ΠΑΝΤΕΙΟΝ ΠΑΝΕΠΙΣΤΗΜΙΟ ΚΟΙΝΩΝΙΚΩΝ ΚΑΙ ΠΟΛΙΤΙΚΩΝ ΕΠΙΣΤΗΜΩΝ

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MASTER'S DISSERTATION

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ΠΑΡΑΡΤΗΜΑ Ι

ΥΠΕΥΘΥΝΗ ΔΗΛΩΣΗ

(άρθρο 8 Ν.1599/1986)

Η ακρίβεια των στοιχείων που υποβάλλονται με αυτή τη δήλωση μπορεί να ελεγχθεί με βάση το αρχείο άλλων υπηρεσιών (άρθρο 8 παρ. 4 Ν. 1599/1986)

ΠΡΟΣ(1):	ΠΑΝΤΕΙΟΝ ΠΑΝΕΠΙΣΤΗΜΙΟ, ΤΜΗΜΑ ΔΙΕΘΝΩΝ ΚΑΙ ΕΥΡΩΠΑΙΚΩΝ ΣΠΟΥΔΩΝ, ΠΜΣ ΔΙΕΘΝΕΙΣ ΣΧΕΣΕΙΣ ΚΑΙ ΣΤΡΑΤΗΓΙΚΕΣ ΣΠΟΥΔΕΣ						
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Όνομα και Επώνυμο Μητέρας:	ΣΤΑΥΡΟΥΛΑ ΧΡΙΣΤΟΠΟΥΛΟΥ						
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Με ατομική μου ευθύνη και γνωρίζοντας τις κυρώσεις (3), που προβλέπονται από τις διατάξεις της παρ. 6 του άρθρου 22 του Ν. 1599/1986, δηλώνω ότι:

Η εργασία που παραδίδω είναι αποτέλεσμα πρωτότυπης έρευνας και δεν χρησιμοποιεί πνευματική ιδιοκτησία τρίτων χωρίς αναφορές. Αναλαμβάνω όλες τις νομικές και διοικητικές συνέπειες σε περίπτωση που αποδειχθεί ότι η εργασία μου αποτελεί προϊόν λογοκλοπής ή προϊόν τρίτων

Ημερομηνία:19/12/2019

Ο – Η Δηλούσα

(Υπογραφή)

(1) Αναγράφεται από τον ενδιαφερόμενο πολίτη ή Αρχή ή η Υπηρεσία του δημόσιου τομέα, που απευθύνεται η αίτηση.
(2) Αναγράφεται ολογράφως.
(3) «Όποιος εν γνώσει του δηλώνει ψευδή γεγονότα ή αρνείται ή αποκρύπτει τα αληθινά με έγγραφη υπεύθυνη δήλωση του άρθρου 8 τιμωρείται με φυλάκιση τουλάχιστον τριών μηνών. Εάν ο υπαίτιος αυτών των πράξεων σκόπευε να προσπορίσει στον εαυτόν του ή σε άλλον περιουσιακό όφελος βλάπτοντας τρίτον ή σκόπευε να βλάψει άλλον, τιμωρείται με κάθειρξη μέχρι 10 ετών.
(4) Σε περίπτωση ανεπάρκειας χώρου η δήλωση συνεχίζεται στην πίσω όψη της και υπογράφεται από τον δηλούντα ή την δηλούσα.

Στη μητέρα Σταυρούλα Χριστοπούλου

Στον πατέρα μου Παρασκευά Λύτρα

Και στον αδερφό μου Δημοσθένη Λύτρα

To my mother Stavroula Christopoulou

To my father Paraskevas Lytras

And my brother Dimosthenis Lytras

ABBREVIATIONS

CAC: Collective Action Clause

CDU: Christian Democratic Union

EA: Euro Area

ECB: European Central Bank

EFSF: European Financial Stability Facility

ELA: Emergency Liquidity Assistance

EMS: European Monetary System

EMU: Economic and Monetary Union

ESM: European Stability Mechanism

EU: European Union

FCT: Fiscal Compact Treaty

GDP: Gross Domestic Product

HRADF: Hellenic Republic Asset Development Fund

IIF: Institute of International Finance

IMF: International Monetary Fund

IWH: Institut für Wirtschaftsforschung Halle

MoU: Memorandum of Understanding

NPV: Net Present Value

PM: Prime Minister

PSI: Private Sector Involvement

VPRC: V Project Research Consulting

SDR: Special Drawing Rights

SPD: Social Democratic Party

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Diagram chart

Greek- German Relations 2010-15

Despina Lytra

Abstract

This paper examines the Greco- German relations between 2010-15 and the analysis is structured chronologically The research focus remains on the bilateral relations of the two countries, their active and reactive role in decisive moments during the Greek debt crisis and negoatiations, such as the proposed referendum of 2011, the PSI in 2012 and the third bailout negotiations and agreement of 2015. The second unit of the first chapter is dealing with Germany and Greece as state entities not as countries in the International System. Germany is further examined in the prism of ordoliberalism and of the German- European relations in order to link its political identity to its economic policies. The chapter for Greece examines how the anachronistic political system of the country led to phenomena such as clientelism, that hamper its economic growth and institutional modernization. The second chapter discusses the Press. The analysis focuses on how it contributed to the perception of the "Other" and intensified the interstate differences by deepening the conflict in the level of citizenry. The paper concludes by assessing the efficient German strategy in the debt and bailout negotiations and the German economic profit from its contribution to the bailout packages. Grexit is assessed as an ultimately unfeasible scenario when it was rendered in 2015.

Greece, Germany, Eurocrisis, Grexit, Press

Introduction

This dissertation examines the Greek-German relations during the Euro crisis covering the time span between 2010-2015. The focus of this paper is to examine the national and international stances of the two states and the decisions taken by their political leaders, in specific moments during the euro crisis. There is mention of the austerity measures imposed on Greece, but the primary focus remains on the political decisions and financial challenges of the two countries. The thesis examines Greece and Germany as agents in the Euro crisis therefore the analysis emphasizes also in the segmented study of the two countries as entities in order to assess and comprehend the positions taken. The stereotypical ideas of Germany as a liberal hegemon and of Greece as a lazy depended neighbor are examined via their respective political ideologies and economic challenges.

The works used, books, Journals and newspaper articles, had as their source the financial crisis and examined Greece and Germany as unique actors in the affairs. Nevertheless, the interdepended correlation of the two countries remained the core in all works. Ordoliberalism and Swabian mentality were attributed to Germany as to justify and explain the stance of the chancellery in the Greek debt negotiations. Greece's political system was addressed primarily to its pathogenies such as clientelism and the anachronism in its institutional structures. The PSI and Grexit are examined linearly in order to illustrate the evolution of the debt crisis but also to examine their efficiency and strategic realization.

Four years after the third bailout was signed, the Greek – German relations have entered a period of normality. It is necessary to examine the period of turmoil in the Greek – German relations as the growth occurring at the present was initiated during the euro crisis. The linear retrospective analysis of the political actions taken, is an important asset to see how the contemporary Greek financial history has been evolved and measure the consequences and profit of the bailout agreements.

The thesis is structured chronologically in order to establish a linear process of events of the Greek debt crisis and examine how the stance of the two states was altered and progressed and why. The states are treated as entities, so the dissertation weighs the advantages and disadvantages of each situation to Greece and Germany and links the decisions to each country's political heritage and economic burden. Therefore, the thesis discusses the Hartz reforms, the beginning of the European monetary integration, the potential opportunistic aspect of the Greek debt crisis. The financial crisis of 2010 was the first major economic challenge that occurred in the digital era. The Greek debt crisis was massively covered by the press and it contributed significantly to the perception of the crisis and the formulation of identities for the citizenry and the states. The thesis discusses the genre of historical responsibility in the German press and of the resistance to dominance in the Greek press. The contradicting perceptive projects the political interstate clash of the period as well as the anxiety of the citizenry and what was the role of the two states in alleviating or using that as a weapon or justification.

Greece and Germany during the Economic European Crisis

The years 2010 - 2012

In 2007 Angela Merkel visited Athens, meeting the Greek Prime Minister Costas Karamanlis, in order to improve bilateral relations, especially on matters of European integration and future economic strategies. Issues like Cyprus and environmental economic policies were in the agenda. Then, Greece's rate growth had reached 4% and consequently Merkel saluted the country's performance (Tzogopoulos, 2015b). According to Zestos (2016), Greece's economic growth can be divided in four sub-periods. The first period of 1961-1973, during the Junta dictatorship, when Greece showed growth of 7.86 % annually. In the second period between 1974-1993, which coincides with the Maastricht Treaty (1992) and the introduction of the Economic and Monetary Union (EMU)[1] (1992)**,** it achieved growth up to 1.29 %, with five years demonstrating negative rate growth. In the third period of 1994-2007, the GDP expanded highly by 3.26 %, The last sub-period (2008–14) accounts as "one of the worst recessions experienced by a developed economy after World War II. This is the period that Greece lost approximately 20 % of its pre-crisis GDP" (Zestos, 2016, p.175).

[1] "National governments control other economic policy areas. However, the EMU brings more economic integration, especially in the euro area. *As a consequence, economic policy-making becomes a matter of common concern to all EU countries.*" (European Commission, n.d)

Greece's entrance in the Eurozone is one of the fundamental reasons, that stimulated its rapid economic growth, which was based on external loans, and not competitiveness, when the latter determines the real value of the economy in progressive evolutionary time (Dendrinou and Varvitsioti ·2019 Lapavitsas, 2019). Nevertheless, "the role of foreign financial capital in the Greek crisis is deeply problematic empirically… since financial flows are ultimately secondary to the fundamental productive processes in a capitalist economy" (Lapavitsas, 2019, p.13). Greece's entrance to the Eurozone in 2001 was the exchanging appraisal in achieving "nominal convergence, even if macroeconomic imbalances had not been resolved on a permanent basis" (Ikonomou, 2018, p.,39). The European Statistical Office (Eurostat) had requested the increase of its authorities in order to investigate further the eminent possibility of derail of the Greek Economy, which was constantly thwarted by Germany and France in the fear of backfire (Dendrinou & Varvitsioti, 2019). "In 2002, Germany, along with France, began the process of easing the strict rules of Maastricht Treaty… essentially scrapping the Stability and Growth Pact. German banks also had their eyes wide open in awarding loans to Greece… throwing prudential caution aside" (Wise,2015). Greece alongside Belgium and Italy were accepted in the EMU, despite their deficits were double of the highest permitted limit, as stated in the Maastricht Treaty. European leaders "knowingly bent the rules of the treaty to expedite the economic and monetary integration of Europe, which was mainly a political decision for them" (Zestos,2016, p.169). It is characteristic that Europe responds in times of crisis with the mechanism of institution building ex. European Committee on Coal and Steel,1951, Council of Europe, 1949 (Ikonomou, 2018, p.32).

