ECONOMIC AND POLITICAL CRISES IN GREECE AS DESTABILIZING FACTORS IN EUROPEAN UNION

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The paper attempts to bring out a brief history of the European Union. It highlights the laid down economic conditions for being part of European Union for member countries from Europe. The paper discusses the economic constraints for an individual country for successful implementation of the Maastricht Treaty, 1992. It has shown how Greece became victim of one currency model with its complete dependency on the European Central Bank for pursuing the appropriate monetary policy. The economic conditions of Greece deteriorated since its enactment to the citizenry of the single currency zone of the European Union. The successive bailouts by international agencies have gone into raising the Debt-GDP ratio without any addition to the real economic benefit to the Greek economy.

Key words: European Union, Maastricht Treaty, Debt Crisis, Debt-GDP Ratio, Convergence Ratio, European Central Bank, Monetary Policy, Fiscal Policy, Euro.

INTRODUCTION

The referendum in Greece held on 6th July, 2015 clearly indicated that people of Greece have mandated the Greek government in the leadership of Alexis Tsipras to abandon the conditions imposed by the European Union in return of financial bailout. Such massive mandate at the cost of membership of the European Union is not unfounded. Greece currently is under massive recession only comparable to the world's economic recession of 1929. The general unemployment rate is prevailing at 25.6 percent while the youth unemployment roaring at 49.6 percent. The inflation rate has gone negative at -2.? percent with GDP growing at 0.2 percent per annum.[1] The rise of unemployment to this staggering level is dour sign of misery of the people in Greece with no inflow of income in their hands. Such a high level of unemployment is also a sign of the lost years keeping in mind the 'Okun's Law'; and that carries negative implication for the prosperity of Greek population. The current paper attempts to understand the present conjecture of

[1] These data have been obtained from http://www.tradingeconomics.com/greece/indicators

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Greece and its plausible explanation which is rooted in the very principle of the formation of the European Union. The first section of the paper elaborates the evolution of the European Union and its agreed principles. The second section attempts to elaborate upon the problems of the operational part of economic principles that underlie the agreement. Third section attempts to bring out the performance of Greek economy after the constitution of monetary union since 2002. This section also touches upon the role of political leadership in building up the economic crisis in Greece. Forth section concludes with policy implication.

1. Evolution of European Union

The evolution of European Union goes back to the Treaty of Rome of 1957. The Treaty of Rome was signed by Italy, France, Luxemburg, the Netherlands and West Germany on 25th March 1957 to establish the European Economic Community (EEC). It was meant for creating a common market and custom union among its members with an objective of their economic and social progress. It was projected to reduce the economic gap between the rich and poor regions of Europe and thereby inviting other countries too to have a united and strengthened Europe at the international level.[2] However, after two and a half decades the architects of the EEC, which is also known as the Common Market, realised that smooth circulation of capital, goods, services and people across the Common Market required almost 300 individual regulations (Roy, 2007).[3] This necessity led to a Single European Act, 1986 which prepared the way for the Maastricht Treaty, 1992. The Maastricht Treaty was a result of an amendment in the Treaty of Rome to convert the EEC into the European Community. Since this amendment was adopted on 7th February, 1992 in Maastricht, Netherlands hence it is called the Maastricht Treaty. The number of nations who signed the Maastricht Treaty was twelve showing increasing sphere of Europeanism. The Maastricht Treaty, 1992 resolved that the task of European Community will be carried out by the following seven institutions:[4]

a. European Parliament,
b. European Council,
c. Council of European Union

[2] The Treaty of Rome, 25th March 1957, available at http://www.eurotreaties.com/rometreaty.pdf.

[3] Joaquin Roy (2007), Reflection on the Treaty of Rome and today's Europe, Jean Monnet and Robert Schuman Paper Series Special, April, Miami European Union Center, University of Miami available at http://www6.miami.edu/eucenter/Roy_ReflectionsTreatyRome_spec07_edi.pdf.

