deficit increased significantly after the 1974 transition to democracy. The average unemployment rate rose from 5.1% in the 25 years before 1974, to 11.0% in the fifty years after 1974. The highest rise was during the great depression after the 2010 debt crisis. From 6.6% in the 25 years between 1974 and 1999, before joining the euro area, it rose to 15.4% in the twenty-five years after the adoption of the euro. The current account deficit widened from 1.5% in the 25 years before 1974, to 4.9% in the fifty years after 1974. It widened even more in the period after joining the euro area, when Greece no longer had the ability to deal with short-term external imbalances through currency devaluations.

For a more complete picture, the evolution of these four key economic variables over time is depicted in Graphs 1 to 4.

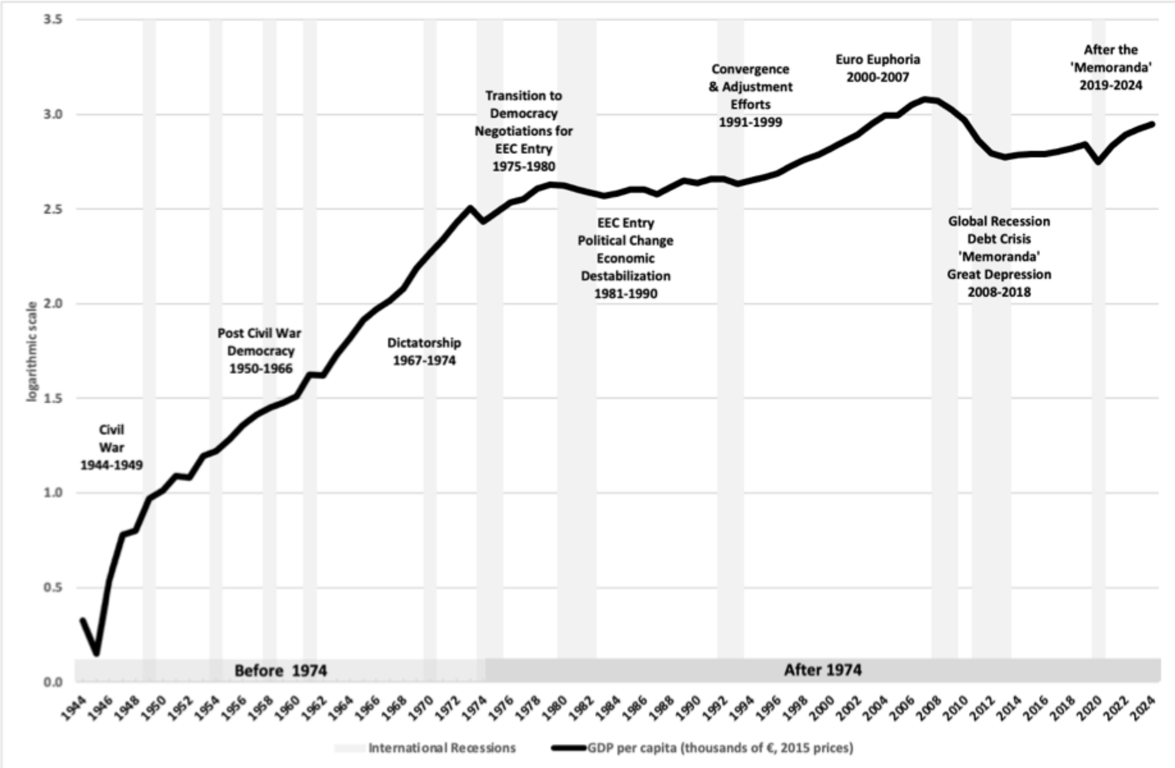
The evolution of real GDP per capita over time is presented in Graph 1.

After the rapid recovery immediately after the liberation and during the second half of the 1940s, the period of continuous and rapid economic growth began in the early 1950s and continued almost uninterruptedly until 1973. 1974, the year of the political transition, is also the first year of an international recession. After the transition to democracy, the average growth rate of real GDP per capita declines significantly compared to the previous period, and the decline is even greater in the first decade after E.E.C accession and the political change of 1981, which is a prolonged period of stagflation. The growth rate of GDP per capita recovered a few years before Greece joined the euro area and remained relatively high until the outbreak of the international financial crisis of 2008-2009. After the 2010 'sudden stop', the debt crisis and the adjustment programs imposed after the 2010 bailout, real GDP per capita declines dramatically, as the Greek economy experiences a 'great depression'. Since then, the recovery has remained weak. In 2020 Greece experienced another deep recession, due to the pandemic related to the coronavirus, but in the following two years, 2021-2022, the Greek economy recovered strongly. Since 2023 the growth rate has declined again.

Graph 2 shows the evolution of the inflation, an indicator of the volatility of the price level and monetary conditions. The data in Table 2 suggest that average inflation was 5.5% in the twenty-five years before the 1974 transition, 15.0 in the first twenty-five years after the transition, and fell to 2.2% in the following twenty-five years, after Greece joined the euro area. However, inflation also displays significant fluctuations within each wider twenty-five period.

During the civil war there was a large reduction in inflation from the hyperinflation of the occupation and 1944-1945. The reduction of inflation was achieved after three stabilisation programs, following the third and most successful program of 1946. In 1953-54 there was a

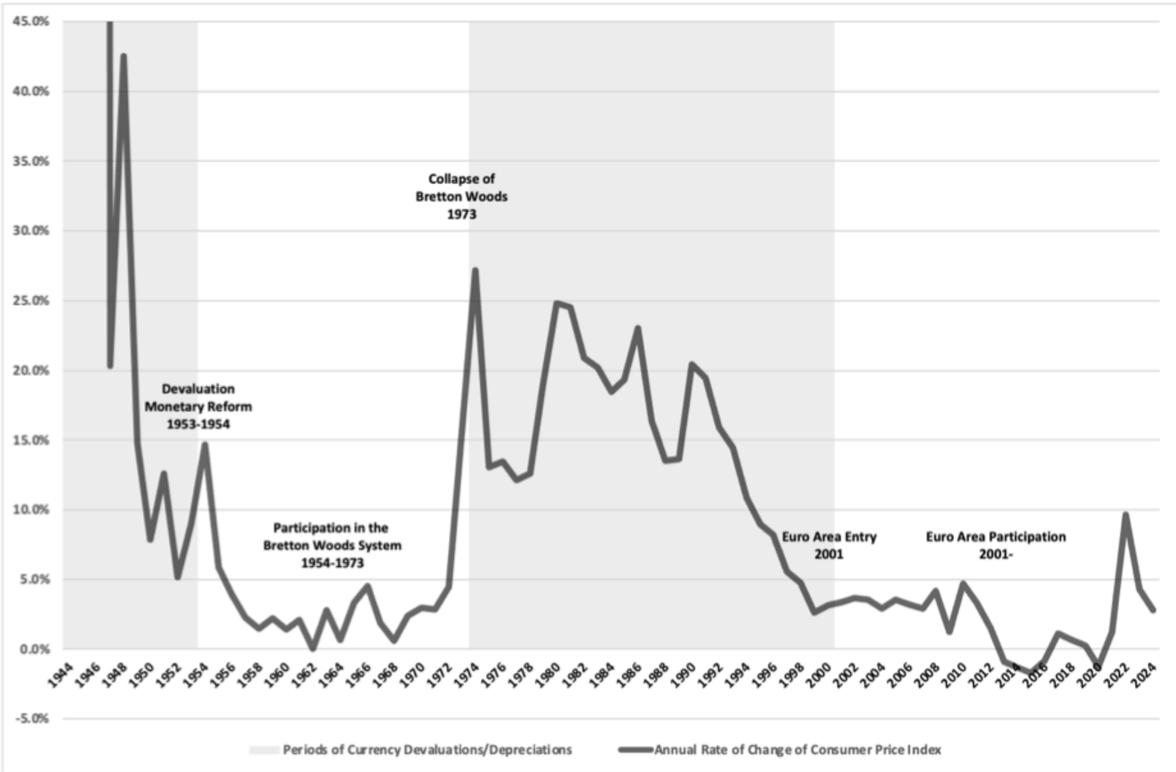
Graph 1
The Evolution of Real GDP Per Capita, 1944-2024



Source: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

slight resurgence of inflation, due to the steep devaluation of 1953. However, after the devaluation, the currency reform of 1954 and the participation of the drachma in the Bretton Woods system of fixed exchange rates, inflation remained extremely low until 1973. This was achieved through the maintenance of the exchange rate at 30 drachmas to the dollar and the small budget deficits of the period until 1973. In 1973, the Bretton Woods system of fixed exchange rates collapsed, and the dollar depreciated significantly against the major European currencies and the yen. The drachma remained pegged to the dollar, and as a result it also depreciated, resulting in a resurgence of inflation. 1973 was also the year of the first oil crisis with a significant rise in the price of oil which contributed to the rise of international and Greek inflation. After the 1974 political transition, inflation was roughly halved until 1979, when it flared up again due to the second oil crisis. In the 1980s inflation remained high, around 20% a year, due to the monetary financing of high budget deficits, automatic wage indexation and continuous drachma devaluations. A systematic effort to deal with inflation began only after 1990, with the gradual reduction of drachma devaluations and fiscal deficits and the gradual abolition of monetary financing of public deficits. This led to the gradual containment of inflation, inflationary expectations and nominal interest rates, and contributed to Greece's accession to the euro area. Since euro area accession, inflation has remained low, with the exception of a resurgence of

Graph 2
The Evolution of Inflation, 1944-2024

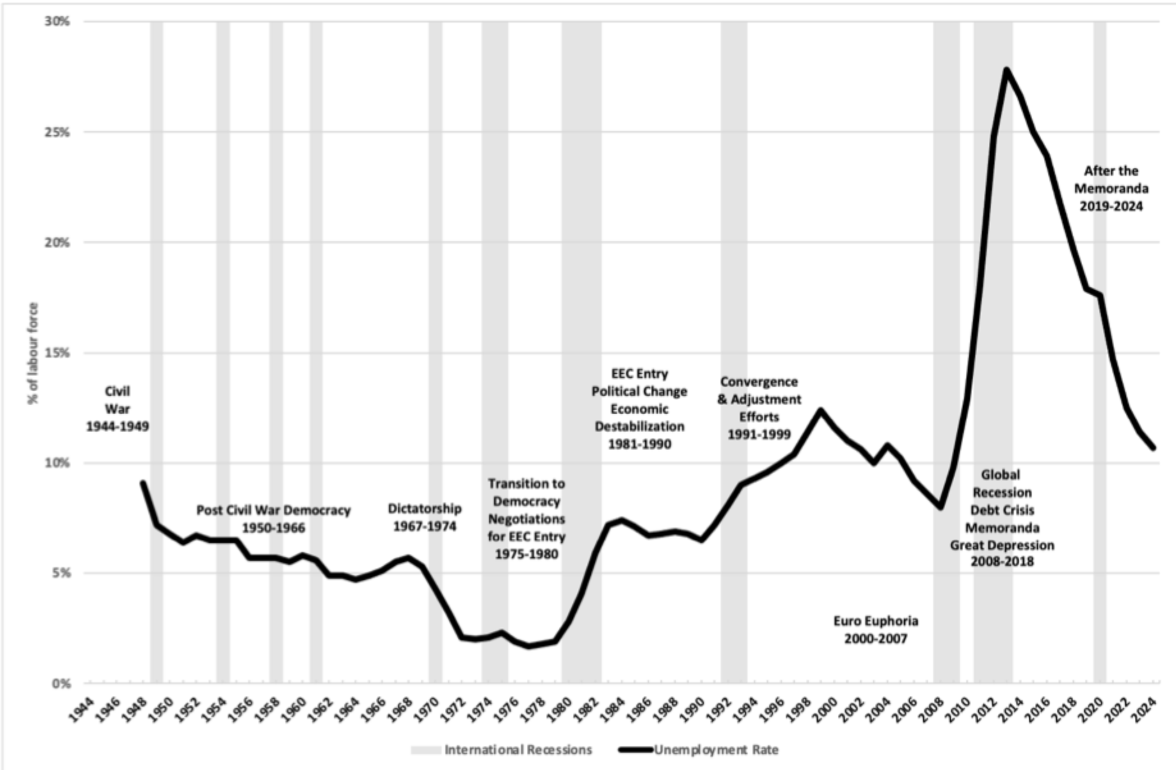


Source: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

international inflation in 2022, due to international monetary easing to deal with the economic effects of the pandemic and the war in Ukraine.

The unemployment rate is also an important indicator of the state of the economy. Its evolution is shown in Graph 3. The unemployment rate indicates the efficiency of the economy in utilising the available human resources, but it is also an indicator of economic inequalities, since the unemployed are in a worse economic situation than those who have jobs. In the period following the end of the civil war the unemployment rate showed a slight downward trend towards levels of around 5%. The decline in the early 1960s was also facilitated by the increase in external migration to the industrialised countries of western Europe, especially West Germany. In the initial period of the dictatorship the unemployment rate rose slightly, but then fell rapidly, as a result of the expansionist policies of the dictatorship and a second wave of immigration to West Germany. Unemployment remained low during the first post-1974 period but began to rise after the second oil crisis of the 1970s and the international recession of 1982-1983. Another sustained rise in unemployment occurred as a result of the convergence and adjustment efforts of the 1990s. After Greece joined the euro area, during the period of economic euphoria that lasted until 2007, unemployment again entered a downward trajectory. This was reversed after the outbreak of the international financial crisis and the debt crisis of 2010. During the period of the memoranda and the great depression, unemployment soared to unprecedented levels. In

Graph 3
The Evolution of Unemployment, 1944-2024



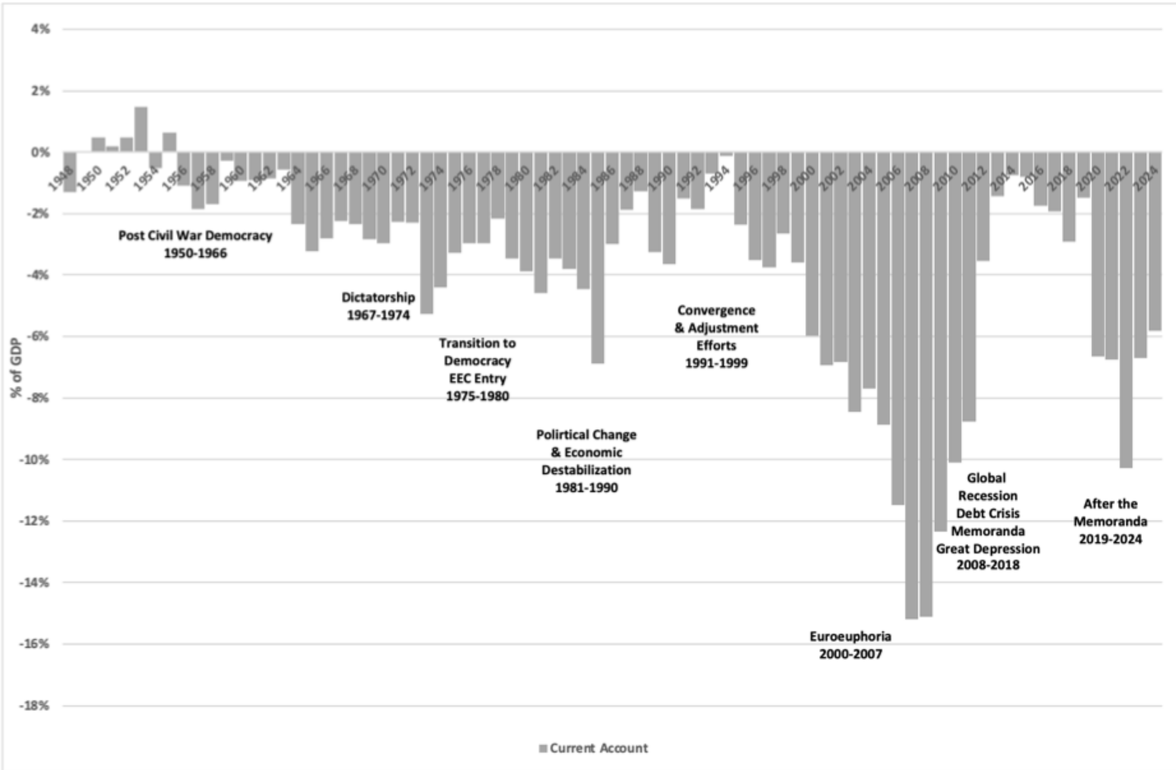
Source: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

only five years the unemployment rate rose more than three and a half times. In 2013, the worst year of the great depression, nearly 28% of the workforce was unemployed, up from 8% in 2008. Since then, the trend has been reversed. Due to the stabilisation and subsequent gradual recovery of production and employment, the E.C Commission predicts that the unemployment rate in 2025 will be below 10% of the workforce.