The EMU was the delayed response of the International Community to the new systemic financial needs after the collapse of the Brenton Woods system in 1973. The EMU incorporated the European Monetary System (EMS) to fully progress towards an economic union. The inception of the EMU is attributed to France, as to counterbalance Germany's role in the EMS (Lapavitsas, Mariolis & Gavrielides, 2017).

> Helmut Kohl … agreed wholeheartedly when François Mitterrand declared that 'more Germany' had to be countered by 'more Europe'… At the time of the euro's foundation, no member state fully realized that single monetary policy paves the way for economic distortions of hugely destructive potential, with no capacity for resolution by any single decision-making entity. Because no one can exert real leverage over the outcome, the various pockets of economic and political

> power … are chiefly occupied in squabbling and shifting blame, rather than in banding together in genuine collective action....“In contrast to European politicians’ assertions that the euro would serve peace, Harvard economist Martin Feldstein predicted that it could lead to conflict (Marsh, 2013, p. 23,27,32).

In 2009, Greek Prime Minister George Papandreou admitted that the 2009 fiscal data had been fabricated by the previous government. Although the Greek opposition declared that the data were on estimate according to the military expenditures (Zestos, 2016), chaos followed for the Greek -European relations and an unforeseeable financial crisis took hold of Greece for the upcoming years. It remains unknown why PM Papandreou took such an action. Maybe he was aiming progress, first through, a “national cleansing” (Zestos, 2016, p.168).

The Greek economic crisis changed wholesale the Greek -German relations. In 2009 Greece’s debt reached €300 billion. The €200 were indebted to foreign creditors with the majority consisting of German and French banks (Lapavitsas, 2019). In March 2010, Chancellor Merkel in her Bundestag speech stated that “we must put an end to trickery.” She had explicitly marked that the Greek crisis is the conscious choice of violation of the Stability and Growth Pact by the Karamanlis Government (Galpin, 2017). In Germany the possibility of a bailout was unequivocally not a possibility. In the Maastricht Treaty, the “no bailout” clause deems that no member state is responsible for the debts of another’s. Article 3 states that “the Union shall not be liable for or assume the commitments of central governments” (Cimenti,2010). The rule was reversed when the European Financial Stability Facility (EFSF) was launched to rescue Greece from bankruptcy[2] (“Germany talks,” 2011). In April 2010, Standard &Poor’s downgraded Greece’s government debt to ‘junk’ status” (Sternberg, Gartzou-Katsoyanni &Nicolaidis, 2018, p.6) which led Greece to lose its investment status. Greek 5- year yields rose to 10.6% ,surpassing those of Ecuador’s, forcing the Greek Finance Minister Papakonstantinou to counter-respond that the negative data do not align with the actual Greek economy, while his German counterpart Schaeuble announced the immediate implementation of a necessary rescue plan (“Greek bonds,” 2010).

[2] Article 103a, “Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by exceptional occurrences beyond its control, the Council may, acting unanimously on a proposal from the Commission, grant, under certain conditions, Community financial assistance” (Treaty on the European Union, n.d. p.26)

Via a speech that took place in Kastelorizo on April 23, the PM Papandreou officially asked from the European Union the activation of the support mechanism for Greece (Petrakis,2010), becoming the first Eurozone country to do so (Xafa,2014). In May 3, 2010 Greece signed the first bailout equivalent to €110 billion, given in twelve installments over a period of three years, with the International Monetary Fund (IMF) providing €30billion and Eurozone countries, €80 billion, out of which the largest share was provided by Germany, €20 billion (Dendrinou& Varvitsioti,2019·Zestos,2016·Zettelmeyer,Tresesch & Gulati, 2013·Council of Foreign Relations). The goals of the first bailout agreement resemble that of a "science fiction scenario"(Dendrinou & Varvitsioti, 2019.p.18) where Greece was expected to pay back the loans with 5% interest rate in three years when in contrast the European Stability Mechanism (ESM) offers loans with 32 years average maturity and 1.6% interest rate. (Dendrinou & Varvitsioti, 2019). The austerity measures aimed in saving €38 billion by 2012, which is considered the biggest generation debt overhaul in history and was received in Greece with tremendous social tumult, that resulted in three deaths in a Marfin bank, due to a fire set by protests ("Three dead," 2010·Bilefksy,2010). The First Economic Adjustment Programme, or as it known euphemistically the First Memorandum of Understanding (MoU) was approved by the Greek Parliament in June 2010. PM Papandreou stated that "we had no say in the economic measures thrust upon us. They were decided by the EU and IMF. We are now under foreign supervision and that raises questions about our economic, military and political independence" (Smith,2010). The Greek bailout transferred the Greek public debt from banks to European governments, and dissimilarly to other bailouts offered by the IMF, EU leaders were knowledgeable of the fact that Greece would face a deep recession and no rewards would be offered in exchange to the harsh austerity measures. (Zestos, 2016).

Galpin (2017) lines *BILD*'s articles in May, titled the ‘‘Bankrupt Greece is getting the biggest cheque in history'" (p.104) to "Are we actually the idiots of Europe" (p.101) to conceptualize the formulation of the anti-Greek sentiment in Germany. Merkel's initial refusal to the bailout 'represented a new German normality' (Bastasin 2012, p. 183) which is adopted by citizens, not as an act of animosity but as behavioral standard[3]. In May of 2010, a radical shift occurred in the positions expressed by German politicians, alongside the financial elite, in an

[3] The number of Germans opposed to Greek bailouts was the same as the number opposed to bailouts of large German corporations such as Opel (Galpin, 2017, p.105)

attempt the legalize the Greek bail out, framing it in the context of sociopolitical projections of the European survival and identity. Chancellor Merkel gave a speech in May stating that 'if the Euro fails, then it is not just the currency which will fail. It will be Europe that fails, it will be the idea of European unification which fails'" (Galpin, 2017, p. 87). Sternberg et al, (2018) conclude that the euro crisis in Germany triggered "entrenched collective German fears of economic catastrophe" (p.43) that elevated the state authority to primordial function which is to ultimately alleviate fear of its citizens. The stance of Germany portends the significance of the country's future strategy and vision regarding its positions for and inside the European Union.

The unprecedented Greek austerity measures led to social upheaval as unemployment reached that of depression levels with severe wages and pensions cuts, while the interest rates in the Euro Area (EA) periphery were escalating. The pauperization of Greece was eminent, and the spread of the crisis forced EU leaders to act. The debt was unsustainable, estimated to a 12% of the annual economic output, double of the initially predictions. Therefore, Chancellor Merkel "pushed private creditors to accept a 50 % loss on their Greek bonds" (Thomas & Castle,2011). In October 27, 2011 a 50% haircut of Greek debt was agreed in Brussels.

Four days after the haircut, was agreed in Brussels, on October 31, Prime Minister Papandreou, announced in Athens that a referendum will be held for people to mandate the harsh reforms. This decision caused pandemonium in the European cycles and PM Papandreou was urgently called in Cannes to meet with French President Sarkozy, Chancellor Merkel, IMF Managing Director Lagarde, European Council President van Rompuy, EU Commission President Barosso and Eurogroup President Junker. A private discussion of the aforementioned officials occurred one-hour prior to the arrival of the Greek delegation with Barack Obama chairing the meeting, upon the invitation of President Sarkozy (Zestos,2016). The private meeting was deliberately held before the G20 Summit, as the outcome would determine the future of the EMU and EU, as well as the future of Greece in the Eurozone. The meeting was held in order to pressure the Greek Prime Minister to withdraw the referendum. Zestos (2016) also adds that the referendum would have a positive outcome as Greek citizens at that time were wrathful with the ineptitude of the Greek political system and its corruption not the EMU. In an opinion poll conducted by Public Issue for *Kathimerini,* 63% stood favorably of the euro while 34% not. In parallel 82% showed distrust to PM Papandreou to handle the crisis to an opposite 17% (Public Issue, 2011). The referendum could have "transform[ed] the Greek political discourse…A referendum on key policy reforms can shift the focus from the people to the issues, from the past to the future, and from assigning to assuming responsibility" (Bouchagiar & Gousgounis, 2011, p.2). *Zeit* covering the 2011 referendum agreed that ''heteronomy [Fremdbestimmung] hurts more than the austerity measures" (Sternberg et al, 2018, p.71) and Greece would have first to reclaim its political dignity.

Despite the vastly different power positions of Chancellor Merkel and PM Papandreou, we locate a similarity in the two leaders, The Greek PM was forced by EU leaders to change course in his domestic national policy. The two strongest European countries imposed their stance on an economically weaker country, making evident that EU is losing its democratic attachments (Zestos,2016). In tandem, Angela Merkel was cornered in the meeting held, prior to the official one, that, explaining the presence of Barack Obama. President Sarkozy intended to pressure the Chancellor to increase Germany's contribution to the rescue fund similarly to what the United Stated did in 2007-09. Furthermore, Sarkozy and Obama announced that their rescue strategy also includes a transfer program of the EA counties' Special Drawing Rights (SDR)[4] to a collective rescue fund that would be at the disposal of financially endangered EMU countries. Jen Weidmann, President of the Bundesbank, immediately called Merkel, firmly opposing, clarifying that Germany's reserves are managed only by the German Central Bank. During the council, Chancellor Merkel "broke down in tears, shocking everyone... She…explained, "That is not fair. I cannot decide in lieu of the Bundesbank" … The Chancellor was upset …because everyone …continued to press Germany on issues that concerned mainly other countries." (Zestos, 2016, p.189). After the Cannes meeting, PM Papandreou resigned and a coalition government was formed with Lucas Papademos, former Vice President of the European Central Bank, taking upon the role of the PM, until the scheduled elections on May 2012. The elections of May did not result in government formation. Coalitions were not possible since the austerity measures had

[4] "The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves…in providing liquidity. SDRs can be exchanged for these currencies". (International Monetary Fund, 2019)

significantly decreased the popularity of traditionally large parties like New Democracy and PASOK while far left and right parties were steadily gaining support. ("Greece's profile," 2019).

