MA IN POLITICS AND ECONOMICS OF CONTEMPORARY

EASTERN AND SOUTH EASTERN EUROPE

DEPARTMENT OF BALKAN, SLAVIC AND ORIENTAL STUDIES

University Of Macedonia Greece

Dissertation

"Economic recession and the sustainability of European Monetary Union and Stability and Growth Pact: Greece, Spain and Portugal in comparative perspective."

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Academic Year 2009-2010

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1. Abstract

This dissertation attempts to give a point of view about the political sustainability of EMU and the integration process in Europe, highlighting the dominant role of neo-fuctionalists' theory in the process of European integration. Nowadays, living within a social and economic recession the problem of political sustainability of EMU, as analyzed by David Mackay in his very analytical paper with the title "political sustainability of EMU" in 1999 becomes relevant. Especially in Greece the problem is very obvious. Nobody today can assure us today about the future impact on society and business but further more on the continuation of our nation and other nations with similar problems like Spain and Portugal.

2. Introduction

Although the following remarks may seem as the most inauspicious conclusion for the Eurozone, I will start by citing them since they reflect present reality, and in order to clarify the conceptual framework according to which the EMU was created.

While Europe is plunged into financial crisis, Berlin is most benefitted, according to the German press: a weak euro implies stronger exports, while the uncertainty about the bonds of the remaining Eurozone members stops at the German borders, reducing the cost of government loans. The weakness of the economies of Greece, Portugal and Spain, which are downgraded one after the other, result in a more flourishing German economy, while they lead Eurozone to severe skepticism about its future.

The warning sent by the president of the European Commission, José Manuel Barroso is characteristic: democracy in Greece, Spain, and Portugal could collapse unless urgent action is taken to tackle the debt crisis these countries face. During a briefing towards trade union leaders, whose content delayed quite a while before being revealed, Mr. Barroso expressed his concern that the southern Europe countries struck by the crisis may fall victim to military coups or social uprising, as their public sector collapses[1]

If Greece, Spain, and Portugal do not implement the financial stability packages, they will be literally wiped out from the map in terms of democracies as we know them today.[2] Today the political sustainability of these countries is depending on whether German workers would be tolerant to support their poor European relatives at the cost to loose their own welfare. There is no any prospect for South European countries if the controversial European economic policy, which relies on national economies, will not adopt a common European strategy most focused on the initial purpose and this will be achieved only through a common accepted European government legitimized by European citizens.

Until today the EMU seems to keep the pace of its most powerful member, Germany, the ECB remains "obsessed" with the goal of maintaining the directive to maintain price stability and Southern European countries are struck by the crisis, excessive debts, pressure towards financial discipline based on the Stability Pact and political uncertainty propelled by social phenomena as unemployment, poverty and, worst of all, the lack of optimism for the future.[3]

3. A brief historical overview

It could be the Werner's report [4], the first effort for the birth of the idea of an European economic union, a report that already contained all the elements of the future Economic and Monetary Union that would be decided at Maastricht [5], but the most determined step began in March 1979, more than thirty years ago. This was when the ECU (European Currency Unit), the precursor to the Euro, came into being. The currency volatility which followed the break down in the Bretton Woods fixed exchange rate system in 1973 was a shock to policy makers and seen as a major source of economic instability during the 1970s. The goal in Europe was to create a European Exchange Rate Mechanism (ERM) which minimized currency volatility and set the stage for monetary union by fixing a maximum 2.25% range for currency fluctuation. But this also required a degree of economic harmonization between countries on fiscal and monetary policy.

Unfortunately, the harmonization was not forthcoming. Italy, in particular, was seen as politically unstable, with thirty different governments in the post-war First Republic from 1946-1994 and another eight since then. This meant that Italy often operated with a large fiscal deficit. It had high rates of inflation and a weak currency. Therefore, during the ERM days, its currency band was set at 6%. Greece's, Spain's and Portugal's dictatorships were fallen regimes changed in 1974 and 1975 and 1976 respectively, paving the way for entry into the European Union in the 1980s. However, they too had fiscal, currency and inflation problems. So when the Euro's terms were set in 1992 in the Maastricht Treaty, the Germans, in particular, were adamant about inserting the Stability and Growth Pact.[6]

The Germans, who had seen their currency destroyed by Hyperinflation in the 1920s and the Nazis in the 1940s, were keen to ensure a strong currency. The Deutsche Mark had been a strong currency and this strength was seen as a major source of the German economic miracle which brought the country back from collapse after World War II. So, at the time of the Maastricht Treaty, the Germans wanted more European integration to keep the tensions which had led to two devastating wars in the 20th century at bay. But they also wanted to prevent free riders (like Portugal, Italy, Greece and Spain) from watering down the Euro with an inflationary economic policy and making it a weak currency. Here the role of European Central Bank is catalytic in order to be sustainable the deflationary tendencies. During the negotiation period of the Maastricht Treaty, it was the English-French central bank model that dominated in almost all member states; the final prevalence of the German model is, in general, a surprising outcome. There are two main reasons that led to the acceptance of the German model, as mentioned by Paul de Grauwe in the sixth edition of his book "The Economics of Monetary Union". The first one refers to the philosophical evolution, that is the monetarist counter-revolution, which leads to the political independence of the central bank [7], and the second one is related to Germany's strategic position in the process that led to the EMU.

The mechanism eventually chosen to stop free riders was the Stability and Growth Pact (SGP). This provision set strict limits on fiscal policy, namely an annual budget deficit of no greater than 3% and a debt-to-GDP ratio either of no greater than 60% or declining toward that Deutsche Mark [8].

Today, however, it is exceptionally difficult for there to be a unification of fiscal policy, since such an action would be the equivalent of complete restructuring of state power in the European Union. The states in the euro zone have a clear hierarchy and their national interests have not ceased to exist. The legitimacy of each state originates from its history. Local structures of power and popular consensus, also including democratic elections, form in turn the legitimacy of the state. Nor does the prospect of creating a unified European state exist, and therefore there is no disposition to institute a single fiscal policy.

4. European Central Bank and Southern Europe. How did its strategy influence the current situation in South Europe and how ECB could contribute to the rescue of countries in South Europe? [9]

Under the pressure of the German authorities to adopt the economists' model, the European Central Bank has been clearly orientated towards keeping inflation rates low, while having tenuous jurisdiction over the stabilization of product and employment oscillations[10]. In this sense, the ECB could be characterized as conservative. Such a notion is supported by taking into account the treatment received by a society in case of potential recession, since a conservative Central Bank exercises a less expansive policy in order to face temporary aberrations in employment, causing a confrontation with elected politicians, which usually meet society's needs. A protective wall, of course, has been created in order for the ECB to defend its political interventions.