The fourth critical indicator of the performance of an open economy, such as Greece's, is the current account. This is an indicator of external balance, i.e. the degree to which an economy needs an inflow of capital from the rest of the world in order to balance its external payments. To the extent that the current account balance leads to external borrowing, then a country's external debt relative to the rest of the world increases. An excessive and prolonged increase in external debt can lead to a debt crisis or even a 'sudden stop' and a default.

The evolution of the current account in Greece is summarised in Graph 4. Until 1964 the balance of payments was roughly balanced, in the sense that small current account deficits were financed through autonomous capital inflows and there was no need for significant external borrowing. After 1964 and until 1972 current account deficits widened and there was external borrowing, of the order of 1% of GDP per year. An even greater widening of current account deficits took place after 1973, due to the oil crises and expansionary domestic fiscal and monetary policy. The 1985 external crisis led to a stabilisation program,

Graph 4
The Evolution of the Current Account, 1944-2024



Source: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

which included a significant devaluation of the drachma combined with a freeze on wage increases. In the period 1986-1988, this stabilisation program led to a significant reduction of the current account deficit. After a temporary deterioration during the two years of political instability 1989-1990, the current account deficit narrowed in the period 1991-1994, only to begin to increase again after 1994, as a result of the gradual recovery in the rate of economic growth and the deterioration of international competitiveness caused by the switch of monetary and exchange rate policy from the policy of devaluations and fast depreciations to a non-accommodating 'hard drachma' policy. The deficit remained high until Greece joined the euro area, and then entered a course of rapid and continuous deterioration, which lasted throughout the period of euphoria, 2000-2007. The continuous deterioration, combined with mistakes and omissions of economic policy after the global recession of 2008-2009 finally led to the debt crisis of 2010, the 'bailout' and the 'memoranda'. The draconian restrictive policy included in the memoranda gradually led to the significant reduction of external imbalances, with the gradual shrinking of current account deficits. Current account deficits widened again during the pandemic of 2020 and the recovery period that followed the recession of 2020. Since then, the reduction of the current account deficit has been extremely slow, which signals the persistence of the structural problems of the Greek economy and its low international competitiveness.

3. Accounting for the post-1974 Deterioration in Economic Performance

A part of the deterioration in Greece's economic performance before and after the 1974 transition to democracy can be attributed to international developments. After all, the collapse of the Bretton Woods system of fixed exchange rates in 1973 and the oil shocks of the 1970s signified the end of the high growth and low inflation period in the international economy. The 1970s was a period of stagflation, while the early 1980s was a period of painful disinflation. However, the deterioration in Greece's economic performance cannot be attributed solely to international developments. Most of it was caused by domestic developments, as Greece's economic performance deteriorated not only absolutely, but also when compared to the average of the OECD economies.

Before 1974, the difference between the growth rate of Greece and the OECD economies was 2.2% per year, as Greece was growing faster than the OECD average. After 1974, this difference became negative, at -1.1% per year, as Greece was growing more slowly than the OECD average. The evolution of the growth and inflation differential between Greece and the OECD average is depicted in Graph 5.

As a result of the relative growth slowdown of Greece, Greece's real GDP per capita deteriorated relative to the average of the European Union economies, the United States and Japan, which comprise the OECD.

In addition, Greek inflation remained significantly higher than OECD inflation, from the 1970s to the late 1990s, when Greece joined the euro area.

To examine the main domestic developments that accounted for the deterioration in Greece's relative economic performance one can start from the differences in Greece's growth, fiscal and monetary policies before and after 1974, and how they were affected by the interaction of institutions, politics and economics.

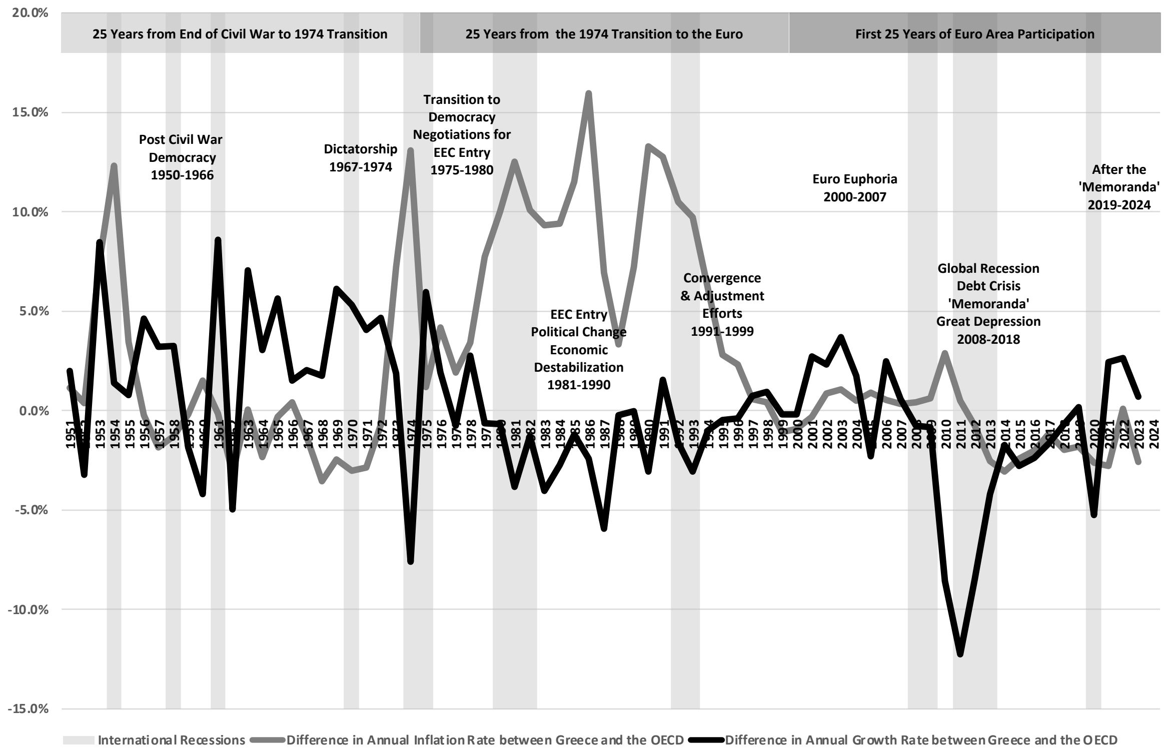
Before the 1974 change in regime there was continuity and consistency in economic policy. After the failed initial attempts to stabilize the economy, from 1946, and especially after the Marshall Plan of the period 1948-1952, the foundations were laid for an economic policy that combined growth with monetary stability. This was based on boosting investment through the tax and financial system, raising real wages to the limits of labour productivity growth through labour market controls, urbanisation, fiscal stability through the balanced budget rule, and monetary stability through the drachma's participation in the Bretton Woods system of fixed exchange rates.

The Greek economy functioned as a mixed economy in which the state played a central coordinating role, having at its disposal a variety of administrative, economic and monetary instruments. The economic policy framework was far from liberal, but it left considerable room for market institutions, particularly in the markets for goods and services. Moreover, in contrast to what prevailed after the 1974 transition to democracy, the economic policy regime was characterised by clear rules and a continuity and consistency, which contributed to its effective operation.

The main characteristics of the institutional framework of economic policy that prevailed during this period were briefly the following:

1. The protection of property rights in the context of a mixed market economy but also the determination of priority areas for investment through indicative five-year programs of economic development.

Graph 5
Difference in Growth and Inflation Rates between Greece and OECD Economies



Source: National Statistical Service of Greece (NSSG), National Accounts of Greece, European Commission, AMECO Data Bank and OECD Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

2. Government control of the credit system so that domestic savings were directed to the financing of priority sectors, mainly industrial investment and infrastructure investment.

3. Government control of labour relations and the determination of wages and salaries so that wage increases did not exceed the rate of increase in labour productivity.

4. In the framework allowed by Greece's participation in the G.A.T.T, and after 1961 the association agreement with the E.E.C, the protection of domestic production through tariffs and other trade policy instruments, capital controls and increased protection of foreign direct investment.

5. A significant role for the state in the financial system, electricity, telecommunications, water supply and some other public utility services.

6. Monetary stability, through the fixed exchange rate of the drachma against the dollar within the framework of the Bretton Woods system.

7. Fiscal discipline, through the rule for a balanced ordinary budget.

The policy for economic development was based on the control of the banking system and the labour market, so that there would be sufficient savings to finance domestic investment on the one hand and high international competitiveness on the other. Domestic savings financed investment in the two priority sectors of manufacturing and infrastructure, and international competitiveness, which had been raised after the devaluation of 1953, was kept high by controlling wage increases so that they did not exceed the sum of inflation and productivity growth. An equally important economic priority was the maintenance of fiscal balance and monetary stability, through the drachma's participation in the Bretton Woods fixed exchange rate system.[13]

These policies resulted in high investment, which contributed to a rapid accumulation of capital, resulting in continuous increases in labour productivity, real wages and living standards in general.

However, the gradual healing of the wounds of the civil war in the consciousness of the Greeks, the extremes of the dictatorship, the great social and economic transformations brought about by economic growth, but also international developments such as the increase in international inflation, gradually began to undermine the main pillars of the post-civil war institutional, political and economic regime. The fact that it had reached his limits was not fully realised before the 1974 transition to democracy.

Despite its impressive performance in the twenty-five years 1948-1973, in 1974, the year of the transition, the Greek economy still suffered from significant weaknesses. The economic miracle of the 1950s and 1960s had taken place under protective tariffs and restrictions on the movement of capital, which provided a shield for the initially infant but later rapidly growing Greek industry.

In addition, economic growth was not export-oriented, as Greece was relatively isolated geographically from Western Europe, and could not, for geopolitical reasons, rely on close economic and trading relations with neighbouring countries, such as Turkey to the east, or the Eastern Bloc countries to the north.

Industrial production expanded during the first post-war decades to serve mainly the domestic market, through import substitution. However, the Greek industry never penetrated the most competitive markets of Europe and the rest of the world. In addition, during the period of the 1967-1974 dictatorship, Greece was politically isolated from the rest of Europe, which resulted in its further relative economic isolation and its insufficient adaptation to E.E.C rules, as the association agreement signed in 1962 was frozen.

In any case, the post-civil war model of growth based solely on capital accumulation and the movement of workers from low-productivity activities in the agricultural sector to higher-productivity activities in urban centres had begun to show signs of saturation as early as the late 1960s, due to the diminishing returns to capital accumulation and the slowdown in population movements from the countryside to the urban centres.

Moreover, inflation had risen excessively after the destabilisation of the Bretton Woods fixed exchange rate system and the first oil crisis of the early 1970s, partly due to the pegging of the drachma to the depreciating U.S dollar. Furthermore, in 1974, the year of the transition to democracy, the Greek economy was already in recession, its first since the end of the civil war.

The 1974 transition to democracy caused a major change in both political and economic priorities and institutions compared to the twenty-five years that preceded it. It was not simply the restoration of democracy or the change of the political system from a Crowned Democracy to a Presidential Democracy but a much deeper change of the country’s political and economic regime.

[13] See Alogoskoufis (1995) and, more recently, Iordanoglou (2020) for analyses of the pre-1974 economic policy regime.

Despite the fact that in terms of individual and political rights and freedoms, as well as the functioning of parliamentary institutions, the post-1974 institutional and political regime was clearly superior, this initially led to great political differences and conflicts among the main political parties and fruitless experimentation regarding the economy. It also led to fiscal and monetary destabilisation.

The main reason was that the new political system resulted in the emergence of two ideologically opposite political parties, one liberal and the other socialist, with different social, economic and foreign policy priorities. Through the political and electoral process, the political antagonism of the two major parties indirectly gave large social groups, even minority interest groups, effective veto power over social and economic policy. Even when relative political convergence took place after the early 1990s, regarding the main goals of social, economic and foreign policy, this did not lead to sufficient political consensus regarding the means necessary to pursue these goals. As a result, the necessary political initiatives and reforms were postponed or only partially and imperfectly pursued. Post-1974 institutions did not provide sufficient checks and balances against political polarisation, to ensure that governments would not exercise extreme discretion in the conduct of economic policy and not postpone useful reforms that entailed short-term political costs.[14]

The tendency for governments to postpone reforms that entail significant social and political costs or provoke strong reactions from politically strong organised minorities, as happened in Greece during this period, is one of the central conclusions of the new political economy approach to economic policy, which dates since the mid-1980s. This is an approach that seeks to analyse the motives and behaviour of governments and their interaction with the motives and behaviour of the private sector and the electorate, as determined through political institutions.[15]

We can distinguish three phases in the post-1974 institutional, political and economic developments:

First, the phase of major ideological and political polarisation regarding the goals, means and rules of domestic and foreign policy. This led PA.SO.K, originally as opposition and later as a government, to the uncritical adoption of the demands of almost every social group. Given that these social demands could not be met at the same time on the basis of the available resources, when PA.SO.K came to power under Andreas Papandreou, after the second oil shock and Greece's EEC entry, the economy was destabilised. This phase lasted until the beginning of the 1990s, when N.D, under Constantine Mitsotakis, attempted a U-turn and a program of economic stabilisation and market liberalisation. Although the PA.SO.K government did not after 1981 seek the exit of Greece from NATO, which it had just rejoined, nor from the E.E.C, which the country had just joined, the policy of 'macroeconomic populism' which was adopted in an attempt to satisfy the conflicting social demands led to economic stagnation, fiscal destabilisation and monetary instability. In addition, after its return to opposition, PA.SO.K initially strongly, and sometimes violently, opposed the policy of economic liberalisation and fiscal adjustment pursued by the

[14] In addition, political clientelism took a new form. See Sotiropoulos (1993).

[15] The new political economy approach to monetary and fiscal policy dates from the mid-1980s. See Alesina (1988, 1989), Persson and Svenson (1989), Rogoff (1990), Tabellini and Alesina (1990), Fernadez and Rodrik (1991), Alesina and Drazen (1991). For a collection of the most fundamental initial studies see Persson and Tabellini (1994 a, b). For more recent reviews see Drazen (2000), Persson and Tabellini (2000) and Alesina and Passalacqua (2016).

government of N.D in the period 1990-1993, in association with the unions of the wider public sector.

Second, the phase of partial convergence regarding the goals but divergence regarding the means and rules of internal and external policy. This phase lasted from the return of PA.SO.K to power in 1993 until the debt crisis of 2010.

However, while there was political convergence between the two major parties in power regarding the goal of participating in Economic and Monetary Union, there continued to be great political differences regarding the means of pursuing the required policies and reforms. This allowed politically powerful social groups and even minority private interests to cancel or moderate several of the required reforms. Conflicts between the two major parties also concerned the means which the PA.SO.K governments adopted in the second phase of the economic adjustment in order to secure entry into the euro area. One conflict that generated more heat than light concerned the use of 'creative accounting', which masked the fiscal and structural weaknesses that continued to characterize the Greek economy at the time of accession. The conflicts regarding the 'creative accounting' methods of the government of Costas Simitis peaked in 2004, after the fiscal census that took place by Eurostat, with the collaboration of the government of Costas Karamanlis. The Karamanlis government adopted a program of gradual adjustment, which was interrupted after its re-election in 2007, due to its thin parliamentary majority and the onset of the global financial crisis. The 'creative accounting' issue returned in 2009, shortly before the debt crisis, after the claim of the government of George Papandreou that its predecessor had deliberately underestimated the extent of the fiscal imbalances. Thus, even in this second phase of relative political convergence with regard to the objectives, there remained great differences and weaknesses in the application of the rules of economic policy. A key weakness in this second phase was the avoidance of painful economic reforms, as for example in the social security system, the tax system, the market of goods and services and the labour market. While there was a convergence of the parties in power regarding the goals of social and economic policy, broad social groups still had the ability to cancel or neutralise the required adjustments and reforms by exploiting party-political differences.