[4] See Maastricht Treaty(1992) available at http://www.eurotreaties.com/maastrichtec.pdf.

d. European Commission
e. Court of Justice of European Union
f. European Court of Auditors
g. European Central Bank

Such institutions were created to bring the economic, political and social cohesion among the member countries. One of the core objectives of the European Union was adoption of single currency. There was a detailed time table for the adoption of a single currency across the member nations. The first stage consisted of ratification of the treaty by each member state which started right from 1992. The second stage, started in January 1994, required that each national central bank will cease to grant direct loans to its treasury and function as independent bank (Wyplosz, 1997). The second stage was also characterized by setting up of the European Monetary Institute to prepare the roadmap for setting up the European Central Bank and also to oversee whether the countries, which want to become member, fulfill the 'convergence criteria' as adopted in the Treaty. Third stage begins with adoption of membership by countries after meeting the 'convergence criteria'. The third stage was set to start from 1st January, 1999 (*ibid*, 1997). The fulfillment of the 'convergence criteria' was considered to be important for the success of the single currency. The 'convergence criteria' was single most important economic parameter to decide the membership. As per 'convergence criteria' the intending country to join the single currency must be characterised by the following four parameters (*Ibid*, 1997):

1. It should have below 1.5 percent of annual inflation rate.
2. Its long-term interest rate should not exceed 2 percent.
3. Its exchange rate must have remained within the normal bands of existing Exchange Management System without sever pressure for last two years.
4. The ratio of debt to GDP should not exceed 60 percent.
5. The budget deficit should not exceed 3 percent of GDP.

According to Wyplosz (1997), only Luxembourg could meet all the five criteria. Since many countries were unable to meet the 'convergence criteria' the laxity was offered on certain parameters such as Debt-DGP ratio and budget deficit. It was emphasised that if any country, who is nursing towards the 'convergence criteria' may be allowed the membership with the objective of reaching to the criteria soon as the European Commission was notoriously supportive of economic and monetary union. Eleven

countries had met the Maastricht criteria by 1997, allowing the European monetary union to be launched in 1999 with the introduction of Euro as European Union currency (Lane, 2006). However, Greece joined the monetary union (Euro zone) only in 2001. By the early 2015 there were 28 members of the European Union amongst which Lithuania has been the latest.[5] Out of these 28 European Union members only 19 agreed to adopt the single currency that is Euro; while the remaining 9 members are non-Euro European Union members. These 9 countries include Sweden, Poland, Czech Republic, Hungary, Romania, Bulgaria, Croatia, United Kingdome and Denmark. Except United Kingdom and Denmark, the rest of these nine countries have been waiting for the European monetary union membership till they fulfill the 'convergence criteria'. The United Kingdom and Denmark deliberately chose to remain outside of the monetary union but with permanent membership of the European Union with being member of the European Exchange Rate Mechanism (EERM). The arrangement of the EERM is such that the member country's exchange rate vis-à-vis Euro does not deviate from the target rate.

2. Economic principle that underlies the European Union and its problems

Mundell-Fleming textbook model of an open economy, a widely discussed and macroeconomic policy tool, served as guide for the European Union to move towards a monetary union (Wyplosz, 1997). It propounded the concept of "impossible trinity" in an open economy. According to this concept only two out of the following three are mutually compatible: (a) full capital mobility, (b) independent monetary policy and (c) fixed exchange rate. With a free capital mobility across the European Union either the independent monetary policy or fixed exchange rate system had to be sacrificed. Given the greatly integrated European market through trade, the fluctuation in bilateral exchange rate was not acceptable among the European countries. Hence, they agreed upon managed float bilateral exchange rate system with fluctuation band of ±2.25 percent with losing their independent monetary policy (Begg and Wyplosz, 1993). Fixed exchange rate system in Europe was also a legacy of the Bretton Woods System that ultimately collapsed with oil crisis of the early 1970s. With such an arrangement of managed float exchange rate system with very narrow bands there was an end to monetary policy independence in all member countries of European Monetary System except Germany. It was precisely because Germany constituted the largest share of GDP among the member countries.

[5] The list of the European Union includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

Bundesbank, the Germany's central bank, became major player to decide the monetary policy for the whole Europe (Wyplosz, 1997). Sanctity to the dominancy of the Bundesmank across Europe in monetary policy formulation was awarded on the basis of its successful reputation for fighting inflation. The Netherlands, France, Italy and Spain gradually realized that their central banks had no role in the domestic monetary policy and hence to have some influence in the formulation of monetary policy of Europe, they became open to only one central bank for the whole of Europe and only one currency. This led to the creation of the European Central Bank, which would supersede the Bundesbank. But the Germany was ready to give up its strongest institution only with commitment of the European Central Bank to control inflation. This led to introduction of the European Central Bank with Euro as single currency of whole of European Union in 1999. One of the basic premises to control inflation was to ensure the budget deficit to be within 3 percent range of the GDP and the ratio of public debt-GDP at 60 percent as it has been mentioned earlier in the discussion of agreement of the European Union.

