CHAPTER 3

The Geostrategical Settings and the Systemic Risks

3.1 Introduction

The economic and social world environment is changing very rapidly. One would say that the speed of change in economic and social developments is the main feature of the twentieth and especially the beginning of the twenty-first century. Moreover, the Covid-19 crisis has been described as an accelerator (Petrakis, 2020) and an amplifier for existing developments, has brought these changes more quickly. These changes concern all participants in the world economic process. At the same time, the critical time for a society and economy almost never arises only from the peculiarities that derive from its intrinsic space. Usually, there is a conjunction that involves the interaction of external and endogenous forces.

This chapter aims to present the Greek economy in the context of wider geostrategic developments in the wider region of Southeastern Europe. The production system, as it operates in the wider area of the Greek economy and society, like any economy and society, operates in an international environment shaped by international economic and political relations. Therefore, the study of the terms of formation of the complex concept of National Power has an important priority, because it ultimately determines the terms of the game at the global level and in the background of the picture the terms of international exchange of the products of the productive system. At the same time, it is particularly useful to detect the systemic risks that the Greek economy faces over time and
which have determined to a significant extent the productive model of the economy and the behavior of Greek society.

The structure of this chapter is as follows: in Sect. 3.2 of the chapter, the main geostrategic developments concerning the area of Southeast Europe are presented. In Sect. 3.3, the concept and evolution of national power is presented. Finally, Sect. 3.4 presents the systemic risks facing the Greek economy over time, while describing how they affect its economic performance. Finally, data on the Covid-19 pandemic are presented in Sect. 3.5 and the global and domestic consequences are commented on.

## 3.2 The Geostrategical Settings

The cultural and historical history of Southeast Europe is an integral part of European culture, influenced throughout the centuries by the cultural characteristics of the various societies that constitute the region. These cultural characteristics differ significantly as the countries that constitute Southeastern Europe are influenced by social attitudes and influences coming from the Eastern Mediterranean, but also from Central, Western and Eastern Europe.

Southeastern Europe and especially the Balkans are considered an area of exceptional geopolitical and geostrategic importance as they are located at the crossroads of three continents (Africa, Asia, and Europe). The geopolitical and geostrategic importance of the region have been important elements for intercultural development and the particular characteristics of the countries in this region. During the three thousand years of their history the Balkans have been developed as the crossroads of different cultures, which led to two main results (Sotirovic, 2019): (a) the presence of a large number of national minorities in the various countries (Hungarians in Romania, Bulgarians in Turkey, Albanians in Greece, Albanians and Bulgarians in Serbia and Montenegro, Czechs in Bosnia-Herzegovina, Serbs and Hungarians in Croatia, and (b) the existence of many different religions and Churches. Over the years, the Balkans have experienced alternate imperial drives, as well as competing ideologies and contradictory social, political and economic systems. The fact that the members of these societies live in an area of high international tensions, led them to seek a way out of the constant internal and external pressures, developing nationalist perceptions. At the same time, the Southeast Europe societies accepted many imported institutions, rules and customs.
or habits, which in many cases were reformed in accordance with local traditions and necessities.

At the same time, Southeastern Europe has always been a geographical area where there were strong economic and cultural convergences and conflicts. In recent decades, significant national and cultural tensions remain in this area, such as: Serbia—Kosovo, FYROM (today North Macedonia)—Greece, Greece—Cyprus—Turkey, Ukraine—Russia, Georgia—Russia, Turkey—Kurdish populations, Middle East—Suez. At the same time, the region is an area of economic development and diffusion of economic interests. On all sides, there are geographical and political influences and upheavals, since these tensions fluctuate broadly.

In particular, for the Greek economy, tension with Turkey puts pressure on economic activity, since it is certain to put increasing pressure on defense spending, etc. The evolution of Turkish aircraft activity in the Aegean, especially after 1974, is characteristic. Another typical example is the hypothetical existence of oil deposits in Southeast Europe, including Cyprus. Obviously, the Covid-19 crisis has re-organized the relevant priorities, with oil prices falling, etc. but general trends remain. These issues could trigger new rounds of tension. In addition, the Greek economy and society are close to parts of the world in which international influence has not taken a definite form (Eurasia) and as a result they have a status of claimed areas. If we add to this fact the revisionist attitude of Turkey toward the Treaties of Lausanne (1923) that shaped the geographical boundaries of present-day Turkey, they form a picture of an international environment with several turbulence, not found in most of the other countries of the European Union. This environment leads to disproportionately high investments in the military sector: aircraft and frigates for the Greek side (equipment expenditure as a share of defense expenditure was 12.3% in 2019), aircraft carriers and anti-aircraft systems for the Turkish side (equipment expenditure as a share of defense expenditure was 38.6% in 2019) (NATO, 2019). In fact, there are estimates that defense spending in the two countries will increase in the coming years for both Greece and Turkey. Therefore, new problems of strategic choices arise, expressed by the initiatives of the Chinese in the form of the Silk Road for the commercial connection with the Balkans and the interests of Russia (especially in Serbia) which has also developed strong relations with Turkey with a significant presence on Syria. Essentially, Greece is called upon to identify where the new or emerging international centers
of influence are located and to decide how and to what extent to connect with them (e.g., Russia).

In general terms, the economic situation of a national economy is not the only condition for the development of the standard of living of citizens has an impact and is being influenced by the process of development that the economy is to follow. The reason for this is that an eventual unfortunate military conflict with a neighbor country could drive the standard of living of its citizens to collapse.