The years 2012 -2015, the Private Sector Involvement and the Rapprochement

In February 2012, the largest debt restructuring in world history or as it is known PSI (Private Sector Involvement**)** was agreed among private Greek bondholders who accepted 54% value reduction of their bonds, equivalent to €200billion or 66% of the GDP (Dendrinou & Varvitsioti, 2019· Zestos, 2016·Xafa,2014). Following the PSI, Poul Tomsen, of IMF stated that the modernization of the economy should be prioritized while the fiscal adjustments need to slow down (Smith,2012). The uniqueness of the Greek debt is that, contrast to emerging markets debts, which as standard the debt lays under foreign law and currency, the overwhelming majority of the Greek debt was issued in its national currency and domestic law. Therefore, Greece was bankrupt in drachma and unable to pay off the loans in other currencies. The advantage of this situation is that, Greece through a Parliamentary action could had amended the bonds. However, Greece chose the legislative route only to "retrofit collective action clauses (CAC)[5] in bond contracts in order to facilitate the restructuring… and negotiated a pre-emptive debt exchange with creditors as part of a second rescue package agreed with the IMF and the EU". (Xafa,2014).

The early draft of the second bailout was submitted in July 2011 but the voluntary haircut was not accepted by EU counterparts as the largest share of Greek bonds was held by German and French banks. Zettelmeyer,Tresesch & Gulati (2013) contrast in their analysis the July 2011 proposal to the PSI deal of 2012 stating that the

> July 2011 proposal hence implied a significant contribution from the private sector. But did it also imply debt relief? The IIF[6] claimed so in its July press release, which stated that the debt exchange implied a 21% net present value (NPV) loss for investors, based on an assumed discount rate of 9% … (following a successful exchange). However, there are several reasons to be skeptical of this claim… Investors opting for the new bonds

[5]CAC "help overcome creditor coordination problems by allowing important terms of the bonds to be amended by a defined majority of holders" and "eliminate contract rights through majority voting without any court supervision" (Xafa, 2014)

[6] Institute of International Finance

> would have suffered a loss of 21 cents on the euro compared to the alternative of receiving full and immediate repayment of their old bonds… Using the IIF's 9% discount rate, this implies much smaller creditor losses, namely, just 11.5%... On 21 February 2012, … [the] formal debt restructuring offer … turned out to look very different from the IIF's July 'financing offer'. Investors were only offered one take-it-or-leave it package – referred to as the 'PSI consideration'…. Whereas the July plan had envisaged exchanging only sovereign and sovereign-guaranteed railway bonds …, the February 2012 offer was directed at all privately held sovereign bonds issued prior to 2012, with total face value of €195.7 billion… The July 2011 proposal was an attempt to deal with free riding only through the last mechanism, by offering an upgrade from Greek law to English law combined with collateralized principal (p.520-21,523-24,537)

On the other hand, Xafa argues that "subjecting all bonds to a uniform haircut, irrespectively of maturity, implies a higher NPV loss on short-dated bonds" (2014)., resulting that the €100 billion would end up to "reward the speculators who had gambled on high-risk financial investments" (Zestos, 2016,p.171). In addition, institutionalization of the debt without measuring domestic sociocultural impacts, saturations and localized policy making made the success of the PSI questionable. Additionally, Featherstone (2012) affirmed that Greek banks would "face large-scale nationalization. So, a sector... freed to operate as private institutions... is now to be returned to the hands of a political class lambasted for its lack of economic discipline".

The PSI is the agreement of the state with private bond holders, on sharing the debt burden of the country, by accepting to lose value of their bond holdings. By definition, investors are encouraged not to invest further. It is indicative that the privatization which always remained high in the reform agenda failed to progress as the Greek government was unbale to raise, for the long run, €50billion revenue, as it was initially planned. Dullien (2012) argues that though the "Fiscal Compact is currently the popular embodiment of austerity", it did not construct the Euro fiscal policy and austerity regulations, as the FCT is using and building upon existing European fiscal policies and practices. Other analysts though, advocate that the PSI is the reason that Greek crisis escalated and spread to other European countries. "This decision to impose a haircut … was adamantly demanded and imposed by Germany" (Zestos, 2016, p. 170). Before the signing of the PSI, Merkel in her Bundestag speech remarked that "As chancellor of Germany, I should and sometimes must take risks, but I cannot embark on adventures. Europe fails if the euro fails. Europe wins if the euro wins." (Birnbaum,2012). One week prior of the agreement "Wolfgang Schäuble, was willing to contemplate a Greek default… It remains unclear whether a default was contemplated seriously or merely floated as a means of pressuring Athens" (Castle, 2012).

The Fiscal Compact Treaty (FCT) or Fiscal Stability Treaty in the EMU is the enhanced and stricter version of the Stability and Growth Pact, signed in March 2, 2012. The FCT was signed following "strong persuasion by Germany in 2012 to reassure …Northern EA countries that their taxpayers will be protected from future bailouts… Another condition… the German government imposed … was the PSI. Chancellor … requested that all bailout recipient countries include a PSI…in their bailout agreement" (Zestos, 2016, p.148-9). When the PM Papademos visited Berlin on March 23, 2012, Chancellor Merkel mentioned that Greece would hold "ownership of the reforms" on fiscal policy (Tzogopoulos, 2015b, p.12) but their prospective efficiency would be evaluated by Greece's creditors. Dullien (2012) marks that when Germany in 2009 passed its "Schuldenbremse" ("Debt Brake"),[7] the country was granted transition period till 2020. Therefore, it is logical that this model would be applicable to other countries. Mario Draghi, President of the ECB proposed the addition the "Growth Compact" in the FCT, as the problem with debt ridden countries is that they pay severely high interest rates when the private sector's performance is linked with the sovereign debt (Dullien,2012). According to Sternberg et al, (2018) chancellor's "neoliberal orthodoxy and her 'faith in fiscal orthodoxy and the Pact of Stability and austerity, which she imposes on the Eurozone together with Sarkozy' (p.40) had become an unescapable fact for Greece. Ioannides and Pissarides (2015) reveal that "Gikas Hardouvelis[8] informed us (in a private communication) that … during negotiations in spring 2012 … the troika[9] was insisting on labor market reforms to precede product market reforms, arguably because of convenience" (p.364).

In June 2012 New Democracy formed a coalition government with its traditional opponent PASOK and the Democratic Left party. *Harris Interactive* in August 2012 measured the opinion of German citizens for Greece and resulted, that 54 % believed that Greece should leave the Euro, while 74 % were certain that Greece would never repay its bailout loans (Tzogopoulos, 2015a). PM Samaras rerouted his pre-election anti- memorandum rhetoric towards

[7] "Nominal debt is to be stabilized over an economic cycle with the debt brake. If this is successful, debt in relation to aggregate value added (debt ratio) declines when the economy grows" (Federal Finance Administration, n.d). Bloomberg ("Germany's debt," 2019) reports that Germany's debt, as estimated in 2019, is so low that the debt brake is further unnecessary.
[8] Chief economic adviser to PM Lucas Papademos from November 2011 to May 2012
[9] Troika consists of the European Commission, the European Central Bank, and the International Monetary Fund

a more mediocre stance (Tzogopoulos, 2015b). Germany and Minister Schaeuble approved of the new government's attitude. The result of the June elections reduced the anxiety in the European circles, making *Plan Z* to be put on hold. The *Plan Z* was the last resort officials and leaders would enact if the result of the elections did not favor the stability of the Eurozone (Zestos,2016). The Plan Z creative team consisted of Marco Buti of the European Commission, Thomas Wieser from Eurogroup, and Paul Thomsen of the IMF, leaded by ECB Jörg Asmussen. In 2012, for the first time during the euro crisis Grexit became a possibility. Although the Plan Z was kept in high secrecy to avoid Greek financial market crumble, the term Grexit was used repeatedly by EU leaders creating a vicious circle, where Greece was heading towards a "self-fulfilling prophecy" (Zestos, 2016, p. 191). In Greece even newspapers favoring reforms agendas, blamed Chancellor Merkel and Minister Schäuble, for swapping the modernization of the Greek economy and public administration with the loss of worker and employees' rights earned through decades of citizens' struggles (Sternberg, et al, 2018).

In June 2012, EU Commission President Barosso visited Athens to show support to PM Samaras for the difficult role bestowed upon him. He also transferred a message from Germany, as prior to Athens he had visited Berlin, where he tried to convince Angela Merkel that Grexit would only create a domino effect with incomparable consequences. Therefore, Samaras needed to follow the implementation of the terms of the bailout and not to negotiate the bailout terms for a year. PM Samaras compiled and restarted the implementation of austerity measures (Zestos,2016). Since the Greek Prime Minister was determined to restore Greece's liability in markets and in the European political stage, he was invited to Berlin where he was granted all honors as Head of State. *BILD* responded by publishing a letter of a German citizen addressing the Greek Prime Minister:

> "Dear Mr. Prime Minister, when you read these lines you have entered a country that is completely different from yours. You are in Germany. […] Here, the people work until the age of 67. […] Nobody has to pay thousands of Euros to bribe. […] Germany is in debt, too – but we are able to pay up. Because we get up very early in the morning and work all day [….]" (Bickes, Otten & Weymann, 2014b, p.115)

The contradicting atmosphere in Germany is a foreshadowing of future conflicts that pass beyond the political dynamics. But as in 2012, Berlin was satisfied with the progress of the reforms, Merkel visited Athens on October 8, 2012, to initiate the “phase of rapprochement” (Tzogopoulos, 2015b, p.8) that included Wolfgang Schäuble in 2013, President Joachim Gauck in 2014 and Chancellor Merkel again on 2014. Parallel to the political practicalities, the *Social Science and Medicine Journal* published a research by the University of Portsmouth revealing that in every 1% public spending reduction, male suicides were increased by 0.43% (Zestos,2016). *The Economist* without supporting the ineptitude of the Greek politicians to form a national debt crisis strategy, defends the Greek government and the “suffering population…[against the] condescending, dominant and patronizing attitude of European countries towards Greece”(Bickes et al, 2014a, p.440). Tzogopoulos (2015b) opinions that from 2012-2015 the Greek-German relations were improving with no serious implications. In Athens the Konrad- Adenauer Stiftung Foundation restarted its activities, the Greek- German Assembly and Greek German Fund for the Future were established. From 2010-2014 the debt deficit was reduced by 10% of the total GDP, which is the biggest restructuring of any advanced economy in history, achieved in exchange of the rise of unemployment to 27.9% and the shrinkage of the Greece’s GDP by 25%. Despite banks had recapitalized twice, the one third of the deposits, approximately €80 billion, had been transferred abroad (Dendrinou and,Varvitsioti 2019). Meanwhile Alexis Tsipras, leader of the SY.RI.ZA party was increasingly gaining popularity with the slogan “Go back Ms. Merkel and Mr. Schäuble.”[10]