Such economic understanding has deflationary consequences in the member countries that are specifically small in terms of their relative size of GDP as compared to member country with the largest share of GDP of the European Union. Fiscal and monetary policies function as two legs for the desired movement of an economy. The arrangement of monetary union deprives the member country from the exercise of its own monetary policy according to its needs. Along with such arrangement, controlling the budget deficit of the government below 3 percent in some way also deprives the country from having flexible exercise of its own fiscal policy. Such deprivation of monetary and fiscal policies makes the country economically handicapped in pursuing its own agenda of economic prosperity as per its needs. The gravity of economic problems grows with arrival of recessionary symptoms in the economy as this widens the budget deficit. However, the notions that underlie the deficit control and inflation targeting monetary policies based on economic orthodoxy have always been challenged by many economists not only theoretically but empirically as well. Terzi (2007) conducted study to find out the relation between fiscal deficit and interest rates for the USA over the period from 1992 to 2006 and concludes that rise in fiscal deficit does not lead to rise in interest rates; rather he observed the downward trend of interest rate with rising fiscal deficit.[6] Similarly, Das (2004) studied about India for the relation between fiscal deficit

[6] Andrea Terzi (2007), Fiscal deficit in the US and Europe: Revisiting the link with interest rates, SCEPA Working Paper 2007-4, Schwartz Center for Economic Policy Analysis, The New School.

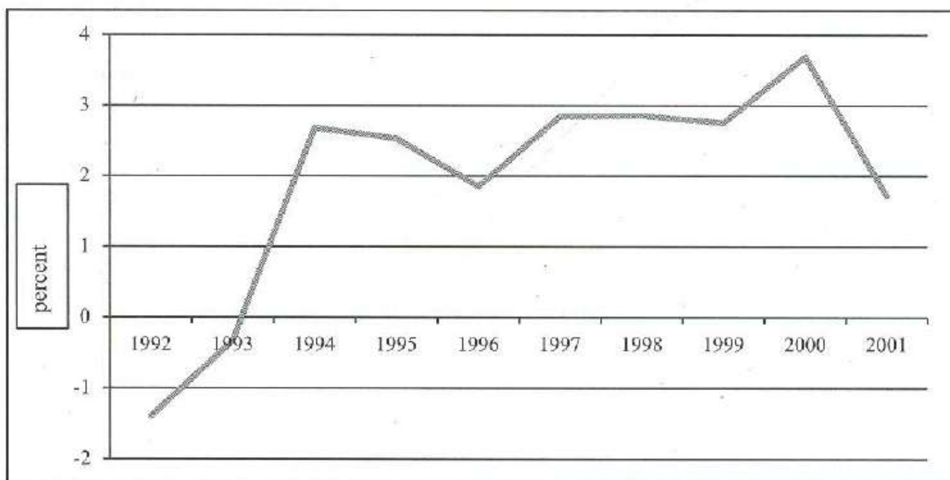
and rate of interest and has come to the conclusion that formulation of fiscal policy keeping in mind the crowding out effect is erroneous for the countries where the economy operates at below full employment income. He also found out that interest rates do not necessarily depend on the fiscal deficit. As far as inflation targeting policy of central bank is concerned, Davidson (2006) and Epstien (2007) argue that inflation targeting might achieve the lower inflation but it is against the full employment target. Davidson (2006) brings here Keynes' notion that the central bank can target inflation only via installing an "income policy of fear". Azad and Das (2013) question the whole model of downward sloping Phillips curve and shows that for developing countries, where there is huge amount of unemployed labour reservoir, the Phillips curve is actually horizontal and hence the central bank can always target the reduction of unemployment without any fear of inflation. However, Greece and many members of the European Union adopted the deflationary economic principles to lead their economies towards the economic hardship for majority, particularly the working class.