However, the picture of relations that are being developed in South-eastern Europe is, of course, not only a scene of conflict. To a higher degree, it is a field of development of economic relations.

Greece is the largest foreign investor in Albania in the last 15–20 years. Greek investments in Bulgaria total 2.28 billion euros, while Bulgaria is the fifth largest importer of Greek products and the 11th in exporting products to Greece. Northern Macedonia is Greece’s third-largest trading partner, with Greek investments totaling nearly 474 million euros, while Greece is its country’s third largest supplier. The stock of Greek investments in Romania amounts to 1.36 billion euros, while about 500 companies of Greek interests operate in the country. Total Greek investments in Serbia amounted to 1.5 billion euros and there are 150 active Greek businesses in the country. Greek exports to Bosnia and Herzegovina totaled 80 million euros in 2017 and included aluminum and aluminum products, building materials, fruits, vegetables, and plastics.

At the same time, the port of Piraeus is one of the deepest ports in the Mediterranean and with the shortest distance from Suez Canal where the Chinese now have a decisive presence. Also, the Port of Thessaloniki is the closest hub to the Balkans and Southeast Europe. Alexandroupolis Port connects or will connect, via rail, Bulgaria and Romania.

Thus, the area of the Balkans and S.E. Europe is also a privileged area of the development of foreign trade for the Greek economy. Table 3.1 presents the imports and exports of the Greek economy to and from the economies of Southeast Europe for 2017.

Exports of products and services to Southeast European countries accounted for 24.7% of total exports for 2017 while the corresponding figure for imports was 10.6%. As a percentage of all trade to and from countries in Europe and Central Asia, the percentage for exports is 36.7% and for imports 16.1%.

The result of the great exposure of the Greek economy in the Southeast European region was that the region was a source of economic instability
Table 3.1  Trade between the Greek economy and the countries of SE Europe (2017)

|                  | Export (US$ thousand) | Export Partner Share (%) | Import (US$ thousand) | Import Partner Share (%) |
|------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| Albania          | 521,124.57            | 1.62                     | 100,818.72            | 0.18                     |
| Bosnia and Herzegovina | 90,435.5            | 0.28                     | 12,910.39             | 0.02                     |
| Bulgaria         | 1,521,239.36          | 4.73                     | 1,788,817.23          | 3.23                     |
| Croatia          | 87,417.22             | 0.27                     | 69,057.33             | 0.12                     |
| Cyprus           | 1,947,210.84          | 6.06                     | 418,875.2             | 0.76                     |
| Hungary          | 154,295.11            | 0.48                     | 474,911.83            | 0.86                     |
| Romania          | 955,423.26            | 2.97                     | 978,352.07            | 1.77                     |
| Serbia, FR(Serbia/Montenegro) | 334,967.08      | 1.04                     | 191,244.88            | 0.35                     |
| Turkey           | 2,206,671.94          | 6.86                     | 1,618,328.87          | 2.93                     |
| Ukraine          | 140,992.24            | 0.44                     | 207,153.01            | 0.37                     |
| Southeast Europe | 7,959,777.12          | 24.75                    | 5,860,469.53          | 10.60                    |
| Europe and Central Asia | 21,682,489.28 | 67.43                    | 36,350,491.24         | 65.73                    |
| World            | 32,154,816.41         | 100                      | 55,300,597.55         | 100                      |

Source: World Bank—World Integrated Trade Solution and authors’ calculations and creation

for the economy during the 2008 crisis. As a result, exports in the region were reduced, while the stability of the Greek banking system was fluctuated since there is a significant number of Greek bank branches in the wider region. In contrast to the Covid-19 crisis, the region has shown stabilizing effects since, with the exception of Turkey, the other countries have not suffered very great damage.

In the future, significant geostrategic developments are expected in the region that may change the prevailing balances. For example, serious national issues such as the refugee and migrant crisis in the eastern Greek islands and the issue of Cyprus, as well as the exploitation of energy deposits. Also, Kosovo remains a constant source of unrest in the Balkans, although having very low risk. The most serious change noted is the one regarding Greek-Russian relations due to the Russian-Turkish approach. This issue, of course, needs much more analysis since it relates to the Greek-American, the Greek-Turkish and the Turkish-Russian relations and the views of public opinion in Greece on the Russian factor. All these developments should be taken into account although it is generally considered that the risk of creating serious transnational problems with serious economic consequences, although progressively increasing, is still low.
3.3 The National Power

National power is the comprehensive expression of all the potential that a nation possesses at a given time to promote internally and internationally the achievement of national goals, regardless of the difficulties it faces (Kelly, 1994 [1992]).

The question of national power has an international political character, and is generally involved with individual considerations, which leads to criticism of the way in which indicators of national power are constructed. The purpose of this analysis is not to contribute to the discussion of what factors should be taken into account when attempting to evaluate a similar indicator, but to obtain a picture of Greece in relation to its competitors. What is understandable, however, is that the concept of shaping the power of a state mechanism nowadays has a wide content and covers key areas of human activity. Thus, it covers wealth and standard of living, war capability, technological capability, the growth potential, and represents human capital, energy security, and the conditions of organization and operation of human society.

