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Economic Policies and their Impact During the Greek COVID-19 Period

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Abstract: During the Greek COVID-19 period, the government implemented a series of economic policies aimed at stabilizing the economy amidst unprecedented disruptions. These policies included wage freezes, wage caps, price controls, compensation theories, and indexing clauses. Wage freezes and wage caps were introduced to manage inflation and control public spending, but they led to stagnant real wages and increased financial strain on workers. This resulted in heightened demands for higher wages and contributed to economic inequality. Price controls sought to prevent a wage-price spiral, yet they could not fully counteract the rising cost of living, diminishing workers' real wages and standards of living. The compensation theory focused on fulfilling workers' social and emotional needs rather than directly addressing financial inadequacies, which only partially mitigated the impact of wage stagnation.

Conversely, indexing clauses in collective agreements provided a partial solution by adjusting wages in line with inflation, helping to preserve the real value of wages and improve workers' financial stability. Overall, while these policies were crucial in responding to the economic challenges posed by the pandemic, they also exposed significant issues in balancing immediate economic stabilization with long-term worker welfare and income equality. On the other hand, a regulation policy, the Cycle of Money, could achieve all the positive effects without any short-term and long-term negative effects. The period highlighted the need for comprehensive strategies that address both financial constraints and broader socio-economic needs to ensure sustainable recovery and equitable economic conditions.

Keywords: Cycle of Money, Greek COVID-19, Economic Policies, Wage Freezes, Wage Caps, Price Controls.

Introduction

As a science, political economy emerged together with the development of the capitalist mode of production. During the period when the bourgeoisie was rising to power as the third estate ranged against feudalism and in the early period of its domination, bourgeois political economy was essentially scientific. The classics of bourgeois political economy, such as William Petty, Adam Smith, and David Ricardo, analyzed capitalist relations and "sought and discovered several capitalism's 'natural laws'. However, they failed to understand its transitory character and failed to perceive the class struggle within it. The emergence of the working class as an independent force in the class struggle cast a new light on basic aspects of economic relations. The class struggle exposed the substance of capitalist relations and showed that the downfall of capitalism and the triumph of socialism were inevitable. That is why the bourgeoisie wanted an economic science that would help preserve and consolidate its power. Accordingly, classical bourgeois political economy gave way to vulgar bourgeois political economy, which serves the notions and interests of the capitalist class. Marx stated, "It is thenceforth no longer a question of whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not." This reflects the class and partisan nature of the bourgeois political economy, both past and present. But in their efforts to safeguard the outdated system, bourgeois economists try to disguise their class stance with an above-class approach to economic processes and phenomena.

Marxist-Leninist political economy has discovered the objective economic laws governing the development of society and has substantiated the revolutionary struggle of the working class against capitalism and for the construction of communism. The interests of the working class are identical to the progressive development of society. The partisan character of Marxist-Leninist political economy is in complete accord with the scientific objectivity of its analysis of economic processes. Any departure from the class approach in science signifies a departure from the scientific analysis of social phenomena. The principle of partisanship expresses the unity of Marxist-Leninist economic theory and the fulfillment of practical tasks in the revolutionary struggle to abolish the exploitation of man by man and to build socialism and communism (Engels, 1844; Lenin, 1916; Marx, 1867). Consistent adherence to the principle of partisanship in science is inseparable from the relentless struggle against anti-communism, reformism, and right and "left" revisionism. Only a theory that does not allow any falsification of the analysis of social development is truly scientific. The partisanship character of the political economy implies a principled stance in evaluating the diverse departures from Marxist-Leninist methodology in the study of social life and from the fundamental conclusions drawn by Marxism-Leninism. In contrast to bourgeois political economy, Marxist-Leninist political economy makes no secret of its class and partisan character. It takes an open stand for the working class, which leads the progressive strata of society in their struggle to achieve historically objective goals.

Political economy as a science developed alongside the rise of the capitalist mode of production. During the period when the bourgeoisie ascended to power, challenging feudalism as the third estate, and in its early dominance, the bourgeois political economy was fundamentally scientific. Early economists like William Petty, Adam Smith, and David Ricardo explored capitalist relations and uncovered several 'natural laws' of capitalism. However, they did not recognize its temporary nature or the inherent class struggle within it. As the working class emerged as an independent force in the class struggle, it brought new insights into economic relations. This struggle revealed the core of capitalist relations and demonstrated that the fall of capitalism and the rise of socialism were inevitable (Alekseĭ Matveevic Rumiantsev, 1983). Consequently, the bourgeoisie sought an economic science that would help maintain and strengthen its power. Thus, classical bourgeois political economy evolved into vulgar bourgeois political economy, which serves the interests of the capitalist class. Marx observed that the focus shifted from determining the truth of economic theories to assessing their usefulness to capital, their political expediency, and their potential danger. This highlights the class-driven and partisan nature of bourgeois political economy, both historically and currently. Bourgeois economists, in their effort to protect the obsolete system, attempt to present their class-biased views as neutral and above-class.