3. Economic performance of Greece and its current economic and political turmoil

The analysis of Greece's economic performance has been divided into two periods to understand the current juncture of economic and political turmoil in Greece with special reference to European Union and its policy setting. First period is between 1992 and 2002 and second period is 2002 onwards. The periods have been classified entirely on the basis of the European Union's membership of Greece. Figure 1a and 1b are definitely reflection of worsening economic performance of Greece during the membership of the monetary union of Europe. Average annual growth rate of per-capita GDP was reported at 1.92 percent per annum during 1992-2001 but it declined to the level of 0.77 percent per annum. Such decline during the EU membership period was more than 50 percent of that of pre-membership. Such slowdown is clearly observable in the ratio of Greece's GDP to the GDP of Germany, France and the whole of Europe. Germany and France constitute together almost 45 percent of the Europe's GDP. The figure 2 shows that the ratio of Greece's income to Germany's income rose sharply till 2002 but after that it witnessed decline in the pace of rise and finally the ratio started declining since 2009. Similar was the trend of GDP of Greece in comparison to the GDP of the whole of Europe. The fall in GDP of Greece in comparison to Germany and France was accentuated by the USA's subprime crisis of 2007-08. However the binding conditionalities for being the member of Monetary Union imposed restrictions of

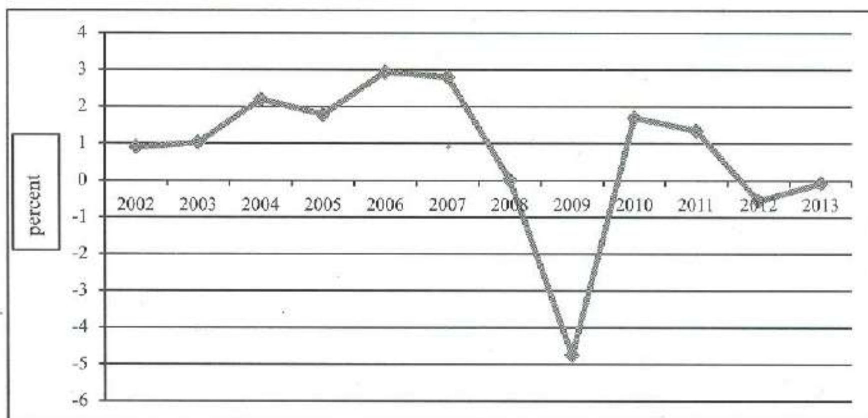
exercise of economic policies suitable to the domestic requirements. As it has been mentioned previously that the role of active fiscal and monetary policies grows with the advent of recession but restrain on the exercise of economic policies affected Greece's GDP negatively. In the macroeconomic arrangement in the monetary union, Greece did not have any option with either exchange rate determination or monetary expansion and that led to three problems: first, rising current account deficit, second, rising domestic interest rates, and third, burgeoning public debt-GDP ratio particularly during the post-subprime crisis of the USA. We discuss each in the following sub-sections.

Figure 1a: Per-capita GDP annual growth rate of Greece (1992-2002)



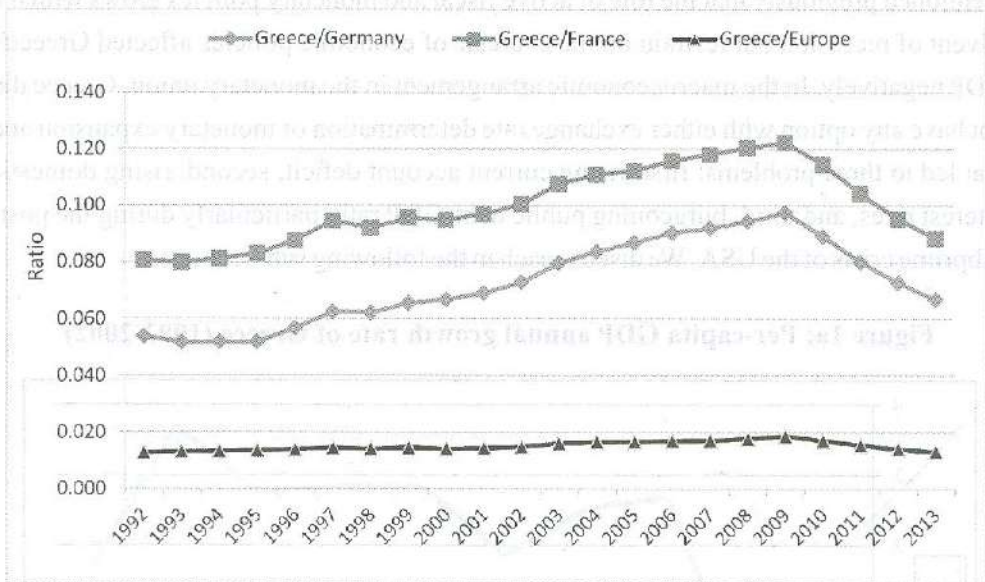
Source: Based on data from UNCTAD

Figure 1b: Per-capita GDP annual growth rate of Greece (2003-2013)