Białoskorski, Kiczma, and Sulek (2019) calculate the national power of economies based on Sulek model i.e., by calculating the national power through economic, military, and geopolitical power. For the calculation of economic power, the gross domestic product of economies is used as a measure of the produced product, the population as a measure of demographic factors and the wider geographical area as a spatial factor. For the calculation of the military power, the factors used are the military spending as a percentage of GDP as a military and economic factor, the number of active soldiers as a demographic and military factor and the wider geographical area as a spatial factor. Finally, the calculation of geopolitical power uses the arithmetic mean of economic power and twofold the military power (to indicate the significance of the military factor in shaping the current distribution of power). Białoskorski et al. (2019) calculate this indicator for 1992 and 2017 for 195 countries in the following way:

\[
\begin{align*}
\text{Economic Power} &= GDP^{0.652} + \text{Population}^{0.217} \\
& \quad + \text{Geographical area}^{0.109} \\
\text{Military Power} &= \text{Military Expense}^{0.652} + \text{Military Population}^{0.217} \\
& \quad + \text{Geographical area}^{0.109}
\end{align*}
\]
Geopolitical Power = (Economic Power + (2 * Military Power)) / 3

Table 3.2 shows the scores of the index for Southeast European countries and the ranking of countries among all 195 countries.

Greece is being presented as the second largest national power in the region for 2017, following Turkey. Of course, it should be noted that Greece is one of the countries in which the level of national power deteriorated in 2017 compared to 1992. This deterioration concerns a reduction of the score by 36.93% in economic power (reduction by 26 positions in international ranking), by 7.5% in the military (maintaining the 34th position among 195 countries) and by 16.36% in the geopolitical power (reduction by 10 positions in the international ranking). The crisis of 2008 played, as expected, a role in this, which led to a significant reduction in GDP and the military spending.

It should be noted that all the economies included in the above tables have lost positions in the world rankings compared to 1992, in all the individual power indices (with the exception of Turkey, which slightly improved its ranking in the economic power index), highlighting the influences of the recent global financial crisis in the wider region. However, it is clear that the role of the Greek economy in this broader context of relations has been and remains particularly important.

3.4 THE SYSTEMIC RISKS

Since the birth of the Greek state, economic growth is accompanied by deep national, social, and macroeconomic crises (Petrakis, 2011). This is a process that has consequences on the conditions of accumulation of capital, labor and the rest of growth factors.

The major negative events in the Greek economy and society during long historical periods are depicted in Table 3.3. As such can be considered wars, revolts, hostilities abroad (outside the Greek territory), or internal conflicts (wars of the Greek state—Greco-Turkish wars, Balkan wars, civil wars, epidemics—Covid 19, etc.), periods of great economic crises with external or internal origin. The criterion to include these events in Table 3.3 is their impact on domestic economy. The magnitude of these negative figures is of unimaginable scale according to current events: (i.e., Greco-Turkish war of 1897, World War I and II, the German Occupation of 1941–1944, the civil war of 1946–1949, etc.). It should be noted that
Table 3.2  Ratings in the national power (1992 vs. 2017)

|        | Economic Power | Military Power | Geopolitical Power | Economic Power | Military Power | Geopolitical Power |
|--------|----------------|----------------|-------------------|----------------|----------------|-------------------|
|        | Score Ranking  | Score Ranking  | Score Ranking     | Score Ranking  | Score Ranking  | Score Ranking     |
| Turkey | 7.72 (18)      | 9.29 (13)      | 8.77 (16)         | 10.99 (17)     | 7.70 (22)      | 8.80 (20)         |
| Greece | 3.61 (31)      | 3.97 (34)      | 3.85 (33)         | 2.27 (57)      | 3.69 (34)      | 3.22 (43)         |
| Ukraine| 4.49 (29)      | 8.65 (17)      | 7.26 (21)         | 2.50 (52)      | 3.29 (40)      | 3.03 (45)         |
| Romania| 1.68 (51)      | 2.83 (45)      | 2.45 (46)         | 2.86 (47)      | 3.04 (43)      | 2.98 (46)         |
| Hungary| 1.69 (50)      | 2.41 (50)      | 2.17 (53)         | 1.69 (63)      | 1.06 (69)      | 1.27 (68)         |
| Croatia| – (-)          | – (-)          | 1.44 (6)          | 0.88 (69)      | 0.73 (85)      | 1.09 (55)         |
| Bulgaria| 0.70 (74)     | 2.81 (46)      | 2.11 (54)         | 0.90 (82)      | 0.73 (76)      | 0.79 (78)         |
| Serbia | – (-)          | 5.72 (24)      | – (-)             | 0.71 (95)      | 0.59 (85)      | 0.63 (87)         |
| Cyprus | 0.25 (111)     | 0.45 (90)      | 0.38 (87)         | 0.25 (134)     | 0.34 (104)     | 0.31 (109)        |
| Bosnia Herzegovina| – (-) | – (-) | – (-) | 0.34 (121) | 0.21 (116) | 0.25 (117) |
| Albania| 0.09 (137)     | 0.18 (112)     | 0.15 (111)        | 0.24 (137)     | 0.14 (124)     | 0.18 (125)        |
| North Macedonia| 0.16 (126) | – (-) | – (-) | 0.21 (141) | 0.14 (123) | 0.17 (126) |

Note Presentation of the countries in the table has been made based on the score in the geopolitical power in 2017
Source Bialoskorski et al. (2019) and authors’ creation
Table 3.3  Negative incidents in the Greek economy and society: 1831–2020

|                           | 1831–1878 | 1879–1938 | 1939–1953 | 1954–1974 | 1975–2020 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Wars                      | Ext. origin | 5         | 5         | 6         | –         | –         |
|                           | Int. origin | 7         | 3         | 8         | –         | –         |
| Severe economic crises    | Ext. origin | 5         | 5         | 4         | 2         | 9         |
|                           | Int. origin | 5         | 4         | 4         | –         | 8         |
| Severe political crises   | Ext. origin | 1         | 2         | –         | –         | –         |
|                           | Int. origin | 4         | 3         | –         | 7         | –         |
| Incidents to number of years ratio | 0.57     | 0.37      | 1.57      | 0.45      | 0.38      |