From Greek debt crisis to Euro crisis

In January 25, 2015 Syriza broke the forty-year established two party rulership (Council of Foreign Relations) in Greece by being elected almost to full majority, by two seats, in the Parliament. The government coalition would be delivered, allying with the Independent Greeks party (Anexartiti Ellines), which was formed in 2012 by defector- members of the parliaments from the New

[10] Firstly, used in May 2,2014 (Dendrinou and Varvitsioti 2019)

Democracy party (Dendrinou and Varvitsioti 2019). The result did not surprise either Berlin or Brussels. The chancellery was planning ahead presupposing that the new elected government would abide to the agreement and would continue to gratify its creditors' demands (Wagstyl, 2019a). Within twenty-four hours Jean Claude Junker[11], European Commission President, telephoned PM Tsipras to congratulate him. Alexis Tsipras replied that he is the opportunity for Europe not a threat. The markets though reacted nervously to the new situation in Athens and the Greek stock market fell 26.7%, its lowest since 1995. Head of the Ministry of Finance was placed Yanis Varoufakis, the most popular Greek politician, who at that moment had 128 thousand followers in twitter (Dendrinou and Varvitsioti, 2019). The Greek debt's handling model which PM Tripras wanted to implement, was an all-inclusive European countries conference that would settle the Greek debt like, the 1953 London Debt Agreement did with Germany (Meiers, 2015). Meanwhile, Vice Minister of Finance Mardas realized that the €2.9 billion in the government coffers not only would not cover Greece's payments by the end of the month but Greece would be minus €500 million (Dendrinou and Varvitsioti, 2019).

Varoufakis and Dijsselbloem, President of Eurogroup, talked on the phoned and arranged a meeting in Athens. When Minister Schaeuble learnt about the visit, he discouraged Dijsselbloem claiming that this choice indicates weakness on behalf of Europe. Varoufakis had to come to Brussels (Dendrinou and Varvitsioti,2019). Nevertheless, the meeting took place in Athens on January 30, 2015. It was such the importance of that meeting that Guardian, and other media, were doing a live streaming update that day. During the press conference of Varoufakis and Dijsselbloem the Greek bank index fell by 1.2% (Monaghan and Fletcher, 2012). The outcome of the meeting was an agreement on the extension of the programme only till the end of February. Minister Varoufakis declared that he had no further intention to work with the troika, and Minister Schaeuble replied explicitly, that there would be no additional Greek aid on the agenda. "We need solidarity in Europe, and besides we cannot be blackmailed "(Brown and Niemaber, 2012) he said. *Avgi* newspaper published a cartoon depicting Minister Schäuble in a Nazi uniform using harsh language that drives back to Nazistic practices, forcing PM Tsipras to publicly condemn the incident ("Δε με εκφράζει," 2015). Schaeuble responded via an interview that "he had a thick skin. And it's unwise to insult the people you're asking to help you" (McGuinness,2015).

[11] Junker served eighteen years as President of Luxembourg and during that period the country became the richest in Europe

On February 16,2015 Eurogroup send an ultimatum to the Greek government, stating that is the country's last chance to extend the second bailout (Tzogopoulos, 2015b). Minister Varoufakis followed, by sending a letter to Dijsselbloem announcing that "the Greek authorities are now applying for the extension of the Master Financial Assistance Facility Agreement for a period of six months" ("Athens gives," 2015). Germany initially responded negatively since it rendered that it was offered a "non-substantial proposal for a solution" (McGuinness,2015). This is the point in time, where Germany comes for the first time openly in rift with Brussels, at the highest level. Meiers (2015) advocates that Berlin did not waver in its position, as it was certain that being in the EA, Germany could survive a Grexit due to the ESM. Additionally, Greece's position was knowingly dire, since in January 8, 2015, the ECB had already announced that if Athens does not extend the bailout, it would withdraw the benefits of Emergency Liquidity Agreement (ELA) from the Greek banks. On February 20, 2015 "the Eurogroup and Greece reached an eleventh hour… The agreement [gave] Athens a financial lifeline" (Meiers, 2015. p.92). Only when the Greek government promised to commit to the program's obligations, the extension was approved for four months – instead of six (Tzogopoulos, 2015b). The Bundestag, one day before the Greek bailout expired, approved the extension, with 541 out of the 587 Bundestag members voting in favor. Minister Schäuble send a message to PM Tsipras saying that "being in government is a date with reality, and reality is often not as nice as a dream ...certainly [Tsipras] will have a difficult time explaining the deal to their voters" (Meiers, 2015. p.93). Privitera (2015b) estimates that the inexperience and recklessness of the two politicians led creditors and European leaders to believe that PM Tsipras and Minister Varoufakis were actually working as the Trojan Horse in order to dismantle the EMU from inside. Subsequently, Greece lost the support of Italy, France and even Spain's Portugal's and Ireland's. Tsipras and his government faced an "impossible trinity of staying in the euro, staying in power, and undoing the bailout" (Privitera, 2015b). Minister Varoufakis, later in April 2015, responded concerning the negotiations: "There is a negotiation where you have 30 days to reach a deal with someone. Why do it on the 20th day when you can continue and push for something better on the 21st? Or the 22nd? You can keep going until the 30th" (Kanter, 2015).

Grexit became policy in 2015 but the term was firstly used on February 6, 2012 by Citigroup's chief economist, William Buiter (Zestos, 2016). The difference between 2012 to 2015 is that, Wolfgang Schäuble in 2015 brought Grexit to the public agenda not as a scenario but as a fact. In March 2015, he publicly discussed the possibility of a Grexit (Tzogopoulos, 2015b). For March and April, Greece would need more than €4 billion to pay its domestic obligations and loans, including the IMF. In June 2015, the debt was 177% of the GDP, in which the €247 billion out of the €315.5 were held by creditors. Nevertheless, the payment of the loans did not seem precarious, assessing the debt limitedly sustainable (Meiers, 2015).

The financial history though, makes evident that the "politics of arrears" (Kahn, 2015) does not offer the flexibility of choosing. When domestic supply debts accrual, government coalitions tend to fissure. Orderly confrontation of fear of prospective chaos rarely happens to be the case. Tzogopoulos (2015b) reports that on June 1, 2015 Chancellor Merkel, Mario Draghi, Christine Lagarde, Francois Hollande and Jean Claude Junker met in Berlin in order to establish a united position concerning Greece. Dijsselbloem was not on the meeting, but he reported that "We aren't far enough along, and time is pressing. The bottom line is that we are not going to meet them halfway…The package must make sense in budgetary terms." (Strupczewski and Maltezou, 2015). PM Tsipras went to Brussels with his own proposal. Higher in the agenda were the pension reforms, when contrary the IMF, had demanded further pension cuts and freeze of the negotiations for the collective wages deal. If agreement would not be reached by the end of June, Greece would have to apply capital controls (Maltezou and Thomas, 2015). The negotiations lasted till the end of June with no result. Then IMF (2015) released a statement on June 26, assessing the Greek debt as unsustainable. It stated the following:

> At the last review in May 2014, Greece's public debt was assessed to be getting back on a path toward sustainability, though it remained highly vulnerable to shocks. By late summer 2014, with interest rates having declined further, it appeared that no further debt relief would have been needed under the November 2012 framework, if the program were to have been implemented as agreed. But significant changes in policies since then—not least, lower primary surpluses and a weak reform effort that will weigh on growth and privatization—are leading to substantial new financing needs. Coming on top of the very high existing debt, these new financing needs render the debt dynamics unsustainable. But if the package of reforms under consideration is weakened further—in

> particular, through a further lowering of primary surplus targets and even weaker structural reforms—haircuts on debt will become necessary (2015, p.1).

On June 27, 2015 the Greek Prime Minister announced that a referendum would be held on July 5, for the Greek citizens to mandate on nor the third bailout. The points of conflict between the lenders and the Greek government were the further pension cuts, the withdraw of the special benefit offered to low pensioners, the raise of VAT in medicine, electric bills and cars as well as the exclusion of any debt relief (Morris, 2015). Minister Varoufakis explained his own "balanced proposal," foresees cuts on early retirement, increases in pension funds contributions, and raise in corporate taxes ("Should Germany," 2015). On the same day the Greek stock market closed for a week (Udland, 2015) and on the June 29, the banks closed to inhibit outbound capital flows. On June 30, 2015 Greece failed to pay €1.6 billion to IMF and became the first developing country to default its debts repayment to IMF and the second after Zimbabwe (Zestos, 2016· Council of Foreign Relations· Hodson, 2016). PM Tsipras announced the activation of capital controls, that limit daily withdraws to €60, thinking preemptively, as the ECB's emergency lending to Greek banks would expire on the July 6,2015. (Traynor, Hooper & Smith, 2015).

From Berlin, Chancellor Merkel ruled out the possibility of debt relief, though, she was open to a third bailout rescue package for the Greek banks' recapitalization. Every single financial assistance granted to Greece would be equivalent to the reforms it would propose. The choice of Tsipras' government proceeding to a referendum could be explained strategically, as a move where he forces his opposing partners to concede on conflicting matters that in a head to head clash would not do (Hodson, 2016). France supported Greece openly but advised the Greek government "to satisfy German demands," (Lever, 2017, p.22-23) as President Hollande believed that a political rift with Germany would be disadvantageous for both Greece and France. Grexit became first page story in every newspaper in Europe. The German press started a malicious campaign suggesting Greece to sell its islands and Acropolis to pay off its debts (Zestos, 2016). Greece was depicted as a sinner country that needed to repent towards the financial markets. No leniency would be shown since, as Anton Börner[12] stated "the so-called warm-water countries...only understand the tough language of the capital markets" (Shapland, 2015).

