Recovery, resilience and growth regimes under overlapping EU conditionalities: the case of Greece

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Abstract
This paper attempts to weigh into the debate on whether and if so, to what extent the policy response to the pandemic of the EU, most notably among others, the Recovery and Resilience Fund of the Next Generation EU, its conditionality, and the response of the ECB, marks a qualitative change rather than echoing the legacies of the previous crisis by looking into the case of Greece. According to the third-generation comparative capitalism literature, EU economic integration has been favouring export-led growth models over domestic-demand led ones through several channels, which included fiscal rules, financial support conditionality and monetary policy. During the pandemic, there have been apparent shifts in some of these channels. Greece has entered the pandemic with vulnerabilities from previous economic adjustment programmes it had to follow, large enough to warrant ‘enhanced surveillance’ by the European Commission, as well as challenging fiscal conditionality to secure some preferential treatment by its Eurozone partners/lenders of its public debt, to improve its fragile sustainability. This article assesses the risks that the Greek Recovery and Resilience Plan may face, given the economic, social and political legacies of and the lingering conditionality from the previous crisis. It thus illustrates how the implementation of the EU response to the pandemic in Greece is constrained by the legacy of the previous crisis despite shifts in policy channels through which the EU economic integration has been shaping national capitalisms.

Keywords European Union · Greece · Covid-19 · Growth models · NGEU · Recovery and Resilience Facility · Conditionality

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Introduction

The Covid-19 pandemic plunged Europe into the greatest recession since World War II, the second in the space of 12 years. The EU economic policy response was different this time, from the prompt launch of the ECB’s Pandemic Emergency Purchase Programme (PEPP), and the activation of the general escape clause of the Stability and Growth Pact (SGP), to the launch of the Support to mitigate Unemployment Risks in an Emergency (SURE) and the Next Generation EU (NGEU) programme with its Recovery and Resilience Facility (RRF). The introduction of these policy responses was accompanied by a marked shift in the framing of the challenge facing EU member states: instead of attributing the varying capacity of member states to deal with the pandemic to past more vs. less prudent policies, it was acknowledged that all countries were facing symmetric external threats (the pandemic but also climate change) (Schelkle 2021). The European Commission has been presenting the NGEU as ‘a once in a lifetime chance to emerge stronger from the pandemic, transform our economies’.

Policy analysts have, thus, been posing the question of whether Europe experienced its ‘Hamiltonian moment’ (cf. Kaletsky 2020), others have written about a critical juncture (Ladi and Tsarouhas 2020) and, while many agreed that Europe seems to have learnt some lessons from the handling of the sovereign debt-cum-balance of payments crisis in the 2010s (Buti and Papaconstantinou 2021), some have argued that the economic policy response of the EU, especially the NGEU, has been path-dependent, shaped by the lingering legacies of the previous crisis, thus reflecting ‘voices from the past’ (Armingeon et al. this volume).

This paper attempts to weigh into this debate on whether and if so, to what extent the policy response to the pandemic of the EU marks a qualitative change rather than echoing the legacies of the previous crisis by looking into the case of Greece, through the lens of the third-generation comparative capitalism literature. Having received by far the largest financial support between 2010 and 2018, gone through the most intrusive economic adjustment conditionality programs (Theodoropoulou 2015) but also having arguably graduated from these programs with the greatest economic, financial and social vulnerabilities in Europe, Greece has been economically among the most affected from the pandemic and is also expected to be among the largest beneficiaries of the Multiannual Financial Framework (MFF)-NGEU package. Despite having rebalanced the imbalances that embroiled it into the balance of payments/sovereign debt crisis in 2010, Greece is still in search of a more sustainable growth model, the search for which the MFF-NGEU funds would be ideally placed to support. However, Greece is still under ‘enhanced surveillance’ and demanding fiscal conditionality by its Eurozone partners in exchange for measures that will lighten the burden of servicing its public debt until 2060. Beyond demands for very demanding budget surpluses over decades, this conditionality also dictates that Greece continues structural reforms in the spirit of the previous economic adjustment programs. This article assesses the risks that the Greek Recovery and Resilience Plan may face, given the economic, social and political legacies of and the lingering
conditionality from the previous crisis. It thus illustrates how the implementation of the EU response to the pandemic in Greece is constrained by the legacy of the previous crisis.

The rest of the article is structured as follows. The next section uses concepts from the third generation comparative capitalism literature to frame the perspective under which the Greek quest for a sustainable growth model can be assessed. Section 3 focuses on the case of Greece, the legacies of the previous crisis, the lingering conditionality from the bailouts it received in the 2010s, the basic tenets of its Recovery and Resilience Plan (henceforth RRP) and an assessment of the opportunities and risks therein from the perspective of promoting a different growth regime. The final section concludes.