Note  All events are included in the calculation presented by units relative to the number of years of their duration. If in one year 2 events take place, they are presented in the Table with a single unit. As negative episodes we consider wars, uprisings, very serious international crises, etc. Their presentation is based on whether they have endogenous or exogenous origin, that is, whether their birth appears to be within or outside the Greek territory. The incidence of negative events in Greece is particularly high. Indeed, the cumulative appearance of endogenous and exogenous events, creates an increased density of phenomena of instability in the economic and social environment. A detailed description of the events is given in the Appendix to this chapter, in Table 3.5.

Source  Authors’ own creation

these events took place in a weak economic structure with low levels of extroversion.

High frequency of negative events are depicted for the pre-1974 period. Since 1975, however, a period of relative stability is presented, until the debt crisis of 2010 broke out.

In addition, if one observes the number of years from 1833 to 2016 (based on the availability of data from Maddisson Database 2018) during which the Greek economy is experiencing recessionary conditions, she will notice that during 78 of these 183 years (i.e., 42.6% of this total period) the Greek economy is experiencing conditions of decline in GDP per capita (Table 3.5).

In fact, compared to other economies it appears that the Greek economy has a smaller number of recessionary years only compared to developing economies such as Venezuela, Colombia, Indonesia, Uruguay, Brazil, and South Africa, and has the highest percentage of recessionary years compared to all European and other developed economies presented in Table 3.4.
Table 3.4  Number of recessionary years during the period 1833–2016

|                      | Number of available annual data of GDP per capita changes for the period 1833–2016 (A) | Number of years under conditions of declining GDP per capita (B) | Percentage years under conditions of declining GDP per capita in comparison to total available data (B)/(A) (%) |
|----------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------|
| Venezuela            | 183                                                                                       | 89                                                           | 48.6                                                               |
| Colombia             | 146                                                                                       | 70                                                           | 47.9                                                               |
| Indonesia            | 175                                                                                       | 83                                                           | 47.4                                                               |
| Uruguay              | 145                                                                                       | 67                                                           | 46.2                                                               |
| Brazil               | 166                                                                                       | 75                                                           | 45.2                                                               |
| South Africa         | 152                                                                                       | 68                                                           | 44.7                                                               |
| Greece               | 183                                                                                       | 78                                                           | 42.6                                                               |
| Spain                | 166                                                                                       | 70                                                           | 42.2                                                               |
| Argentina            | 141                                                                                       | 59                                                           | 41.8                                                               |
| Italy                | 183                                                                                       | 76                                                           | 41.5                                                               |
| United States        | 183                                                                                       | 75                                                           | 41.0                                                               |
| Portugal             | 169                                                                                       | 69                                                           | 40.8                                                               |
| Chile                | 183                                                                                       | 74                                                           | 40.4                                                               |
| Netherlands          | 183                                                                                       | 71                                                           | 38.8                                                               |
| Japan                | 146                                                                                       | 56                                                           | 38.4                                                               |
| United Kingdom       | 183                                                                                       | 69                                                           | 37.7                                                               |
| Finland              | 156                                                                                       | 58                                                           | 37.2                                                               |
| Australia            | 183                                                                                       | 68                                                           | 37.2                                                               |
| France               | 183                                                                                       | 67                                                           | 36.6                                                               |
| Switzerland          | 165                                                                                       | 60                                                           | 36.4                                                               |
| Canada               | 146                                                                                       | 52                                                           | 35.6                                                               |
| Denmark              | 183                                                                                       | 65                                                           | 35.5                                                               |
| Norway               | 183                                                                                       | 64                                                           | 35.0                                                               |
| Belgium              | 170                                                                                       | 58                                                           | 34.1                                                               |
| Austria              | 146                                                                                       | 44                                                           | 30.1                                                               |
| Germany              | 166                                                                                       | 50                                                           | 30.1                                                               |
| Sweden               | 183                                                                                       | 55                                                           | 30.1                                                               |
| Poland               | 142                                                                                       | 39                                                           | 27.5                                                               |

Note  The above table includes only those economies for which data are available for the period from 1833 onwards (although some of the economies show some discontinuities or the data begin a little later). Countries are classified according to the result of the third column of the table.

Source  Maddison database (2018) and authors’ own calculations and creation.
Obviously this demonstrates the fact that Greek society lives constantly under the pressure of the limited ability to finance what it perceives as its needs. In fact, the reality is more negative. In the 190 years period since the formation of the Greek state, only two brief intervals would be identified as not subject to intensive inflationary pressures: The period of reconstruction after World War II and Greek civil war, which lasted until the first oil crisis (1953–1973) and the first decade of Eurozone membership 2000–2007. Just one generation, the one born and raised in the 1960s and 1970s, did not experience any serious social or economic turbulence during its upbringing (in the first 15 years of life). Typical is the response of Professor Reinhart (University of Maryland), which when in October questioned about the state of the Greek debt and the prospects opened, replied: “Greece, since its independence in 1830, is in a state of bankruptcy almost 50% of the time. Does that mean anything to you?”

Those observations would have a certain value if we assumed that the upbringing of this generation did not bear the marks of their parents’ experiences, an assumption that is, of course, implausible. Consequently, risk as a component of economic reality is also a component of the personal, social and economic lives of Greeks, ever since the creation of the Greek state. Essentially, the society’s survival terms have competed with its development terms.