The independence granted to the ECB is extensive. When the ECB is accountable to the European Parliament, it faces an institution that cannot change its regulation. This regulation can be modified only by changing the Treaty, which in turn demands the unanimous agreement of all EU member states.

Of course, the trump played by the ECB regards the vagueness concerning its objectives, as set in the Maastricht Treaty, which gave its management the possibility to choose their targets, thus limiting the field of its jurisdictions and responsibilities for which it could be monitored [11].

To sum up, it could be stated that the responsibility of the ECB is limited owing to two reasons. First, there are not such potent political institutions in Europe that could exert necessary control in terms of the fulfillment of ECB's goals. Second, which justifies ECB being labeled as conservative, is the fact that the ECB has limited the range of its responsibilities to maintaining low inflation rates, so that, in effect, it has to give account only for its anti-inflation performance.

The fact that the ECB has limited its jurisdiction only to its anti-inflation performance has created a long-term problem concerning its political support. It is difficult to understand how the European politicians will keep supporting an institution on which they have so limited control. Most certainly it would be rational in a period of lingering recession to have disagreement among the governments composing the EMU and the ECB, especially if the latter insisted in a feeble treatment to avoid the escalation of crisis and unemployment. Of course, the ECB took measures already from the first stage of the crisis, in summer 2007, in order to provide liquidity, although for a significant period it kept a restrictive stance with respect to interest rates, in collaboration with the US Federal Reserve Bank.

Of course, the ECB could prevent any possible disputed with politicians. This would demand for transparency in the decisions made by the ECB towards the public opinion, promoting this way unofficial decision making. For instance, many economists, among which Syensson, claim that inflation targeting promotes unofficial decision making. Of course, nothing of the sort happen from the ECB part; besides, it is asserted that article 10.4 of the regulation prohibits the publication of minutes and voting results, although this is also just an interpretation.[12]

Criticism against the ECB should, of course, be directed taking FED into account, in order to conclude whether its decisions and policies played a key role to the recession of Greek economy at first, and also to that of other countries facing similar problems, such as Spain and Portugal

As it is well known, Greece owes a debt of approximately 320 bil. Euros, which refinanced normally until October 2009, when under the pressure exerted by the revelations on the real magnitude of the deficit and the practices that permitted

Greece to join the EU, by forging the data on its real debt with stock market products, the bond markets became more and more reluctant to provide loans to Greece.

As credit rating companies base their evaluation system primarily on whether a country is in position to pay buck their debts normally, when the markets started to close for Greece and the loan cost began to rise, these companies started to downgrade Greece, creating a vicious circle where the markets expected a new downgrade by the rating companies, and the latter expected that the markets would ask for much higher interest rates in order to lend money to Greece, which could not therefore refinance its debt.

This resulted in a cycle of successive downgrades, the launching of the loan cost for Greece and finally its exit of the bond markets. When Greece turned to its partners, they urged it, upon German recommendation, towards the IMF, an institution that until that time had absolutely no relation with EU countries. After the IMF expressed its approval, they agreed to grant the “support package”.

In this case, the credit evaluation houses would have no reason to consider that Greece would not be able to refinance its debt in the long term, as it would enjoy the support of the ECB for 10-15 years, the markets would not fear future downgrade, so as to demand even higher interest rates in order to provide loans, the loan cost would remain low and the Greek, and consequently the European crisis would have never existed.

All this could have been avoided if the ECB, following the FED’s steps, had announced a refinancing program of the Greek debt with favorable interest rates, along with Greece’s engagement to adopt a fiscal rationalization and community debt redemption plan, on a 10-15 or even 20-year term.

But how could the ECB do such a thing given that it is not provisioned in the Maastricht Treaty? The same way that, although not provisioned, a member state was obliged to contract with the IMF as soon as it faced a liquidity crisis, the same way the ECB purchased covered member state bonds, while there was no such option in its Memorandum of Understanding and in the Maastricht Treaty, that the member states, in cooperation with the ECB, voted for the “support package” outside European legislation, that although no EU country does not comply, years now, all

Maastricht criteria, none has been penalized or asked to withdraw from the EU, that the ECT accepted Greek bonds rated as "junk" from the French banks as a guarantee for the provision of liquidity, helping them to get rid of them, while the initial agreement prohibited the acceptance of non-AAA bonds etc.[13]

The truth is that the ECB acts as the FED, but only selectively. Should Europe actually desired to avoid, prevent or at least provide a deferred solution to the Greek problem, the only thing they should do was to buy a large number of Greek bonds directly from the Greek state and not from the banks, and to support the country by providing low interest rates for a long period of time, at the same time allowing Greece to access the bond market at low cost.

Gradually, as the Greek economy would strengthen, Greece would pay back its debt to the ECB, the bonds would be withdrawn from the market and, along them, the money, which would have been created. Indeed something as is referred above was not realized by ECB and the crisis in Eurozone revealed problems that were previously reported by Steve Mckay in his very well structured paper with title "The political sustainability of EMU" which was published in 1999.

5. The Stability and Growth Pact. Is It Time for Its Revision?

The SGP was adopted in 1997 on June 17 at the European Council meeting in Amsterdam. The principle that governs the SGP is the achievement of the medium-term objective of balanced or surplus budgets.

The main pursuit of the Stability Pact is economic (nominal and real) convergence. However, eleven years after the Treaty of Maastricht and five years after the Treaty of Amsterdam, this "burning" desire remains unreachable. Besides, some adopt the position of the Communist Party of Greece that "the path of unequal development cannot be abolished in the framework of capitalist unification and that the goal of convergence, whether nominal or not, numerical or not, will not be reached either now or tomorrow." [14]

The opinion of the left in Greece, but also in the rest of Europe, that the unequal development of economies in the capitalist system does not allow their real convergence and that the discourse of "convergence" is maintained in order for leaders to justify a series of measures and policies harmful to the working class and the people, finds many supporters. Even this view, however, is not supported by casual arguments. It is true that the so-called structural changes, namely capitalist restructuring, were decided on and applied in the name of "real convergence" and the Stability Pact, in particular the drastic reduction of the resources of state budgets that relate to the provision of "social services", combined with their privatization, in order for some countries such as Greece not to lose their dominance.

A characteristic example, besides, is the statement by Werner Sinn, head of the prestigious IFO Institute in Munich, who "claims that the austerity measures will not prevent bankruptcy. He claimed that the policy of imposed internal devaluation, deflation, and recession could lead Greece to the brink of civil war." This statement makes Europe think more deeply, since now voices are being heard which for many nowadays are unrealistic, but based on history, may come true. The beginning of the collapse of the fabric of Greek society is a probable scenario if unemployment rates grow next year, as is expected.