Political interactions in these first two phases mainly involved the two major parties in power, N.D and PA.SO.K, which were alternating in power, with PA.SO.K being in government for a vastly larger period of time after Greece's EEC accession, a total of 18 years, as opposed to N. D's 8 years.

The third phase concerns the period after the debt crisis of 2010 and the major political conflicts that occurred shortly before and after. These chiefly concerned the political responsibilities of the two main parties in power until then for the crisis itself, the sudden stop in international borrowing and the subsequent bailout.

In this phase, PA.SO.K collapsed electorally and SY.RIZ.A emerged in its place, initially as official opposition and then as government. The electoral influence of N.D initially declined but then recovered. The main political conflicts during this phase concerned the implementation of the reforms envisaged in the memoranda. However, none of the parties or coalitions of parties that governed during this period explicitly assumed political responsibility for these reforms, even though they were forced to implement the policies of fiscal and economic adjustment dictated by the 'troika'. Many of the required structural reforms were consequently either postponed or partially adopted even during this period. This phase continued even after the end of the memorandum programs in 2018. The pandemic in 2020 was the trigger for a further temporary fiscal relaxation and postponement of the reforms that had been initially promised by the N.D government under Kyriakos Mitsotakis. The elections of 2023 saw the N.D government of Kyriakos Mitsotakis re-elected and the electoral collapse of the SY.RIZ.A opposition. It is the first time since the 1974 transition that a government is politically stronger in its second term compared to its first.

In any case, after the political transition of 1974, economic policy began to be determined based on the discretion of governments and the respective parties in power, while the rules of fiscal and monetary discipline that prevailed in the 1950-1973 period were gradually abandoned. The 'golden rule' of fiscal discipline based on a balanced ordinary budget was abandoned, and, after the collapse of the Bretton Woods system of fixed exchange rates, monetary and exchange rate stability was sacrificed for many years on the altar of the futile, as it turned out, simultaneous pursuit of full employment and increasing real wages.

Furthermore, the political polarisation that prevailed after 1977 between the two major parties in power (N.D and PA.SO.K) regarding the priorities of economic and social policy, combined with the abandonment of the rules of fiscal discipline, contributed to the creation unsustainable fiscal deficits and debts, as governments, in order to finance their political priorities, resorted to both monetary financing and public borrowing, methods that did not entail the direct political cost of significant tax increases. This tendency was strengthened in pre-election periods.

Unlike the period from the end of the civil war to the political transition of 1974, where one can refer to a single framework of economic policy, after the political transition of 1974 there was no continuity and consistency in economic policy.

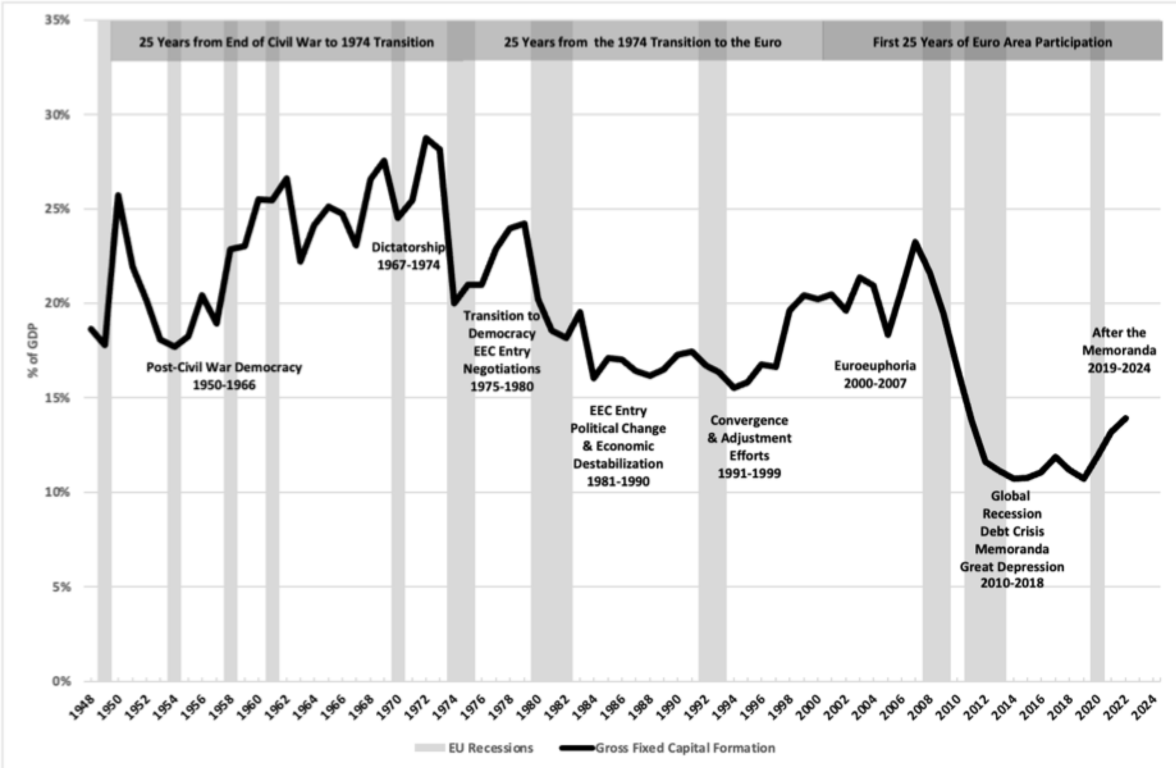
In the period from the political transition of 1974 to the accession to the E.E.C, the main objectives were the recovery of the economy, dealing with the effects of the oil disturbances and the preparation for E.E.C accession. Other priorities were the adaptation of the political and economic rules of the post-civil war period to the new social, political and international conditions. The main policy changes were in exchange rate and incomes policy.

In the period following the political change of 1981, the priorities, aims and rules of economic policy changed radically with adverse consequences for both economic growth and fiscal, monetary and external balance. Since then, Greek economic policy has been involved in successive cycles of what proved to be largely ineffectual attempts at economic stabilisation and adjustment.

Changes in economic policy priorities and rules occurred mostly without forethought and adequate planning and institutional preparation, which undermined the credibility of the protection of property rights, the tax system and the regulatory framework.

After the early 1990s Greek governments had realised the need for deep structural and macroeconomic reforms. However, these reforms entailed short-term costs, due to the fact that their implementation implied losses for some social groups. Even if cases where those affected were minorities, these losses implied political costs for the government that would attempt the reforms. On the other hand, the benefits of reforms usually do not appear immediately but over time, and there is also considerable uncertainty around these benefits. Consequently, Greek governments generally avoided these difficult but beneficial reforms, the costs of which would be borne during their tenure, while the benefits would most likely accrue during the tenure of their successors.

Graph 6
The Evolution of Fixed Capital Formation, 1948-2024



Sources: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

Thus, due to the inability of the political system to promote political consensus, each government chose to avoid painful reforms, with extremely unpleasant results for the economy and the country.

4. The Decline in Fixed Capital Formation and Savings

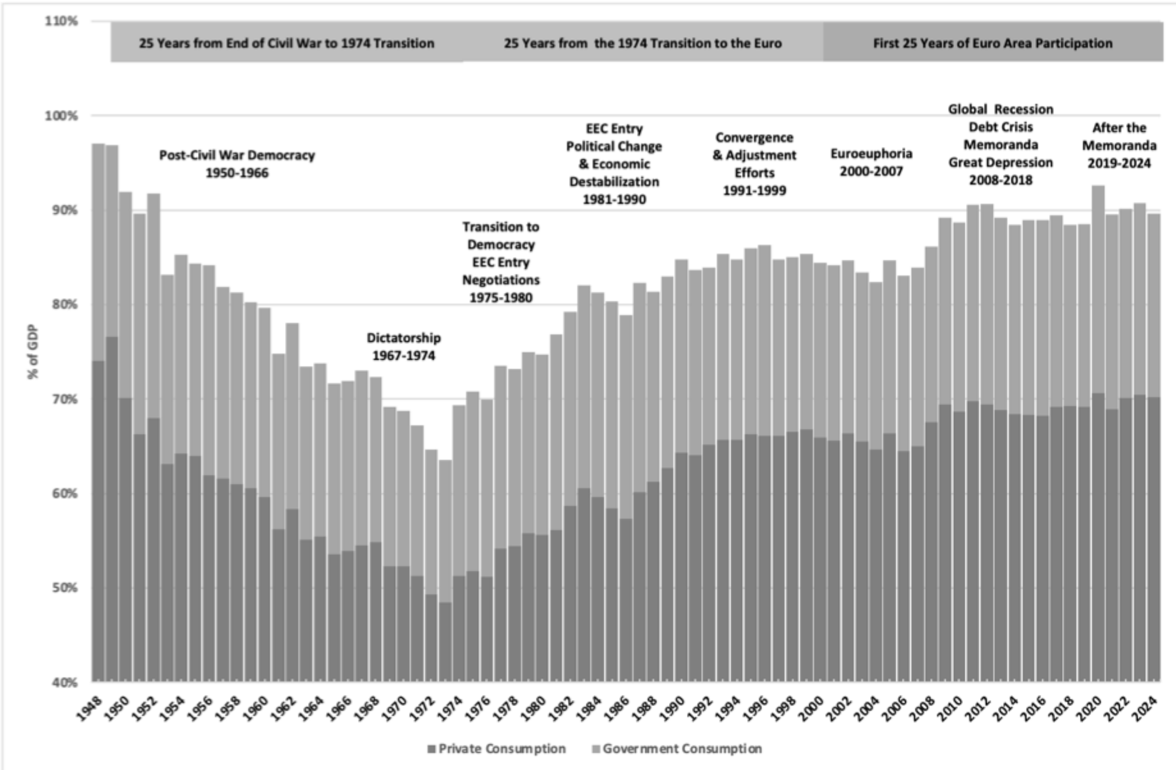
The political and economic uncertainty caused by the lack of policy continuity and the macroeconomic imbalances and structural distortions of the post-1974 period undermined the credibility of government policy commitments and had adverse effects on investment and savings.

High investment, financed through high domestic savings, had been the main engine of economic growth in the pre-1974 period. This stopped being the case after the 1974 transition.[16]

The evolution of investment before and after the 1974 change in regime is presented in Graph 6. In the twenty-five years before the 1974 change of regime, the percentage of fixed capital formation in GDP was 26% and continuously rising. In the fifty years after 1974, it was only 17.3% and falling for long periods. In the period after Greece's accession to the

[16] The role of investment in physical and human capital in the growth process is key in neoclassical models of growth. See Solow (1956) and Mankiw et al (1992).

Graph 7
The Evolution of Private and Public Consumption, 1948-2024



Sources: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

euro zone, it was only 15.8%, after it fell precipitously following the global recession of 2008-2009 and the great depression of 2010-2016.

Private and public consumption moved in the opposite direction, resulting in a significant decline in domestic savings. The evolution of private and public consumption relative to GDP is presented in Graph 7.

In the twenty-five years before the 1974 change of regime, the percentage of private consumption in GDP was 57.9% and continuously falling. Thus, private savings were high and rising relative to GDP. In the fifty years after 1974, it has been rising continuously and averaged 64.3%. In the period after Greece's accession to the euro zone it rose further to 68.0%. This suggests a significant and continuous decline in private savings.

Public consumption also rose slightly, from 19.1% of GDP in the 1950-1974 period to 19.8% during 1975-2024. In the period after Greece's accession to the euro zone it was stabilised at 19.6%.

Thus, the post-1974 period was associated with a decline in both investment and saving. The decline in investment resulted in a decline in the rate of economic growth and the decline in savings resulted in the widening of external imbalances whenever investment rose, such as during the first years after Greece’s entry to the euro area.

The unfavourable evolution of fixed capital formation was the result of a combination of institutional, political and economic factors that led to a decrease in the marginal efficiency of capital, such as the low productivity and international competitiveness of the economy as well as the great political and economic uncertainty that prevailed for long periods in the post-1974 period. The decline in savings was the result of the distortions in the financial system, monetary instability for long periods, low real interest rates and the rise in taxation. Both largely reflected the full set of institutional instability, macroeconomic imbalances and economic distortions that prevailed after the 1974 change of regime.[17]

The unfavourable economic developments and distortions that prevailed in Greece after 1974, can be distinguished in two categories: First, macroeconomic imbalances, and second, structural distortions. Macroeconomic imbalances included fiscal imbalances, monetary uncertainty and external imbalances, due to low international competitiveness and the gap between savings and investment. Structural distortions included distortions in product, labour and capital markets, the problems of the public sector, tax and welfare policy and the educational system.

In what follows we shall examine some of these in greater detail, starting with fiscal and monetary imbalances.

5. The Determinants and Consequences of Fiscal Imbalances

One of the main effects of the post-1974 political and economic regime was fiscal destabilisation. The main driver has been the rapid increase in primary public expenditure in order to promote redistributive priorities and the expansion of state activity and the welfare state, especially during the 1980s.

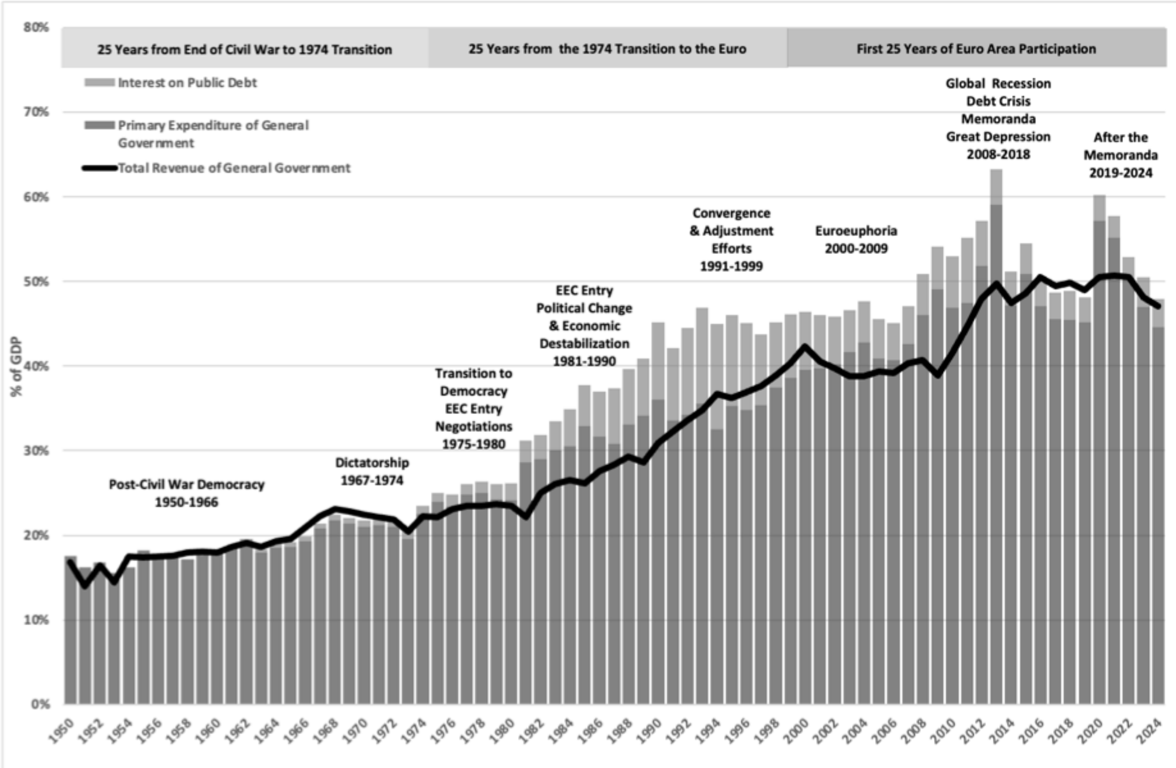
Before the 1974 political transition, primary expenditure of the general government averaged 18.8% of GDP, showing a slight upward trend. Interest expenditure on public debt, which was extremely low at 11% of GDP, averaged only 0.4% of GDP. Expenditures were covered by public revenues, with the result that the fiscal accounts were largely balanced. There were some off-budget expenditures, such as the agricultural products bill, which contributed to a slow increase in general government debt.