**European economic integration and national growth regimes: a shifting context?**

The balance of payments/banking/sovereign debt crisis of the late 2000s and early 2010s raised the questions of why some E(M)U member states were more affected than others (Noelke 2016) and why the EU economic policy framework and response to the crisis, in particular the economic adjustment programs imposed on bailed-out Eurozone member states, created more problems than they sought to solve (Armingeon and Baccaro 2012; Myant et al. 2016; Lehndorff 2012; Flassbeck and Lapavitsas 2015). To answer these questions, some of the so-called third generation scholarship in the field of study of comparative capitalism, with its focus on demand-side developments and growth models (Baccaro and Pontusson 2016), explored the compatibility between the framework of EU economic integration and of E(M)U economic governance with different national regimes of capitalism (see Johnston and Regan 2018 as well as the entire special issue introduced by this article, and Johnston and Regan 2015; Johnston et al. 2014; Hall 2014).

Some of the channels through which it was shown that the EU could impact national growth models were the establishment of strict and austere fiscal policy guidelines by means of the Stability and Growth Pact and related legislation (‘six pack’, ‘two pack’ regulations, and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union ) and the economic adjustment programmes conditioning the receipt of financial support by the European Stability Mechanism (ESM) and its predecessors (cf. Perez and Matsaganis 2018); the creation of the single currency, managed by the European Central Bank whose primary mandate of maintaining price stability had been operationalised as maintaining inflation in the Euro area close to but below 2% (Johnston and Regan 2015); and the facilitation of cross-border financial and capital flows (Fuller 2018).

An insight that emerged from this third-generation comparative capitalism scholarship was that from the launch of the euro and until 2008, the accelerating cross-border financial and capital flows that followed from the new single currency created a benign complementarity among the export- and domestic demand-led growth models within the Eurozone: in addition to benefiting from the single currency and large EU internal market to develop further their exporting sectors, member states
with the former growth regime could also export their excess savings to those with the latter, thus fuelling domestic-demand growth (Fuller 2018). Once, however, the global financial crisis led to a ‘sudden stop’ of these financial flows (cf. Merler and Pisani-Ferry 2012) across countries with different growth regimes, the benign complementarity unwound, leaving large current account exposures in the member states with domestic-demand-led growth regimes which had been receiving the financial flows.

The pressures of current account adjustment were fiercer and the ensuing adjustment more painful than they needed have been due to a host of reasons: the absence of a common fiscal capacity at the EU/Eurozone level, the initial absence of a lender of last resort to Eurozone governments, which resulted in too high spreads for troubled governments’ bonds in the sovereign debt markets, dogmatism over economic policies in powerful member states, and the lack of political willingness to share the responsibility for the rebalancing of imbalances and of support for a smoother divestment of the savings’ exporting member states from their counterparts. As the development of quality aspects of export competitiveness typically takes time, current account adjustment strategies in the troubled member states focused on fiscal austerity to reduce domestic demand and government budget deficits, and sharp labour cost adjustments (internal devaluation). The latter was pursued by means of direct wage cuts and labour market reforms to stimulate external demand and possibly investment. Hence, this literature concluded that EU economic integration favoured member states with export-led growth models more than those without (Johnston and Regan 2018; Scharpf 2021).

The same strand of the literature illustrated the conditions that favoured different varieties of export-led growth models. Four different varieties have been identified: the German model, based on high-quality manufacturing exports, strong coordination mechanisms between employers and trade unions and wage/domestic demand repression; the Swedish model, based on the exports of high end services whose demand is less price elastic (Baccaro and Pontusson 2016); and two varieties of FDI-export-led models encountered in Ireland and the Visegrad countries. The Irish model has been enabled by strong ‘entreprse policy’ of low corporate taxation and has been resulting in duality between those working for American multinationals and the domestic sector (Regan and Brazys 2018); and the Visegrad model, where the manufacturing sector, based on pre-transition manufacturing capacity has been successfully integrated into the German value chains (Bohle 2018).

The high economic and social costs of economic adjustment programs tied to bailouts of countries with domestic-demand led growth regimes but also the long drawn-out recovery in the EU, with relatively weak real GDP growth, weak wage growth and inflation well below its target rate in the rest of the EU/Eurozone did not go unnoticed in Brussels and other European capitals, raising questions about the fitness for purpose of EU socio-economic governance. These developments and evidence that trust in the EU among its citizens declined sparked several policy debates and responses, which, prima facie, suggest shifts in the channels through which the comparative capitalism literature cited above posits that EU economic integration shapes national growth regimes.
A series of reports and communications was published on how the Eurozone could be reformed to improve its function, all of which envisaged the establishment of some sort of fiscal capacity at the Eurozone/EU level (Juncker et al. 2015; European Commission 2017, 2016; European Council 2012). In 2017, the European Pillar of Social Rights (EPSR) was inter-institutionally proclaimed to provide a compass for upwards social convergence. Shortly before the pandemic gripped Europe, the new European Commission introduced the EU’s new growth strategy, the European Green Deal (EGD) promoting a ‘just transition’ to a sustainable economy, while in early 2020 it launched a review process for EU’s economic governance arrangements. The introductory Communication for the review acknowledged several of the shortcomings, especially with regards to the fiscal rules, that critics had been voicing over the previous decades on the limitations that these rules placed on national fiscal policies and the growth models but also on their failure to secure an appropriate aggregate fiscal stance for the Euro area (European Commission 2020). This process had to be put on hold at the beginning of the pandemic but has been recently relaunched with a new European Commission Communication which reiterated earlier messages, taking also into account lessons from the response to the pandemic (European Commission 2021).