Although the main goal with the Stability Pact is the formation of more or less unified conditions for the common currency, the euro, albeit in capitalist economies that are developing unevenly, whose cycles are each at a different point, without the Pact risks for its functioning would ensue.

Nor, of course, did the Stability Pact prove to be a political decision that can deal with economic inequality or recession. It can, however, as an applied policy, intensify exploitation, since the measures that are taken by state governments have as their result the cheapening of workers' salaries, but also the transfer of the consequences of the recession mainly to countries that originally showed problems with the structure of their economy, another view of the left that seems to find a response mainly among the working class.[15]

Another characteristic statement is that of the president of the European Commission, Romano Prodi, who admitted in an interview that the Stability Pact is not effective, like all inelastic decisions, because it creates obstacles for the application of another management policy (a Keynesian one, with more of a "social state"), in order for social contrasts not to be heightened and the political stability of the eurozone threatened.

Given the fiscal pressure on several member states, one interesting proposal comes from three important academics in the field of European studies who suggest a new pact that will determine the rules for state economics. As they emphasize in their study with the title "A Suitable European Union for the 'Purpose' in the Global Age", "for someone to sustain that there is no need for radical change to the Stability Pact is like claiming that the European Union should not take a position." In this study, the president of the Hellenic Foundation for European and Foreign Policy Loukas Tsoukalis, the director of the Policy Network, Olaf Kramme, and the president of the same institute, Roger Little, propose the setting of "new, constructive goals" for each member state, with the criterion being sustainable public debt in the long term. They consider that "the key" will be an agreement to commit a sufficient part of the revenue from growth for debt reduction, but also the avoidance of sufficiently aggressive fiscal adjustment that would limit growth. At the same time, they underline the importance of the quality of publlic expenditure and suggest the definition of what constitutes a social investment, based on which member states will be compared to one another.[16]

While pointing out that the stance of Germany is absolutely critical for this issue, the three academics consider that a new "great agreement" is possible, in the framework of which the more vulnerable states will promote the reforms that Germany demands. Further terms of exchange that would calm Germany would on the other hand emphasize even further the character of "Germanized" Europe, which will always obey the orders of the former.

The expected emphasis on social Europe, as well as the effort by the Spanish presidency to promote a new European "social charter" to strengthen protection for employment and social integration and cohesion, rather seems to be vain hopes. The problem is visible, however: according to the three academics mentioned above, the majority of the growth in employment was based on "second-rate" jobs, which are insecure with limited rights. As they point out, it will be increasingly difficult to safeguard the privileged nucleus of jobs. Thus, they expect more pressure in the direction of flexible employment, in exchange for the strengthening of social protection. In this framework, they point out that priority must be attached to policies that invest in the social future, and especially in supporting children and youth in dealing with generational inequalities. However, how it is possible for this to be achieved from the moment that there is no political unity of spirit in Europe and the countries of the South are subjected to continuous pressure for stricter austerity measures that affect social protection while also allowing unemployment to accelerate, in the absence of public investments and with a reduction of public expenditure?

As though the extended crisis that the countries of Southern Europe are undergoing and the high deficits that they have to face were not enough, Greece appears to be in a worse position, as its public debt will balloon to 450 billion euro, in accordance with the memorandum. The place where the European Summit will be held in Brussels on October 29th, at which the 27 leaders of the European Union will be invited to agree on the proposals of their President Hermann Von Rompuy to adopt rules of strangling fiscal supervision, as Germany and France expressed their desire through the letter sent by their Ministers of the Economy, for the countries that show high deficits and are undermining the reliability of the European currency, is being turned into a Roman arena.

The Franco-German proposal to Mr. Van Rompuy, as Community sources in Brussels say, for a political agreement among the 27 that will establish very strict economic and political sanctions for those European countries that systematically violate the rules of the Stability Growth Pact, will provoke a wave of protests among the other Community leaders, with the consequence being the exposure of a crisis also in the political element of the problem of delays to full economical integration.

The problem, as the same sources say, does not lie simply in the strict application of the Stability Pact, but the expansion of Community supervision to the harmonization of national budgets with the orders of the Pact and the proposed "penalties" for those who are not in compliance.

Regarding Paris and Berlin, the problem is the application of a form of supervision with the possibility of sanctions also in "new" fields such as private debt, by which the Spanish economy is affected, or the low level of competitiveness of a member state such as Greece and Portugal, in relation to the average of the 27 and the average of the 16 member states of the euro zone.

The probable adoption of these rules excludes every possibility of exercising a different policy in the case that social democratic governments come to power in European countries and wish to apply policies with a broader social dimension. Certainly, the harmonization of political ideologies based on preserving "German domination" in Europe will create sociopolitical instability. In Greece, the loss of national sovereignty with subjection to the IMF as an overseer and a lender outside the EMU, is already a reality. No political entity could react otherwise but by following the memorandum faithfully and applying financial decisions that seem logical to everyone, such as the increase of indirect taxes, the reduction of salaries and state expenditure, which, however, will lead Greece to social stagnation, in spite of the presence of a socialist government; the exercise of social policy seems to many to be a midsummer night's dream, as long as the above measures are imposed and the situation will deteriorate to the point that an exit scenario for some member states such as Greece would seem to be the least beneficial scenario.

The adoption of these rules, however, also creates other problems, since it also makes the application of the provisions of the Stability Pact unbearable, since, without some other reforms, is leaves the weakest member states unprotected from financial, fiscal, and social intra-European competition.

Analyzing the advantages and disadvantages of the Stability and Growth Pact below, we will have a clearer picture of its influence on the current situation of the Southern countries in theoretical terms. In general, like the European Central Bank, the SGP attaches importance to protecting countries that possess the mainly financial infrastructure to control their fiscal data for the benefit of their welfare, which seems to have as its purpose the strengthening of citizen confidence in national governments. As for the states that display structural problems, such as high deficits and high public and private debt, the SGP, combined with the extended recession, puts a brake on any hope for development with the rules that it suggests and imposes and essentially makes governments accountable for the lack of optimism that is cultivated in the electoral policy, and the scenario of social upheavals is widespread in the European Union, even in countries that may present less social problems than Greece, Spain, and Portugal.[17]

The close relationship between the state budget deficit and public debt constitutes one of the factors that require the existence of fiscal rules. Budget deficits have as their result the growth of public debt, which will have to be serviced in the future by later generations if it is not reduced in the medium term. If the interest on the public debt exceeds the growth rate of the economy, a debt process that leads to continuously increasing public debt in relation to the GDP is put in motion. In some cases, such as that of Greece, the debt process was not immediately noticed, with the consequence that both debt and deficits grew.

