MUSEUM
OF THE BANK OF GREECE
INFORMATION GUIDE

BANK OF GREECE
EUROSYSTEM

CENTRE FOR CULTURE
RESEARCH AND DOCUMENTATION

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Φιλικό προς άτομα με αναπηρία

ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ
Κέντρο Πολιτισμού, Έρευνας και Τεκμηρίωσης
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και Αξιών της Τράπεζας της Ελλάδος

ΜΟΥΣΕΙΟ
ΤΗΣ ΤΡΑΠΕΖΑΣ ΤΗΣ ΕΛΛΑΔΟΣ
ΟΔΗΓΟΣ ΕΚΘΕΣΗΣ

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ΕΥΡΩΣΥΣΤΗΜΑ

ΚΕΝΤΡΟ ΠΟΛΙΤΙΣΜΟΥ
ΕΡΕΥΝΑΣ ΚΑΙ ΤΕΚΜΗΡΙΩΣΗΣ

CONTENTS

The Museum of the Bank of Greece first opened its doors to the public in January 2010, founded with the mission to highlight the Bank's role in the economic, social and cultural development of the country. As is aptly phrased in its slogan, it is designed to take the visitor on "a fascinating journey through Greece's modern economic and monetary history".

With it being one of the most modern central bank museums of Europe, the visitors can take an intellectually stimulating tour in the economic history of Greece through the Bank's collections, the exhibited archival material and digital interactive applications. It is worth noting that, in their vast majority, the exhibits are original and not reproductions; that the Museum is fully accessible to people with mobility and sensory impairment; and that a significant number of visitors are high school and undergraduate or postgraduate students.

Our aim is that this Museum, through its permanent and temporary exhibitions, its education programmes and the parallel events, will contribute to the cultural life of Greece and to the financial literacy of the public.

Panagiotis Panagakis
Director
Centre for Culture, Research & Documentation

THE MUSEUM OF THE BANK OF GREECE

A FASCINATING JOURNEY THROUGH GREECE'S MODERN ECONOMIC AND MONETARY HISTORY

The Museum is an important centre for highlighting the role, the functions and the contribution of the Bank of Greece to the development of the Greek economy. At the same time, it sheds light on aspects of modern economic and monetary history that allow a better understanding of current affairs, enhancing public knowledge of economic and financial concepts and terms used in everyday life, particularly in relation to the functioning of the financial system.

THE IDEA

The idea to create a Museum, following the example of other central banks, dates back to 2002 and reflects the desire of the Bank's administration to showcase the numerous items of historical and artistic value in its Collection. Eight years later, the Museum of the Bank of Greece had become a reality and opened its doors to the public in January 2010.

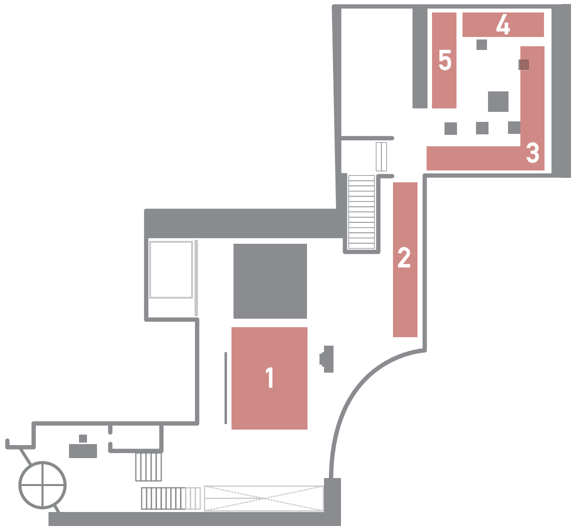
The Museum chronicles the decisive moments in the monetary and economic history of modern Greece, from the design and implementation of the first modern Greek monetary system in 1828 to the establishment of the euro area and Greece's participation in the single currency. This compelling story comes to life thanks to original artefacts from the Bank's collections, which provide additional insight into the designing and production of banknotes and coins in modern Greece.
The exhibition takes the visitor from early (pre-coinage) forms of money in antiquity to the introduction and establishment of various mediums of exchange and, from there, to key aspects of monetary policy in Greece, the evolution of central banking and, finally, onto the road to European monetary unification.