Source: Based on data from UNCTAD

Figure 2: Ratio of Greece's GDP to GDP of Germany, France and Europe



Source: Based on data from UNCTAD

Table 1: Certain macroeconomic indicators in Greece

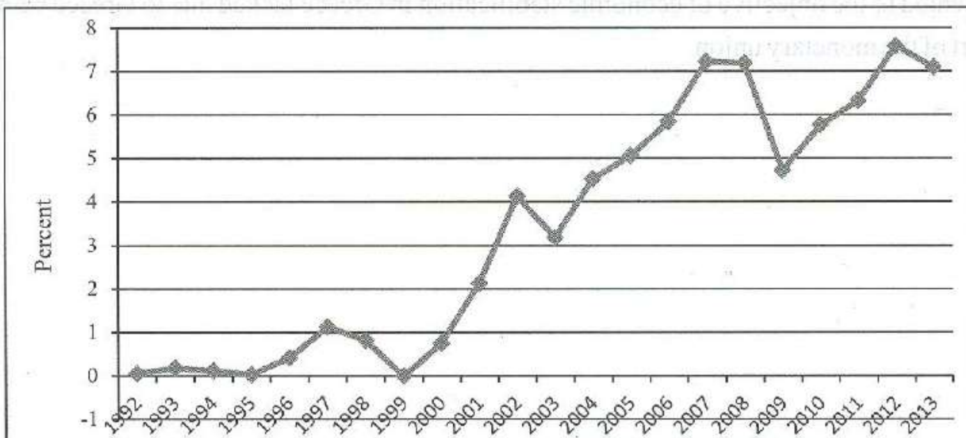
Year	Trade Deficit as % of GDP	Value of Imports	Budget Deficit	Debt-GDP Ratio	Rate of Interest (Long-term-10 years)	Unemployment Rate	Industrial Growth Rate	Gross Capital Formation (Growth rate)
1992	-1.9	30944.3	NA	NA	NA	NA	-1.3	-8.2
1993	-0.7	31138.5	-13.4	NA	NA	NA	-2.3	-4.4
1994	-0.1	31605.7	-9.3	NA	NA	NA	0.1	-0.6
1995	-2.2	34432.9	-10.2	97.0	NA	NA	0.4	5.5
1996	-3.3	37981.3	-7.4	99.4	NA	NA	1.9	8.5
1997	-3.6	41288.6	-4.0	96.6	NA	NA	-1.0	2.4
1998	-2.7	47800.3	-2.5	94.5	8.5	11.2	7.4	16.0
1999	-5.2	55927.5	-1.8	94.0	6.3	12.1	2.6	3.2
2000	-7.8	66541.3	-4.1	103.4	6.1	11.4	5.6	9.6
2001	-7.2	67321.2	-3.7	103.7	5.3	10.4	8.0	1.7
2002	-6.6	65017.3	-3.7	101.7	5.1	9.8	-7.1	0.3
2003	-6.6	68808.8	-4.8	97.4	4.3	10.6	6.3	20.1
2004	-5.9	73691.9	-5.5	98.6	4.3	10.0	5.7	0.0
2005	-7.6	73199.3	-3.6	100.0	3.6	9.0	5.7	-15.0
2006	-11.3	83220.5	-3.0	106.1	4.1	8.4	17.7	27.2
2007	-14.6	95801.7	-6.5	107.4	4.5	7.8	10.1	10.9
2008	-15.0	98251.9	-9.8	112.9	4.8	9.6	-10.5	-7.0
2009	-11.2	78961.2	-15.6	129.7	5.2	12.7	-18.4	-27.7
2010	-10.3	74628.8	-10.7	148.3	9.1	17.9	-14.8	-11.0
2011	-9.9	67881.5	-9.5	170.3	15.8	24.4	-13.8	-16.4
2012	-2.5	61694.8	-10.0	157.2	22.5	27.5	-13.9	-20.8
2013	0.7	60680.5	-3.8	175.1	10.1	26.5	-10.1	-12.3