The EU response to the pandemic also provided some innovations, from the activation of the general escape clause of the SGP, to promoting job retention rather than flexibility for job separations through SURE, to effectively establishing a temporary but sizeable EU fiscal capacity through the NGEU/RRF. Echoing painful memories from the 2010s, the conditionality for financial support under the latter departed from the form of conditionality seen in the bailouts of the late 2000s and early 2010s (cf. Armingeon et al. in the current volume). Characteristically, the German Secretary of Foreign Affairs stated in April 2020 that Europe needed ‘rapid help without ‘torture tools’ such as a Troika’ (Der Spiegel (international edition) 2020), whereas the Greek Prime Minister stated in an interview with the Financial Times that ‘Greece will not bow to EU conditions on Covid-19 aid’ (Financial Times 2020). Prior to the official submission of the national RRPs from late April 2021 onwards, extensive informal consultations over earlier drafts were made between national government and European Commission officials to make sure that the official submission would be likely to receive positive assessments. Otherwise, however, member states were in principle free to structure their programs in line with the assessment of their needs and in compliance with the broadly defined priorities in the Regulation establishing the RRF.

The ECB from its part gradually embraced more unconventional tools of monetary policy as the environment it had to operate in had changed dramatically since its establishment: policy interest rates in the advanced world had dropped at or below zero, the Eurozone inflation rate had been undershooting its target for years, the absence of a lender-of-last-resort to Eurozone governments had pushed the Eurozone to the brink of disintegration, while new pressing EU policy priorities, such as the timely transition to a net zero carbon economy and society, had also emerged. When the pandemic hit, the ECB was thus prepared to once more do whatever it would take to support the Eurozone, most notably with its PEPP which for the first
time included Greece but also with its Targeted Long-Term Refinancing Operations (TLTROs) which provided liquidity to Eurozone banks.

Moreover, in summer 2021, following a review of its monetary policy strategy, the ECB decided to re-operationalise its definition of ‘price stability’, henceforth ‘aiming for a 2% inflation over the medium-term’, thus adopting a less asymmetric approach between its primary goal of price stability and that of output stabilisation. In the context of the same review, the ECB announced a climate action plan in the context of which it will start reviewing and reassessing its collateral and asset purchasing policies to see whether they contribute to the EU policy objective of achieving carbon neutrality in the EU by 2050. This could have immense consequences for government spending in the future.

The above overview suggests some of the channels through which the literature from the ‘third-generation’ scholarship of comparative capitalism concluded that the EU integration and in particular the EMU favoured export-led growth regimes over consumption/domestic-demand-led ones in the Euro area have been shifting: more fiscal capacity has been made available to member states through the suspension of fiscal rules and through the RRF, pending also a reform of the EU economic governance; while the RRF regulation establishes some broad policy objectives as conditionality for the use of the Facility’s funds, member states have been allowed to set their paths of recovery, green transition and digital transformation, instead of having recipes imposed to them in a top-down fashion by some institutions, fully in line with dogmatic approaches to economic policies of certain influential member states; the ECB is now more mindful of output fluctuations while pursuing price stability and has been actively keeping government bond spreads low while considering the impact of its policies on decarbonisation.

Of course, the above changes are in some cases temporary and in others still inconclusive. Despite communications which suggest a shift in ideas, political decisions by the member states will still have to be made on their final shape, whereas it is not always clear how far new ideas are informing Commissioners or the European Commission services responsible for managing relevant policies. In principle, however, these shifts could favour more balanced growth regimes/models.

### The case of Greece: accumulated vulnerabilities and overlapping conditionalities

#### The legacy of the bailouts

Greece has been one of the countries which illustrated the insights of the comparative capitalism literature on the relationship between EU economic integration and national growth regimes most vividly. An economy chronically lacking a strong export orientation beyond tourism and shipping services and low-to-medium technology goods, Greece, like other member states in the Eurozone’s southern periphery has been a domestic-demand-led economy. Foreign direct investment flows have been weak as has been the country’s integration into international supply chains.
With a current account deficit of 15.8% of GDP in 2008, mirroring the large financial inflows from the Eurozone and beyond into a fast growing economy, and a budget deficit of 15.1% of GDP and given the institutional architecture shortcomings of the Eurozone, Greece experienced major turbulence in the sovereign debt markets after the global financial crisis which resulted in bailouts. Although the country managed to eliminate the imbalances that triggered its financial crisis (by 2018, Greece had a surplus of 0.9% of GDP in 2018 and a current account deficit of only 3.5% of GDP), it graduated from its economic adjustment programmes with deep economic and social scars, as output, investment and hourly labour productivity plunged while public debt, unemployment and poverty soared (see Table 1). Starting in 2010, real net fixed capital formation was negative in Greece, implying that there was no sufficient investment even to replace depreciating capital stock, let alone deepen it to spur output growth.