Marxist-Leninist political economy, on the other hand, has identified the objective economic laws that govern societal development and has justified the revolutionary struggle of the working class against capitalism and communism. The working class's interests align with the progressive development of society. The partisan nature of Marxist-Leninist political economy aligns perfectly with the scientific objectivity of its economic analysis. Departing from a class-based approach in science means abandoning the scientific analysis of social phenomena. The principle of partisanship reflects the unity of Marxist-Leninist economic theory with the practical tasks of the revolutionary struggle to eliminate exploitation and build socialism and communism. The need to dismantle capitalism and build socialism is central to the political economy of the working class. This framework was initially crafted by Marx and Engels and later expanded by Lenin, who developed the theory of imperialism as the final stage of capitalism and established the groundwork for the political economy of socialism. Today, Marxist-Leninist Communist and Workers' parties continue to advance this scientific political economy.

The foundational texts of Marxism-Leninism, along with the documents and resolutions from Marxist-Leninist parties and their international gatherings, offer a scientific examination of the working class's struggle. This struggle aims to achieve and solidify a society of free laborers and to advance toward communism.

Economic laws are core principles embedded in the processes and phenomena of economics. They are crucial for understanding how production relations function as an integrated system throughout development. The study of these laws is a key scientific task within political economy. Engels described political economy as "the science of the laws governing the production and exchange of material means of subsistence in human society. These economic laws oversee how production, distribution, exchange, and consumption evolve. Unlike natural laws, which operate independently of human actions, economic laws are closely linked to human relations. This raises an essential methodological question in political economy. Are these laws dependent on human consciousness and intent, or are they inherently objective? Bourgeois economists argue that economic laws arise from unchanging aspects of human nature, asserting that these laws are eternal and objective. This view supports capitalism by suggesting that capitalist laws are permanent and by hiding the fact that capitalism is a historical phase. In reality, economic laws are not natural phenomena but are shaped by human interactions related to production. Bourgeois economists and revisionists argue that since economic laws appear to operate randomly, they are objective. On the other hand, they claim that socialist economic laws, which operate systematically and deliberately, are not true laws but rather "useless generalizations" without real economic significance. This highlights a broader debate about the nature and relevance of economic laws across different economic systems.

Keynesian economics often advocates for "wage freezes" and other wage regulation measures as a strategy to control inflation. These policies involve banning wage increases or imposing wage caps for specific periods. The goal is to prevent a "wage-price spiral," where increasing wages raise production costs, leading to higher prices. This, in turn, prompts workers to demand even higher wages, creating a continuous cycle of rising costs and wages. However, Marxism-Leninism criticizes these bourgeois economic theories, arguing that commodity prices are determined by the inherent value of the commodities, not by wages. Therefore, wage increases affect profit margins rather than the actual value of goods. Recently, capitalist countries have introduced a "compensation" theory to mislead workers. This theory asserts that wages are only sufficient to cover basic needs and that the focus should be on addressing workers' emotional and social needs instead. Proposals include providing workers with enhanced social status, privileges, or guaranteed retirement benefits. Nevertheless, meaningful changes in workers' social status can only be achieved when the means of production are made social property. Additionally, real wages can decline even if nominal wages are constant or increasing, as long as wage growth does not keep up with rising prices and taxes (Keynes, 1936).

Regulatory policy offers a sophisticated approach to managing economic stability by focusing on the Cycle of Money, which balances inflation control with equitable economic growth. This policy stands out by integrating comprehensive measures to regulate both monetary and fiscal variables, thereby addressing the root causes of economic instability rather than just its symptoms. By implementing targeted wage adjustments, controlling price fluctuations, and ensuring that public spending aligns with inflationary trends, the Cycle of Money policy effectively prevents the detrimental wage-price spiral that often exacerbates financial inequality (Challoumis, 2024). This approach not only stabilizes the economy but also promotes sustainable wage growth, protects workers' purchasing power, and mitigates income disparities. In contrast to other policies, which may rely heavily on wage freezes or caps that can lead to worker dissatisfaction and increased inequality, the Cycle of Money framework offers a balanced, forward-thinking solution that aligns regulatory measures with broader economic goals, fostering both short-term stability and long-term economic health.