After 1974, and especially during the 1980s, general government expenditure and general government debt experienced an explosive rise, as government revenue was not sufficient to cover the rapidly increasing expenditure. The adjustment efforts of the 1990s slowed down these adverse developments, but they did not reverse them. The end result was that in the twenty-five years before Greece joined the euro area, public expenditure averaged 31.2% of GDP, the overall budget deficit 7.7% of GDP and public debt 58.6 % of GDP. Adverse fiscal developments continued even after Greece joined the euro zone, until the debt crisis of 2010, when they gradually began to be addressed. Nevertheless, due to the great economic recession of the period 2010-2016, the public debt to GDP ratio increased excessively during the period of the memoranda, and still constitutes a significant burden for the Greek economy.

Graph 8 shows the evolution of public expenditures and total public revenues year by year. It is evident that the fastest increases in primary expenditure relative to GDP occurred in the 1980s and immediately after Greece's entry into the euro area was secured. The stabilisation

[17] Economists turned their attention to the role of institutions for growth, following the pioneering empirical study by Acemoglu, Johnson and Robinson (2001), and the literature that was sparked. See also Acemoglu, Johnson and Robinson (2005) and Acemoglu and Robinson (2006, 2012).

Graph 8
The Evolution of Government Expenditure and Revenue, 1950-2024

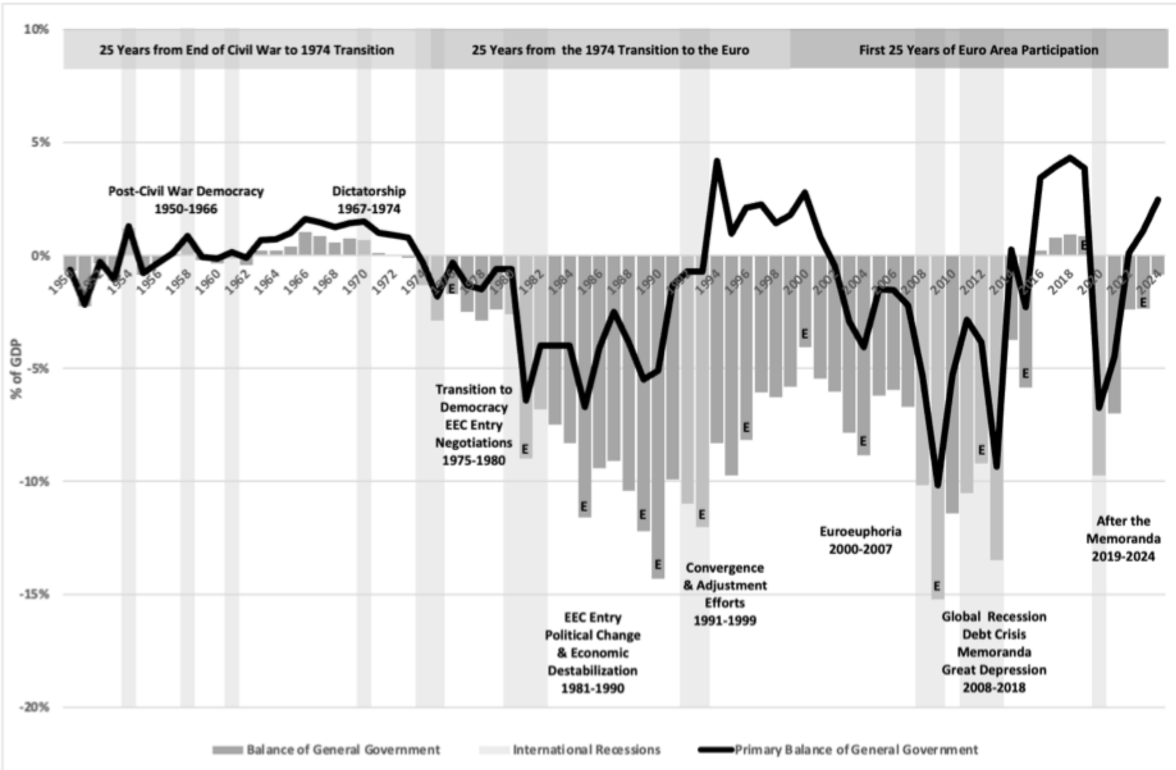


Sources: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

programs of the periods 1986-1988, 1991-1994, 2005-2007 and 2010-2018 slowed down the rise in primary public expenditure. Expenditures for interest on government debt began to increase gradually since the early 1980s, mainly due to rapid debt accumulation. However, since the late 1980s, interest expenditure continued to rise also due to the rise in nominal and real interest rates caused by the liberalisation of the financial system. In the period 1995-1999 there was a large reduction in interest expenditure due to the reduction in nominal interest rates. Since then, due to Greece's participation in the euro zone, interest expenses have not shown a significant increase in relation to GDP. Public revenues, despite showing an upward trend, fell short of both total and primary public expenditures for almost the entire post-1974 period. Only in the periods 1994-2001, 2015-2019 and 2023-2024 were there primary surpluses, in the sense that government revenue exceeded primary government expenditure. The primary surpluses of the convergence period turned into deficits in the period 2002-2004 due to the increases in primary expenditure and the tax cuts of the period immediately after Greece joined the euro area. The stabilisation program of 2005-2007 slowed down these trends but primary deficits widened again during the great global recession of 2008-2009, due to the operation of automatic stabilizers and the election cycle.

Graph 9 shows the evolution of the overall and primary fiscal balance over time. The first is the difference between the total revenue and expenditure of the general government and

Graph 9
The Evolution of Government Balance and Primary Balance, 1950-2024



Sources: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission. Bars with an E denote an election year.

the second the difference between total revenue and primary expenditure. Although the figures for the pre- and post-1974 periods are not strictly comparable, the differences are enormous. The average fiscal deficit of the twenty-five years 1950-1974 was 0.04% of GDP, while the average fiscal deficit of the post-1974 period was 6.8% of GDP.

There are several general conclusions that can be drawn from Graphs 8 and 9.

First, that fiscal imbalances (deficits) were extremely low before 1981. In the period 1975-1980 the general government deficit averaged just 2.5% of GDP. In this period, fiscal policy was still determined with a view of maintaining fiscal and monetary stability, as was the case during the pre-1974 period.

Second, the continuous deterioration of the fiscal balance in the 1980s, with an exacerbation in the election years of 1981, 1985, 1989 and 1990. This continuous deterioration was a result of the effort to expand the role of the state and to pursue the redistribution of income and wealth through borrowing, because of the short-term political and economic disadvantages of raising taxes. This choice, however, led to ever-increasing deficits and a rapid accumulation of public debt. In addition, the deficits widened in each election year (denoted by an E), in an attempt by governments to influence the election result in their favour.[18]

Third, the large improvement in the primary balance in the period 1991-1994, which did not, however, cause a corresponding improvement in the overall balance. The improvement of the primary balance was a deliberate policy of the Mitsotakis government, after realising the dead ends to which the continuation of fiscal destabilisation would lead. This policy, as demonstrated by the result of the 1993 elections, seems to have had a significant political cost. The reason why there was no corresponding improvement in the overall fiscal balance was the gradual liberalisation of the financial system, which had led to a rise in nominal and real interest rates, due to high Greek inflation and persistent expectations of a devaluation of the currency.

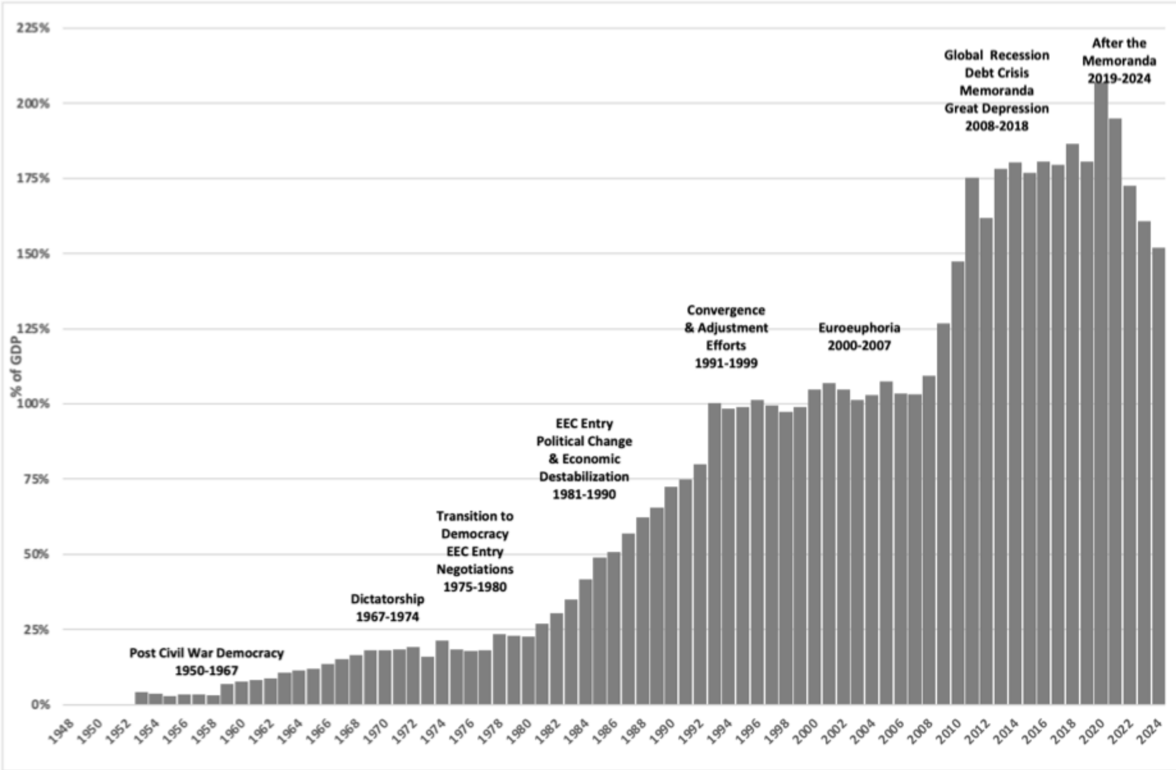
Fourth, the significant improvement of the overall fiscal balance in the period 1995-1999, but without additional improvement of the primary balance. After 1994 the attempt at further adjustment of the primary fiscal balance was abandoned, and the improvement of the overall balance was based solely on the reduction of interest expenditure. This was caused by the reduction in nominal interest rates due falling inflation and inflationary expectations caused by the restrictive monetary policy. The reason for this choice was to avoid the social and political costs which would ensue by continuing to adjust the primary balance with increases in revenue and decreases in primary expenditure. Consequently, for reasons of avoiding additional political costs, in the period 1996-1999, the Simitis government relied exclusively on the politically less painful reduction of interest expenses, through the reduction of nominal interest rates caused by the reduction of inflation and inflationary expectations.

Fifth, the large deterioration of both the primary and the overall fiscal balance immediately after Greece joined the eurozone in 2000 and up to 2004. This was partially corrected by the fiscal adjustment program of 2005-2007 implemented by the government by Kostas Karamanlis. The most likely cause of the deterioration immediately after entry to the euro area was the attempt of the second Simitis government to maximize the political benefits of Greece's accession to the euro area, after the collapse of the stock market bubble and the marginal result of the 2000 elections. On the other hand, the choice of the Karamanlis government for a gradual adjustment in the three-year period 2005-2007 was made both for economic reasons, such as avoiding causing a recession, and for political reasons, primarily the minimisation of social and political reactions that a steeper adjustment would cause.

Sixth, the large and rapid deterioration of both the primary and overall balance, following the onset of the international financial crisis and the global recession in 2008-2009. This deterioration occurred again for both economic and political reasons. The great global recession of the period 2008-2009 automatically led to a decrease in revenues and an increase in social costs, not only in Greece but also in the rest of the world. This led to the automatic deterioration of fiscal balances both in Greece and in the rest of the world. The choice of the Karamanlis government not to adopt immediate fiscal measures after 2008 was made both for economic reasons, such as avoiding a worsening of the recession, and for political reasons, such as the early elections of 2009 which it was forced to call due to the

[18] See Alogoskoufis (1995, 2013) and Lockwood et al (2001) for economic and econometric investigations of this electoral cycle in budget deficits in Greece.

Graph 10
The Evolution of Government Debt, 1950-2024



Sources: National Statistical Service of Greece (NSSG), National Accounts of Greece and European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission. Bars with an E denote an election year.

deadlock with the re-election of the President of the Republic, because of the intransigence of the opposition.

Seventh, one cannot but note the extremely slow improvement in both the primary and overall fiscal balance compared to the initial deterioration, despite the adoption of successive front-loaded fiscal adjustment programs after 2010. This was due to the incorrect estimates of the program planners for both the macroeconomic effects of a large fiscal adjustment (size of the fiscal multipliers), and the constraints on a rapid increase in tax revenues and a reduction in primary public expenditure. Political reasons seem to have played a smaller role in this case, as the internal political process had been subordinated to the dictates of the 'memoranda' and the 'troika'.

The data on the evolution of the general government debt are presented in Graph 10, and they also confirm the conclusions we have already reached.

From just 11% of GDP in the twenty-five years before the 1974 transition, in 1999 it had reached levels of around 100% of GDP. After remaining stable at around this level for a few years after Greece's accession to the euro area, after the debt crisis of 2010 and the great recession of the Greek economy, it jumped to levels of around 180% of GDP. The large increase in debt relative to GDP occurred in two periods: the 1980s and the period of the great global recession and the great depression of the Greek economy, 2009-2013. Interestingly, public debt as a percentage of GDP rose both during the fiscal destabilisation of the 1980s and at the beginning of the period of front-loaded fiscal adjustment after 2010. Between 1992 and 2008, public debt had basically stabilised at 100% relative to GDP. There was also a significant, but temporary as it turned out, increase during the recession of 2020, following the pandemic.

These fiscal developments be explained more broadly based on the motives and constraints of governments, the electorate and political parties. Government delayed or postponed painful increases in taxation and reductions in primary expenditure, in order to avoid the political costs associated with such adjustments. They were far more inclined to increase primary expenditure and reduce taxes or allow government debt to rise through higher budget deficits.

6. Monetary Policy, Exchange Rate Regimes and the Wage-Price Spiral

We next turn our attention to differences in monetary and exchange rate policy during the various sub-periods before and after the 1974 transition.

For the most part of the pre-1974 period, the drachma participated in the Bretton Woods system of fixed exchange rates. The exchange rate remained stable at 30 drachmas per US dollar from the devaluation of 1953 to the collapse of Bretton Woods in 1973. During this period, and until 1971, Greek inflation did not differ on average from the average inflation of the OECD countries, which was particularly low. After the devaluations of the dollar against the major European currencies and the yen in the early 1970s, because the drachma remained pegged to the dollar, it actually depreciated as well, leading to a rise in Greek inflation relative to OECD inflation, particularly during the three-year period 1972-1974.

After the political transition of 1974, the Greek monetary authorities adopted a crawling-peg policy for the exchange rate. This involved successive small devaluations in order to compensate for the difference in inflation between Greece and its trading partners in the OECD. During the 1980s, there were also two relatively sizable discrete devaluations of the drachma. This policy, combined with the monetary financing of fiscal deficits and the sequence of excessive wage increases, led to a wage-price spiral that resulted in a large and persistent increase in inflation.