A country that observes that it is on a course of increasing public debt creates negative external consequences for the other countries in the monetary union. And this is because the specific country is forced to seek recourse in the international capital markets increasingly often, with the result that it pushes the prevailing interest rate in the Union upward due to the financial risk that ensues. In turn, the increase in interest rates in the Union increases the public debt burden of the other countries. If the governments of those countries choose to stabilize the debt to GDP ratio, they will be forced to follow a more austere fiscal policy. Therefore, the unsustainable increase in a country's debt forces the others to follow more anti-inflation policies. Thus, it will be in the interest of the other countries to have a control mechanism such as the SGP that will limit the size of budget deficits and where we can excuse German and French politicians who insist on the creation of a stricter SGP which will most protect the political stability within their states besides the fact that some countries such as Greece, Spain and Portugal will be forced to lose their sovereignty or they will withdraw from EMU.[18]

Strict and tough limitation of deficits is one of the most important conditions that must be satisfied in order for the euro to become a stable and reliable currency. In the existing monetary system, repeated budget deficits would create problems for the common currency and by extension, for the money market. The perception of imminent risks would have adverse effects on investment, thus destroying the prospects for economic development and job creation in the euro zone. The limitation of deficits, together with continuing fiscal competition among the tax systems of certain member states, constitutes one of the remaining safety valves against unreasonable government expenditure and the displacement of private investment in the euro zone.

Of course, besides the positive elements of the SGP, there are many who criticize the existence of fiscal rules which more prohibit the balance between countries in south and north Europe. The below mentioned comments refer to some points that need to be revised on behalf of a truly common European economic policy.

The main reason for its weakening is the lack of flexibility in the budget facing recession. It is probable that this situation will create tensions between national governments and the European institutions. And this is because from the moment that the countries will not be able to use their budgets as automatic stabilizers during recessions, they will increase the pressure on the ECB to relax its monetary policy, which means the appearance of inflationary tendencies. Therefore, in a paradoxical way, the Stability Pact, whose goal was to protect the ECB from political pressure, may substantially increase the risk of national political pressure being exercised.

The absence of rewards: for a country that is in a stable situation and has balanced or surplus budgets, there is no reward from the Stability Pact.

It is impossible to impose the fines foreseen by the SGP due to the involvement of a political body. It is difficult for the penalties and sanctions foreseen in the Pact to be imposed, since the decision is made by a purely political body (specifically, by the ECOFIN Committee). Precisely this fact raises many questions, since politicians are flexible towards their partners and the probable political instability that may be provoked by the imposition of the fine.

The SGP discourages public investment because in order for a country to keep its budget balanced or in surplus, capital expenses must be financed by current income. That is, it is not possible to allocate the cost of the investment program to the future generations that will benefit from it.

The SGP mainly places emphasis on short-term commitments and underestimates structural reforms. The specific argument has three dimensions: firstly, the Pact puts all the weight on the short-term goal for the limitation of deficits. It provides governments with incentive to apply creative accounting, which constitutes a blow to the transparency of public finances. The case of Greece, with its hidden deficit, constitutes the outstanding example, which, however, had a history before Greece entered the euro zone. Secondly, the SGP does not take hidden public debt into account, nor the exceptional obligations of the social insurance system. Lastly, the SGP, by placing emphasis on the short-term limitation of deficits, in practice hinders the undertaking of long-term policies, such as the reform of the insurance system, which lead to stabilization and the improvement of the economy's competitiveness.[19]

6. Southern Europe and the crisis in EMU

The roots of the crisis lie in the heart of the global financial system, which passed through a stage of acute destabilization and entered into a tough period after the collapse of Lehman Brothers on September 15, 2008. It is undoubtedly the most acute crisis the global economy faces after the recession of the 30's and it cannot be compared with the stock market turbulences experienced in 1987, which were more readily addressed and shorter in duration.

Furthermore, as cited by Mr. Alogoskoufis in a seminar organized by the Economia Business Tank in November 2008, although economies today are more interdependent than they used to be in the past, no serious efforts have been made to integrate to the global financial management system the emerging economies, whose significance keeps rising. It was, therefore, reasonable to watch the crisis strike the core of global economy and to diffuse the problem to all individual economies, in accordance with their characteristics and financial data.[20]

It was more or less known that Europe and the Eurozone would not be able to take after a fiscal expansion, such as that of America, given the fiscal conditions of some of its member states. The increment of state expenses and tax reduction would unavoidably come with a contestation of the Stability and Growth Pact. Besides that, Europe is lacking a uniform strategy of policy. During the time when several countries in the Eurozone enjoyed a certain degree of development, no income was deposited in order to face such a crisis and to reduce deficits. As a consequence, it resulted that only a few countries disposed of the necessary fiscal margins to implement a more expansive fiscal policy. It should not be overlooked that during the period when the first crisis erupted, Eurozone countries such as Greece, Spain, and Portugal had just passed through a process to reduce their excessive deficits.

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Southern European countries have a lot of common problems. They have high commercial deficits and high unemployment, which might become higher. Consequently, they are in need from an internal market aid policy, together with a flexible exchange policy, which will assist their exports. Also, they are in need of a common lending mechanism, because of the fact that even the countries which are not facing high public debt, later on might become targets of speculative attacks.

All these countries have some common needs regarding their social-economic growth, but also they have and some common objectives, EMU orientated, which will help them to create a Southern European block for a common democratically European policy. However, the high German influence in EU policy creates many problems. The German strategy which supporting a very strong Euro, it does create problems in its cohesion due to different needs of every country in particular. Consequently, above the common wage matter in EU or other common matters which EU countries are facing, Euro and the common EU policy are facing a crisis (which nobody had forecasted before). This crisis creates needs for new settlements.

This internal depreciation, that being promoted in these countries (which are facing economical problems), consists EU's new liberalism doctrine. This doctrine supports that a country which does not have a national currency in order to underestimate its economy, should reduce all the wages and increase mainly all the indirect taxes. This policy can cause many problems such as instability in country's institutions. This is not a correct policy due to the fact that the low - middle class individuals are going to pay off this crisis. The most important consequence is a deep recession. In Latvia for example, which applied this policy its GDP has being reduced by 17% and in Hungary by 6.7%. One more consequence is the high unemployment rate in these countries. A third consequence is the fact that the national income is being reallocated from the low – middle classes to the upper class. All these consequences change this crisis from economical mainly to social. These countries will suffer from an elected ''European'' dictatorship, which will make the political completion a very difficult task to achieve. EU seems to be without a capable leadership, divided and not brave at all. Without a common economical policy within the European countries, in addition with some special conditions EU is not able to take some risky initiatives, despite the fact that this current crisis gives the chance to EU to come out more powerful; Unfortunately, the EU failure to ball out one of its country without IMF help, raise many doubts about EU's future.[21]

EU is going to spend more than half trillion Euro or the 6% of its GNP trying to ball out Spain, Portugal and Greece, but this economical support will not help Greece to overcome the recession. EU, apart from this ball out mechanism, has to fight market instability in the countries which willing to ball out in the future.