[12] President of BGA, Bundesverband Großhandel, Außenhandel

Greece's crisis administration and policy failed in creating alliances with other European counties. On the contrary Germany had already by April 2015, approached counties in the Baltics and Finland, with whom came to an agreement that they need to vocalize vigorously their frustration and opposition towards Greece (Tzogopoulos, 2015b). Martin Schultz, President of the European Parliament had stated that, beyond this point, it is not a matter between Greece and its creditors, but the entire Europe. It would be advisable that PM Tsipras restricts from attacking Germany since without its contribution no solution or aid would be feasible (Karaviti, 2015). The Germany chancellery and politics overleapt the Greek delegation since the beginning of the new government's term on February 2015, by sending straight messages to the Greek citizens. They sought to use the Greek electorate to weaken the government's position and negotiation methods (Wagstyl, 2015a).

In Germany Finance Minister Schaeuble[13] surpassed in popularity Chancellor Merkel, and when the first discussion for the third Greek bailout came to the Bundestag, the votes against the Greek aid surpassed by 50 the ones in favor (Lever, 2015). "Schäuble enjoys a special place in Merkel's cabinet… he's a piece of German history, and therefore untouchable (Ehlers, Heyer, Knaup, Müller, Neukirch, Pfister, Schult & Steppat, 2015). Wolfgang Schaeuble became a Grexit man creating the "infected leg camp" (Zestos, 2016, p.191) which purported Greece's voluntary exit from eurozone for a five year "timeout" in exchange for debt restructuring (Hodson, 2016). He stated in a radio interview that it is admittedly common sense that Greece needs a debt haircut, for it to be sustainable, but "debt cut is incompatible with membership of the currency union" (Wagstyl, 2015b). The German opposition was accusing Minister Schaeuble that he uses Grexit strategically, to degrade Sigmar Gabriel, leader of the Social Democratic Party (SPD) while Michel Sapin[14]marked that the German Minister is "seeking to entertain the gallery" (Hodson, 2016, p.4) Varoufakis speaking to *The Guardian* accused that Germany is pushing towards Grexit as it wants to rely a message to France ("Βαρουφάκης από," 2015). On the other hand, Merkel did not support a hardline approach regarding Greece since there were parliamentary voices that advised her that a Grexit would cause a domino effect and personally she did not want to mark history as the one responsible for the dismantlement of Europe (Ehlers et al, 2015).

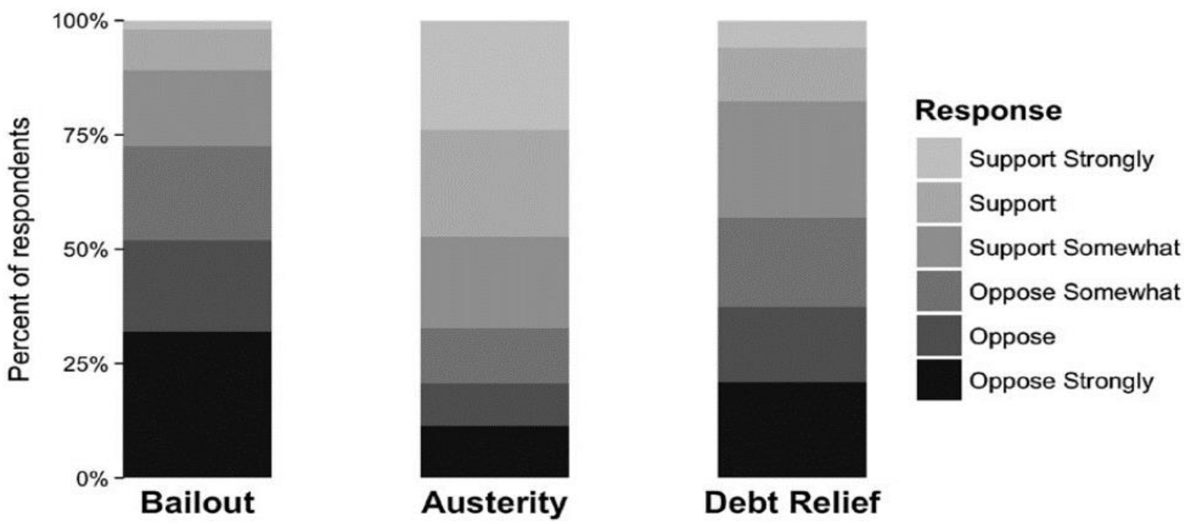
[13]In the past Schaeuble was Merkel's interparty opponent, as she had replaced him in the leadership of the Christian Democratic Party (CDU) after he was involved in a funding scandal in 2000, for which he admittedly received 36.600 pounds from an arms dealer ("Wolfgang Schaeuble", 2015).

[14] France's Minister of Finance from 2014-2017

Greece and its creditors could not find a middle ground. The rupture between Greece and Brussels was expanding to a point where discussions paused, and as IMF Christine Lagarde stated "would not make any more progress until there were adults in the room" (Lever, 2015, p.22). Greco-German relations at that period were replicating the chicken game. As *Kathimerini* imaginatively portrayed in a cartoon, the two sides were driving towards collision and then Tsipras asked Varoufakis "What will we do is she does not turn?". Varoufakis answers "We will pass from underneath" (Sternberg et al, 2018, p.65). Greece was gaining the support from the international community not because it approved of the government's method but because it was an uneven fight. It was "Europe's attack on democracy" as Stiglitz (2015) wrote, defending. He said that, the Greek continuous recession reveals Europe's intention. Greece's entrapment in the "depression … has been so deliberate and had such catastrophic consequences' (2015) while troika insists refusing its malignant economic models to the point that all economists agree that creditors' attitude is punitive. [Meanwhile], "few countries have accomplished anything like what the Greeks have achieved in the last five years" concerning their debt readjustment (Stiglitz,2015). He also added that asking Greeks to vote in favor in the referendum equals asking them to vote to remain in recession.

In Greece the referendum resulted to 61.3% against of the third bail out and austerity measures and 38.7% in favor. Tsipras' support for the "no", was his solution in achieving debt relief inside the Eurozone while his European counterparts denounced him, explaining that "no" means exit (Farrer, Rankin & Traynor, 2015). In Greece, rally "Yes" campaigns were based on the next day of "oxi' (Greek for no), which would be the beginning of a vicious distraction circle for Greece. That would be because every other country had been preparing to deal with Grexit instead of Greece, which is also the only country that would be devastated by it. European "extend and pretend" funding would no longer be available, and Greece would rely on the assistance provided by the European Union and even by Turkey (Pagoulatos, 2015). In parallel, *Spiegel* published an article assessing Germany's gain from its Grexit strategy, irrespectively of the referendum's outcome. It concluded that "the result is widespread resentment of Germany and a damaged Franco-German relationship (Ehlers et al, 2015).

After the referendum's result was announced, Sigmar Gabriel, Germany's vice chancellor and leader of the opposition party SPD, remarked that Tsipras had "burned his bridges with Europe" (Traynor et al, 2015). Tsipras's follow up actions regarding the referendum were "conciliatory rather than defiant" (Hodson, 2016, p. 3) as he replaced Yanis Varoufakis with Euclid Tsakalotos. Varoufakis replied that he would "wear the creditors' loathing with pride" (Farrer, Rankin &Traynor,2015) while PM Tsipras informed President Prokopis Pavlopoulos that his intention is to build a "national front" for a more sustainable future for Greece with and within Europe (Traynor et al, 2015). In Germany, Rathbun, Powers & Anders (2015), after the June referendum announcement (when media coverage on Greek matters peaked at its highest), contacted a survey to measure the opinion of German citizens in the Greek bailout, debt relief and austerity measures. The findings, as illustrated in the chart below, showed that the majority opposed the bailout by 31.9%, and the debt relief by 20.9%, parallel to 67.2% that supports austerity measures.



Republication from the paper "Moral Hazard: German Public Opinion on the Greek Debt Crisis", Rathbun, B., Powers, K., Anders, T., (2018*), Political Psychology,*.0(0), Chart 1, p.9. © Rathbun, Powers & Anders.

On July 11 and 12, 2012, the Greek government met with its creditors in Brussels to capitulate. The meeting has registered in history as "the most brutal which the EU had ever experienced" (Lever, 2017, p. 22) where PM Tsipras reconciled completely and signed a peremptory third bailout with terms and austerity measures more severe than the previous one. The "Agreekment" (Tzogopoulos, 2015b, p.15) would release €86 billion to Greece over three years entailing that Greek assets worth of €50 billion will be transferred to a new privatized fund which will be used for bank recapitalizations and debt reduction (Hewitt, 2015). In the meantime, Greece needed to pay to the ECB €3.5 billion by July 20, 2015. European Commissioner Pierre

Moscovici explained that "'valuable Greek assets will be transferred to an independent fund that will monetize the assets through privatizations and other means. The monetization of the assets will generate over the life of the new loan a targeted total of EUR 50 billion" (European Parliament, 2017). The assets of the Hellenic Republic Assets Development Fund (HRADF) include airports, ports, banks, infrastructure, real estate as "valuable assets" (Wearden, 2015). The privatization fund of the €50 billion is "more than a fifth of Greece's GDP" (Bird, 2015) open to "explore possibilities to reduce the financing envelope, through an alternative fiscal path or higher privatization"(Vandoorne, 2015). Other austerity reforms include the early retirement laws that need to be fully completed by 2022 and the VAT streamlining for Greeks islands equal to mainland Greece (Wearden,2015). "The humiliation of Greece" (Lever, 2017, p.22) continued to the implementation of the Agreekment, as the Greek parliament had to approve and enact the main legislation reforms within three days, before the negotiations for third bail out even begin in Brussels. Junker noted that "I don't think the Greek people have been humiliated, nor that the other Europeans have lost face. It is a typical European arrangement" (Hewitt, 2015).

Elhers et al. (2015) gives us an inside look in the proceedings of that day. When Minister Schaeuble noticed that his proposals were not included in the working papers (probably because of France or/and Italy) realized that Grexit would be passed very difficult. He knew he cannot evade Merkel but, most of Germany's conservative parliamentary members were on his side. On the other hand, he had created a bailout package with so strict conditions that the Greek government would never sign. It is indicative that when round four of the negotiations begun Tusk, Tsipras, Merkel and Hollande[15] had to retreat privately. PM Tsipras asked for Minister Tsakalotos to be present when Angela Merkel humoursly answered that Schäuble would come then too. Eventually, only the Greek Finance Minister attended the meeting. The major point of conflicts in the meeting were two. Firstly, how much of the earnings from the sales would Greece use for investments. Tsipras wanted 50% while Merkel insisted on 10%. The clash between the two countries reached its peak, and then Donald Tusk intervened by prohibiting everyone to leave the room before an agreement is found (Ehlers et al, 2015). Additionally, the second point of severe conflict was that Germany wanted the Hellenic Republic Assets Development Fund to be based in

[15] Hollande provided the Greek government with people for assistance in making a list of reforms without Germany's knowledge (Ehlers et al, 2015).