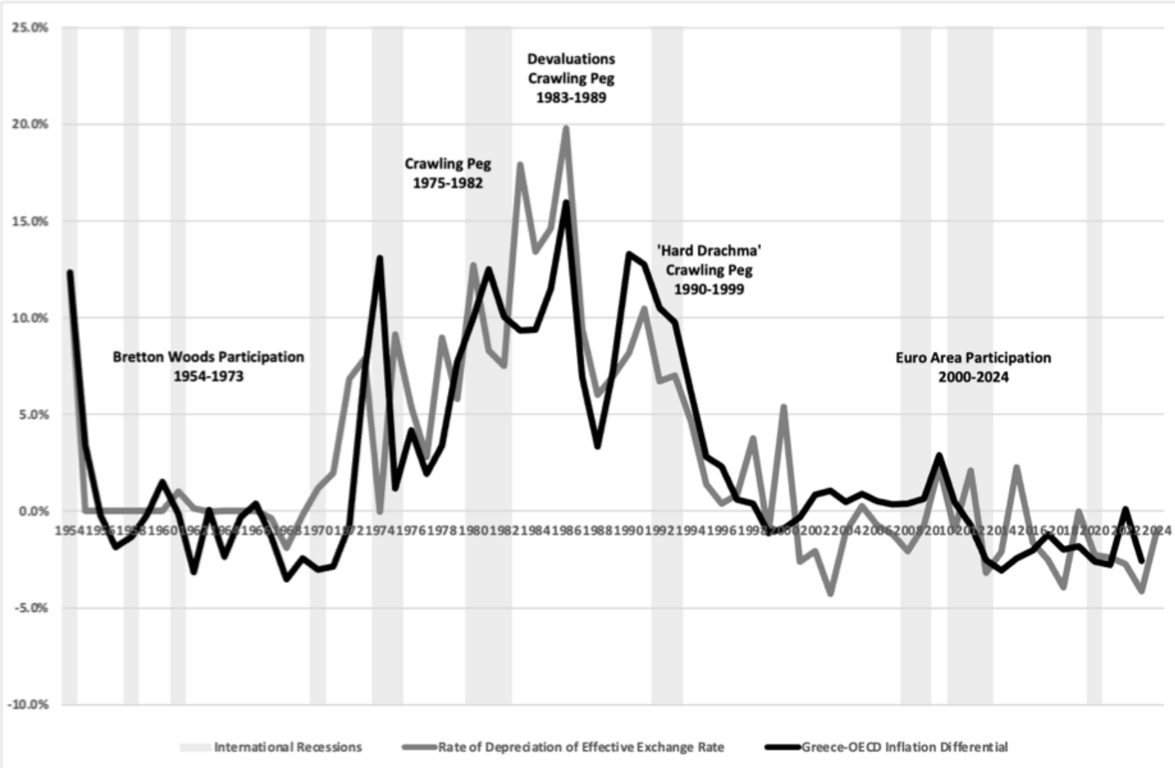
The relationship between the rate of currency depreciation and the inflation differential between Greece and its trading partners in the OECD, before and after the 1974 political transition, is shown in Graph 11.

Just as fiscal imbalances reflected the weaknesses of Greek political and fiscal institutions, so monetary destabilisation was due to the same weaknesses, but, initially, also to the weaknesses of Greek monetary institutions.

The most important of these weaknesses was the ease of monetary financing of fiscal deficits, due to the lack of political independence of the Bank of Greece, but also due to the control of large commercial banks, such as the National Bank by the Greek state.

Furthermore, since the early 1980s, monetary and exchange rate policies have been even more oriented towards expanding aggregate demand through currency depreciations and devaluations which exceeded the inflation differential between Greece and its OECD partners, in order to address rising unemployment and external imbalances. Due to its excessive use, this monetary and exchange rate policy soon proved ineffective, as there was a rapid adjustment of inflationary expectations towards high and, at times, rising inflation. As a result, the inflation differential between Greece and its OECD and EEC partners remained high.

Graph 11
Currency Depreciations and Inflation Differentials, 1954-2024

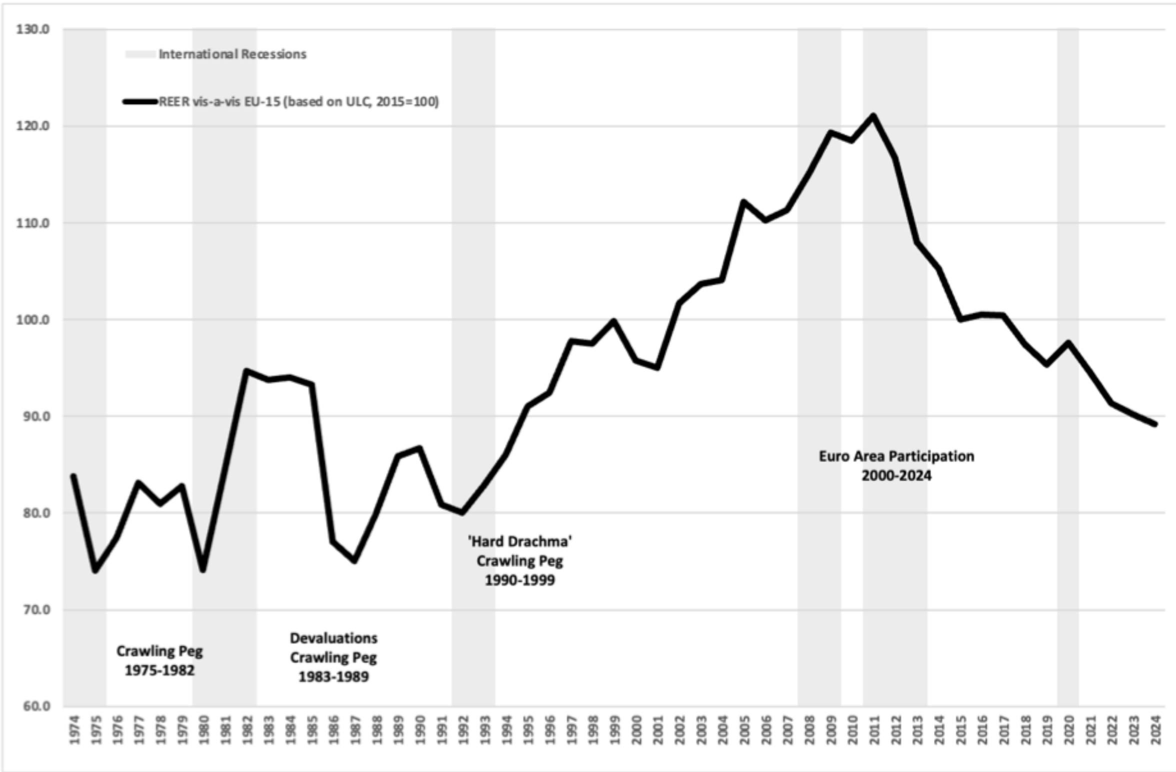


Sources: National Statistical Service of Greece (NSSG) and European Commission, AMECO Data Bank and OECD Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

The signing of the Treaty on the European Union and the adoption of the convergence policy in the early 1990s led to the adaptation of Greek monetary policy and institutions. From the beginning of the 1990s, monetary financing of the Greek budget deficits by the Bank of Greece was gradually abolished, while the latter's political independence was gradually strengthened, culminating in the Independence Law of 1997. In addition, in order to deal with high inflation, Greece adopted a ‘hard drachma’ policy. The latter entailed exchange rate depreciations that were significantly lower than the inflation differential between Greece and its trading partners and thus worked in the direction of reducing inflation and inflationary expectations. The wage-price spiral resulted in a gradual reduction in inflation, as imported inflation was reduced, resulting in ever lower domestic price and wage increases. Between 1991 and 1999 average CPI inflation fell by almost seventeen (17) percentage points, from 19.5% to 2.6% and was lower than average OECD inflation. After Greece entered the euro area inflation rose a little, because of higher increases in unit labour costs in Greece, but generally remained very low.

The adoption of more restrictive monetary and exchange rate policy rules during the 1990s gradually contributed not only to a reduction in inflation towards the E.U average, but also to a reduction in overall fiscal deficits, due to the gradual reduction of nominal interest rates, as inflation and inflationary expectations were getting lower. For example, annual yields in 10-year government bonds fell from 23.9% in 1992 to 6.3% in 1999. This resulted in

Graph 12
Real Effective Exchange Rate (REER) vis-a vis EU-15, 1974-2024



Sources: European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

a significant reduction in interest payments on Greece's government debt and, therefore, a significant reduction in the overall budget deficit.

On the other hand, due to the fact that the de-escalation of increases in nominal wages was slower than the de-escalation of inflation, due to the delayed adjustment of inflationary expectations, this period was also characterised by a significant deterioration of the international competitiveness of the Greek economy.

The real effective exchange rate of Greece vis-a-vis the EU-15 is depicted in Graph 12. During the convergence period, 1992-1999 the real effective exchange rate vis-a-vis the E.U-15, based on unit labour costs (ULC), appreciated by almost 25%. Even worse, upon joining the eurozone, the international competitiveness of Greece continued to deteriorate, due to the fact that wage increases and inflation in Greece remained higher than the euro area average until the financial crisis of 2010. Thus, by 2009, the real effective exchange rate had appreciated by another 19%. The total overvaluation of the real exchange rate in 2009 compared to 1992 was equal to 44%.

A large part, but not all of this overvaluation, about half, was corrected following the adjustment programs of the 2010s, and in particular the policy of internal devaluation through wage reductions. Yet the real effective exchange rate of Greece continues being overvalued relative to 1992. One of the challenges facing Greece is to correct this overvaluation in the medium term through higher productivity growth.

7. The Impact of European Union and the Euro Area Accession

An important question concerns the economic consequences for Greece of E.E.C accession in 1981 and euro area accession in 2001.

The accession to the E.E.C in 1981, despite the positive expectations that had been created, coincided with a period of great turmoil in the international economy and Greek economic policy and was thus initially linked to the stagflation of the early 1980s.

Much of the economic deterioration after Greece's accession to the E.E.C is also due to the fact that the preparation of the economy for the opportunities of accession was insufficient, due to the seven-year dictatorship, which had led to the freezing of the Greece-EEC association agreement of 1961, and the short adjustment period before Greece's application in 1975 and eventual acceptance in 1979.[19]

However, the large transfers from the EEC through the Mediterranean programs and the rest of the Community programs, such as the common agricultural policy and the common regional policy, despite their short-term positive economic effects, for many years functioned as net income transfers and aid, with the result that they contributed to the postponement and not to the acceleration of the required structural adjustments.

Something similar happened after joining the euro area, due to the low international competitiveness and fiscal imbalances of the Greek economy at the time of joining and also afterwards.

Greece's entry into the euro area, given the imbalances of the Greek economy, but also the weaknesses of the euro area itself, was anything but a panacea. The problem of inflation was tackled, but international competitiveness and external imbalances worsened significantly.

However, the Greek crisis of 2010 was not only due to the institutional and macroeconomic imbalances of the Greek economy but also to the institutional weaknesses of the euro area itself.

It is well known that the euro area had particular weaknesses as a monetary union, right from the start. It was characterised by pronounced economic asymmetries between its Member States, especially the 'core' economies of Western and Central Europe, and the economies of the 'periphery', such as Greece, Ireland, Portugal and Spain. In addition, cross-border mobility of workers was low, because of cultural, language and institutional reasons. One of the main obstacles is the absence of a euro area wide system of income tax and unemployment insurance. Furthermore, it was not endowed with a sufficiently large federal budget that could help absorb some of the asymmetric economic and financial shocks affecting its members. Finally, the euro area was a monetary but not a banking union, while its central bank, the European Central Bank (ECB), does not have the authority to operate as a 'lender of last resort' to either its member states or its banks in times of crisis. All these considerations made it a particularly vulnerable 'currency area' that did not satisfy most of the criteria required from an 'optimum currency area'. These weaknesses played an important role in the development, transmission and effects of the euro area crisis.[20]

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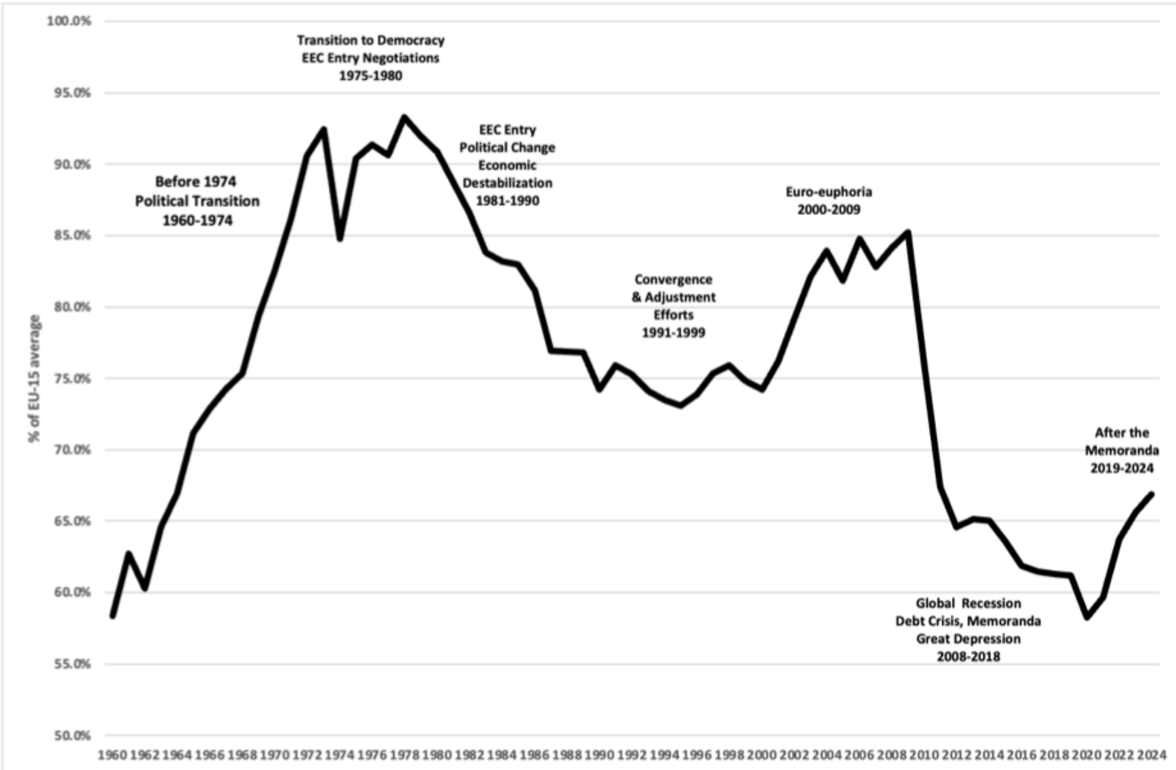
[19] Giannitsis (1993) discusses the problems in the adjustment of Greek manufacturing.

[20] The question of what constitutes an 'optimum currency area 'was first posed and partially answered by Mundell (1961), who is rightly considered as the originator of the literature on the subject. McKinnon (1963) and Kenen (1969) were early major contributors to this literature. The

Graph 13
GDP per Capita of Greece in PPP Units Relative to EU-15, 1960-2024



Sources: European Commission, AMECO Data Bank. The figures for the years 2023-2024 are estimates and forecasts of the European Commission.

The crisis of 2010 was not confined to Greece. It affected the whole euro are, especially the economies of the ‘periphery’, such as Spain, Portugal and Ireland. It even affected some of the major economies such as Italy and France.

The other economies of the periphery had faced dilemmas and problems similar to the one faced by Greece. However, the fact is that for a long period of time Greece has had deeper and more serious macroeconomic imbalances and structural weaknesses than the other economies of the ‘periphery’ of the euro area. For example, Spain and Ireland, despite their huge financial imbalances did not have the fiscal problems of Greece, while Portugal had much smaller fiscal and external imbalances in 2009.

In any event, since Greece’s accession to the E.E.C in 1981, the performance of Greece’s GDP per capita relative to the average of the E.U-15, i.e. the E.U countries before the enlargement of 2004 has been dismal. The relevant data is depicted in Graph 13, which confirms that the deterioration of Greece’s economic performance after 1974 was not only absolute but also relative to the rest of the EU economies.

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literature was revived in the 1980s, as additional considerations were added. A survey of the so called ‘new ’theory of optimum currency areas can be found in Tavlas (1993). O ’Rourke and Taylor (2013), among others, have recently argued, that the United States is much closer to the optimum currency area criteria than the euro area.

Measured in purchasing power units, Greece GDP per capita in 1980, just before accession to the E.E.C, was at 90.8% of the E.U-15 average. Greece's per capita GDP had been converging with the rest of the EU for the whole of the pre-1974 period and had stabilized between the 1974 transition and EU accession. After 1981 it started diverging. By the time of Greece's entry to the euro area in 2000, it had fallen to 74.2% of the E.U-15 average. It rose during the first years after euro area entry. In 2009, just before the debt crisis, Greece's GDP per capita had increased to 85.2% of the E.U-15 average. After the debt crisis and the great depression, it collapsed, and as result, during the last year of the memoranda, in 2018 it had fallen to 61.3% of the E.U-15 average, almost the same percentage as the early 1960s. After the end of the 'memoranda' and especially after the pandemic, Greece's GDP per capita has recovered. In 2024 it is expected to be equal to 66.9% of the E.U-15 average.

What is even worse is that since the great depression of post-debt crisis period, Greece's GDP per capita is, in PPP terms, the second lowest in the E.U-23. The only economy with a lower per capita GDP is Bulgaria.