The forthcoming crisis in Spain and Portugal seems to be worse than crisis in Greece, stated Spanish professor of Finance at the international Management Institute of Lausanne, Arturo Bris in Le Temps news. Mr. Bris stated as well that the problem in Greece is the high cost of lending and that the Greek crisis has being created due to bad budget situation and not due to international speculators. Exactly same situation had faced some Asian countries in 1997 and some Latin American countries in 2002. Also, this crisis was created due to Goldman Sachs actions. IMD's professor states that Greek's government austerity policy is the only way to lead Greece out of this crisis but has to be combined together with many investments which will stop Greek recession. In any case, Greek individuals accepts this policy; it's up to Greek government to convinces them that this policy is the only solution and its not be imposed by Brussels. Being questioned, if he is afraid of the transmission of the Greek crisis to other countries, such as Italy, Spain and Portugal, answered that Greek situation is unique due to the fact that everybody in Greece has realized all the challenges that should face in the near future. On the contrary, in Spain and in Portugal nobody has realized the forthcoming situation; that's the reason why this situation is more worrying than Greece. Spanish and Portuguese governments have to follow Greek's government policy. Greeks have seen the iceberg and now are learning how to avoid it. Spanish and Portuguese people are being in the dark without understanding the existence of this iceberg. Moreover, politicians have to be more credible.

Spain is not facing as high public debt as Greece; this debt is only 50% of its GNP, while its budget deficit (8%) is normal, according to SGP limits, stated Yiorgos Stathakis in Avgi news on 20/06/2010. That's why a hard Spanish government policy seems to be no sense at the moment. Housing and consuming loans might reach the 120% of GDP. 29 % of GDP is being consisted of enterprising loans, which have been given to the construction sector. Many constructions, unfortunately, have not finished yet or in some cases have not being sold at all. Their construction has been sponsored by Spanish local bank institutions, controlled by political parties or by local elites.

As we know bank institutions acquire fluidity either from European Central Bank – by using public obligations, or from the interbank market. The best criterion is the smoothly interbank lending: the possibility of one bank to lend to another bank. If one bank is facing bankruptcy nobody will take the risk to lend money to this bank. This creates more reactions. Consequently, everybody is being focused in bank system and not in economy.

Spain's problem seems to be the bank system. But bank system is international. A big part of these constructions loans, directly or indirectly, come from German and French banks. Precisely, that's exactly the same situation with the Greek government bonds. We can categorize the toxic titles into three groups: [22]

A) Private consuming lending ''toxics''. Parts of these housing and consuming loans are too risky; In Ireland (200% of its GDP), in Spain (120% of its GDP) and UK (100% of its GDP). A total value of 2 trillion Euro risky bonds.

B) Public debt ''toxics'', similar to Greek public debt (300 billions), in the whole Europe reach the amount of 8 trillion Euro, from which 1 or 2 trillion Euro consider to be too risky.

C) Enterprising ''toxic'' loans, corporate bonds and any other kinds of companies lending. Here we can find not only summer resort constructions or the French car industry but also any other kind of enterprise that is being hit by the crisis.

All these categories of '''toxic'' titles can be more than 4 trillion Euro. But we do not have to be under panic. EU's GDP is roughly 16 trillion Euro, the biggest economy in the world. (Entire world's GDP is 58 trillion Euro). We have to wait only Germany's reaction in this smoothly and progressive adaption of unreal values to become equal to real values in order to, these unreal values, be absorbed from the incline of the real bond values (this adaption can be financed by Central Bank). Germany's expected reaction can cause a rapid adaption of unreal bond values to real values with dramatically consequences in the economies of Greece, Spain and Portugal.

In Portugal, a very strict Public Budget was voted targeting the beginning of a new period. Reduction of budget deficit by 1% of GDP it will be achieved with a further reduction of wages and public investments as well, together with some addition taxes. All these extra measures are going to create many protests in the whole country. Public debt from 76.6% of GDP in 2009 will be increased in 85.4%. International houses of evaluation (Moody's, Fitsch and S&P) stated their concerns about this strict government's policy. The Portuguese Minister of Finance declared that these concerns drove his country to this crisis.

Moreover, the high budget deficit in 2009 will be 9.3% of GDP, with a try to be eliminated in 2010 (8.3%). The negative growth in 2009 (-2.6%), will be increased up to 0.7% and unemployment will be decreased from 11% in 9.8% only if the finance government budget plan (1.4 billion of Euros) will be successful. We have to mention that Portuguese economy is strictly depended on the Spanish economy. [23]

-Measuring the regional debt burden

The total debt, both public and private, of Spain, Portugal and Greece rises to 5315, 783 and 703 billion Euros, or 506%, 479% and 296% of the GNP, respectively. The total debt experienced a twofold to threefold increase in the frame of the EMU.

The ratio of private over public debt in Spain, Portugal and Greece equals to 87:13, 85:15 and 58:42, respectively. The greater amount of the debt recently created during the period of EMU operation was private, while public debt was reduced accordingly.

The ratio of foreign over domestic debt in Spain, Portugal and Greece is equal to 33:67, 49:51, and 51:49, respectively. The foreign debt ratio has significantly risen during the EMU period. The Greek public debt has in large turned to foreign since the European financial markets systematically overestimated the credibility of regional member stated.

The most severe and frugal budget ever proposed in Spain, according to the country's press, presented Zapatero's government aiming at bringing down the deficit to 6% of the GNP in 2011. Apart from pension freezing (of which only the lowest are increased by 1%) and further reductions in salaries and social allowances, what it is also criticized is the reduction of public investments by 38%, 30% in the infrastructure section, 7% in Research and Development and 8,1% in the educational sector. In the presence of such retrenchments neither unemployment can subside, nor can development be stimulated, comments "El País", remarking that Moody's downgraded the Spanish debt from AAA to A1, just because they start to doubt the ability for debt service, without leading to GNP growth. It is to be stated that Spain's public debt is provisioned according to the budget to rise at a 68.7% of the GNP –half of Greece's debt- but as it was expanding, nowadays, in the presence of the crisis, the expensed to serve such a debt abruptly rise by 18%.