With hindsight, fiscal adjustment turned out to be too steep for growth (cf. Blanchard and Leigh 2013) while the structural reforms aiming at engineering an internal devaluation failed to produce a sufficiently counterbalancing increase in external demand (cf. Perez and Matsaganis 2019). Although structural reforms were also marketed by the Troika (or ‘the Institutions’ after 2015) on the promise that they would tackle the chronic structural problems of the Greek economy which had led to the build-up of imbalances over decades, they were often ill-timed and ill-sequenced both among them and with regards to the fiscal adjustment, while in some cases it also seemed that the Troika insisted more on fiscal

| Table 1 | The impact and legacies of the 2010s crisis in Greece |
|-----------------|-----------------|-----------------|-----------------|
|                | Peak/trough prior to the crisis | Trough/peak during the crisis | 2019 |
| Real GDP (Euros bn) | 239.7a | 175.5i | 183.6 |
| Real Gross Fixed Capital Formation (% of GDP) | 26a | 10.8h | 10.6 |
| Real Net Fixed Capital Formation (Euros bn) | 24.8a | −12e | −7.6 |
| General Government Balance (% of GDP) | −15.1c | 0.2i | 1.1 |
| Current account balance (% of GDP) | −15.6a | −1.3g | −2.4 |
| Public Debt (% of GDP) | 103.1a | 186.4j | 180.7 |
| Employment Rate (% of people aged 15–64) | 61.4b | 48.8f | 56.5 |
| Unemployment Rate (total) (% of labour force 15–74 years) | 7.8b | 27.5d | 17.3 |
| Unemployment Rate (youth) (% of labour force 15–24 years) | 21.9b | 58.3f | 35.2 |
| % of people at-risk-of-poverty anchored at 2008 (total) | 18d | 48h | 42 |
| % of people at-risk-of-poverty anchored at 2008 (< 18 years) | 20.7d | 55.7l | 48.6 |
| Self-reported unmet healthcare needs because it was ‘too expensive’, ‘too far’ or ‘waiting list was too long’ (% of respondents aged 16 and above) | 5.2c | 13.1l | 8.1 |

Note: a: 2007, b: 2008, c: 2009, d: 2010, e: 2012, f: 2013, g: 2014, h: 2015, i: 2016, j: 2018. Sources: AMECO database (Real GDP, Real Gross Fixed Capital Formation, Real Net Fixed Capital Formation, General Government Balance, Current Account Balance, Public Debt), Eurostat-LFS (Employment Rate, Unemployment Rates), EU-SILC (At-risk-of-poverty rates), EU-HLTH-SILC (self-reported unmet healthcare needs)
adjustment than on a sensible implementation of reforms (Vayanos et al. 2017). They thus led to greater damage than would have been necessary given the size of the adjustment that Greece needed to undertake. Consequently, public debt as a share of GDP reached 186.7% of GDP in 2018 and that despite a large debt restructuring program in 2012.

While real GDP growth had resumed since 2017, it ranged between 1.1 and 1.8%, low rates given the income losses endured during the previous crisis. In 2018 and 2019 investment flows were declining again (after being negative between 2008 and 2014), with Gross Fixed Capital Formation standing at 10.6% of GDP in 2019 (21.5% in the EU) (AMECO data). The same was true for net public investment (and public capital, e.g. public infrastructure) since 2011, with the exception of 2015 and 2017. The employment rate in 2019 was 56.5% of those aged 15–64, the lowest in the EU, an 8p.p. increase from its trough in 2013 but still lower by 12 p.p. than the EU average. Similarly, in 2019 the unemployment rate had dropped to 17.3% of the active labour force while labour market slack (i.e. those unemployed, those underemployed and those marginally attached to the labour market) stood at 24.5% of the extended labour force (Eurostat LFS data). The share of persons at risk of poverty (anchored at 2008) stood at 42% (48.6% for those under 18). In 2018, expenditure (euros per inhabitant) on health-care and sickness was 38.7% lower than in 2010 (Eurostat ESSPROS data) and in 2019, 8.1% of persons aged over 16, most than any other member-state, had self-reported unmet needs for medical examination because it was too expensive, too far to travel to or the waiting list was too long (Eurostat hlth_unm data).

In 2019, exports accounted for 40% of GDP in Greece compared to 43.5% in Portugal, 47% in Sweden, 55% in Austria, 74% in Czechia and 82% in Belgium, all countries of similar population size. The economic adjustment programs decimated the capacity of the state to spend and effectively emasculated an important pillar of the Greek growth regime, without, however, any visible emergence of an alternative. Imports weighed heavily on the current account balance adjustment. (Theodoropoulou 2016).

Finally, the hitherto stable political party system in Greece underwent major turmoil, resulting in fragmented parliaments, unstable coalition governments and the rise in popularity of anti-systemic parties both on the far right and the left (Pappas 2015). Between 2010 and 2018, there were six different prime ministers in Greece, two of which presided over caretaker governments. The country’s socialist party (PASOK), one of the two parties alternating in office since 1974, when democracy was restored, saw its share of votes collapse from 44% in 2009 to 4.7% in January 2015. Despite the political turmoil and extreme economic adjustment, the elections of 2019 marked some return to calmer waters: New Democracy, the centre-right party which had been alternating into power with PASOK between 1974 and 2009 won the elections and formed a majority government. SYRIZA became the government opposition capturing the space that former PASOK used to occupy, while other, anti-systemic parties in the far right, such as the Golden Dawn and ANEL did not manage to win any seats in the Parliament.
Lingering conditionality without means

In summer 2018, following the completion of its third and final programme of economic adjustment and in compliance with one of the ‘Two-Pack’ regulations, Greece was placed under ‘enhanced surveillance’. Greece’s imbalances and vulnerabilities, most notably its high public debt as a share of GDP, negative net international investment position and very high unemployment and youth unemployment, were considered risks to Greece’s financial stability, which could spill over to other Eurozone member-states (European Commission 2018).