Luxembourg not in Athens. Tsipras reacted saying it would cause “liquidity asphyxiation” (Wearden,2015) and it remained in Athens.

On the night of the European leaders’ meeting the world showed its solidarity to Greece with #ThisIsACoup trending second worldwide and number one in Greece, Germany and Finland (whose government supported Grexit). The trend begun when Paul Krugman wrote in his New York Times blog: “The trending hashtag ThisIsACoup is exactly right” (“ThisIsACoup,” 2015). Analysts and academics advocated that “this is the strategy of “coup d’état by stealth”, without the military having to do it” (Wade, 2015). ‘No tanks rolled, just the German Euro” (Sternberg, et al, 2018, p.67). The Memorandum of Understanding (MoU) shows that the external control on Greek economy is a fact (Wagstyl, 2015c), making evident that Germany’s established political will and economic eminence had ,as Joffe (2015) states, resurrected the “continental system[16]” and had renamed it into “Merkely,”

The Halle Institute for Economic Research (IWH) in Germany, conducted a research discovering that Germany had benefited from the Greek debt crisis. Germany’s budget savings were increased by €100 billion, equivalent to 3% of its GDP, from 2010-2015. Particularly, in times of crisis in Greco-German relations, in Germany, government bond yields fell disproportionally even to 30 basis points daily (Gropp and Muller, 2015·“Germany government,” 2015). By the end of 2015 Germany would issue €180billion of bonds (Worstall, 2015). Therefore, it is estimated that the €90billion rescue package to Greece outer balance Germany’s benefits. So even in the case of a Greek default Germany would have be still in profit (Worstall, 2015). The course of Greece’s bailout history “almost none of the huge amount of money loaned to Greece had actually gone there. It has gone to pay out private-sector creditors – including German and French banks” (Stiglitz, 2015). In 2018, document released by the German Finance Ministry showed that the Bundesbank had earned by 2017, €3.4billion out of interest rates from Greek bonds it bought between 2010-11 (“Germany pockets,” 2018). In such contrasting situations economists rendered if it would have been preferable if Germany had existed the Eurozone? Ashoka Mody, Professor of Princeton University suggested that a Gerxit[17] would have been more beneficial for both debt- ridden countries and Germany, as well as it would be way to cure an “ill- considered

[16] Napoleon’s foreign policy towards the United Kingdom. He enacted the Berlin Decree in 1826 and an embargo was applied on British trade.
[17] George Soros in 2012 blogged about a Gerxit and its benefits (Shwayder, 2015)

union" (Shwayder, 2015). Contrary, John Ryan of the London School of Economics believed that a Gerxit would have led to the destruction of the entire European project. It was also preferable for Europe and Eurozone, to continue bailing out Greece since the costs of the Greek bailout programs are smaller than the benefits already accrued to the German budget (Gropp and Muller, 2015, p. 1).

Germany: A liberal hegemon or an ordoliberal citizen?

The power asymmetry between Greece and Germany during the debt crisis is evident from the beginning escalating in 2015. How did Germany become a "reluctant hegemon" as William Paterson noted when it dismissed, in his saying, the role? (Sternberg et al, 2018, p.67) And why the Germans reacted and held that position? The Maastricht Treaty in 1992, following the German reunification in 1990, is the beginning of the EMU and its architect is Germany. Helmut Kohl supported the correlation of euro with Germany as a "rejection of the German militarist and nationalist past" that leads to "Good Germanness" that equals "Good Europeannes" (Risse, 2013, p.113). Allies' intervention in Germany from 1945-1955 did not hinder Germany in executing the unique and successful "model of social market economy" which relied on free market economy and workers – employers' cooperation, known as the "Rhineland model of capitalism" (Zestos, 2016, p.130). Horst Köhler[18] stated in Spiegel in 1992 that, "we have succeeded in turning our currency concept into the currency constitution of Europe. (Galpin, 2017, p. 82). Before 1990, Germany was not sovereign regarding its foreign policy. Gaining it, came to the price of embedding its identity in the European integration. As European identity was advancing, so did

[18] German politician who served as State Secretary at the Federal Ministry of Finance (1990-1993), President of the German Savings Bank Association (1993), Managing Director of the International Monetary Fund (IMF) in Washington, D.C. (2000-2004), President of the Federal Republic of Germany (2004-2010) (United Nations, 2017)

Germany. Berlin now “occupies the driver’s seat of European economic affairs” (Janes, 2015) and is taking its active power to a reactive role especially in 2015 due to Greece and Ukraine.

Germany’s position during the Euro crisis should be examined in the prism of ordoliberalism (Ordnungspolitik) which is the German version of social liberalism. Ordoliberalism emphasizes in market regulation by the state in order to produce the maximum potential result in a theoretically perfect competitive market economy (Galpin 2017 ·Ptak, 2009). Market competition is the only similarity, they have with neoliberals[19]. Distinctly from Keynesianism that favors deeper state intervention, ordoliberalism envisages a framework, the Wirtschaftsverfassung, which functions more like an economic institution and lays the rules of economic cooperation, delivery and efficiency (Nedergaard, & Snaith, 2015). Ordoliberalism’s principles are “competitiveness and budgetary discipline, monetary stability and individual responsibility” (Galpin, 2016, p. 80). Ordoliberalism for and in Germany is not merely an economic and political ideology, but penetrates ‘the ethical, moral and normative frameworks of individual behaviour’ (Bonefeld 2012, p. 651) and its power is such that “transcends party lines’ (Howarth and Rommerskirchen 2013, pp. 715, 757). Even SPD that supports a more export-oriented economy does not deviate from that rule. European interests and euro prosperity are therefore for Germans their “ordoliberal heritage” (Galpin, 2017, p.82). Ordoliberalism is constructed on competitiveness, therefore debt-ridden countries unable to keep up with the race, are the one causing the crisis. Rescuing peripheral countries like Greece endangers Germany’s competitiveness and help cannot be provided without strict conditions. In Germany, therefore, exists an institutional belief for a wider liberal organization. In particular, the failure of crisis management in the case of Greece can be rooted to the fact of “having a monetary union without political union” (Galpin, 2017, p.82).

In 2002-03 Germany was facing unemployment up to 13.4% and slow economic growth. German chancellor, Gerhard Schröder,[20] to tackle the dead-end, announced the Agenda 2010, and in its core were the Hartz reforms, named after Volkswagen’s HR director Peter Hartz, with the goal of restructuring Germany’s labour market (Centre for Public Impact, 2019).

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[19] Neoliberalism is a policy model that is based on free market competition and supports minimal state intervention (Smith, N.,n.d)

[20] German Chancellor from 1998-2005, leader of the SPD

The Hartz reforms were implemented in four stages between 2003-05, and completely reconstructed the Federal Employment Agency and welfare system. The modernization of the two was achieved via severe cutbacks in the social welfare system, significant suppression in wages, pensions and benefits and the introduction of new types of employment. Employment contracts were signed between trade unions and employers' associations. The Hartz reforms focused on the decentralization of labor union agreements, the undermining of trade unions and the introduction of Kurzabeit, meaning short work (Zestos, 2016). These measures were introduced in order to boost competitiveness and domestic demand, leading to exports that would bring economic growth and Germany to the international front. Experts attribute Germany's economic resiliency during the euro crisis to the Hartz reform (Zestos, 2016· Lapavitsas, 2018· Centre for Public Impact, 2019). Beginning from that period, it is observable that during tax cut periods in Germany, there is a significant raise in savings. This paradox phenomenon is known as "German cynicism," in which citizens save more because they fear that tax cuts will fail, leading to budget deficits that will raise taxes eventually up again. (Marsh, 2013). The euro crisis was not the opportunity to stimulate "new ideas about Europe and European identity in Germany, it strengthened older ones" (Galpin, 2017, p.110).

Given the taxpaying attitude of German citizens, the chancellery had a god reason "for not letting Greece off the hook" (Lever, 2017, p. 21) since this could trigger a sequence where other countries would request the same form Germany. Furthermore, this would also serve as a message to Eurozone members that they are not allowed to unilaterally resile from a commitment or reestablish the rules. Politicians, journalists and economists many times during the crisis had failed to predict or change Germany's stance, because the existing analysis on Germany's economy stemmed from the Anglo-Saxon perspective (Marsh, 2013). It had failed dramatically to read the German psychic which is stimulated and reacting differently from the European and American one. The German mentality empathizes with the Swabian[21] housewife, a metaphor Angela Merkel used often in her speeches to associate with the German citizens (Zestos, 2016). The Swabian mentality advocates a specific way of living, the "hälinge reichwhich" meaning being secretly rich. This mentality roots in the 19th century when Germany was extremely poor, and "*Chaffe, schaffe, Häusle baue"*, meaning "work, work to buy a house", became the German way of living (Kollewe, 2012). *"*Swabian cultural cocktail is seen as so successful that it

[21] Germanic people in Swabia, region in southern Germany, known for their frugality

colours German attitudes to the euro crisis" ("Hail, the Swabain," 2014) and neomercantilistic liberal policies were dubbed into Merkelism, as Germans are proud of their economic achievements and support their chancellor in articulating an effective response (Wise, 2015).

According to Lapavitsas (2017), European integration and euro prosperity needed an anchor for them to happen and that "anchor country" (p.9) was Germany, which granted Europe free capital movements. These capital movements consequently effect exchange rates, and if altered or stopped, they lead to crisis. If the anchor country denies playing its part, exchange rates fluctuate. If the anchor country retreats, it (Germany) would have to change its monetary policy. The EMU anchored Germany to stabilize exchange rates (Lapavitsas, 2017). Since Germany has paid its part to EMU, also through the implementation of the Hartz reforms, European authority would have "its limits, and these limits, though commonly agreed, have been set by Germany" (Lever, 2017, p. 30). Meanwhile since the ECB cannot decide without the Bundesbank, European policy "remains adrift to no man's land" (Marsh, 2013, p. 59).