A day earlier Portuguese prime minister Jose Socrates announced the basic trends of its budget, which opts for a salary reduction by 5% (he made clear that this is to be applied in a scalable fashion to all salaries above 1500 Euros) and a two percentage unit rise of the VAT, namely to 23%. Pensions also freeze, while social allowances are reduced by 25%. Portugal already followed financial adjustment policies. However, in his interview for yesterday's Financial Times, Socrates underlines that he was forced by the markets to absurdly accelerate the deficit reduction in order to assure unhindered loaning for the country.[24]

-10 proposals in order for countries in Southern Europe to overcome the dip and bring back development.

The economic crisis in the southern European countries was accompanied also by an institution crisis which caused many echoes not only in the general society but mainly in the weakest social groups. The governments are trying to give a solution to this situation. There is only one way to overcome this situation: by development.

Mr. Dimitrios Mardas - assistant professor of Aristotle University of Thessaloniki proposed some solutions over this problem, not only for Greece but in general for all the countries that face corruption in their political system, as well as Greece. Mr. Dimitrios Mardas article is published in Sundays “Ethnos'' and it finds me pact. [25]

These solutions (according to the articles) are:

1. Every government has to think always the social profit and not any political cost.
2. Brain drain immigration has to stop.
3. Extraversion in other countries is not a solution.
4. Damage that might be caused by some labor groups due to bad timing of taking these decisions has to stop.
5. All governmental decisions have to be announced by official bulletin and not during televisions de bates.
6. The resources of European Territorial Cooperation Programs have to be fully absorbed.
7. Enterprising environment has to be friendlier in order to attract, as many Direct Foreigner Investments, as possible.

8. Need to be fined all the individuals who do not pay all their taxes in the government. In some cases, confiscation of their personal fortune needs to be auctioned.

9. All the corrupted politicians need to be punished.

10. Politicians have to take always the most cost effective decision among all.

As Mr. Errikos Mpartzinopoulos in one of his article which was published in Sundays “Ethnos” on 08/08/2010 at the page 47 reports, this effort has to begin as soon as possible. Greek individual has to be convinced that tax evasion is going to cost more to him; Decisions are being taken by IMF, Mr. Tomsen and the powerful European countries; not from the Greek government. It goes without saying that this is a very ambiguous situation.

7. The Eurozone and the support mechanism for Greece. The interference of IMF. The fear of a potential and an extensive political instability in Europe.

- Eurozone/IMF Financial Assistance to Greece, why the IMF interfered in EMU?

On May 2, 2010, Eurozone finance ministers and the IMF agreed on a three-year program of loans to Greece[40] totaling €110 billion (about $145 billion): €80 billion (about $105 billion) from Eurozone member states and €30 billion (about $40 billion) from the IMF. The package could reportedly provide €30 billion (about $40 billion) from the Eurozone and €10 billion (about $13 billion) from the IMF in 2010 to help ensure that Greece meets its immediate payment obligations.[26]

Prior to the decision to loan Greece money, the debate about potential Eurozone assistance was contentious. Some observers argued that there are compelling reasons for the other Eurozone countries to intervene, asserting that the financial stability of the Eurozone, and possibly even the future of the euro, might be at stake. Severe instability in the Greek economy had already started to have wider consequences—the crisis contributed to a weakening of the euro and raised concerns that it could spread across European bond markets and draw in countries such as Spain, Portugal, Italy, and Ireland. Some observers note that the Greek crisis grew worse as Eurozone leaders contemplated a response—critics charge that quicker action may have stemmed the crisis at an earlier stage.

There is also a significant political element to the debate. Monetary union is seen by many proponents of a strong EU as a crowning achievement of European integration. Some observers, therefore, assert that the EU must maintain solidarity and that the countries of the Euro zone cannot allow Greece to default, much less abandon the euro.

Despite the enactment of the Eurozone-IMF assistance package for Greece, investor concerns about the sustainability of Eurozone debt deepened during the first week of May 2010. Driven down by such fears, global stock markets plunged sharply on May 6, 2010, and the euro fell to a 15-month low against the dollar. Seeking to head off the possibility of contagion to countries such as Portugal and Spain, EU finance ministers agreed to a broader €500 billion (about $686 billion) “European Financial Stabilization Mechanism” on May 9, 2010. Some analysts assert that such a bold, large-scale move had become an urgent imperative for the EU in order to break the momentum of a gathering European financial crisis. Investors reacted positively to the announcement of the new agreement, with global stock markets rebounding on May 10, 2010, to re-gain the sharp losses of the week before.

The bulk of the European Financial Stabilization Mechanism package consists of a “Special Purpose Vehicle” under which Eurozone countries could make available bilateral loans and government-backed loan guarantees totaling up to €440 billion (about $560 billion) to stabilize the euro area.

The agreement, which expires after three years, requires parliamentary ratification in some Eurozone countries. The mechanism additionally allows the European Commission to raise money on capital markets and loan up to €60 billion (about $76 billion) to Eurozone states.

Previously, such a procedure could only be applied to non-Eurozone members of the EU, and was used after the global financial crisis to improve the balance-of-payments situations of Latvia, Hungary, and Romania. Lastly, the ECB may take on a more significant new role: if necessary to increase market confidence, the ECB can now buy member state bonds, an activity in which it has not previously engaged.

The European Financial Stabilization Mechanism was announced with the IMF contributing up to an additional €220 billion to €250 billion (about $280 billion to $318 billion). This is in line with the Greece package, where the Eurozone states contributed roughly 2/3 and the IMF 1/3. IMF Managing Director John Lipsky reportedly later clarified the news reports about the IMF contribution to the European Financial Stabilization Mechanism, saying that these pledges were “illustrative” of the support that the IMF could provide.[27] Reportedly, Lipsky reiterated that the IMF only provides loans to countries that have requested IMF assistance and that Greece is the only Eurozone country to date that has requested IMF assistance.

-European Integration threatened by Southern Europe’s crisis

Greece’s debt crisis has also launched a number of broader debates about the EU’s monetary union. Since the introduction of the euro in 1999, skeptics have pointed to a mismatch between the EU’s advanced economic and monetary union and an incomplete political union. Even within the economic areas where the EU is more tightly integrated, the Eurozone has a single monetary policy but 16 separate (if loosely coordinated) national fiscal policies. Critics argue that this arrangement is prone to problems and imbalances that threaten the viability of having a common currency.

Others assert that the crisis in South Europe points to the need for stronger EU economic governance, at the very least in the form of a tighter and more enforceable Stability and Growth Pact. Going further, some proponents of deeper integration would like to use the crisis to launch a discussion about moving towards a more integrated EU-wide fiscal policy.

