

## Press Release

### “200 Years of the Greek Economy: Between State and Market”

**Yannis Stournaras, Governor of the Bank of Greece:** *“Despite the sharp global downturn in 2020, the banking sector remained resilient. This was due to the unprecedented support measures –fiscal, monetary and supervisory– that absorbed the shocks to the real economy. The question of whether or not there are risks to financial stability, however, remains to be answered in the months ahead.”*

**Vasileios Rapanos, Chairman of the Board of Directors of Alpha Bank:** *“The future of the Greek economy hinges on the country’s capacity for reforms. Therefore, the core issue of this entire process should be none other than exploring Greece’s capacity to reform itself in response to the requirements and needs of the times.”*

The keynote speeches of the **Chairman of the Bank of Greece Mr. Yannis Stournaras** and the **Chairman of the Board of Directors of Alpha Bank Vasileios Rapanos**, marked the successful conclusion, on Saturday, December 4, 2021, of the activities of the Academic Meeting titled **“200 Years of the Greek Economy: Between State and Market”**, jointly organized by the **Historical Archives of Alpha Bank** and of the **Bank of Greece** in the city of Nafplio on the occasion of the Bicentennial of the Greek Revolution of 1821, and held under the auspices of H.E. the President of the Republic Katerina Sakellariopoulou.

Mr. Stournaras, speaking about **“The supervision of the banking system in Greece and in the euro area following the recent developments in monetary and fiscal policy”**, referred to the risks for banks and for financial stability that were caused by the pandemic, as well as to how the supervisory authorities responded to the latter, stressing that **“despite the sharp global downturn in 2020, the banking sector remained resilient,”** thanks to the unprecedented measures adopted, which absorbed the shocks to the real economy. However, he pointed out that there are still risks to the financial system, among which he chose to focus on **the risk associated with climate change**, which is now central to the European Central Bank’s revised strategy.

The Governor of the Bank of Greece then referred to monetary and fiscal policy issues in the euro area and how these relate to financial stability, noting that **“the key factor that will determine the developments in the euro area is inflation in the medium term”** and stressing that the recent inflation jump is temporary and that high inflation is not expected in the medium term. Finally, Mr. Stournaras underlined that in the wake of the **2009 crisis, significant steps were made in the direction of improving banking supervision worldwide**, while the pandemic made it clear that, in certain cases, supervision alone cannot adequately deal with systemic events, concluding that the risks to financial stability remain and that supervisors **“should remain vigilant and should monitor the accumulation of risk and the build-up of imbalances, taking action where required.”**

**Mr. Rapanos**, whose speech was titled **“Capacity of the state apparatus and fiscal policy”**, began by saying that although Greece had been classified as a developed country at the time of its accession to the euro area, its institutional capacity in justice, tax administration and control of spending stood at a level that was effectively below that of all other European economies.

Looking in detail at the country’s fiscal issues, he stressed that **“Greece’s poor performance in this area is due not only to misguided or poor policies but –to a great extent– also to the limited capacity of the state apparatus. This is so despite the fact that in recent years, efforts have been made to improve the institutional framework, primarily by creating independent authorities whose operation is, in some cases, enshrined in the Constitution.”**

Turning to the field of taxation, Mr. Rapanos pointed out that “***the legislation remains complex and unclear, making our tax system a negative factor in attracting foreign investments***” and that while in the area of public expenditure “***significant progress has been made in monitoring and controlling central government spending,***” a number of problems still persist in the effective control of decentralized bodies such as local government, hospitals, etc.

In concluding his speech, Mr. Rapanos made a number of policy proposals which could address the issues that he identified. Typical such proposals include **the creation of mechanisms for the evaluation of public spending or the codification and simplification of taxation, as well as the introduction of modern accounting standards that would enable public bodies to publish balance sheets that will have been audited by certified auditors.** In any case, however, as Mr. Rapanos stated at the end of his speech, beyond the need to create a new institutional framework, “*its success will depend on whether our political system and the Greek citizens will respect it and will abide by it.*”

Athens, December 6, 2021