Source: OECD

- **Rising current account deficits**

Table 1 clearly brings out the worsening trade account of Greece since it became member of the monetary union. The preparation of Greece to be part of monetary union also influenced its trade performance as it is reflected in immediate preceding period where trade deficit tended to rise. Such rise of trade deficit was entirely on account of rise in import as shown in Table 1. Surprisingly, the conditionalities of becoming member of the monetary union never included the cap on the trade deficits while it made compulsory the cap on budget deficits, inflation and debt-GDP ratio. Such rise of trade deficit in Greece was the gain for Germany, a leading exporter of Europe (see Figure 3). Such trend affected the domestic industries in Greece adversely. In fact the industrial sector in Greece grew at -3.6 percent per annum between 2002 and 2013 and it was actually a fall of industrial performance if compared to the pre-monetary union membership period when the industrial sector grew at 2.1 percent per annum between 1992 and 2001. Such deindustrialization in Greece was reflected by the negative annual average growth rate of Gross Capital Formation at -4.4 percent between 2002 and 2013. The role of monetary union in deindustrialization of Greece is quite evident from the fact that before 2002 the Gross Capital Formation grew at 3.4 percent per annum between 1992 and 2001.

Figure 3: Trade surplus of Germany as percentage of GDP



Source: OECD

- **Rise of interest rates**

Inflation control was very important component of the 'convergence criteria' for the monetary union's membership. The European Central Bank (ECB) became the sole

guardian to decide the money supply for ensuring strict control over inflation across member countries. Greece lost of its central bank's role to regulate the money supply. The monetary policy of the ECB was never maneuvered to match the need of Greece's economic dynamics. This was more so during the recession period. Table 3 clearly reflects that with the advent of recession in 2008 the policy rates associated with the Deposit Facility, Main Refinancing Operations and Marginal Lending Facility were raised.[7] This stand of the ECB was contrary to the required stand of 'leaning against the wind'. At this point by having tightened monetary policy, the economic contraction became a free fall into a sharp recession (Beckworth, 2015). The tightening of monetary policy was also reflected by decline in the money supply measured as M_2.[8] The effect of tight monetary policy on the possible slowdown of private investments is clearly visible from Table 2 which shows that the beginning of economic crisis during 2008 never witnessed any major fall of interest rates on consumer loans as well as loans to the non-financial corporate sector. Such trend of interest rates affected the level of aggregate demand adversely. This is more so when the inflation rate was declining (see Table 2). Decline of aggregate domestic demand in the form government expenditure, investment expenditure and consumption expenditure is quite visible in Figure 4. In such a situation the continuation of tight monetary policy during 2007 and 2008 must have aggravated the recessionary trend. It points to the fact that independent monetary policy entirely oriented to the objective of economic stabilization in Greece lacked due to Greece being part of the monetary union.

[7] Among these three policy rates the Main Refinancing Facility is the most important one as it is the source of bulk of liquidity in the banking system.

[8] M_2= currency in circulation + Sight deposits + current accounts + saving deposits + deposits with maturity 2 years + deposits redeemable at notice up to 3 years. The data on monetary aggregates are Greek contribution of Euro area monetary aggregates.

Table 2: Money supply, inflation rate and interest rates

Year	Growth Rate (M_2)	Annual change of CPI (average)	Interest to households	Interest rates to non-financial corporate sector
2002	8.9	3.63	7.28	5.98
2003	11.2	3.53	7.30	5.34
2004	14.1	2.90	7.03	5.14
2005	18.2	3.55	6.72	5.06
2006	14.8	3.20	6.61	5.64
2007	13.7	2.89	6.67	6.38
2008	15.0	4.16	6.96	6.63
2009	10.9	1.21	6.27	4.73
2010	-6.3	4.71	5.85	5.10
2011	-10.9	3.34	6.62	6.37
2012	-13.8	1.51	4.87	6.51
2013	3.5	-0.92	4.75	6.21
2014	1.5	-1.31	4.77	5.79