A little earlier and given the concerns about the sustainability of Greece’s public debt, an agreement was struck in the Eurogroup meeting of June 2018 between Greece and its Eurozone lenders: the lenders endorsed debt reprofiling measures and committed to keep open the possibility of negotiating further measures in that direction towards 2032 to keep Greece’s debt servicing burden below 15% of GDP in the medium-term and below 20% of GDP in the longer-term. In exchange, Greek governments would continue implementing key reforms undertaken under the third, ESM bail-out, ensure that the objectives of the reforms of previous economic adjustment programs (e.g. in collective bargaining, minimum wage-setting the reform of the pensions system) were safeguarded, and implement further measures in the areas of fiscal and fiscal-structural policies, social welfare, labour and product markets, financial stability, privatization and public administration (ibid. and Eurogroup 2018). Chief among the conditions was that Greek governments would have to maintain primary general government surpluses of 3.5% of GDP until 2022 and of 2.2% of GDP until 2060 (Eurogroup 2018).

The IMF warned, after having reviewed the experience of 90 countries in the post-war period (1945–2015), that the prescribed budget surpluses for that length of time for Greece were unrealistically high. The economic, structural and policy conditions that could shape the likelihood of sustaining them, from expected output growth and unemployment rate to demographic change, low healthcare spending and the lack of nominal exchange rate and monetary policy tools were simply too unfavourable in the case of Greece (IMF 2018). Thus, in the face of a public debt whose longer-term sustainability is questionable, Greek governments could pursue unrealistically high budget surpluses and structural reforms, the logic of which had not always gone beyond mere (fiscal) cost cutting as a growth strategy, likely to create economic, social and political turmoil, hoping that they would get further debt relief from their Eurozone partners. If debt relief was not forthcoming, then public debt sustainability risks would likely materialise, plunging Greece into further debt crises and the need to negotiate further bailouts and economic conditionality programs. Given the scars of the previous crisis (inequality, unemployment, severely under-funded healthcare system) and the transitions facing Greece, this is an important constraint on its current and future governments.

The pandemic shock

Covid-19 arrived in Greece in 2020 somewhat later than in other parts of Europe and until the autumn 2021, the country had experienced three relatively mild waves of the disease. Nevertheless, according to Our World in Data evidence, since autumn
2020 the number of deaths associated to Covid-19 cases has been one of the highest in the EU. The pandemic has been straining the healthcare system, which was one of the main targets of public spending cuts under the economic adjustment programs of the 2010s and has brought in even more stark relief its problems. Despite the relatively lower incidence of the disease, the Greek economy was one of the most affected in the EU in 2020, second only to Spain, as real GDP declined by 9% compared to 2019.

The large weight that the tourism sector bears in overall economic performance has been a contributing factor to the relatively large economic impact of the pandemic in Greece; according to data from the World Travel and Tourism Council’s 2020 Economic Impact Report, in 2019, travel and tourism accounted for 21% of the Greek GDP and supported over a fifth (21.7%) of total jobs in the economy, both figures considering the creation of demand and employment indirectly in other sectors as well. Following a strong rebound in demand for tourism services in 2021, real GDP is expected to increase by 7.1% (European Commission 2021), while real GDP is expected to have returned to 2019 levels only in the course of 2022.

The Greek government, taking advantage initially of the financial buffer that had been provided by the ESM upon its exit from the last financial support program and of financing opportunities created at the EU level, responded with support measures for the sectors, companies and workers which were affected by the pandemic but also the healthcare system, whose fiscal cost rose to c.9.65% of GDP in 2020, among the highest in the EU, and is expected to rise to 7.9% of GDP in 2021. As a result of these measures and the recession, the Greek primary budget deficit reached 10.1% in 2020 and is expected to be at 9.9% in 2021, while the public debt is expected to climb to 202.9% of GDP (European Commission 2021). Later in 2020 and in 2021, the Greek government took the opportunity afforded by the ECB’s PEPP to borrow at very advantageous terms and replenish its ESM buffer. Thus, the importance of both the RRF and the PEPP for supporting Greece to avoid/mitigate future difficulties in the financial markets cannot be overstated.

**Conditionality for financial support 2.0**

The Greek government moved swiftly to prepare its application for funding from the RRF. It engaged a high-level expert committee steered by Economics Nobel laureate Pissarides to come up with a Development Plan for the Greek economy, which became known as the ‘Pissarides Report’. This Development Plan was presented in November 2020 and has been the blueprint for most actions proposed in the Greek Recovery and Resilience Plan (RRP), entitled ‘Greece 2.0’.