The role of macroeconomic experiences in individual investment behavior, and by extension in the attitude of a society toward investment, was primarily investigated in response to the effects of the great depression of 1929 (Friedman & Schwartz, 1963). The starting point is the assumption that people do not have stable attitudes toward risk. Instead attitudes are formed according to personal experiences (Hertwig, Barron, Weber, & Erev, 2004). Indeed, Malmendier and Nagel (2011) demonstrated that households with experience of higher capital markets returns are less risk averse: they participate to a greater extent to capital markets and allocate a larger part of their wealth to such investments. Moreover, households with experience in periods of higher inflation tend to invest a smaller fraction of their assets in bond markets, while they tend to retain more cash and prefer investments of shorter maturities. Such human behavior can be interpreted either by the formation of endogenous development preferences, where the risk depends on the returns of hazardous past investments (Palacios-Huerta & Santos, 2004), or by learning, when the existing perceptions depend on real past experiences.
The existence of systematically high levels of risk weights on the domestic production structure (data refer to years previous those of the current crisis):

(a) The prevalence of small and medium traditional type enterprises that form a weak private sector.
(b) The absence of innovation in business.
(c) The formation of weak institutions with a precarious character and ad hoc features, which means that they are created in order to deal with specific situations and not to help the economic system operate.
(d) The prevalence, from time to time, of conditions of “banking liquidity panic” (1931, 1991, 2010–2011).

The existence of systematically high levels of risk influences other sectors, such as foreign policy and foreign economic relations (Fey & Ramsay, 2010), creating a constantly volatile international relations environment with domestic consequences, i.e., Communist North threat (until 1990), eastern threat (Turkey), the Cyprus problem, etc. Systemic risks should include those of the Covid-19 that increase risk and uncertainty on a global basis (see next section).

3.5 The Global and Domestic Consequences of Covid-19: The Systemic Risks

The outburst of Covid-19 was geographically located in Wuhan, China in December 2019 and in less than three months, it was recognized as a pandemic on March 11, 2020 by the World Health Organization (2020) and grew into a global threat to citizens’ health, putting the healthcare systems and economies of the countries to a strong test. The effects of the pandemic concern all human activities and it is difficult to control them and assess the risk of their expansion. This makes it particularly difficult to predict the next day of the healthcare crisis, as the properties of the virus are not fully understood—isoalation of people is the only weapon against the virus—and they can change; political responses will be uneven, often delayed and possibly incorrect, and the reactions of businesses and households are uncertain (Carlsson-Szlezak, Reeves, & Swartz, 2020).
The extent of the social and economic dislocation of States around the world as a result of the pandemic creates conditions for the most severe post-war global crisis, affecting employment and production, consumer and investment confidence, demand and supply, and its chains, particularly, in critical sectors such as transport, trade, and tourism. At the same time, people are dominated by fear and uncertainty and States are closing their borders. This is undoubtedly a turning point in the modern history of mankind. The economic crisis that will follow will not even be close to the 2008 crisis, as it affects the whole world in a systemic way. People do not work, shops are closed and every day it’s like Sunday (Bremmer, 2020).

The economic effects of the pandemic are expected to spread over the medium to long term, reducing the growth rates of countries globally and shaping a new economic environment on the next day of the crisis. In particular, the perceived vulnerability of global supply chains, coupled with the reduced manufacturing activity of recent decades in developed Western countries, will increase self-sufficiency and protectionism policies (Shilling, 2020). However, the hope that this promotes domestic jobs and incomes will be shattered, as national and empirical obstacles have historically proved to restrict economic growth. At the same time, fiscal policy is expected to become active as monetary policy is proven to be weak. Thus, in addition to measures to boost employment and incomes affected by the recession and the redistribution of wealth through increased taxation, there are likely to be significant infrastructure costs, notably in economies such as Greece and Italy, resulting in a further surge in the countries’ public debt.

Global supply will continue to exceed international demand, reducing prices and interest rates. Low inflation rates, possibly even deflation, will reduce the trend to consumption and investment, further limiting economic recovery (Shilling, 2020). This negative development will be accompanied by the inability to repay private debt and the impending bankruptcy of many companies, which will result in stricter borrowing criteria and a shift of investment funds to secure, even of very low yield, assets (government bonds).

The epidemiological crisis also advocates different incentives and behaviors that may become permanent. Individuals—especially older people, even after relaxing restrictive measures—are expected to minimize leisure trips and mass gatherings, placing the tourism, food, and leisure
industries under strain. Distance work and education, with a wide application during the quarantine period, may increase over time compared to pre-pandemic levels (Shilling, 2020). This will lead to structural reclassifications in the economies of the countries to the benefit of certain sectors (such as information technology) and to the detriment of others (such as tourism and transport). At the same time, consumer uncertainty and subsequent cost postponement can be consolidated, with long-term effects on economic activity.

In the political field, amid the pandemic, unfavorable conditions increase the acceptance rates of state leaders (Bremmer, 2020), as the world joins government policies and the need for a strong leader to manage this crisis arises. It is true, however, that a prolonged freeze of economies—which is damaging to the supply side, with immediate strong effects on the real economy—is a new ground for policy-makers, unlike their experience on financial crisis management (Carlsson-Szlezak et al., 2020). The poor handling of the epidemiological crisis and the development of a serious health issue in a new economic crisis, with long-term consequences for citizens, will result in political responsibilities and political costs.