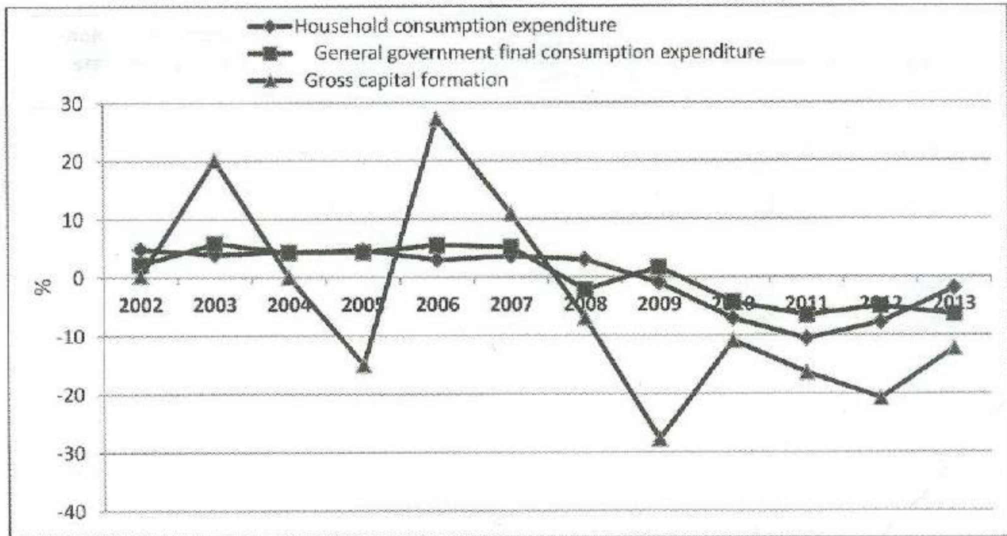
Source: Bank of Greece

Table 3: Policy rates by European Central Bank

Time	Deposit Facility	Main Refinancing Operations	Marginal Lending Facility	Time	Deposit Facility	Main Refinancing Operations	Marginal Lending Facility
06/12/2002	1.75	2.75	3.75	21/01/2009	1.00	2.00	3.00
07/03/2003	1.5	2.50	3.50	11/03/2009	0.50	1.50	2.50
06/06/2003	1.00	2.00	3.00	08/04/2009	0.25	1.25	2.25
06/12/2005	1.75	2.75	3.75	13/05/2009	0.25	1.00	1.75
08/03/2006	1.50	2.50	3.25	13/04/2011	0.50	1.25	2.00
15/06/2006	1.75	2.75	3.75	13/07/2011	0.75	1.50	3.00
09/08/2006	2.00	3.00	4.00	09/11/2011	0.50	1.25	2.25
11/10/2006	2.25	3.25	4.25	14/12/2011	0.25	1.00	2.00
13/12/2006	2.5	3.50	4.50	11/07/2012	0.00	0.75	1.75
14/03/2007	2.75	3.75	4.75	08/05/2013	0.00	0.50	1.50
13/06/2007	3.00	4.00	5.00	13/11/2013	0.00	0.25	1.00
09/07/2008	3.25	4.25	5.25	11/06/2014	-0.10	0.15	0.75
08/10/2008	2.75	4.25	4.75	10/09/2014	-0.20	0.05	0.40
15/10/2008	3.25	3.75	4.25	---------	---------	--------	-------
12/11/2008	2.75	3.25	3.75	---------	---------	---------	--------
10/12/2008	2.00	2.50	3.00	---------	---------	---------	--------

Source: https://www.ecb.europa.eu/stats/monetary/rates/html/index.en.html

Figure 4: Annual growth rate of sectoral expenditures at constant price



Source: OECD

- **Unsustainable Debt-GDP ratio**

Greece as being part of the European Union has been characterised by effective provision of social security to its public which includes generous pension system, expansive child care provisions, universal health care and extended unemployment compensation among others. In fact the European social model has been claimed as an alternative to the American free market that has fewer social benefits (Liu, 2012).[9] In fact in a presidential debate in 2012, the Republican Party's nominee Mr. Mitt Romney argued that if America does not want to suffer the Greek economic fate then it has to get its fiscal house in order. Following this immediately Greek debt crisis was linked to its generous welfare state (*ibid*). Greece as per data of 2014 spent close to 25 percent of its GDP on social welfare programs and it was just above 22 percent of the European average (OECD, 2015). The largest share was of France that spent almost 32 percent of its GDP on social welfare. The political and social pressure did not allow the government to cut down the expenditure on social welfare much. However, there has been attempt to cut down such expenditure under the pressure of the international financial institutions. The commitment to social welfare by Greece became reason for higher budget deficit more so since 2008. The 2008 economic crisis led to the huge amount of bad loans of the