8. Key Structural Weaknesses of the Greek Economy

Having discussed the key macroeconomic imbalances and problems, we next turn to a brief discussion of the key structural weaknesses of the Greek economy. These seem to be concentrated in six main areas:[21]

1. the functioning of the markets for goods and services,
2. the labour market and collective bargaining,
3. the financial system,
4. the operation of the public sector,
5. the tax and welfare system, and
6. the education system.

These are the areas where the main reforms will have to focus on.

1. Markets for Goods and Services

The markets for goods and services in Greece are characterised by a lack of competition and an extremely limited range of goods and services produced. Most industries have a strong oligopolistic or even quasi-monopolistic structure, which is reinforced by the large size of the public sector and the inability of the regulatory agencies to implement an effective competition policy.

According to the Global Competitiveness Report (GCR) of the World Economic Forum (WEF), the weaknesses of the markets for goods and services in Greece are attributed to the existence of distorting taxes and subsidies, to their oligopolistic structure, to the low international orientation of production, the low dynamism of companies and to the limited possibilities for introducing innovations.

In addition, due to the almost continuous deterioration of the international competitiveness of the Greek economy before the 2010 crisis, the export sectors or the import substitution

[21] See Alogoskoufis (2021) for a more extensive discussion and analysis of these issues. A slightly different set of proposals for reform can be found in Pissarides et al (2023), in a report commissioned by the Greek government and largely based on the analysis of the papers in Meghir et al (2017), many of which address detailed aspects of structural weaknesses of the Greek economy.

sectors have been shrinking for many years in favour of sectors producing non-tradable goods and services.

2. The Labor Market and Collective Bargaining

The shrinking of the sectors producing internationally tradable goods and services sectors has accelerated due to the functioning of the labour market. The institution of free collective bargaining in the private sector failed spectacularly to prevent the continued deterioration of the international competitiveness of the Greek economy.

The relatively small size of the internationally tradable goods industries and their consequent low impact in the collective bargaining process, led to wage increases well above the limits set by increased labour productivity. In the 1980s, due to the accommodating nature of monetary and exchange rate policy, this led to a vicious cycle of wage increases, devaluations and inflation. After the adoption of the policy of the 'hard drachma' in the 1990s, this led to a vicious cycle of continuous deterioration of the international competitiveness of these sectors and the Greek economy as a whole, further reducing the size and bargaining power of the internationally traded goods sectors.

This process was exacerbated at critical times, especially during elections, by high wage increases in the public sector. Wage increases of government employees have been the result of mandatory government incomes policies and were subject to the same political incentives and constraints that affected fiscal policy in general. Moreover, after 1990, salary increases in public enterprises and organisations were not directly determined by government incomes policies but were the result of collective bargaining between weak government-appointed managers and strong public sector unions. After a 1990 'reform', disputes were referred to compulsory arbitration, which usually ended up awarding increases quite near to the excessive wage demands of public sector unions. These weaknesses in public sector wage setting have often resulted in excessive wage increases, which sooner or later spilled over to the private sector. There were also one of the main reasons for the deterioration of the general government balance.

The system was short-circuited during 2010-2016, through mandatory wage cuts by the 'troika', but it has not been reformed. Thus, there is an increasing risk of a relapse to the policies of the past.

A number of other distortions exist in the Greek labour market. The main other problems are the distortions caused by the nature of employee protection legislation, the limited flexibility of working hours and the high non-wage costs.

According to the Global Competitiveness Report of the World Economic Forum (WEF) for 2019, Greece is ranked 111th among 141 developed and less developed countries in terms of labour market efficiency. Again, it is in the worst position with respect to all other EA countries.

3. The Financial System

The financial system has also been characterised by major systemic weaknesses. In the 1980s, and before its liberalisation in the early 1990s, the financial system operated as part of the government and the public sector, due to the dominance of large state-owned banks. The financial system had contributed significantly to the inflationary financing of large budget deficits and to the use of private sector savings to finance ever-increasing public expenditure and the deficits of public enterprises and organisations. After the liberalisation of the late 1980s, and despite the continued presence of large state-owned banks, government control eased.

However, with the liberalisation of the financial system issues of inadequate supervision became significant. Weak supervision of both commercial banks and the Athens Stock Exchange led, on the one hand, to the 1999 'bubble' of the Athens Stock Exchange, and, on the other, to the financial explosion of the period 1998-2008, following the sharp reduction in nominal and real interest rates.

Inadequate supervision and political tolerance, if not encouragement, of the financial boom and the stock market 'bubble', contributed to the strengthening and widening of the macroeconomic imbalances of the Greek economy and in particular the widening of the external imbalances and the accumulation of external debt.

Following the 2010 crisis, and during the implementation of successive adjustment programs, commercial banks faced capital adequacy problems for three main reasons. Firstly, because of the 'deleveraging' caused by the crisis. Secondly, due to the 'haircut' of the value of government bonds in 2012, with the so-called 'Private Sector Initiative' (PSI), which further weakened the banks' balance sheets, Thirdly, due to the large and prolonged recession which resulted in the dramatic increase in non-performing loans.

The weaknesses of the financial system exacerbated the macroeconomic and financial imbalances during the period of 'euro euphoria' and the intensity, duration and high cost of the 'euro recession'.

The financial sector has exited the crisis in a much weaker position and is in need of substantial recapitalisation and reform.

4. Public Administration and the Public Sector

Perhaps the biggest structural weakness for the Greek economy is the inefficiency of the public administration in conjunction with the extensive economic role of the state.

According to the Global Competitiveness Report of the World Economic Forum for 2019 Greece is ranked 92nd among 141 countries in terms of public sector efficiency. The two main problems identified are the burden of bureaucracy (127th place) and the inefficiency of the justice system (131st place).

This inefficiency has significant negative consequences for the functioning of basic state functions, as well as for the tax system, the regulatory role of the state and the efficiency of public enterprises and organisations. This inefficiency also creates particular problems for the welfare state, social security and the country's education system.

The problems are low efficiency and productivity and corruption seem to have worsened in the thirty years before the 2010 crisis due to the predominance of partisanship over meritocracy, among others. The result has been a gigantic but inefficient bureaucracy and widespread corruption and tax evasion.

These problems, even after the implementation of the adjustment programs, continue to be major obstacles to the recovery of the Greek economy.

5. The Tax and Welfare System

The tax system is also a major obstacle. Greece is ranked very low internationally in a series of relevant indicators of the Global Competitiveness Report of the World Economic Forum for 2019. In the index regarding the distortions caused by the tax system for competition, Greece is ranked 109th among 141 countries. In the index regarding the tax burden of labour, it is ranked in 117th place. In the index regarding social capital, it is ranked 118th.

An effective tax system must generate sufficient revenue with the fewest possible distortions in allocative efficiency, while contributing to a fairer distribution of income and wealth.

On the other hand, the social welfare system should contribute to a fairer distribution of income and wealth, with the least possible costs and the least possible distortions to the efficiency of resource allocation.

The first major distortion concerns income taxes. Instead of a uniform treatment of taxable income, different sources of income are treated differently. Indirect taxes, such as Value Added Tax (VAT), which is levied on almost all goods and services produced, as well as excise duties, also cause major distortions because of the high rates at which they are levied. Distortions and injustices are also caused by real estate taxes as well as real estate transfer taxes and the taxation of corporate income.

The tax and welfare system in Greece is so complex and opaque that in addition to the distortions it causes for incentives to work, save and invest, it is also characterised by a very large extent of tax evasion and avoidance. Both of these forms of non-compliance result in costs that are shifted to people with apparent sources of income, such as salaried employees in the 'formal' economy. Apart from the inequities that it generates, this shift undermines the social acceptance of the system, with the result that tax evasion and tax avoidance become widespread and socially acceptable activities.

6. The Educational System

Despite the high percentage of Greeks completing secondary education, educational outcomes in Greece, as measured by the results of the PISA exams in mathematics, science and reading, are significantly lower than the EU and OECD average. This difference reflects the low efficiency of the Greek education system, and is reflected, among other things, in the lower productivity of the average Greek worker compared to the rest of the euro area.

In addition, participation in vocational education and training (VET) programs remains relatively low, while Greek universities also face significant problems due to their attachment to the state and insufficient funding. Additional training in Greece does not increase wages or the likelihood of finding a job as much as in most other OECD countries.

There is significant potential for improving the quality and results of the education system. After all, according to the OECD, after adjusting the skill level of young adults for time spent in education, Greece is ranked only above Turkey in the countries of the Organisation.

9. Medium Term Prospects and the Urgency of Reforms

The rapid recovery of the Greek economy from the deep recession of 2020 caused by the pandemic was a positive development. However, for the next few years all international organisations expect a significant slowdown in the rate of economic growth.

According to the IMF's latest April 2024 forecasts, for the six-year period 2024-2029, the projected average annual GDP growth rate is only 1.6%. Even in 2029, Greece's real GDP is forecast to be just €213.9 billion in 2015 prices, down from €239.7 billion in 2007, before the international financial crisis and the debt crisis of 2010. Twenty plus years after the twin crises, Greece's real GDP is projected to remain 11% below the pre-crisis level. The same applies for real GDP per capita, which in 2028 is projected to be 5.0% lower than its peak in 2007 and the lowest among the E.U-23 economies.

The significant widening of the current account deficit during the pandemic and its further widening since the Greek economy began to recover from the deep recession of 2020 is the clearest indication of the structural weaknesses that continue to plague the Greek economy. The current account deficit in the four years after the pandemic (2000-2023) rose to an average of 8% of GDP relative to only 2.7% of GDP in the previous four years (2016-2019). It is forecast to decline to 6.5% of GDP in 2024 and continue to decline thereafter. However, it is projected to remain above 3% of GDP until 2028. This is a very worrisome development, as the main cause of the 2010 credit crisis and the great depression that followed was the rapid accumulation of external debt through persistent current account deficits.

For Greece, after the restructuring of its debt in 2012, the immediate risks from a possible new international financial crisis are limited. Until 2032, the external public debt of Greece will bear relatively low interest rates, due to the restructuring of 2012. It is mainly because of this that the transition to investment grade for Greek bonds took place. However, few of the structural weaknesses of the Greek economy have been addressed and the de-escalation of public debt as a percentage of GDP is far from satisfactory, as the public debt to GDP ratio remains significantly above its 2010 level.

In the medium term, the problem of strengthening the economic recovery by improving the international competitiveness of the Greek economy, as well as the problem of the more rapid de-escalation of the ratio of public debt to GDP, constitute the two biggest challenges of economic policy.

The main focus of the government's economic policy must be to reduce unemployment more quickly, increase labour force participation, especially of young people and women, reverse the migration of skilled young Greeks and to adopt structural reforms that will lead to a significant increase in investment, productivity and research and development. At the same time, an attempt must be made to gradually reverse the adverse demographic trends.

More important are the structural reforms that will lead to increased investment, productivity and technical progress and boost economic growth. The investment rate in Greece, especially after the 2010 crisis, is at hopelessly low levels. The same applies to the rate of growth of total productivity and technical progress.

I believe that the required reforms are very broad and concern at least the six areas highlighted in this paper:

1. The non-competitive functioning of markets for goods and services
2. The dysfunctional labour market
3. The non-competitive financial system
4. The inefficient public sector and the bureaucracy
5. The tax and welfare system
6. The educational system

Despite some efforts by previous governments, the biggest problems in these areas have not been addressed.

But why should the current government push through the difficult reforms that its predecessors have largely avoided over the past 35 years?

Precisely because of the political hegemony it has secured! The reforms required entail short-term costs, due to the fact that their implementation entails losses for some social groups. Even if those affected are minorities, these losses imply political costs for the government that undertakes them. On the other hand, the benefits of reforms usually do not appear immediately but over time. Consequently, the Greek governments of the past fifty years generally avoided these difficult but beneficial reforms, the costs of which would be borne during their tenure, while the benefits would most likely accrue during the tenure of their successors. Thus, due to the inability of the political system to promote political consensus, each government chose to avoid painful reforms, with extremely unpleasant results for the economy and the country.

The current government does not face these restrictions. Due to political dominance, it has a particularly long horizon, as there is no credible alternative successor. It can therefore push through the required reforms with the near certainty that their short-term political cost will not destabilize it. In this sense, the occasion is historic. Never before, in the period since the restoration of democracy in 1974, has there been a better opportunity to advance the difficult but beneficial reforms needed for the economy and the country.

10. Concluding Remarks

The post-1974 political regime is without a doubt the best democratic regime in the history of modern Greece. Yet, the performance of the economy deteriorated significantly.

Greece's economic problem in the post-1974 period was not so much a problem of insufficient financial resources as a problem of the inadequacy and inability of political institutions to promote long-term beneficial reforms in the state and the economy.

There were significant resources available to Greece, both due to the transfers from the EU and due to the large foreign borrowing.

However, the country's post-1974 political institutions have not been able to ensure the effective utilisation of these resources by promoting the necessary economic reforms, nor to avoid destabilising short-term economic policy choices.

The post-1974 regime of economic policy evolved largely without long-term planning, as a result of a struggle for income shares among various social groups, with elected governments trying to satisfy conflicting objectives such as re-election, growth, employment, redistribution and social peace, through a short-term economic policy without clear and binding rules and institutional constraints.

This economic and political state of affairs led to choices that were overly influenced by short-term pursuits in social and economic policy, the underestimation of the longer-term problems of the economy and the systematic postponement of necessary reforms. Given that there were insufficient incentives for governments to maintain fiscal balance or monetary stability, until Greece's participation in the euro area began to be pursued, the result was the fiscal and monetary destabilisation of the 1980s. However, even after Greece adopted the objective of participation in the E.U monetary union, the adjustment and convergence efforts were insufficient and largely fruitless, due to short-term political considerations. As a result, the path of minimal adjustment and reform was the one that was followed.

This unsatisfactory situation was maintained for a long time due to the increased subsidies and grants from the EU, which for many years allowed governments to postpone addressing the underlying problems of the economy.

It is clear that a significant number of important distortions remain in the Greek economy. These distortions have negative effects on total factor productivity, the effective allocation of economic resources, the accumulation of natural and human capital, and technological progress. Thus, the recovery of the Greek economy from the great depression that was associated with the adjustment programs envisaged in the memoranda has been weak and marred by a further deterioration in its external balance.

The key question that arises is why there is a constant postponement of the reforms that would address these distortions and thus lead to further economic and social development.

A number of social and economic groups in post-1974 Greece have secured important privileges that allow them to benefit from significant rents at the expense of the rest, while the cost of these rents is spread more widely across society.

Although no social group or productive sector dominates politically, as the post-1974 political system is inclusive in the broadest sense, every group, from business groups in non-competitive industries, professional guilds, trade unions in the general government sector, and others, have the ability to politically protect the privileges and arrangements that guarantee them these financial rents, i.e. they have secured a veto right against reforms.

Each particular social group has little to gain from reforms that reduce the rents of other social groups, hence it does not support them. Even worse, each social group calculates that if it agrees to reforms that affect other social groups, it may later find itself in the position of defending its own rents, without political allies. On the other hand, each individual social group has sufficient motivation and political power to block reforms that affect the special privileges it has secured.

On the other hand, governments face significant political costs from reforms that affect particular social groups in the short term, with the economic and social benefit usually expected in the distant future, or diffused among the remaining social groups in a way that is small to insignificant for each one of them. Given these facts, governments have few political incentives to adopt difficult but beneficial reforms.

Contributing to this is the competition between political parties for power, partisanship and corruption in public administration, the control of a large part of the media by business interests, the increased partisan influence of public sector unions and the indifference, or even the fear of the wider social majority regarding the promotion of beneficial changes and reforms.

Consequently, the interplay of political and economic institutions ultimately leads to inaction regarding the necessary reforms. In this way, Greek society is trapped in an ineffective economic and political balance, which is anything but conducive to reforms that would contribute to greater economic efficiency and economic growth.

Any attempt at reform, even if it directly affects a small minority, meets the strong political reaction of those directly affected and the indifference, if not hostility, of the large social majority. This is perhaps the main reason why socially beneficial reforms are not progressing.

Ultimately, however, it is the responsibility of the country's political system and in particular its current government, which enjoys unprecedented political supremacy, to design and implement a way out of this ineffective and nationally damaging state of affairs.