The Development Plan and the Greek RRP set as chief objectives for Greece the convergence of per capita real income to the EU average, in addition to the increase in social cohesion and better environmental performance. Per capita income convergence will require substantially higher employment, especially of hitherto underemployed groups such as women and younger persons and higher productivity, which, the Plan assumes will lead that will ultimately improve the well-being of households. As means for reaching higher productivity, the Plan proposes several goals,
such as the increase in fixed capital formation (investment) to converge to the EU average; the increase in public and private R&D expenditure and the better connection between research and production; the increase in the share of exports to levels closer to those of other small open economies in Europe; the increase in the numbers of middle and big-size firms as a precondition for increasing productivity and exports, and their integration into global supply chains; the evolution of the Greek economy into a regional hub (Pissarides et al. 2020). To achieve these objectives and goals, the report focused its proposed policy priorities in measures concerning production and investment, human capital, and the public sector and administration. Several of these measures concerned the reduction in tax, social security costs and overtime costs of labour for businesses, tax incentives for investment in machinery equipment and innovation, the reduction in administrative and energy costs for manufacturing companies, improving infrastructure and emphasizing the acquisition of skills.

The structure, total cost of and distribution of solicited RRF funds for the Greek RRP are shown in Table 2 (European Commission 2021, 26–27). The Greek government has also applied for the full amount of loans it could receive from the RRF (€12.7bn) which it plans to use to support further private investment and reforms. The areas of Green Transition and Private Investment and Transformation of the Economy were those in which the EU financing was projected to stimulate the highest private investment flows among the four, with Green Transition expected to mobilise a total of €10.4bn and Private Investment and Transformation of the Economy expected to mobilise a total of €7.8bn in investment funds over the duration of the RRF (Greek Government 2021). Overall, the RRF grant funding to Greece alone could contribute to increasing real GDP by 2.1–3.3% of GDP by 2026 (European Commission 2021), while the plan forecasts the creation of 180–200 K new jobs over its duration.

After more than 100 consultation meetings between government and European Commission officials to discuss drafts thereof, the finally submitted Greek RRP received a positive formal assessment as well as informal plaudits by the European Commission services (European Commission 2021; Financial Times 2021). However, given Greece’s past record of absorbing EU funds and implementing reforms, concerns remain about the extent to which the RRP will be implemented (see for example IMF 2021) but also regarding the means it proposes to reach its aims. For the MFF 2014–2020, data going until the end of September 2021, suggested that Greece had only managed to spend 59% of the planned funds. The current Greek government has taken steps to improve its public investment implementation framework, which should technically work in favour of implementation. Regarding the ownership of the Plan, the government broadly fulfilled the public consultation requirement of the RRF regulation and more engagement of key stakeholders is foreseen in the implementation phase. More crucially, however, ownership will be gained, especially towards reforms, if the Plan delivers on its promises of higher and more equitably distributed per capita income and prosperity, also in a context of engineering Greece’s transition to a carbon–neutral economy and society and if the Plan provides sufficiently attractive prospects to potential losers from its reforms and from the transition to a different economic model that it aims for.
For a successful transition to a new growth regime, crucial among the proposed policy interventions are those pertaining to labour market and education and training policies. This is because the transition would imply that a significant proportion of the current and future labour force would need to change jobs and possibly sectors and will thus need both passive (income) and active support for navigating these changes and not be left behind.

As is seen from Table 2, the financial emphasis in the Greek RRP is on active labour market policies. More specifically, the RRP provides for a redesign of the portfolio of ALMPs, for programmes of subsidised temporary employment in the private sector for the unemployed and for targeted employment schemes in regions affected by decarbonisation, de-industrialisation and high shares of seasonal

| Component | Costs (EUR million) |
|-----------|---------------------|
| 1.1 Power Up | 1200 |
| 1.2 Renovate | 2711 |
| 1.3 Recharge and refuel | 520 |
| 1.4 Sustainable use of resources, climate resilience and environmental protection | 1763 |
| Total Costs Pillar 1: Green Transition | 6194 |
| 2.1 Connect | 522 |
| 2.2 Modernise | 1281 |
| 2.3 Digitalisation of businesses | 375 |
| Total Costs Pillar 2: Digital Transformation | 2178 |
| 3.1 Increasing job creation and participation in the labour market | 776 |
| 3.2 Education, vocational education, training, and skills | 2311 |
| 3.3 Improve resilience, accessibility and sustainability of healthcare | 1486 |
| 3.4 Increase access to effective and inclusive social policies | 611 |
| Total Costs Pillar 3: Employment, skills and social cohesion | 5184 |
| 4.1 Making taxes more growth friendly, and improving tax administration and tax collection | 187 |
| 4.2 Modernise the public administration, including through speeding up the implementation of public investments, improving the public procurement framework, capacity building measures and fighting corruption | 189 |
| 4.3 Improve the efficiency of the justice system | 251 |
| 4.4 Strengthen the financial sector and capital markets | 21 |
| 4.5 Promote research and innovation | 444 |
| 4.6 Modernise and improve resilience of key economic sectors | 3743 |
| 4.7 Improve competitiveness and promote private investment and trade | 5 |
| Technical Assistance | 40 |
| Total Costs Pillar 4: Private investment and transformation of the economy | 4880 |
| Total Costs all Pillars | 18,436 |
| RRF Loan Facility | 12,728 (loans) |

Source: European Commission (2021), Analysis of the Recovery and Resilience Plan of Greece, SWD (2021) 155 final, Brussels, 17/5/2021, pp. 26–27
employment. Moreover, jointly funded by the RRF and the ESF+, investment is planned on improving the focus of local services of the Greek public employment service (OAED) so that they improve the matching of unemployed workers to vacancies (Table 2).