Although decisive measures are now taking place within States after the initial delayed response, the world lacks an effective leadership that will lead the global agenda. That is why, in the first global crisis facing this world, the international community’s response is inadequate and far from coordinated. On the contrary, it is deeply politicized (Bremmer, 2020). The epidemiological problem can be exacerbated by international economic and commercial competition between States and the possible, financially tempting, hasty lifting of the restrictions against the spread of the virus.

The unprecedented global pandemic has created a double global crisis: health care and the ensuing economic crisis. A double crisis that creates simultaneous failures that reinforce each other. Covid-19 may mark a radical transformation, seen only once in a century, shattering past assumptions (Mishra, 2020). This was the case at the beginning of the last century, when optimism that the progress of humanity was irreversible and that the free world market for goods, capital, and labor is the best insurance against war. Both were denied by the Great War and the subsequent Great Recession, leading to a new stand in arts, science and philosophy, but also in economics. At that time it was difficult to understand the main causes, as they were set in motion decades ago and
had been neglected. This is also the case at the present time, where all the components of the disaster at the beginning of the twentieth century are present on a larger scale (Mishra, 2020). Covid-19, as a follow-up to the 2008 economic crisis, which caused deeper and greater damage than the Great Recession, can only be the first of many shocks ahead (Mishra, 2020).

APPENDIX: NEGATIVE EPISODES IN GREECE

Table 3.5 gives a brief chronology of the crises of exogenous (A) and endogenous (B) origin for the Greek economy from the foundation of the Greek state to the present day (1831–2018). Brief comments and bibliographical references are given, which were kindly prepared for the needs of this work by Riginios (Prof. of NKUA) and Progoulakis (Scientific Associate of the Department of Economics, NKUA).

Crises of Exogenous Origin

A1 Anglo-American stock market crisis (1836–1837) due to the instability of the banking system (Sobel, 1999, p. 32).

A2 Agricultural crisis and railway bubble: The crisis of 1847–1848 in Europe combines elements of the crisis of old and new type. Old type: decline in agricultural production, rising prices of food, declining demand for industrial products, expansion of the recession throughout the economy. New type: over-investment in railways and then stock price collapse.

For the agricultural crisis see E. Labrousse (1992, p. 185).

A3 Revolutions in France, Germany and Austria. See Hobsbawm (1962, p. 150).

A4 Crimean War (see also B3).

A5 Financial crisis in England, Italy and Germany. The crisis is mainly American and is related to the fall of the “barons” of the railways (Geisst, 2004, p. 74).

A6 Russian-Turkish War—Bankruptcy of Egypt: The Russo-Turkish War ended in 1979 with the Congress of Berlin. The main result for Greece was that, after continuous consultations, it annexed Thessaly and part of Epirus, in 1881 (Kofos, 1977, p. 353). It was not a negative event.
Table 3.5 Negative episodes in Greece based on their exogenous or endogenous origin

| Year | Exogenous origin (A)                      | Endogenous origin (B)                                                                 |
|------|------------------------------------------|--------------------------------------------------------------------------------------|
| 1831 | Assassination of Kapodistrias, governor of Greece (B1) |                                                                                      |
| 1836 | Anglo-American stock market crisis (A1)  |                                                                                      |
| 1847 | Agricultural crisis and railway bubble (A2) |                                                                                      |
| 1848 | Revolutions in France, Germany and Austria (A3) | First forced circulation of the drachma (B2)                                        |
| 1854 | Crimean War (A4)                        | Occupation of Piraeus by the Anglo-French (B3)                                      |
| 1855 |                                                                                        |                                                                                      |
| 1856 |                                                                                        |                                                                                      |
| 1857 |                                                                                        |                                                                                      |
| 1862 | Dethronement of Otto (B4)                |                                                                                      |
| 1866 | Cretan Revolution (1866–1868)—Holocaust of Arkadi, 1866 (B5) |                                                                                      |
| 1868 | Second forced circulation of drachma (B6) | Massacre in Dilesi and international defamation of the country (B7)                  |
| 1873 | Financial crisis in England, Italy and Germany (A5) | Lavrion Issue (B8)                                                                  |
| 1876 | Russian-Turkish War—Bankruptcy of Egypt: 1878 (A6) | 1877: Third forced circulation—Recession to the country’s centers of trade, especially in Ermoupolis: (B9) |
| 1877 |                                                                                        |                                                                                      |
| 1878 |                                                                                        |                                                                                      |
| 1884 | An economic crisis that combines aspects of old-style crises (poor harvesting) and elements of capitalist-type crises (stock market and credit crises). The first crisis of a new type in Greece (B10) |
| 1890 | Bankruptcy of Argentina—Baring crisis (A7) | Bankruptcy—Crisis of raisin exports—devaluation of the drachma (B11)                  |
| 1893 |                                                                                        |                                                                                      |
| 1897 | Defeat in the war against the Ottoman Empire (B12) |                                                                                      |