Additionally, some officials and analysts have proposed that the EU create a new European Monetary Fund (EMF) that would allow it to respond more smoothly to financial crises within individual member states in the future, operating much like the IMF but on a regional, rather than global, basis. There is some discussion that this would require a new governing treaty for the EU, which may be politically difficult to pass. Following the Asian financial crisis in 1997-1998, similar proposals for creating an institution like the IMF, but operating specifically within the region, were discussed but no such institution was created. [28]

Finally, current crisis has brought to light imbalances within the Eurozone.[47] Some Northern European countries, such as Germany, have relied on exports for economic growth and pursued policies that aim to promote such export-led growth, such as wage moderation to keep the costs of production low and make exports competitive. Combined with conservative fiscal policies that promote high levels of savings, these countries have run large current account surpluses. In contrast, some Southern European countries, like as Spain, Greece and Portugal have had higher levels of wage growth and more expansionary fiscal policies, leading to less competitive exports and lower levels of savings. These countries have run large current account deficits and borrowed to finance these deficits.

8. “Eurozone and economic instability in Southern Europe. Did it express the fear of Euro Dissolution or Potential Extensive Political Instability in Europe?”

However, the prevailing fear that even some mild adjustment and any reforms in the field of fiscal policy would lead to decreased acceptance of the euro and a fall in its value compared to the dollar is completely justified and real with the magnitudes that are currently valid. The question is who is beneficiary: as I mentioned in the introduction, Germany.

On the other hand, for peripheral countries such as Greece, Spain, and Portugal, nothing attractive emerges from this prospect. German workers will continue to receive pressure and the peripheral countries will continue to have large deficits and to be unstably integrated within the Eurozone, begging for occasional outbursts of fiscal pity "in order to avoid tensions and to extend the time for finding the best crisis management solution."

It should not be considered a surprise that the sections of the European left in the peripheral countries, but also in the central ones, sought more radical changes in order for the weaker classes, such as workers, not to be affected. One goal is the abolition of the Stability Pact. Of course, if this proposal is applied, no one knows what will follow. Certainly there will be greater independence of countries to exercise fiscal policy and determine deficits and national debt, always within a unified European framework, which, however, will not be pleasing at all to the central countries.

The citizens of the peripheral countries are afraid that they will be making sacrifices without an end in sight. In the coming years, economic sacrifices will be unavoidable. The issue is whether they will be shared fairly within society; t is something that the left in Europe emphasizes. Many people are afraid that since the peripheral countries possess production structures with intermediate technology and in combination with liberalization, this will lead to a decline in workers' income to the extant that they will become serfs and slave markets will be created, a choice that the elites in the countries of the South seem to approve of under the current conditions, with these countries staying in the euro zone.

A dialogue between the forces that support an existence from the euro zone of those countries that create problems in the social structure of their states and those that will try to change the institutional regime of the euro zone for the benefit of the enlargement of the European Union is considered necessary. Any burdens that will arise from these changes are to be decided by society in terms of whether they will be shared fairly.

In Europe nowadays the major problem is not the derailing of European integration in the direction of worldwide integration, at least until today, since nationalism, the persistent child of the French revolution, seems to be preserving and protecting the decisions of national governments, even if they take anti-popular measures for the benefit of preserving national pride and history; the latter, of course, has an important role in dividing Europe, since the creation of today's economic and political conditions is a result of two worldwide imperialistic wars with dramatic consequences for the states that were then economically weak. This does not mean that we should erase history, since it is the guide for us not to make the same mistakes as in the past. The problem today is that German competitiveness has galloped ahead so far in recent years that the German governments have the luxury of exercising pressure on workers without affecting the political stability of the federal state and its national dimension; besides, the creation of the states of Central Europe was supported by economic development and the protective umbrella held over its citizens' welfare. In the states of Southern Europe, productivity did not increase to such an extent as to compensate fully for the pressure on the popular classes. Austerity policy will not contribute much to the problem of increasing competitiveness, and in countries with fiscal problems will create social polarization and possibly dreadful results if citizens reach the limits of poverty.

Thus, if today what is sought in the countries of Central Europe is a politically unified Europe, then they must accept certain concessions in order to avoid the domino effect from a hardening of society before every anti-popular measure that will be applied in the future.

9. EMU as a vehicle of socio-political stability across European Union.

The idea of a European budget that would reach the size of 5-6% of the total budget of the Euro zone in order to coordinate the fiscal policy of the states should not be abandoned. In addition, what the governments of the South present as the single source of salvation, growth, could be achieved through the systematic intervention of the European Investment Bank in order to implement public investment programs, which would be of a redistributive nature and would have as their main pursuit the social integration of the poorer layers of society. With this theoretical choice, today's incongruities could be reduced in the desired growth of Europe, which at present seems to be a great chimera.

The European Union should protect working conditions and workers' salaries by adopting a unified European policy on salaries, which at the lowest level would be at 50-60% of the average European salary, in order to avoid the probable scenario of medieval labor relations, which is apparent in countries with high levels of unemployment and low growth rates such as Greece, Spain, and Portugal. In addition, there could be European mechanisms for coordinating workers' salaries, which would take into consideration productivity, inflation, and unemployment. The difference in competitiveness among the countries of the euro zone could be blunted if labor's shares in contributing to the national product were more or less the same in all of them, an element that also led to the first crisis.

The European Union considers it necessary, in order to safeguard its economic integration, to apply measures such as for example, a European unemployment insurance fund, which would be beneficial for workers. Such proposals, however, essentially promote the “good euro”; that is, they do not directly analyze the problem of coordinating a milder fiscal policy and they do not focus on the consequences of independence for the operation of the ECB. The euro should function in favor of the workers, especially in weak economies where the margin for the exercise of an autonomous national policy is very small. [29]

The above strategy appears to provide a political basis that could assimilate and possibly unite all the workers of Southern and Northern Europe, and thus the expectation of economic and further political integration would not seem utopian.

Unfortunately, however, the above policy does not bear only positive fruit. The euro is competing with the dollar for the sceptre to the throne of global currency and a mild fiscal policy with the probable abolition of the Stability Pact would create the conditions for the large banks in the euro zone not to be competitive at the international level; therefore, the euro would also lose its value against the dollar. The appearance of speculatory attacks on countries with high deficits is an event that haunted Greece before the support mechanism arrived to save it, even temporarily.