Germany's internal political stage also had its fluctuations since SPD's indecisiveness had helped Merkel to control the "reins of the domestic euro debate". SPD's leader, Gabriel was considered "no match for Merkel" creating rifts inside the CDU, which worried the chancellery, since it needed a firm majority to deal with Greek matters (Privitera, 2015c). No other chancellor was as powerful in history as Merkel or excited as much as she did. Romano Prodi[22] remarked "the Lady takes the decisions, and the French President then gives a press conference to explain the decisions" (Sternberg et al, 2018, p. 68). Despite Merkel's firm domestic grip, the "two-leveled" (Privitera, 2015c) Germany worried European leaders, as it could consequently expand to Europe's foreign policy, especially after the Ukraine crisis. Germany was facing instability and threats outside European borders that effected its alliances (Janes, 2015). Grexit, especially in 2015, was not a practically beneficial scenario for Germany, but an obstruction dealing with the Ukrainian crisis.[23] A Grexit would potentially lead Greece to Russia, enlarging the geopolitical role of the latter in South-Eastern Europe (Tzogopoulos, 2015b). Even the Swabian housewife affirms that it is "better to pay part of someone else's debt than to completely lose one's own assets by not doing so' (Sternberg et al, 2018, p. 70). In parallel, China's infrastructure

[22] Italian Politian, President of the European Commission from 1999-2004, and twice Italy's PM, (1996-98,2006-08)
[23] The Minsk II agreement was signed in February 2015 by Chancellor Merkel, President Hollande, President Putin and Ukrainian President Petro Poroshenko.

expansion through the Belt and Road Initiative must be taken very seriously. Krugman highlighted that European leaders need to “get past the myths and the moralizing, and deal with reality” otherwise the European project to form a society on “shared prosperity” (Wise, 2015) that promotes democracy would have been deconstructed from within.

The “shared prosperity” is the one concept that troubles Europe’s unification. Germany gain its economic growth due to its severe wage suppression that led to trade surpluses which are circulated in Europe via laws that are sanctioned by the European Court of Justice. Additionally, the fixed European exchange rates protected Germany’s exports as the Eurozone engages in currency manipulation on behalf of Germany (Eleftheriadis, 2014a ·Dolan,2011). Therefore, many economists advocate that “Germany is the Eurozone’s biggest free rider” (Eleftheriadis, 2014a) since it has benefited so much from the Euro but has given no time to peripheral countries to adjust. Germany's free riding precisely is, mechanizing the euro to maintain low exchange rates while shifting costs to its neighbors (Dolan, 2011) via the ‘beggar thy neighbor’ policy (Eleftheriadis, 2014a).Creating a more sustainable EA means equal distribution of means and gains, that will be done only if Germany is liberally willing to comply. When the PIGS, -Portugal, Ireland, Greece and Spain- joined the Eurozone it was known that, they would be unable to compete and would definitely face “creative destruction” (Eleftheriadis, 2014a). Therefore, they were offered large amounts of EU funds as “compensation… [to]restructure their economies” (Eleftheriadis, 2014a), which failed dramatically deepening corruption and political oligarchy, especially in Greece (Eleftheriadis 2014b).

Greece: Crisis opportunity or opportunity crisis

Greece’s euro crisis was not a fight only for financial or monetary survival. It was perceived by many and especially Greek citizens, as an opportunity for cleansing. A chance to fight corruption and finally be awaken of the lethargy of false prosperity to actual transition to democracy. As Dempsey (2015) notes after the Junta, two political families ruled Greece, strengthening inner political ties at the expense of accountability. By the time Greece entered the European Union and

Eurozone afterwards, "a system of clientelism and patronage was entrenched. But then, European—and U.S.—leaders were not too bothered about that. What they wanted was a stable, pro-Western country on Europe's southern flank" (Dempsey, 2015). The motivation for many peripheral countries to join the euro was the prospective modernization of their political system. The national debt crisis was an opportunity for the Greek political system to, indeed, modernize its political structures and dismiss the clientilistic reality that is hampering its economic and democratic development at the expense of Greek citizens (Kaelberer, 2018). The political system of Greece is "anachronistic" resembling systems where statesmanship was inherited (Zestos, 2016, p.184).

When Theodoros Pangalos of Pasok, stated in Parliament that "we all wasted the money together," showed how the political stage and society can degenerate to the point of vocalizing such a statement and still citizens choose their "private spheres and complain that the state does not function" (Sternberg, et al, 2018, p.30). What it is interesting for the Greek-German relations, is that in the system of perpetual corruption in Greece, German companies and banks were "actively participating in the 'established practice' of bribery" (Sternberg et al, 2018, p. 34). In addition, Johannes Kahrs, SPD's fiscal spokesman, turned the one-sided blame from Greece, towards Wolfgang Schaeuble, accusing him of inconsistency. The Minister, firstly, insisted that the rescue package for Greece would be delivered only with the condition of IMF's contribution, but when the latter asked for debt relief the Minister was refusing (Sternberg et al, 2018).

Greece's crisis was primarily an internal conflict. Greek's desire to overturn the established system of clientelism clashed with the fear of doing so. In 1994, Minister Anastasios Peponis, for the first time managed to pass legislation, to establish an exam hiring system for the public sector. The law has been revisited 43 times and that is because unions hold such power in the Greek political network that many times Greek institutions fail to uphold the law (Eleftheriadis, 2014b). In 2010, legislators proposed a bill that would audit professionals such as doctors, engineers, lawyers who report less than €30.000 annually. Eleftheriadis (2014b) calls upon Tsoutsoura and Morse who say, this would have been a paradoxically positive approval by the Parliament since 221 out of the 300 members belong to one of the aforementioned professions. If the political figures of Greece had chosen to audit themselves, it could have been a step forward for the societal system wholesale. Greece's major challenge is not "economic growth but political inequality" (Eleftheriadis, 2014b). According to Kalantzis (2015), Greece is experiencing "internal orientalism" (p.1049), which is a peculiar combination of pathogenies, as described by philosopher Ramfos and psychoanalyst Yosafat. Greeks are confined in structures that obstruct "their participation in an Enlightenment cosmos of accountability, responsibility, and maturity" tightroping between the European bourgeois identity and the "(globally) mocked subject" (Kalantzis, 2015, p.1049, 1060)

In tandem, Greeks construct their ideas about their state Authority and Authorities via media which up the 90%, is owned by businesspeople. Elites have maintained their status and power through media control and politicians are rewarded for their cooperation, while the country in EU rankings for social mobility, places near the bottom. Greece's identity is built upon the "misrule of the few" (Eleftheriadis, 2014b). The economic crisis did not foster new schemes, on the contrary, it strengthened old hierarchies that provided feedback for the country via their media routes.

The Press: Representation or Reproduction of the economic crisis

The power of the periodical press
is second only to that of the people
Alexis de Tocqueville

Greece and Germany via the press: Perception of the "Other"

States are entities that in order to exist in the International System, they need to be recognized by other states. This reciprocal recognition is sanctioned by International Law that assures that states are treated as equal. This recognition and equality drive states to "sacrifice part of their sovereignty and restrain their actions by submitting to this law…that evolved into a legal norm for the single market.” The Greco-German relations were a “multilevel game …[that] created a trans-border political arena for struggles of recognition” (Sternberg, et al, 2018, p.8, 11). The press was such an arena and the news reports, represented either the empirical reality or the constructivist projection of identities and state’s clash (Tzogopoulos, 2015a). Greece was one, of the counties that were dealing with financial crisis but, was the only country that was addressed so persistently by the press. The “scandalization of the Greek crisis” (Kutter, 2014, p.447) led the EMU and other institutions to change their crisis management approach.

In 2010 when the financial crisis hit, the German press began what is known as” Greek bashing” (Zestos, 2016, p.157). *Focus* magazine in 2010, published in its front page a manipulated image of Aphrodite of Milos pointing the middle finger, with the headline “Betrayers of the Euro-Family.” The dominant readings in newspapers addressing the Greek crisis were set in a moralistic neoliberal context that “roots the crisis to the Greek culture” (Goutsos and Hatzidaki, 2017, p.279). Europe was therefore struggling with the *Other,* balancing between “Northern Saints” versus “Southern Sinners” stereotypes. This tactic was employed both by media and politicians “not for a lack of alternative disruptive options” (Sternberg, et al, 2018, p.6)

A survey conducted by ECB in 2013 resulted that Southern households had a higher income that Northern ones. Therefore, the image held for Greece by Europeans was of affluence not of the actual income inequality (Bickes et al, 2014a). *BILD* via its articles “implicitly and explicitly constructed the myth of the corrupt and lazy Greeks in comparison to the hard-working Germans” (Bickes et al, 2014a, p.426). In contrast, survey conducted to measure the annually working hours in OECD countries, placed Greece third with 2.060 hours, while Germany was last with 1.363 hours (Muggeridge, 2015). European politicians that supported the Greek bailout were also depicted as “bad Europeans.” Even Merkel was characterized as such by *FAZ*, when she broke the “no bailout clause” for Greece, to pass legislation in the Bundestag (Galpin, 2017). In the beginning of the crisis German citizens, indeed, showed solidarity to the Greek people. The dialogue though between the newspapers drove the context out of line, forcing citizens to take a stand. For the German side, the Greek laziness was connected to phenomena such as nepotism and political corruption that troubled the Greek political system for decades. When Thanos Tzimeros, leader of a small party, send a letter to Angela Merkel asking her not to “give a single euro” to Greece since the money would be stolen anyway, turned the German narrative even more towards “historical responsibility,”(Sternberg, et al, 2018, p.41).The perpetual reality of corruption and clientelism in Greece weakened the country's crisis defense line. On the other hand, the moral cargoes of Germans had a defining factor in shaping one of the 21st century's most crucial economic struggles and usually "media narratives resist revision" of morality (Rathbun et al, 2018, p16).

Greek press responded to the moralization of the German press by focusing on the "Germanization of Europe" (Sternberg, et al, 2018, p.95) drawing context from its Nazistic past. Even more so when, Nikos Kotzias,[24] in his book characterized Greece as a "debt colony" (Sternberg, et al, 2018, p.95) of imperial Germany, with Brussels and Berlin forming an axis of dispossession economics. This phenomenon led to a wave of "re-nationalization" that resulted to the rise of extreme right ideologies. Fouka and Voth (2016) found an association between national memory and its impact on economy. German manufactured cars in the Greek market demonstrated a rapid and substantial decline from 23% to 15% during 2012, especially around the period of the discussed Greek default. What is worth mentioning is that the car "nationality" is determined by the manufacturing country and not the company's ownership. Seat, despite being owned by Volkswagen, was not affected by this phenomenon as it was perceived via its Spanish origin.