(continued)
Table 3.5  (continued)

| Year | Exogenous origin (A) | Endogenous origin (B) |
|------|----------------------|-----------------------|
| 1898 |                      | Obligation to pay compensation—International Financial Control (B13) |
| 1907 | Stock Exchange and Credit Crisis in New York (A8) |                      |
| 1912 |                      | Balkan wars (B14)     |
| 1913 |                      |                       |
| 1914 | World War I (A9)    |                       |
| 1915 |                      | The culmination of the National Schism: Greece is divided in two, with the royal government in Athens and the Venizelos government in Thessaloniki (B15) |
| 1917 |                      |                       |
| 1918 |                      |                       |
| 1920 | Collapse of New York and London stock markets (A10) | Great Powers impose an economic blockade on Greece—Devaluation of drachma (B16) |
| 1922 |                      | Asia Minor disaster and 1st forced loan (B17) |
| 1923 | Hyperinflation (A11) |                       |
| 1929 | Collapse of the New York Stock Exchange (A12) |                       |
| 1931 | Britain abandons the “Gold Standard”—bank bankruptcies in Austria and Germany (A13) | Abandonment of the “Gold Standard”—bankruptcy—restriction of imports and attempt to stabilize the currency (B18) |
| 1932 |                      |                       |
| 1933 | USA abandons the Gold Standard (A14) |                       |
| 1936 |                      | Dictatorship of Metaxas by order of King George II (B19) |
| 1939 | World War II (A15)  | War of 1940—Occupation (B20) |
| 1940 |                      |                       |
| 1941 |                      |                       |
| 1942 |                      |                       |

(continued)
Table 3.5  (continued)

| Year | Exogenous origin (A) | Endogenous origin (B) |
|------|----------------------|-----------------------|
| 1943 |                      |                       |
| 1944 |                      |                       |
| 1945 |                      |                       |
| 1947 |                      | Continuous depreciation of the drachma—The gold pound plays the role of national currency, while the drachma is limited to small transactions (B21)—1946–1949: Civil war (B22) |
| 1948 |                      |                       |
| 1949 |                      |                       |
| 1950 |                      |                       |
| 1951 |                      |                       |
| 1952 |                      |                       |
| 1953 |                      |                       |
| 1967 |                      | Dictatorship (B23)    |
| 1968 |                      |                       |
| 1969 |                      |                       |
| 1970 |                      |                       |
| 1971 | Dollar depreciation—End of Bretton-Woods era (A16) |                       |
| 1972 |                      | First oil crisis (A17) |
| 1973 |                      |                       |
| 1974 |                      |                       |
| 1979 | Second oil crisis (A18) |                       |
| 2008 | Financial crisis (A19) | Financial crisis       |
| 2009 |                      |                       |
| 2010 |                      |                       |
| 2011 |                      |                       |
| 2012 |                      |                       |
| 2013 |                      |                       |
| 2014 |                      |                       |
| 2015 |                      |                       |
| 2020 |                      | Covid-19 pandemic      |

Source  Authors’ own creation

A7 Bankruptcy of Argentina—Baring crisis. The crisis erupted when Baring Bank, an Argentine bondholder, failed to place them in international markets, was about to bankrupt, and been saved thanks to the intervention of the British government. It was the first time that the British government had intervened to save a bank from the risk of bankruptcy: (Finch, 2001, p. 346; Kindleberger, 1993, p. 163).

A8 Stock Exchange and Credit Crisis in New York. Stock manipulation by J. P. Morgan and subsequent bankruptcies. This crisis led the
government to the creation of the Federal Reserve System (Sobel, 1999, p. 297).

A9 World War I: During the war, European funds fled to the United States, which lend their European allies (Finch, 2001, p. 347).

A10 Collapse of New York and London stock markets. Reported by Kindleberger (1993, p. 16).

A11 Hyperinflation in Germany: Under the pressure of the needs to pay for war reparations, and the political chaos in which the country finds itself, the German government prints large sums of money resulting in hyperinflation. In November 4 trillion marks was exchanged for $1 (Kindleberger, 1993, 301).

A12 Collapse of the New York Stock Exchange (28/10/1929). A brief bibliography on the Great Recession in P. Temin (2003).

A13—A14: Britain (1931) and the United States (1933) abandon the “Gold Standard”: B. Eichengreen (1995) refers to the “gold standard” and the problems it created to get out of the 1929 crisis.

A15 World War II: During the war, and in order to avoid the credit crunch that followed World War I, European allies borrowed weapons and other goods from the United States under the law of borrowing, assuming that after the victory they will be able to return the items provided to them. The value of the amounts borrowed ($50 billion) was greater than the total government spending from 1933 to 1939.

A16 Dollar depreciation—End of Bretton-Woods era: In August 1971, the US government abolishes the convertibility of the dollar into gold (1 ounce = $35), and two years later the Bretton-Woods treaty, which provided for a fixed exchange rate between currencies, is abolished. Welcome to the world of floating exchange rates (Eichengreen, 2007, p. 242).

A17 First Petroleum Crisis: Rising oil prices from manufacturing countries caused a 2% drop in GDP in OECD countries and a global redistribution of wealth (Aldcroft, 1993, p. 326). According to Kostis (1997, p. 134), the second “gave the deathblow to the Greek economy”.

A18 Covid-19 crisis started from China at the end of 2019—beginning of 2020, affecting its production structure after it appeared in Hubei province, which is characterized by a complete industrial infrastructure and has a population of around 59 million inhabitants. When Covid-19 extended to the West, it raised supply and demand issues and increased uncertainty. In Greece the first case was registered on 26 February 2020. The total number of cases confirmed in the country by 6 May is
2663 and 147 deaths. The epidemiological crisis has brought the global economy a rapid ‘sudden stop’ for the main economies, comparable to the 2008 recession. By 6/5/2020, 3,679,544 cases are recorded, and deaths worldwide are 257,793.

**Crisis of Endogenous Origin**

B1 The assassination of Kapodistrias by the Mavromichali family of Mani is due to the rupture of the governor with the armed local authorities who had become powerful during the Independence Struggle. The attempt of the state to take control on the autonomous suzerainty of Mani led to the rupture and his murder (Loukos, 1984).