Complementary to the above labour market policies, the RRP also provides for several actions aiming at improving the systems of vocational and lifelong training and education and skills, dedicating to them one of the largest envelopes of the requested RRF grants (€2.3 bn out of €5.2bn of the ‘social pillar’ of the National RRP). The objectives of the planned actions are to increase long-term productivity, employability/employment and ultimately growth. The plans will see the incorporation of new (green, digital and soft) skills into the curricula of vocational education, an improved alignment of the programmes to the labour market needs, as well as attempts at improving the governance and assessment of training programme providers, most notably by linking their compensation to the salaries of those trained and by engaging social partners and employers in the redesign of apprenticeships curricula. The digital transformation of education is also on the cards. An important part of that budget will be dedicated to improving the quality of universities and their linkages with the private sector and its needs for research.

The RRP also provides for investment in passive labour market policies. More specifically, two pilot programmes will be launched to test the implications for the labour market from an increase in the level and coverage of the long-term unemployment benefit and from an adjustment of the benefit level to the unemployed worker’s last net salary. A unification and rationalisation of the different benefits is also planned to improve the efficiency of public spending but also to eliminate any counterincentives for those recipients who concurrently participate in training programmes (Kathimerini 2021). The reform is due to be completed by the end of 2024. The proposals seem to suggest that the main considerations of these actions are the minimisation of any work and/or training disincentives and the efficiency of public spending. This prioritisation seems rather oblivious of the dismal reality that in 2019, less than one out of five unemployed workers received regular unemployment benefits in Greece (18.2% of recipients over unemployed, data from Matsaganis 2021).

The package of proposed policy actions for the labour markets in the RRP also includes the introduction of legislation reforming several aspects of employment. The law 4808/2021 was already passed in June 2021 and included articles aiming at validating an ILO convention on combatting harassment and violence at work, transposing the EU directive on work-life balance of parents and carers, introducing some changes in employment protection and more specifically, in working time and over-time arrangements, the regulation of teleworking and platform work, the introduction of an e-employment card aiming at combatting undeclared work, as well as changes in collective labour law, concerning the establishment of a labour inspectorate and aspects of trade union organisation.

Of particular interest in this law are the articles concerning the status and rights of those employed by platforms. While the law granted platform workers rights of forming a works’ council (but not a union), of collectively bargaining pay agreements and of strike, it also adopted rather restrictive conditions for someone to be
automatically considered as an independent collaborator of a platform, namely that the platform worker does not ever refuse ‘gigs’ and does not choose her hours of work, both of which are usually promoted as the advantages of platform work. These requirements are striking also given that the same law provides for more negotiated flexibility on working time arrangements for employees.

To sum up, the policy interventions linked to employment and the labour market proposed in the RRP seem to emphasise activation over extension of income support for the unemployed, education, training and skills, and light-touch labour market regulation aiming mostly at tackling questions of occupational health and safety, discrimination, especially against women and protection (cf. Lyberaki, Meghir and Nicolitsa 2017). In a similar vein, the emphasis on the bundle of measures on social policy is on social investment (protection of children through, inter alia, investment in early childhood care and creation of childcare facilities at the workplace), anti-discrimination, the targeting of spending to the most vulnerable groups (disabled, Roma, asylum seekers and refugees). Comparably to other policy areas, funding is dedicated to the digitalisation of the system of access to social services, which promises to provide efficiency and administrative cost savings and improved management.

The emphasis on social investment policies and activation is in the right direction for a country with high unemployment, in transition to major transformations (green, digital, higher-value-added exports) and a demonstrably severe problem of mismatch between the skills of the labour force and those sought in the labour market (cf. Matsaganis 2021). Moreover, in a country as fiscally constrained as Greece is likely to be for at least the coming decade, prioritising spending on policies which may improve income ‘pre-distribution’, in this case how well workers may do in the labour market may indeed be the better plan, albeit not an unproblematic one.

Still, past experience in Greece and elsewhere leave questions open. Concerning the implementation of large scale economic adjustment programs, Greece has not had the best record in terms of coherence (see Matsaganis 2018 for an example on the extension of eligibility of unemployment benefits). The present circumstances are not an exception. Despite the consensus that Greece needs to move away from the large prevalence of self-employment and very small firms, by providing them with incentives to grow, recent legislation on social security provided for choice among the self-employed on how much they would pay for social security contributions putting those on dependent employment and their employers at a cost disadvantage (Matsaganis 2019). The rather restrictive legislation on who is considered as an independent collaborator for platforms pushes in a similar direction. Beyond the RRP and given the fiscal constraints, a comparison of the share of social expenditure dedicated on unemployment and old age/survivors questions where priorities lie: between 2010 and 2019 the share of social expenditure dedicated to unemployment fell from 6.1 to 3.9%, whereas the share of social expenditure dedicated to old age and survivors increased from 55.3 to 63.3% of total social expenditure, despite the massive increase in unemployment in the 2010 and the fact that the retired did not suffer as high reductions in their incomes as the unemployed (ibid.).