Kutter (2014) marks that, in contrast to general tabloids, financial papers reserved from the Greek bashing and demonstrated a voice of reason away from populist ideas. They formulated their all-rounded narrative about the Greek reforms and debt restructuring as a holistic economic strategy, while assessing EMU in the specter of "information asymmetry … and [the]regulatory policy [of] Ordnungpolitik" (Kutter, 2014, p.450). Greece's press did not portray the country as a victim of liberal markets but emphasized its "heroic resistance to foreign occupation" (Sternberg, et al, 2018, p.55) especially through the topic of German war reparations. The intensity of the media strife weakened between 2012 to 2015. When Grexit resurfaced with intensity and used by Greece as a negotiating card that could dismantle Eurozone and "Merkel's system," the German press responded fiercely, as it saw Germany as the "righteous party enforcing

[24] Greece's Foreign Minister between 2015-2018. Professor of International Relation in University of Piraeus

the rules of the game for the common good and bearing the responsibility … as the effective "paymasters" of Europe. Germany too was capable of its own Ochi" (Sternberg, et al, 2018, p.64).

Discourse Analysis: Nazism and Sexualization in the press

Poll conducted by Greek company VPRC in February 2012, to ascertain the image of Germany in Greece, indicated that 32.4 % of Greeks associated Germany with Nazism and its components while 77 % believed that the country "exerts a "Fourth Reich policy" (Tzogopoulos, 2015a, p.12). In addition, 81 % thought negatively of Angela Merkel while 91 % considered the claim of war reparations as just.

The Metaphor theory advocates, that language is not merely a linguistic form, but it influences human thought. Its influence is such, that **"**manipulative use of metaphorical concepts can have great influence on public opinion and the construction of reality" (Bickes et al, 2014a, p.427). The "manufacturing consent" [25] (Hinson,1993) model was used, according to Tzogopoulos (2015a), as a Greek crisis management policy, in which Greek politicians were targeting their German counterparts to establish themselves as protectors of citizens' rights, especially in the context of Nazistic resistance. Dissimilarly to Germany, where the Euro had a unifying effect, since it helped Germans to surpass their Nazistic stereotypical remnants about themselves, the Euro crisis solidified their stance towards their national leaders and European neighbors.

The language used in the press was contextually related to power and resistance, illustrating an asymmetrical relationship between the two countries. The discourse of resistance to dominance was primarily used in Greece while Germany's discourse was trying "to replace raw assertion of power with what could be construed as legitimate authority" (Sternberg, et al, 2018, p.61. In addition, Bickes et al., (2014b) discovered, in the German press, newly invented words with negative connotation to address Greece, such as "Defizit-Sónder" (*deficitsinners*) and "Euro-Betróger" (*Euro-deceivers*), (p.115), which contributed to the

[25] Noam Chomsky and Edward Herman's theory developed in the homonymous book in 1988

construction of Greek-German interstate differences. Specifically, *BILD* used "programmatically arranged catchwords… to stabilize cultural stereotypes… [and the] teacher/learner metaphor intensified the formation of a hierarchically divided Europe" (Bickes et al., 2014b, p.116,118).

The division between Greece and Germany was further intensified by the sexualized language used in the media. Kalantzis (2015) reports of a journalist in Alpha TV asking in live television about Angela Merkel: "So did she succeed in dominating us? Us as Greeks and as men?" (p.1051). The national fight was correlated to male survival and the Greek identity was synonymous to manhood. Germany was perceived to be dominant to the International System because of female power while simultaneously was dominated by a woman. Kalantzis (2015) adds that the male Greek national citizen instead of depicting the chancellor in an antagonistic relationship, it framed it as sexualized joke. For example, Angela Merkel is pictured in a public lavatory, making with her fingers the size of someone's genital. This coping mechanism projects the incompetence of the Greek political system to defend the country's rights and overturn the established societal pathogenies extending to the self-image of the Greek citizens' that period.

Conclusion

Greco- German relations during the euro crisis were a multilevel interaction between the two countries trying to establish their position in the International System. Germany being the strongest economically country contributed the largest share in the Greek rescue packages out of all the Eurozone member countries. That, by right and will, set Germany at the driver's seat of the EU crisis management and policy of the Greek debt crisis.

Regarding the strategy of the two countries in positioning themselves in the European Union as well as, of the debt crisis management, it is concluded that Germany had a clear vision on how to handle the emergencies that arose and did not waver in its position. When in February of 2015 the second Greek bailout had not been extended yet, Germany did not subcome to a deal other than of the extension of it. Germany knew, from January 2015, that the ECB would withdraw the benefits of the ELA from the Greek banks. Therefore, it persisted to the extension and indeed was confirmed as Greece applied for it. Greece by being in the position of the depended was trying to thematize its “politics of arrears” (Kanter, 2015) in order to maximize its maneuver boundaries. In the negotiations of June 2015, the Greek government’s debt crisis management led many EMU countries to believe that the true intention of the Tsipras administration was to create an internal rupture in the EMU that would ultimately lead to its dismantlement. The Trojan horse association distanced other European countries including Spain and Italy, from Greece towards Germany. Germany’s strategic thinking regarding the new administration in Greece, was set in motion at the beginning of the 2015 as the chancellery sought agreements with Finland and the Baltic countries in order for them to vigorously vocalize their opposition to the Greek government’s handling model of the debt negotiations. Since the euro crisis, especially the Greek affairs were so consistently covered by the media, Germany could send straight messages to the Greek electorate overriding the Greek administration, leading to its undermining. The determination of the chancellery and the dead end of the Greek argumentation was clearly received both in European circles and domestically. It could be assumed that the 2015 July referendum was a responding tactic to this situation, as for the Greek government to mobilize the Greek citizens to take a stance for the third MoU. The unforeseeable referendum was explained tactically as a move where the Greek administration tried to force its conflicting counterparts to concede in positions that in a head to head clash would not do. Nevertheless, despite the negative outcome of the referendum the Greek government signed the third MoU, affirming the efficiency of the German positions. The German psychic was indiscernible to read by European and Western figures since the majority of the analyses conducted for the German mentality stemmed form an Anglo- Saxon perceptive. Germany had the advantage of keeping its tactics personalized and stable.

Since Germany won over the political tactics employed, it remains to be examined if indeed the Greek rescuing packages were disadvantageous for Germany. As the Halle Institute for Economic Research (IWH) (2015) in Germany concluded, Germany’s governments budget savings increased by 3% of its GDP between 2010-15. Also, by the end of 2017, €3.4billion were added to the German coffers. The German Institute also estimated that Eurozone members were more inclined to continue bailing out Greece as the benefits that would be gained from a potential Grexit would outbalance negatively Germany’s already accrued profit. On the other hand, Greece during its debt crisis lost 20% of its pre-crisis GDP (Zestos, 2016) and the July 2015

Agreekement, that entailed Greek assets to be transferred to a private fund, were equivalent to one fifth of Greece's GDP. The July 11 and 12 meeting has been characterized "one of the most brutal" (Lever, 2017, p.22) of the EU history wholesale. Despite Greece won over the world's and financial community's support that spoke of a "coup d'état by stealth" (Wade, 2015), it was not enough to overturn the decisions made. Additionally, Greece during 2010-15 was not offered any adjustment period for the implementation of the austerity measures and reforms. The July Agreekement foresaw that the Greek parliament had to approve the deal before it is discussed in Brussels. In contrast when Germany had to implement the Hartz reforms of the Agenda 2010, it was done in four stages between 2003-05 and there was a prospective adjustment period till 2020.

The most crucial decision that had to be taken or not into action was the Grexit. Despite Grexit begun as a scenario in 2012, it was contemplated as a fact in 2015. Germany's Finance Minister Schäuble became its main supporter creating the "inflected leg camp" (Zestos, 2016). The feasibility though of a Grexit in 2015 it is doubtful. In 2015, Europe had also to deal with the Ukraine crisis. Germany along with Europe worried about the stability of its external borders. A Grexit could lead Greece to Russia for financial assistance, ultimately enlarging the influence of the latter in the European continent. Furthermore, China's infrastructure expansion through the Belt and Road Initiative it is a fact that needed to be dealt with caution, making Grexit an even more perilous decision. The domestic scene in Germany should also be taken into consideration as Grexit had a modifying aspect in its political domestic balances. The German opposition was accusing Minister Schäuble that he is utilizing Grexit in order to downgrade the SPD's leader, Gabriel. The two political positions in Germany affected the chancellery as it needed a firm majority to proceed with a Grexit. Simultaneously Chancellor Merkel was not in favor of a hardline approach in the Greek matters as she personally did not desire to be held historically responsible for the dismantlement of the Eurozone. Furthermore, to examine deeper the Grexit German strategy, it should be considered how the ideological carrier of the German politics affects the country's policy. Germany historically impended its identity into the euro currency to surpass its Nazistic past linking the "Germanness" to "Europeannes" (Risse, 2013, p.113). The Eurozone therefore was considered a German heritage and a Grexit could start a deterioration process. The German political thinking should also be looked at the prism of ordoliberalism, which has as main principles market financial outperformance and monetary stability. Ordoliberalism is so deeply entrenched in the German thinking that transcends party lines. Therefore, the mentality of logic would had gained over the Grexit initiative momentum.

Both Greece and Germany from the beginning framed the Greek debt crisis in the context of the European survival and both actors were caught into a reactionary role towards the stability demands of the International System. The proposed Greek referendum of 2011 illustrated how Greece and Germany were functioning among variables. Chancellor Merkel being pressured by France and US to increase its contribution to the rescue fund and transfer its SDR to a collective fund, when the Bundesbank firmly opposed. PM Papandreou was forced to withdraw the referendum under the pressure of Germany and France. The Greek sovereignty over its national policy was undermined due to its debt crisis. The external control of its politics and development was increased with the HRADF as Greece relinquished one fifth of its GDP for privatization. Greece's political system being institutionally anachronistic did not have the elasticity needed to persevere in its financial needs. Since the monetary European system though, is a network of interdependence, Greece cannot be held the only one accountable for the continuation of the crisis. Greece signed the 2012 PSI to lessen its debt burden, but the PSI has now been assessed as the reason why the Greek debt unsustainability was enlarged and was passed into Europe. That is because the PSI deal ultimately discouraged investors to come to Greece, leading to an even slower growth and reform process. The PSI clause was to be included in every bailout agreement after Germany's strong persuasion. Therefore, the handling of the Greek debt crisis with the goal of resolving the financial matter in European unity finds false decisions both in the German liberal tactic and in the Greek political leadership's reluctancy and inefficiency to overturn its systemic pathogenies.

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