Appendix 1

Elections, Political Parties, Governments and Prime Ministers of Greece, 1944-1967

Election Date	Government and Parliament			Prime Minister
	Government of National Unity [1]			Papandreou, G. (1944 Oct - 1945 Jan)
	Coalition Government			Plastiras, N. (1945 Jan - Apr)
	Caretaker Government			Voulgaris, P. (1945 Apr - Oct)
	Temporary Government			Archbishop Damaskinos (1945 Oct - Nov)
	Temporary Government			Kanellopoulos, P. (1945 Nov)
	Coalition Government			Sofoulis, Th. (1945 Nov - 1946 Apr)
1946, March [1]	Single Party and Coalition Governments			
	U.L.N	(55.1%	206 Seats) *	Tsaldaris, C.
	N.P.U	(19.3%	68 Seats) *	(1946 Apr - 1947 Jan)
	L.P	(14.4%	48 Seats) *	Maximos, D.
	N.P.G	(6.0%	20 Seats)	(1947 Jan - Aug)
	U.N	(2.9%	9 Seats)	Tsaldaris, C.
	U.A.P	(0.9%	1 Seat)	(1947 Aug - Sep)
	Other	(1.1%	2 Seats)	Sofoulis, Th.
				(1947 Sep - 1949 Jun)
				Diomedes, A.
				(1949 Jun - 1950 Jan)
1950, March [2]	Successive Coalition Governments			
	P.P.	(18.8%	62 Seats)	Venizelos, S.
	L.P	(17.2%	56 Seats)*	(1950 Mar - Apr)
	N.P.U.C	(16.4%	45 Seats) *	Plastiras, N.
	G.P.P	(10.7%	35 Seats) *	(1950 Apr - Aug)
	D.L	(9.7%	18 Seats)	Venizelos, S.
	P.I.L	(8.2%	16 Seats)	(1950 Aug - 1951 Oct)
	F.N.R	(5.3%	7 Seats)	
	N.P.G	(3.7%	7 Seats)	
	L.F.W	(2.6%	3 Seats)	
	N.P	(2.5%	1 Seat)	
1951, September [3]	Coalition Government			
	H.A	(36.5%	114 Seats)	Plastiras, N.
	N.P.U.C	(23.5%	74 Seats) *	(1951 Oct - 1952 Oct)

	L.P	(19.0%	57 Seats) *	
	EDA	(10.6%	10 Seats)	
	P.P	(6.7%	2 Seats)	
	A.F.W	(1.2%	1 Seat)	
1952, November	Single Party Government			
	H.A	(49.2%	247 Seats) *	Papagos, A.
	N.P.U.C - L.P	(34.2%	51 Seats)	(1952 Nov - 1955 Oct)
	Others	(3.6%	2 Seats)	Karamanlis, K.G.
				(1955 Oct - 1956 Feb)
1956, February [4]	Single Party Government			
	ERE	(47.4%	165 Seats)	Karamanlis, K.G.
	D.U	(48.2%	132 Seats)	(1956 Feb - 1958 Mar)
	Others	(0,9%	3 Seats)	
1958, May [5]	Single Party Government			
	ERE	(41.2%	171 Seats) *	Karamanlis, K.G.
	EDA	(24.4%	79 Seats)	(1958 May - 1961 Nov)
	L.P	(20.7%	36 Seats)	
	P.A.D.U	(10.6%	10 Seats)	
	U.P.P	(2.9%	4 Seats)	
1961, October [6]	Single Party Government			
	ERE	(50.8%	176 Seats) *	Karamanlis, K.G.
	EK	(33.7%	100 Seats)	(1961 Nov - 1963 Jun)
	P.A.F.G	(14.6%	24 Seats)	Pipinelis, P.
				(1963 Jun - Sep)
1963, November [7]	Minority Government			
	EK	(42.0%	138 Seats) *	Papandreou, G.
	ERE	(39.4%	132 Seats)	(1963 Nov - Dec)
	EDA	(14.3%	28 Seats)	
	P.Pr	(3.7%	2 Seats)	
1964, February [8]	Single Party then Coalition Governments			
	EK	(52.7%	171 Seats) *	Papandreou, G.
	ERE	(35.3%	107 Seats)	(1964 Feb - 1965 Jul)
	EDA	(11.8%	22 Seats)	Stefanopoulos, S.
				(1965 Sep - 1966 Dec)
				Paraskevopoulos, I.
				Kanellopoulos, P.
				(1966 Dec - 1967 Apr)

Notes-Explanations:

***** Denotes a Party in Government.

From liberation to 1946 no elections were held. The total number of seats in the Parliament of 1946 was 354, in the Parliament of 1950 it was 250, in that of 1951 258 and from 1952 onwards, 300.

Main Parliamentary Political Parties, 1944-1967

L.P (Liberal Party, Κόμμα Φιλελευθέρων in Greek). It was founded by Eleftherios Venizelos in 1910 and ruled Greece for several years in the first half of the 20th century. The presidents of the party were: Eleftherios Venizelos, 1910-1924, 1928-1935, George Kafantaris, 1924-1928, Themistocles Sophoulis, 1935-1948, Sophocles Venizelos, 1948-1955, 1957-1961, George Papandreou, 1953-1960. In 1936, after the death of Eleftherios Venizelos, his son, Sophocles Venizelos, was elected to the governing committee of the Liberal Party and pulled the strings in the leadership until the establishment of the Union of the Center (EK) in 1961, which resulted in the party's suspension of operations. After liberation, the party participated in the Parliaments of 1946, 1950, 1951, 1956 (through D.U) and 1958.

P.P (People's Party, Λαϊκό Κόμμα in Greek). It was founded by Dimitrios Gounaris in 1920, as an evolution of the Party of Nationalists, which he had founded in 1915. The presidents of the party were: Dimitrios Gounaris, 1920-1922, Panagis Tsaldaris, 1924-1936 and Constantine Tsaldaris, 1946-1961. After the liberation, the party participated in the Parliaments of 1946, 1950, 1951, 1956 (through D.U) and 1958 (through E.L.K). Since 1961, the P.P no longer participated in elections.

N.P.U.C (National Progressive Union of the Centre, Ε.Π.Ε.Κ in Greek) It was founded in 1950 by Nikolaos Plastiras. It participated in the Parliaments of 1950, 1951 and (in partnership with L.P) 1952. It was one of the two governing parties in the period 1950-1952 and Nikolaos Plastiras was one of the prime ministers of the coalition governments of the period. After the death of Plastiras, the party split. Its main faction, under Savvas Papapolitis, joined the D.U in 1956, P.A.D.U in 1958 and EK in 1961.

H.A (Hellenic Alarm, Ελληνικός Συναγερμός in Greek)). It was founded on August 6, 1951, by Marshal Alexandros Papagos, on the model of the corresponding French party of Charles De Gaulle and absorbed most of the followers and officials of the People's Party and other political parties. In the 1951 elections, it achieved a relative majority, but as it could not form an independent government, it remained in opposition. In the following elections, it secured an absolute majority and formed an independent government, with Alexandros Papagos as the Prime Minister. After his death in October 1955, Constantine Karamanlis was appointed prime minister by King Paul, and secured a vote of confidence in Parliament. In January 1956 Karamanlis founded a new party, ERE, which absorbed the vast majority of parliamentarians, officials and supporters of the H.A.

ERE (National Radical Union, Εθνική Ριζοσπαστική Ένωσις, E.P.E in Greek). It was founded in January 1956 by Constantine Karamanlis and absorbed most of the followers and officials of the H.A., but also included centrist politicians such as Evangelos Averof, Constantine Tsatsos and Grigorios Kasimatis. The presidents of the party were: Constantine Karamanlis, 1956-1963 and after his resignation, Panagiotis Kanellopoulos, 1963-1967. ERE participated in the Parliaments of 1956, 1958, 1961, 1963 and 1964 and was the governing party from 1956 to 1963.

EK (Union of the Centre, Ένωση Κέντρου in Greek). It was founded as a coalition of small centrist parties under the leadership of George Papandreou on September 19, 1961, with the active support of Sophocles Venizelos, as a rival to ERE . Although it belonged to the centre, it did not have a clear ideological orientation. It included politicians from the whole political spectrum, from the left (Ilias Tsirimokos) to the anti-Karamanlis right (Stefanos Stefanopoulos). George Papandreou remained its president until 1967. EK participated in the Parliaments 1961, 1963 and 1964 and was the governing party from 1963 to 1967.

EDA (United Democratic Left, Ένωση Δημοκρατικής Αριστεράς, Ε.Δ.Α, in Greek). It was founded on August 3, 1951, as a coalition of parties of the left, under the initiative of the then outlawed Communist Party of Greece (KKE). It was governed by a six-member governing committee with Ioannis Passalides as president. Its founding declaration was signed by small left-wing parties that were legal at the time. It participated in the Parliaments of 1951, 1956, 1958, 1961 (through P.AF.G), 1963 and 1964.

Other Parliamentary Parties, 1944-1967

U.L.N (United Lineup of Nationalists). Head: Constantine Tsaldaris. Participated in the Parliament of 1946.

N.P.U. (National Political Union) Head: Sophokles Venizelos. Participated in the Parliament of 1946.

N.P.G (National Party of Greece). Head: Napoleon Zervas. Participated in the Parliaments of 1946 and 1950.

U.N (Union of Nationalists). Governing Committee. Participated in the Parliament of 1946.

U.A.P (Union of Agricultural Parties) Head: Alexander Mylonas. Participated in the Parliament of 1946.

G.P.P (George Papandreou Party). Personal party of George Papandreou. Participated in the Parliament of 1950.

D.L (Democratic Line Up). Coalition of parties of the Left, before the creation of EDA Participated in the Parliament of 1950.

P.I.L (Political Independent Faction). Head: Constantine Maniadakis. Represented the supporters of the pre-war dictator Ioannis Metaxas. Participated in the Parliament of 1950.

F.N.R (Front of National Recreation). A coalition of parties with the main component being the National Unionist Party of Panagiotis Kanellopoulos. Participated in the Parliament of 1950.

L.F.W (Faction of Farmers and Workers). Coalition of parties with the main component being A.F.W of Alexandros Baltatzis. Participated in the Parliament of 1950.

A.F.W (Alarm of Farmers and Workers). Head: Alexandros Baltatzis. Participated in the Parliament of 1951 and through L.F.W in the Parliament of 1950.

N.P (New Party). Personal party led by Spyridon Markezinis. Participated in the Parliament of 1950.

D.U (Democratic Union). A coalition of centrist and right-wing parties that took part in the 1956 elections. Participated in the Parliament of 1956.

P.A.D.U (Progressive Agricultural Democratic Union). Electoral coalition consisting of P.F.W (Party of Farmers and Workers) of Alexandros Baltatzis, N.P.U.C of Savvas Papapolitis and P.Pr (Party of Progressives) of Spyros Markezinis. Participated in the Parliament of 1958.

U.P.P. (Union of People's Parties), Coalition of People's Parties, led by P.P. Participated in the Parliament of 1958.

P.A.F.G (Pandemocratic,Agricultural Front of Greece). Electoral coalition of parties of the left, in which the dominant party was EDA. Participated in the Parliament of 1961.

P.Pr. (Party of Progressives). Personal party founded in 1955 by Spyros Markezinis. Participated (through P.A.D.U) in the Parliament of 1958, in the Parliament of 1961 (in partnership with the Center Union), in the Parliament of 1963 and in the Parliament of 1964 (in partnership with ERE).

Footnotes

1 The government of National Unity of October 1944 was a continuation of the Papandreou government in exile. This government also included representatives of the Communist Party of Greece (KKE). When, on October 18, Athens was liberated, the government that arrived in Greece was reformed, but without a change of Prime Minister. After the resignation of the Government of National Unity, a series of coalition governments were formed by parties, other than the Communist Party, until the elections of 1946. A critical role in the appointment of these governments was played by the British and the Archbishop of Athens Damascenos, who took over as Regent, until the question of the nature of the political regime was resolved by referendum, originally scheduled for 1948, but held earlier, in 1946, following the insistence of the P.P.

2 The elections of March 1946 were the first after liberation. Panagiotis Poulitsas, headed a coalition government of U.L.N (United Lineup of Nationalists) and N.P.U (National Political Union). The head

of the N.P.U was Sophocles Venizelos and the head of the Liberal Party (L.P) was Themistocles Sofoulis. After a disagreement between the parties, the coalition was dissolved and the head of the People's Party, the largest component of the U.L.N, Constantine Tsaldaris, took over as Prime Minister. The U.L.N held 206 of the 354 seats in Parliament. A referendum was held on 1 September 1946 following pressure from the People's Party to bring forward the 1948 referendum originally planned. The result, which many saw as a toss-up, was 68.8% in favor of restoring the Crowned Democracy, 11.4% in favor of a Republic and 19.8% white. After the return of King George II, first the British and then the US again sought to form coalition governments to jointly manage the conduct of the civil war and foreign aid. George V. died on April 1, 1947, and was succeeded on the throne by his brother, and until then heir to throne, Paul. Tsaldaris was forced, under intense pressure from the Americans, to support a coalition government from September 1947, headed by the former supporter of Venizelos and leader of the Liberal Party, Themistocles Sofoulis, as prime minister.

[3] The elections of 1950 were organised by a caretaker government under the President of the previous Parliament, Member of Parliament for Corfu, Ioannis Theotokis. The People's Party (P.P) led by Constantine Tsaldaris, but the government was formed by the three Center parties, the Liberal Party (L.P) under Sophocles Venizelos, the National Progressive Union of the Center (N.P.U.C) under Nikolaos Plastiras and the George Papandreou Party (G.P.P). These parties jointly commanded 146 of the 250 seats in the Parliament. The left took part in the elections as the Democratic Party (DP).

[4] In the elections of 1951, the Hellenic Alarm (H.A) participated for the first time, under Alexandros Papagos. It took first place, but without being able to form an independent government. N.P.U.C and the L.P once again formed a government with Nikolaos Plastiras as Prime Minister, as together they held 131 of the 258 seats in Parliament.

[5] ERE, the new party of Constantine Karamanlis participated for the first time in the 1956 elections. The parties of the center contested the elections as the Democratic Union (D.U). The 1956 elections were the first parliamentary elections in which women also voted.

[6] The 1958 elections were organised by a caretaker government under Constantine Georgakopoulos, President of the Hellenic Red Cross. It was the first post-war election in which the left (EDA) emerged as the official opposition. The Liberal Party collapsed, mainly due to the feud between its leaders Sophocles Venizelos and George Papandreou.

[7] The 1961 elections were organised by a caretaker government under Constantine Dovas, Lieutenant General, one of the aides of King Paul. The elections were held in an atmosphere of great tension and was characterised by violent incidents. The parties of the center participated in the elections as the Center Union (EK) under George Papandreou and EDA through the P.A.F.G. EK, as the official opposition, denounced them as ‘elections of violence and fraud’. On December 1, George Papandreou started the 'Unyielding Struggle', which continued until 1963 creating great political tension.

[8] The 1963 elections were organised by a caretaker government under Stylianos Mavromichalis, President of the Supreme Court. Constantine Karamanlis returned from Paris, where he had moved after his resignation in June, for the elections. After the defeat of ERE, he left again abroad, leaving the leadership of ERE to Panagiotis Kanellopoulos. On November 8, 1963, the minority government of Georgios Papandreou was sworn in. Not wanting to govern based on the votes of EDA, the government of George Papandreou resigned on December 30, 1963.

[9] The 1964 elections were conducted by a caretaker government under Ioannis Paraskevopoulos, Deputy Governor of the National Bank of Greece. It was the last election before the dictatorship. Sophocles Venizelos died during the election campaign. George Papandreou took over as Prime Minister, whose government was sworn in at Tatoi due to the illness of King Paul. King Paul died on March 6, 1964, and was succeeded by his son Constantine II. George Papandreou resigned as Prime Minister in July 1965, following a disagreement with the new King regarding the appointment of the Minister of National Defense. This was followed by the King giving the mandate to form a government successively to Georgios Athanasiadis-Novas and Ilias Tsirimokos, who, however, did

not receive a vote of confidence in Parliament. Finally, a coalition government was formed under Stefanos Stephanopoulos, which was supported by 45 members of EK (they were called 'apostates' by Papandreou and the term stuck), 99 members of ERE and 8 members of the P.Pr (Spyros Markezinis) who were elected with ERE . The Stephanopoulos government fell after an agreement between George Papandreou and Panagiotis Kanellopoulos that elections be held by a caretaker government, under Ioannis Paraskevopoulos, in May 1967, and even that there should be a post-election partnership between EK and ERE, regardless of the outcome of the elections.