Beyond implementation issues, there are also open questions on some fundamental assumptions underlying the RRP. Social investment policies by increasing
the skills and participation of underemployed labour force groups can create some
dynamic for job creation and for attracting FDI and the fact that greater involve-
ment of the social partners and employers is planned in the field of apprenticeships
is promising that at least some of the skills acquired will be the ones that some
employers need. This would be but one element echoing the vocational training poli-
cies underpinning Germany’s successful export sector. Whether in practice, how-
ever, they will prove sufficient for creating good (i.e. secure and well-paying) jobs
at a large enough scale to lift people’s incomes and reduce inequality, together with
other ‘horizontal’ measures aiming at ‘improving the business environment’, is more
doubtful, unless potential investors and employers are more actively engaged and
motivated in that direction. Light employment regulation and low-wages have been
shown to not work in the direction of motivating firms to invest in the training and
development of their employees (Estevez-Abe et al. 2001) to support appropriate
export strategies.

Similarly, the measures aiming at promoting innovation as means of stimulat-
ing growth provide no guarantee that innovation will support rather than undermine
local job creation. Calls for more targeted government policies for steering technolo-
gical change and innovation towards directions that complement rather than sub-
stitute for employment have been emerging as an antidote to high inequality due
to the labour market polarization seen in many advanced economies (Rodrik and
Stantcheva 2021; Atkinson 2015). At the EU level, new industrial policy takes a dif-
fferent approach to governance by establishing ‘alliances’ where various stakeholders
are actively involved.

The same applies to the explicit assumption of both plans that increases in pro-
ductivity growth will translate into higher labour incomes and lower inequalities.
While labour productivity growth is a necessary condition for sustainable wage
increases, it is by no means a sufficient one, as the decoupling between productivity
and wage growth in many countries has shown (cf. Summers and Stansbury 2017;
Theodoropoulou 2019). This decoupling has been associated with reduced bargain-
ing power of labour to which labour market deregulation policies have contributed
in the past decades (Ciminelli, Duval and Furceri 2018).

Conclusions

This article has sought to put into perspective whether the EU response to the pan-
demic mark a qualitative change or rather than echoing legacies and vulnerabilities
from the previous crisis by looking into Greece. Greece has entered the pandemic
with vulnerabilities from previous economic adjustment programmes it had to fol-
low, large enough to warrant ‘enhanced surveillance’ by the European Commission,
as well as challenging fiscal conditionality to secure some preferential treatment by
its Eurozone partners/lenders of its public debt, to improve its fragile sustainability.
The question asked was whether in view of the recent response and policy shifts at
the EU level, Greece has been aiming for a more balanced export-regime than the
one that was unsuccessfully promoted to it in the 2010s.
The analysis of the Greek Development Plan and its RRP suggests that Greece has continued, at least at the programmatic level, to seek to strengthen the investment, competitiveness and export dimension of its economy as a means of restoring long-term growth. Given the painful current account and fiscal adjustments experience of the 2010s but also the very weak performance of Greece in these dimensions compared to other similarly sized economies in the Euro area, these goals are hard to contest and should therefore not be surprising. The notion, however, that market liberalisation and light touch regulation and state intervention will ensure productivity, external competitiveness, growth and ultimately jobs is still underlying the Greek programme as it did in the 2010s is the starker indication that the various policy shifts at the EU level are not associated with a change in Greece’s strategy of adjustment to the problems it has been facing since 2010.

An apparent explanation for this is that the lingering debt conditionality trumps the one of the RRF, if anything because failing in the former can arguably have more dramatic and far-reaching consequences than failing the latter. In fact, as the conditionality related to the enhanced surveillance and the debt reprofiling measures had been characterised as a Memorandum of Understanding but without the funding, it could be argued that the NGEU/MFF but also the rest of the EU financial support provided just the necessary cushion so that Greece could have a chance of fulfilling the fiscal conditionality attached to its debt, once normality is restored. The fact that the European Commission and ultimately the Council, the members of which sit at the Eurogroup and the ESM governing council, monitor and assess the implementation of the Greek RRP further underlines the fact that rather than ‘an once in a lifetime chance to emerge stronger from the pandemic, transform our economies’, the RRF is a bridge for avoiding yet another financial and political meltdown. As the previous section has highlighted, however, in the case of Greece, this approach is likely to prove problematic: if the RRP policies do not deliver on their promises of growth and do not manage to buy-in the potential losers of the transitions, the implementation of the RRP is likely to stall, possibly depriving Greece of some funding lifeline but also jeopardising any possibility of creating permanent EU fiscal capacity in the future.

As far as the question of how EU economic integration impacts on national capitalism models is concerned, the case-study of Greece suggests that recent policy shifts at the EU level are possibly still too superficial and their durability uncertain to expect a shift support for growth regimes other than export-led ones. This renders ongoing current ongoing policy review processes interesting to watch to see whether they will evolve in a way that marks a genuine shift, beyond dealing with potential fallouts from legacies to supporting more balanced growth regimes in the EU. As the analysis of this paper suggests, however, the current buoyancy about the NGEU also runs the risk of masking the gravity of the situation in countries like Greece.

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