.Research Results

In response to inflationary pressures and economic disruptions caused by the COVID-19 pandemic, capitalist governments, including Greece, have implemented various wage regulation measures. These measures include wage freezes and caps aimed at controlling inflation and stabilizing the economy. The rationale behind these policies is to prevent a "wage-price spiral," where increased wages are thought to lead to higher production costs and, consequently, higher prices. This cycle would supposedly force workers to demand even higher wages, further exacerbating inflation.

During the pandemic, Greece imposed wage freezes in various sectors to curb inflation and manage the economic fallout from the crisis. This involved suspending wage increases and setting limits on wage growth. The government introduced wage ceilings to control public sector spending and manage the economic impact of the pandemic. These caps aimed to stabilize wages and prevent excessive increases that could drive up costs. Wage freezes and caps led to stagnation or decline in real wages, as the cost of living continued to rise due to inflation. Workers faced increased costs for goods and services, including essential items like food and healthcare, reducing their purchasing power (Harris, 2020; IMF, 2021; OECD, 2021; Papageorgiou, 2021). The economic strain on workers was exacerbated by rising prices and taxes, which outpaced the growth of nominal wages. This decline in real wages negatively affected the standard of living for many Greek workers. The wage restrictions impacted public sector employees, including healthcare workers who were on the front lines of the COVID-19 response. Wage caps and freezes potentially led to reduced morale and challenges in maintaining high levels of service during the pandemic (OECD, 2021).

The wage regulation policies contributed to growing economic disparities. While wages remained stagnant, the cost of living continued to rise, disproportionately affecting lower-income workers and exacerbating income inequality. Workers responded to wage freezes and increased costs by demanding higher nominal wages. This led to negotiations for adjustments in collective agreements and the inclusion of "indexing" clauses to adjust wages according to inflation. The economic pressures and reduced purchasing power led to strikes and protests by workers advocating for fair wages and better working conditions during the pandemic (Balios, Eriotis, Missiakoulis, & Vasiliou, 2015; Dimitris Balios, Panagiotis Kotsilaras, Nikolaos Eriotis, & Dimitrios Vasiliou, 2020; Eriotis, 2011; Vasiliou, Eriotis, Naoum, & Balios, 2020). The wage policies, while aimed at controlling inflation, may have slowed economic recovery by reducing consumer spending and affecting worker productivity. The long-term impact includes challenges in stimulating economic growth and addressing social disparities exacerbated by the pandemic. Recent attempts to address worker grievances included proposals for improved social status and benefits, such as recognizing skilled workers with higher status and providing retirement benefits. However, these measures did not fully address the financial strain caused by wage stagnation and rising living costs. Effective change in workers' social status and economic well-being requires broader structural reforms, including adjustments in wage policies and changes in how economic benefits are distributed. The implementation of wage freezes and regulation policies in Greece during the COVID-19 period was intended to manage inflation and stabilize the economy.

However, these measures led to a range of challenges, including reduced purchasing power for workers, increased economic inequality, and strain on public services. While the policies aimed to control inflation, they also contributed to growing dissatisfaction among workers and highlighted the need for more comprehensive and equitable economic strategies. Addressing the negative impacts of these policies requires a balanced approach that considers both short-term stabilization and long-term economic recovery. This includes re-evaluating wage policies, ensuring adequate support for affected workers, and implementing structural reforms to enhance economic resilience and social equity.

Table 1

Policy Description Objective Impact Worker Response Long-Term Effects

Policy	Description	Objective	Impact	Worker Response	Long-Term Effects
Wage Freezes	Suspension of wage increases across various sectors.	Control inflation and manage economic disruptions due to COVID-19.	Stagnant or declining real wages, reduced purchasing power, and economic strain on workers.	Increased demand for higher nominal wages; protests and strikes.	Slowed economic recovery; potential long-term impact on worker morale.
Wage Caps	Implementation of wage ceilings to limit wage growth.	Stabilize public sector spending and manage economic impact.	Limited wage growth led to reduced living standards and exacerbated income inequality.	Negotiations for wage adjustments and indexing clauses in agreements.	Increased economic disparities; potential challenges in wage negotiations.