Appendix 2

Elections, Political Parties, Governments and Prime Ministers of Greece, 1974-2024

Election Date	**Government and Parliament**		**Prime Minister**
1974, November	N.D	(54.4% 220 Seats) *	Karamanlis, C.G.
	EK - N.F	(20.4% 60 Seats)	(1974 Nov-1977 Oct)
	PASOK	(13.6% 12 Seats)	
	U.L	(9.5%, 8 Seats)	
1977, November	N.D	(41.8% 171 Seats) *	Karamanlis, C.G.[1]
	PASOK	(25.3%, 93 Seats)	(1977 Nov - 1980 May)
	U.D.C	(11.9% 16 Seats)	Rallis, G.
	KKE	(9.4% 11 Seats)	(1980 May - 1981 Oct)
	N.L	(6.5% 5 Seats)	
	Alliance	(2.7% 2 Seats)	
	P.N.L	(1.1% 2 Seats)	
1981, October	PASOK	(48,1% 172 Seats) *	Papandreou, A.G.
	N.D	(35.9% 115 Seats)	(1981 Oct - 1985 Jun)
	KKE	(10.9% 13 Seats)	
1985, June	PASOK	(45.8% 161 Seats) *	Papandreou, A.G.
	N.D	(40.9% 126 Seats)	(1985 Jun - 1989 Jul)
	KKE	(9.9% 12 Seats)	
	KKE (Int)	(1.8% 1 Seat)	
1989, June	N.D	(44.3% 145 Seats) *	Tzanetakis, T.
	PASOK	(39.1% 125 Seats)	(1989 Jul - 1989 Oct)
	C.L.P	(13.1% 28 Seats) *	
	D.R	(1.0% 1Seat)	
	Other	(0.5% 1 Seat)	
1989, November	N.D	(46.2% 148 Seats) *	Zolotas, X.[2]
	PASOK	(40.7% 128 Seats) *	(1989 Nov - 1990 Apr)
	C.L.P	(11.0% 21 Seats) *	
	Other	(1.3% 3 Seats)	
1990, April	N.D	(46.9% 150 Seats) *	Mitsotakis, C.
	PASOK	(38.6%, 123 Seats)	(1990 Apr - 1993 Oct)
	C.L.P	(10.3%, 19 Seats)	
	D.R	(0.7%, 1 Seat) *	
	Other	(2.5%, 7 Seats)	
1993, October	PASOK	(46.9% 170 Seats) *	Papandreou, A.G. [3]
	N.D	(39.3% 111 Seats)	(1993 Oct - 1996 Jan)
	P.S	(4.9% 10 Seats)	Simitis, C.
	KKE	(4.5% 9 Seats)	(1996 Jan - Sep)

1996, September	PASOK	(41.5% 162 Seats) *	Simitis, C.
	N.D	(38.1% 108 Seats)	(1996 Sep - 2000 Apr)
	KKE	(5.6% 11 Seats)	
	COA	(5.1% 10 Seats)	
	D.S.M	(4.4% 9 Seats)	
2000, March	PASOK	(43.8% 158 Seats) *	Simitis, C.
	N.D	(42.7% 125 Seats)	(2000 Apr - 2004 Mar)
	KKE	(5.5% 11 Seats)	
	COA	(3.2% 6 Seats)	
2004, March	N.D	(45.4% 165 Seats) *	Karamanlis, C.A.
	PASOK	(40.6% 117 Seats)	(2004 Mar - 2007 Sep)
	KKE	(5.9% 12 Seats)	
	SYRIZA (3.3% 6 Seats)		
2007, September	N.D	(41.9% 152 Seats) *	Karamanlis, C.A.
	PASOK	(38.1% 102 Seats)	(2007 Sep - 2009 Oct)
	KKE	(8.1% 22 Seats)	
	SYRIZA	(5.0% 14 Seats)	
	P.O.A	(3.8% 10 Seats)	
2009, October	PASOK	(43.9% 160 Seats) *	Papandreou, G.A.
	N.D	(33.5% 91 Seats)	(2009 Oct - 2011 Nov)
	KKE	(7.5% 21 Seats)	Papademos, L.[4]
	P.O.A	(5.6% 15 Seats)	(2011 Nov - 2012 May.)
	SYRIZA	(4.6% 13 Seats)	
2012, May	N.D	(18.9% 108 Seats)	Pikramenos, P.[5]
	SYRIZA	(16.8% 52 Seats)	(2012 May - Jun)
	PASOK	(13.2% 41 Seats)	
	I.H	(10.6% 33 Seats)	
	KKE	(8.5% 26 Seats)	
	G.D	(7.0% 21 Seats)	
	D.L	(6.1% 19 Seats)	
2012, June	N.D	(29.7% 129 Seats) *	Samaras, A.[6]
	SYRIZA	(26.9% 71 Seats)	(2012 Jun - 2015 Ίαν.)
	PASOK	(12.3% 33 Seats) *	
	I.H	(7.5% 20 Seats)	
	G.D	(6.9% 18 Seats)	
	D.L	(6.3% 17 Seats) *	
	KKE	(4.5% 14 Seats)	
2015, January	SYRIZA	(36.3% 149 Seats) *	Tsipras, A.
	N.D	(27.8% 76 Seats)	(2015 Ίαν. - 2015 Aug)
	G.D	(6.3% 17 Seats)	
	The River	(6.1% 17 Seats)	
	KKE	(5.5% 15 Seats)	

	I.H	(4.8% 13 Seats) *	
	PASOK	(4.7% 13 Seats)	
2015, September	SYRIZA	(35.5%, 145 Seats) *	Tsipras, A.[7]
	N.D	(28.1% 75 Seats)	(2015 Sep - 2019 Jul)
	G.D	(7.0% 18 Seats)	
	PASOK (6.3%	17 Seats)	
	KKE	(5.6% 15 Seats)	
	The River	(4.1% 11 Seats)	
	I.H	(3.7%, 10 Seats) *	
	U. Cen.	(3.4% 9 Seats)	
2019, July	N.D	(39.9%, 158 Seats)	Mitsotakis, K.
	SYRIZA	(31.5%, 86 Seats)	
	M.C	(6.3%, 22 Seats)	
	KKE	(5.3%, 15 Seats)	
	H.S	(3.7%, 10 Seats)	
	F.E.R.D	(3.4%, 9 Seats)	
2023, May	N.D	(40.8%, 146 Seats)	Sarmas, I.[5]
	SYRIZA	(20.1%, 71 Seats)	
	PASOK - M.C	(11.5%, 41 Seats)	
	KKE	(7.2%, 26 Seats)	
	H.S	(4.5%, 16 Seats)	
2023, June	N.D	(40.6%, 158 Seats)	Mitsotakis, K.
	SYRIZA	(17.8%, 47 Seats)	
	PASOK - M.C	(11.8%, 32 Seats)	
	KKE	(7.7%, 21 Seats)	
	Spartans	(4.7%, 12 Seats)	
	H.S	(4.4%, 12 Seats)	
	Victory	(3.7%, 10 Seats)	
	S.F	(3.2%, 8 Seats)	

***** Denotes a Party in Government.

Main Parliamentary Political Parties 1974-2023:

N.D (New Democracy, Νέα Δημοκρατία, Ν.Δ, in Greek). It was founded by Constantine Karamanlis in 1974, after the restoration of Democracy. Its presidents were: Constantine G. Karamanlis, 1974-1980, George Rallis, 1980-1981, Evangelos Averof, 1981-1984, Constantine Mitsotakis, 1984-1993, Miltiadis Evert, 1993-1997, Costas Karamanlis, 1997-2009, Antonis Samaras , 2009-2015, Evangelos Meimarakis (interim), 2015, Yiannis Plakiotakis (interim), 2015-2016, Kyriakos Mitsotakis, 2016 to date. It has participated in all the post-1974 parliamentary elections and formed governments in 1974, 1977, 1989 (coalition), 1990, 2004, 2007, 2012 (coalition), 2019, 2023. It also participated in the government of national unity of 1989 as the largest party.

PASOK (Panhellenic Socialist Movement, ΠΑ.ΣΟ.Κ, in Greek). It was founded by Andreas Papandreou in 1974, after his return from exile. Its presidents were: Andreas Papandreou, 1974-1996, Costas Simitis, 1996-2004, George A. Papandreou, 2004-2012, Evangelos Venizelos, 2012-2015, Fofi Gennimata, 2015-2021, Nikos Androulakis, 2020 to date. It has participated in all parliamentary elections between 1974 and 2012 and formed governments in 1981, 1985, 1989, 1993, 1996, 2000 and 2009. It also participated in the government of national unity of 1989 and the coalition government of 2012. It is the party that dominated the political landscape between 1981 and 2001. After the 2015 elections it was renamed Movement of Change (M.C) and after 2023 in was again renamed PASOK - M.C.

KKE (Communist Party of Greece, Κομμουνιστικό Κόμμα Ελλάδας, Κ.Κ.Ε, in Greek). It was founded in 1918 as the Socialist Labor Party of Greece and was renamed as Communist Party of Greece in 1925. It was outlawed in 1947, in the latter stages of the civil war and allowed to operate legally again in 1974. Its General Secretaries were Charilaos Florakis, 1972-1989, Grigoris Farakos, 1989-1991 , Aleka Papariga, 1991-2013 and Dimitris Koutsoumbas, 2013 to date.

SYRIZA (Coalition of Radical Left, Συνασπισμός Ριζοσπαστικής Αριστεράς, ΣΥ.ΡΙΖ.Α, in Greek). It was founded in 2004 as an electoral alliance of the Coalition of the Left, Movements and Ecology (COA) with other smaller left-wing parties, while in 2012 it was transformed into a single political party. The roots of the party lie in KKE (Interior) of the Eurocommunist left, but also in the historical coalition of the two communist parties of Greece (KKE . and U.L), which formed the Coalition of the Left and Progress (C.L.P). Its presidents were: Nikos Konstantopoulos, 2004, Alekos Alavanos, 2004-2008, Alexis Tsipras, 2008-2023 and Stefanos Kasselakis, 2023 until today. It led coalition governments between 2015 and 2019.

Other Parliamentary Political Parties, 1974-2023

EK - N.F (Union of the Centre - New Forces) Emanating from the Union of the Centre (EK) of the period before the dictatorship, led by Georgios Mavros, it participated in the Parliament of 1974 as the official opposition.

U.L (United Left) Coalition of KKE, KKE (interior) και EDA. Led by Ilias Iliou, it participated in the Parliament of 1974, after the end of which it was split into its components. KKE continued its autonomous course, while the other parties together with other formations subsequently created the Alliance of Progressive and Left Forces.

U.D.C (Union of Democratic Centre). It emerged from the merger of EK - N.F with the Democratic Center Union (D.C.U) of Ioannis Zigdis. Led by Georgios Mavros, it participated in the Parliament of 1977. The electoral failure led to the resignation of the president of the party, Georgios Mavros, who then also left the party, remaining an independent member of parliament. He was succeeded by Ioannis Zigdis. In 1978 the U.D.C split and its percentages collapsed.

N.L (National Lineup) Led by Stefanos Stefanopoulos and Spyros Theotokis it participated in the Parliament of 1977.

Alliance (Alliance of Progressive and Left Forces) Led by Ilias Iliou, it participated in the Parliament of 1977. At the end of its parliamentary term, the Alliance was dissolved.

P.N.L (Party of New Liberals) It was founded by the former member of parliament and minister of EK and the 'apostates' Constantine Mitsotakis and participated in the Parliament of 1977. In 1978 Mitsotakis joined N.D and was appointed as Minister of Coordination. He later became the leader of N.D and Prime Minister.

C.L.P (Coalition of the Left and Progress) Electoral Coalition of the Communist Party of Greece (KKE) and the United Left (U.L), originating from KKE (Interior). It participated in the Parliaments of June and November 1989 and that of 1990. After the withdrawal of KKE in 1991 it evolved into a single party (Coalition or COA).

D.R (Democratic Renewal) Created by the former MP and minister of the N.D. Constantine Stephanopoulos, later President of the Republic. Participated in the Parliament of June 1989 and elected one deputy in the Parliament of 1990 who joined N.D so that it could form a government.

COA (Coalition of the Left and Progress and, after 2003, Coalition of the Left, Social Movements and Ecology) It was founded in 1991 after the departure of KKE from C.L.P. Maria Damanaki was elected its first President. After the failure of the party to enter Parliament in the 1993 elections, Maria

Damanaki resigned and was succeeded by Nikos Konstantopoulos. COA participated in the Parliament of 1996 and 2000 and in 2004 it evolved into SYRIZA.

P.S (Political Spring) It was founded in 1993 by the former MP, Minister and later President of N.D and Prime Minister Antonis Samaras. Participated in the Parliament of 1993.

D.S.M (Democratic Social Movement) It was founded by the former MP and minister of PASOK Dimitris Tsovolas. Participated in the Parliament of 1996.

P.O.A (People's Orthodox Alarm) It was founded in 2000 by George Karatzaferis, a former N.D MP. Participated in the Parliaments of 2007 and 2009.

D.L (Democratic Left). It was founded in 2010 by former members of SYRIZA, led by Fotis Kouvelis. Participated in the Parliament of May and June 2012 and the coalition government of 2012-2014.

I.H (Independent Hellenes) Founded in 2012 by Panos Kammenos, a former ND MP. Participated in the Parliament of May and June 2012 and January and September 2015, and the coalition governments of 2015-2019.

G.D (Golden Dawn). It was founded in 1980 by Nikos Michaloliakos as an organisation with a Nazi ideology, oriented around the publication of a magazine of the same name. It participated as a political party in the Parliament of May and June 2012 and January and September 2015. On October 7, 2020, Golden Dawn was condemned as a criminal organisation by the Tripartite Court of Criminal Appeals, and thus its Secretary General and leadership were convicted and served prison terms.

The River. Founded in 2014 by journalist Stavros Theodorakis. It participated in the Parliament of January and September 2015. In November 2019 it suspended its operations.

U. Cen. (Union of Centrists). Founded in 1992 by Vassilis Leventis. Participated in the Parliament of September 2015.

M.C (Movement of Change). Founded as a merger between the PASOK, the River and other smaller parties in 2017. Its first elected President was Fofi Gennimata. After her death in 2021, her former rival Nikos Androulakis was elected as President. Participated in the Parliament of 2019.

PASOK - M.C. In 2022 M.C was renamed PASOK - M.C and participated in the Parliaments of May and June 2023.

H.S (Hellenic Solution). Founded in 2016 by the former MP of P.O.A Kyriakos Velopoulos. Participated in the Parliaments of 2019 and 2023.

F.E.R.D (Front of European Realistic Disobedience). Founded in 2018 by Yanis Varoufakis, a former member of parliament and minister of SYRIZA. Participated in the Parliament of 2019.

Spartans. Right wing nationalist party founded in 2017 by Vassilis Stigas. In the elections of 2023, it has allegedly served as a front for the banned G.D. Participates in the current Parliament of June 2023.

Victory. Right wing orthodox party founded by Dimitri Natsios in 2019. Participates in the current Parliament of June 2023.

S.F (Sail of Freedom). Founded in 2016 by Zoe Konstantopoulou, former MP of SYRIZA. Participated in the Parliaments of May 2023 and June 2023.

Footnotes

[1] After the election of Constantine Karamanlis to the Presidency of the Republic in May 1980, George Rallis was elected President of N.D and took over as Prime Minister.

[2] Following the inability of the first party, N.D, to form an autonomous government, despite having secured 46.2% of the votes, a government of National Unity was formed with the participation of N.D., PASOK. and C.L.P.

[3] After the deterioration of the health of Andreas Papandreou and his resignation from the position of President of PASOK and Prime Minister, Costas Simitis was elected President of PASOK, in January 1996 and also took over as Prime Minister.

[4] After the resignation of George A. Papandreou in November 2011, a coalition government of PASOK, N.D and P.O.A was formed, with Loukas Papademos, former Governor of the Bank of Greece and Vice-President of the European Central Bank as Prime Minister.

[5] Caretaker Prime Minister, to oversee new elections.

[6] D.L stopped supporting the Samaras government in 2013.

[7] The I.H left the Tsipras government in 2019.

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