B2 First forced circulation of the drachma: 1848 was the first year of trial for the National Bank of Greece. The tumultuous turn of events and the revolutionary storm that caused the peoples of Europe to be upset this year and to undermine the foundations of any regime, the next step being to provoke an economic crisis and to shake public faith. Therefore, the once-reborn trade of Greece was suddenly embarrassed, and suddenly the source of the external credits depleted (Valaoritis, 1988, p. 9).

The Bank had been able (...) to repeat the redemption of its bank securities from 16 December 1849 (Sakellaropoulos, 1994, vol. II, p. 13; Valaoritis, 1988, p. 23).

B3 Occupation of Piraeus by the Anglo-French: In the context of the Crimean War (Ottoman Empire, France and England on the one hand, Russia on the other) the Greek government provoked a series of uprisings in the southern Ottoman territories. The allies, in an attempt to blackmail the country’s neutrality, proceeded with its naval blockade and occupation of Piraeus, which ended three years later (Papadopoulos, 1977, p. 165).

B4 Conflict of Otto with the country’s politicians, but also with public opinion ("Skiadika"). Despite the repression of the riots, Otto left Greece and was replaced by George I (Dimitrakopoulos, 1977, p. 187).

B5 The Great Cretan Revolution was suppressed by the Ottoman army, despite the acts of self-sacrifice of its fighters (blowing up the Monastery of Arkadi, 1866) after two years in 1868. The events of Crete are related to the next one (Diamantourou, 1977, 253).

B6 Second forced circulation: The second forced circulation (1868–1870) was imposed due to the fiscal needs of the state, which came in part from the Cretan revolution, and imposed its lending by the National Bank of Greece (Valaoritis, 1988, pp. 45 and 55).
B7 Massacre in Dilesi and international defamation of the country: Throughout nineteenth century robbery was an endemic phenomenon in the countryside. In 1870, three English travelers were kidnapped by thieves in Dilesi and then slaughtered when the required ransom had not been paid. The event resulted in the country’s international defamation.

B8 The Lavrion Issue was a dispute between the Greek state and the Italian-French company Ilarion Rou & Co., which took on international proportions due to the interference of foreign governments. The issue arose when the Greek government challenged the company’s rights over the “estuaries,” i.e., the minerals who were on the surface of the area given to it for exploitation, arguing that the contract only gave the company the right to exploit the subsoil. The estuaries were supposed to contain significant amounts of gold, and “Greeks swam in an imaginary ocean of millions” (Platanopoulos, 1976, p. 15). Finally, the company was acquired in 1873 by Syggros, establishing the Lavrio Metallurgical Company (Platanopoulos, 1976, p. 19). The game with “Lavria” is the first bubble of the Greek stock market, before it was even founded.

B9 Third forced circulation—Recession to the country’s centers of trade (especially in Ermoupolis): The third forced circulation is due to the need to finance war preparations, in view of a possible new Greek-Turkish war (Valaoritis, 1988, p. 70).

B10 The first crisis of new type in Greece: Valaoritis speaks of the “commercial and industrial crisis that erupted from Monday, 1883,” which made impossible to lift the forced circulation (Valaoritis, 1988, p. 92).

B11 Bankruptcy—Crisis of raisin exports—depreciation of the drachma: Valaoritis mentions bankruptcy (1988, p. 131). For the crisis of raisins, the only essentially exportable product of the Greek state, Pizanis (1988, p. 108).

B12 Defeat in the war against the Ottoman Empire. For the “unfortunate” war, which illustrated all the disorganization of the army (Pikros, 1977, p. 127).

B13 Obligation to pay compensation—International Financial Control. For the terms of the agreement, see Valaoritis (1988, p. 172).

B14 The First and Second Balkan Wars resulted in a doubling of the Greek state, both in area and population. For economic and political side effects see Economou (1977, p. 289) and Svolopoulos (1977, p. 335).

B15 National Schism. See Leontaritis (1978, p. 18).
B16 The Great Powers impose an economic blockade on Greece. Depreciation of the drachma: On the occasion of the referendum that approved the return of the pro-German King Constantine, the Great Powers exclude Greece from international credits. On the incapacity of external borrowing during the critical period 1920–1922: (Alogoskoufis and Lazaretou, 2002, p. 133).

With the forced loan, the banknotes were cut in half. The old owner was getting a new half value, and government bonds which with the inflation that followed the disaster lost all value: (Bank of Greece, 1978, 33)

B17 Asia Minor Disaster. See Llellyn-Smith (2002).

B18 Abandonment of the gold standard, bankruptcy, restriction of imports, and attempt to stabilize the currency: See Alogoskoufis and Lazaretou (2002, p. 144).

B19 Dictatorship of Metaxas by order of King George II. See Petraki (2006).

B20 The War of 1940—Occupation: There is no exact estimate of the catastrophes of war and occupation, and perhaps the numbers mentioned are exaggerated. Let’s stick to an indicator: according to official sources, the losses in construction amount to 406 thousand, almost the ¼ of pre-war building wealth (Magriotis, 1949, p. 130).

B21 Between 1944 and 1953 there were four depreciation of the drachma (Bank of Greece, 1978, p. 237 et seq.).

B22 Civil War: If the Asia Minor military campaign cost 37 thousand dead and the war of the ’40s 15 thousand, the dead of the civil war, only in its last phase, reached 40 thousand (Margaritis, 2000, p. 50). In 1948, there were more than 800,000 “civil-war” refugees (Laiou, 1992).

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