A zone with a common currency cannot carry large and easily variable public deficits of some of its members on its back. The euro zone cannot issue a global currency and in parallel allow its member states to enjoy fiscal independence. The real solution would not be an expanded budget, but a unified one that would be implemented by a government mutually acceptable to all the member states of the euro zone, in order to support the currency. In order for this to occur, however, it requires the overturning of the existing political and institutional regime.

The Euro, of course, is attempting to achieve its recognition as a global currency, but it does not have the same historic course as the dollar. In addition, Europe was never an optimal currency area, so as to support such an attempt in reality, and the dollar, even if it loses more of its value today, does not lose its acceptance. The federal state of the United States is present to act as guarantor for all debt. In Europe, no state can play this role. Therefore, a radical reform of fiscal matters in the euro zone would not create only political problems for the creation of the alliance that would contribute to the change, but it would also very probably lead to the failure of the EMY, since the prominent international role that the euro plays would sustain pressure and thus the "good euro" could lead to its own abolition, leading Europe to a radical change in its structure and society.

Thus, those that support solutions that propose the complete abolition of the SGP and the adoption of an expanded European budget with a more redistributive nature should also consider the international role of the euro. Certainly, a coordinated social and economic transformation of the economy is required in order to avoid phenomena that are visible in the peripheral economies of Europe, such as cutbacks on all social expenditure and an ensuing flare-up in the democracy and social cohesion of these countries.

- Can bankruptcy be a sustainable scenario for the three Southern European states?

For the question of whether "bankruptcy" is compatible with remaining in the euro zone, the answer is yes, since the Stability and Growth Pact limits the allowable deficits, but allows national governments to find out on their own how they will balance the budget. Athens or Madrid and Lisborn decide whether it will reduce the budget by closing hospitals and schools, reducing public investments and other social benefits. It is not written anywhere in the Pact that the obligations of the state towards its creditors prevail over its responsibilities towards its citizens. Who receives what is voted on each year anew by the national delegation. It is an issue of political decision, by Athens, Madrid and Lisborn and not by Frankfurt or Brussels, whether the budget will save the social state or the banks. Of course, the question also has a further answer: if Greece, Spain and Portugal attempted to announce a suspension of payments or to abandon the euro zone, then the private sector and the popular base would feel the worst impact, while the country would be tried by even worse political upheavals, undermining even its own existence. Trade unions, political formations, and mass organizations would show a strong resistance to poverty. Fortunately, at least until today, national governments of the South will probably find support due to the widespread popular fear of a national bankruptcy and national pride, even due to the mutation that “extreme right-wing parties” are showing in Europe, which appear to be struggling more for the problems of society than for the ideological cliches of the past, with the left, on the other hand, becoming a supporter of worldwide totalitarianism, and the crisis that we are experiencing today was of an international nature when it began.

10. Conclusions

In the regional areas, the Growth and Stability Pact did not allow the public sector to systematically record financial deficits. As a consequence, the deficits in the current account balance are mainly attributed to financial deficits of the public sector. Furthermore, current account deficits were excessively with bank loans from the center.

In brief, the debt is largely owing to the behavior of the private sector within the EMU. Unable to compete with the center, regional private sectors produced huge financial deficits. Consumption rose in all three Southern European countries, while a real estate bubble came up in Spain. Capital flows from abroad –mostly loans by central banks- were the main source of financing. Moreover, the domestic financial system found the opportunity to expand, thus inflating the domestic financialization and debt.

Governments of the three countries have been given to an application of the most severe and frugal fiscal policy which most afflicts the poor rank of their citizens. The prospect of social stability and national sovereignty in south Europe depends on how the other European citizens will accept the deduction in their purchasing power for the sake of a controversial European integration. Owing to an existence, until today, of national economies and not a supranational one which could conduct to a supranational state with a pan European character, states in south Europe are obliged to be subjected to bad effects of a inefficient past.

The vote of the citizens, which legitimizes governments, is the strongest weapon in order to find the best solution for societies; besides, what it will undergo is its own choice, in contemporary democracy, the best one. However, the best vote is also the one exercised by a citizen with a proper education, mainly a social one but also a political one; today, European education is possibly the only tool that will be able to bring about real political stability and pressure from society for the creation of a unified European government that will support the rights of the European citizen; this will be the new reliable umbrella with integrity, without the well-known short-sighted partisan interests of national governments, which will protect it from the apparent global imperialism of multinational corporations and capital.

Notes

[1] www.HB news.gr ", Unbelievable statement made by Barroso for collapse of democracy in Greece" 15/06/2010

[2] www.ispania.gr, article published in 18/06/2010 "Barroso's harsh message for Greece, Spain and Portugal"

[3] www.in.gr-news-economy.htm, see the very interesting article "why German is the big winner of the economical crisis" published in 13/08/2010.

[4] Details and comments about Werner's report, how the creation of ERM completed see in Sotiris Theodoropoulos' book "European Economical integration" published in Athens by A. Stamoulis 1997, chapter 4 page 121.

[5] The Treaty of Maastricht, see in George Voskopoulos' book "European Union" published by Epikentro in Thessaloniki 2009, chapter 3 page 87-89.

[6] About a brief historical review for Greece, Spain, Portugal and Germany see www. Wikipedia.com the free encyclopedia.

[7] See below in reference number 1.

[8] More details about steps from Werner's report to Maastricht Treaty see data from http://europa.eu.legislation_summaries.

[9] The cause to analyze the following paragraphs was the question made by a student to director of EKTA mr. Panagiotou- info@ekta1.gr " Would be economical crisis in Greece if ECB reacts like FED?" and published by Analytis.com in 25/08/2010.

[10] See below in reference number 2.

[11] See below in reference number 3.

[12] For more details about the legal framework of ECB see. www.**ecb**.europa.eu/home.

[13] For more details about the policy of ECB see. www.**ecb**.europa.eu/home

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[17] Kostas Tsahakis and Giorgos Daratos, September 6, 2010 e-go.gr,

[18] See below in reference number 4.

[19] See below in reference number 5.

[20] It refers a seminar organized by the Economia Business Tank in November 2008 with task "national financial crisis and Greece, published by Kerkyra S.A in February 2009

[21] By Yu Shi Yu Singapore**,** Translated By *Edward Seah*,3 February 2010 **,**Edited by Jessica Boesl, www.watching America.com)

[22]George Stathakis, Spain and the new cycle of European Crisis, published by www.avgi.gr/ArticleActionshow.action *in 20/06/*2010

[23] See below in reference number 6.

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[4] Vasilis Siokorelis, *Agora Horis* Synora (Market without Borders), Volume 13 (2) 2007: (122-136),p.124.

[5] Vasilis Siokorelis, *Agora Horis* Synora (Market without Borders), Volume 13 (2) 2007: p. 128.

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