[9] https://liamchingliu.wordpress.com/2012/12/21/the-viability-of-the-european-social-model-the-german-welfare-state-and-labor-market-reforms/

private sector. The Greek government spent billions of Euros to bailout banks and financial institutions.[10] Such growing expenses by the government during the economic crisis caused the Debt-GDP ratio to go up to 175 percent in 2013 from 101.7 percent in 2002. In the absence of its own money and its own independent monetary policy to finance expenditures through ways and means Greece had to finance its growing expenditure by resorting to borrowing from the international agencies. The Debt-GDP ratio of Greece is considered to be unsustainable entirely due to the absence of its own central bank; as we all know that Japan in spite of having Debt-GDP ratio at 230 percent in 2014 is never being threatened for its expenditure policy the way Greece is.

It is also essential to briefly touch upon the role of political leadership in handling the economic affairs which ultimately promoted economic crisis as well as political churning in Greece. The political history of Greece points to the fact that after the fall of seven years of dictatorship in 1974 it is mainly two political parties namely PASOK and New Democracy have ruled the governance of Greece (Lyrintzis, 2011). PASOK, which has ruled throughout 1980s and 1990s, is considered to be the left of the centre. While the New Democracy, which has ruled throughout period since 2004 and till the advent of economic crisis in 2011, is considered to be the right of the centre. PASOK, as per given its ideological commitment to the socialist principles, was votary of strengthening the state in the affairs of economy. However, PASOK did make attempt to implement few economic reforms including the reforms of pension system on the line of market regime after Greece became member of the monetary union. But such reforms faced massive opposition by the society so much so that PASOK lost the election in 2004 very heavily in favour of the New Democracy party. New Democracy contested election with the slogan of reorganizing 'the state' with an objective of doing away the cliental politics of PASOK. However, after winning the election New Democracy party was stuck between its commitment to ideological moorings (right of the centre) and welfare concerns of the people Greece. People in Greece were highly critical to any reforms which would take away their economic benefits. In fact it was the policy package of New Democracy that could not avoid the situation of economic crisis. It must be pointed out here that both the parties were alleged to have involved in many more economic scandals but enquiry committees set up by both the parties against each other during their ruling led to the punishment of no one and hence the issue of governance also became an important factor in aggravating the economic crisis in Greece. No political parties negotiated sufficiently

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[10] www.theguardian.com/world/2015/june/29/where-did-the-greek-bailout-money-go

with the European Union board to address the economic conditionalities which stifled the formulation of independent fiscal and monetary policies of Greece. Such failure of PASOK and New Democracy gave the opportunity to Alexis Tsipras of Syriza, an alliance of various leftist political parties, in 2015 to fight the conditionalities imposed by the international agencies (creditors) even at the cost of losing the European Union membership.

CONCLUDING OBSERVATIONS

The study has attempted to sketch the evolution of the European Union including the Euro Zone. It has clearly shown that Greece and many other countries joined the membership of the Euro Zone for enhancing their economic prosperity for all the member countries. The union was also proposed to reduce the economic gap between rich and poor European countries. But the core criteria- the 'convergence criteria' for the Euro Zone membership has taken away economic and political independence of not only Greece but many others. We have shown that the economic growth rate in Greece has turned out to be lower during the post-Euro Zone membership as compared to the pre-Euro Zone membership. The unemployment rate has gone above the 1929's economic depression period. Three bailout packages since 2010 have been used to manage the debt related commitment of Greece causing massive rise in Debt-GDP ratio. The conditionalities imposed by international agencies in return of bailout packages have created ground for further recession more so during the stagnation era of the whole of Europe. The Political parties- PASOK and New Democracy never took the matters of conditionlalities imposed by the international creditors as their major concerns for ensuring independent economic policies. Both the parties pursued the practice of cliental governance and alleged to be involved in many corruptions. The above mentioned analysis points out the limitation of the single currency area with respect to maneuvering the monetary policy in a desired way, primarily oriented towards domestic situation. Through the third bailout package there is an attempt by the Greek government and other European Union's members to sustain the togetherness of the European Union's members. But the past records suggest that such attempt will go in vein and ultimately the independent central bank and independent economic and political sovereignty will turn out to be the important order of the day.

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