Price Increases Control	Measures to manage or control rising prices of consumer goods and services.	Prevent a wage-price spiral and control inflation.	Increased cost of living, which outpaced wage growth, reducing real wages and affecting workers' standards of living.	Calls for better wage adjustments and indexing to inflation.	Persistent inflationary pressures and potential long-term economic strain.
Compensation Theory	Theory suggests wages are only sufficient for basic needs, with a focus on non-financial benefits.	Address workers' emotional and social needs through enhanced status and benefits.	Workers' social status improved superficially but did not address the financial strain caused by wage stagnation.	Demands for better financial compensation in addition to social benefits.	Requires broader structural changes for meaningful improvement in workers' status.
Indexing Clauses	Inclusion of clauses in collective agreements to adjust wages according to inflation.	Protect workers' real wages from being eroded by inflation.	Partial mitigation of the impact of inflation on real wages; negotiations for fair adjustments.	Efforts to secure indexing in collective agreements; ongoing negotiations.	Helps in maintaining wage value relative to inflation; improves worker satisfaction.
Cycle of Money	Integrates monetary and fiscal measures to balance wage adjustments and price controls.	Achieve comprehensive economic stability by managing both wages and prices.	Aims to prevent wage-price spirals and stabilize both wages and prices; addresses inflation and wage growth simultaneously.	Workers experienced a more balanced approach to economic stability; and mixed responses to complex implementation.	Offers a holistic solution for economic management; potential for long-term.

Source: authors' own development

This table summarizes the distinct policies applied during the Greek COVID-19 period, their objectives, impacts, worker responses, and potential long-term effects.

Conclusions

The economic policies implemented during the Greek COVID-19 period were pivotal in addressing the immediate financial strains caused by the pandemic. Each policy aimed to stabilize the economy, manage inflation and control public spending, but they had varied impacts on the workforce and the broader economy. Wage freezes were a significant measure used to curb inflation and manage economic challenges. While this approach aimed to stabilize the economy, it led to stagnant real wages and reduced purchasing power for workers. Consequently, workers faced financial strain, leading to increased demands for higher nominal wages and protests. Long-term effects included potential delays in economic recovery and impacts on worker morale. The imposition of wage caps was intended to

control public sector spending and mitigate economic disruptions. However, this policy limited wage growth and contributed to increased income inequality. Workers responded with negotiations for wage adjustments and indexing clauses to counteract the adverse effects. Over time, this policy led to heightened economic disparities and challenges in wage negotiations.

Efforts to manage or control rising prices aimed to prevent a wage-price spiral and stabilize inflation. Despite these efforts, the increase in the cost of living outpaced wage growth, resulting in decreased real wages and affected workers' living standards. This led to calls for better wage adjustments and indexing, while persistent inflationary pressures posed long-term economic strain. The "compensation" theory suggested that wages were adequate for basic needs and advocated for enhancing workers' social and emotional well-being. While this approach aimed to improve workers' social status through benefits and status recognition, it did not address the financial strain caused by inadequate wage growth. This policy highlighted the need for structural changes to achieve meaningful improvements in workers' status. Including indexing clauses in collective agreements aimed to protect real wages from inflation. This policy partially mitigated the impact of inflation on wages and helped maintain wage value relative to the cost of living. Workers' efforts to secure indexing clauses were crucial in balancing wage adjustments and mitigating inflation's adverse effects. Ultimately, while no single policy could fully resolve all economic issues during the pandemic, on the other hand, the Cycle of Money policy provided a nuanced framework that balanced immediate economic relief with long-term stability goals. This policy's approach highlights the need for integrated solutions that address both wage and price dynamics, offering a model for managing economic stability in complex and challenging times.

The policies implemented during the Greek COVID-19 period were essential for navigating the economic disruptions caused by the pandemic. However, while they achieved some stabilization, they also revealed significant challenges in addressing the needs of workers and managing economic disparities. Wage freezes and caps, although aimed at controlling inflation and public spending, resulted in financial strain and increased inequality. The focus on compensation and indexing highlighted the importance of addressing both the financial and social needs of workers. But the only case in there are no negative effects is the Cycle of Money policy, which uses the adequate reuse and the distribution of money to form the appropriate structure and function of the economic system (Challoumis, 2022a, 2023c, 2023b, 2023a, 2024b). Of course, Economocracy could face all the fundamental problems of the current economic system (Challoumis, 2022b). Moving forward, it is crucial to balance immediate economic stabilization with long-term strategies that address income inequality and ensure sustainable economic recovery.

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