Drawing on specially designed interactive multimedia applications, its modern set-up and state-of-the-art museological practices, the Museum offers its visitors an experience combining learning and enjoyment.
The Museum occupies the two ground-floor levels of the Bank's new eight-storey building at 3, Amerikis Street in downtown Athens. It first opened its doors to the public in January 2010. The building, designed by Alexandros N. Tombazis and his associate N. Vratsanos in 1991-1993, was still unfinished when purchased by the Bank, but was then remodelled to accommodate new offices for several of the Bank's departments as well as the Museum. The museum architecture was designed by Sonia Charalambides-Divani in collaboration with RCL Architects (Michel Rossier, Irene Charalambides and Christian Lascaridis), under the supervision of the Bank's Technical Services Department and what was then the Historical Archives, Museum and Collections Section of the Administration Department. Since March 2013, the organisation and operation of the Museum have come under the responsibility of the Centre for Culture, Research and Documentation of the Bank of Greece, as part of a broader objective to highlight the contribution of the Bank to the country's economic, social and cultural advances.

THE PERMANENT EXHIBITION

The permanent exhibition is divided into ten thematic areas on the two levels occupied by the Museum:

LEVEL A



1. THE BANK OF GREECE

The main foyer provides the visitor with a brief introduction to the Bank's history, landmark buildings and cultural vision. The opening displays focus on the primary responsibility of the Bank, which according to its Statute is to ensure the stability of the general level of prices, as well as on its contribution to the fulfillment of the objectives and tasks of the Eurosystem, of which the Bank of Greece is an integral part since January 2001.

2. MONEY

Items from the Bank's collection and rich visual material document the evolution of money from early forms of currency (shells, animal teeth, etc.) to present-day plastic money, centering on milestones in the introduction and establishment of successive mediums of exchange.

3. MONETARY SYSTEM AND POLICY IN MODERN GREECE

This section traces the major events that shaped the monetary system from the establishment of the modern Greek State to the present, and outlines the contribution of the Bank of Greece to the development of the Greek economy.

4. THE ROAD TO ECONOMIC AND MONETARY UNION

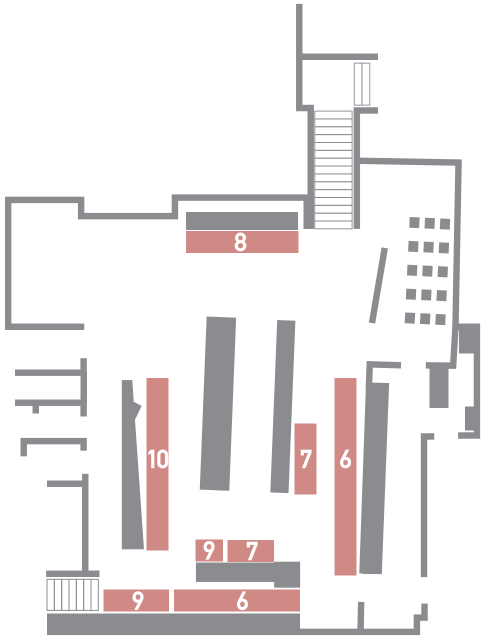
Further along the timeline, this section traces the path to European economic and monetary unification, focusing on milestone events from the Treaty of Versailles to the establishment of the European Union and the euro area.

5. THE EVOLUTION OF CENTRAL BANKING

This section traces the evolution of central banking from its emergence in the 17th century to the present. Here, the visitor is provided with background information on the establishment and operation of specific central banks that left their mark on central banking history.

THE PERMANENT EXHIBITION

LEVEL B



6. BANK OF GREECE BANKNOTES

A journey through the banknote issues of the Bank of Greece, from 1928, when the Bank was first conferred the exclusive privilege to issue banknotes (previously held by the National Bank of Greece), to 2001. The wide range of visual and textual materials offer an insight into the banknote design and production process and echo the main chapters of Greece's economic history.

7. COINAGE OF THE GREEK STATE

This section surveys modern Greek coinage, from the introduction in 1828 of the first currency system of the modern Greek State by Ioannis Kapodistrias (first Governor of Greece) to Greece's entry into the euro area in 2001. The display is enriched with items from the coin design and production process at the Banknote Printing Works Department (IETA) of the Bank of Greece.

8. COMMEMORATIVE DRACHMA COINS

This single showcase of commemorative issues with Hellenic themes takes the visitor on a tour of the major historical, cultural and sporting events between 1935 and 2002.

9. EURO BANKNOTES AND COINS

This section showcases the designs for the first series of euro banknotes. Also on display are the first series of euro coins issued by the other Member States, as well as the Greek commemorative €2 coins.

10. BANKNOTE DESIGNS FROM THE BANK OF GREECE

This custom-built exhibit contains sketches, pencil drawings and draft mixed media designs for Greek banknotes by artists employed at IETA.

THE HISTORY OF MONEY

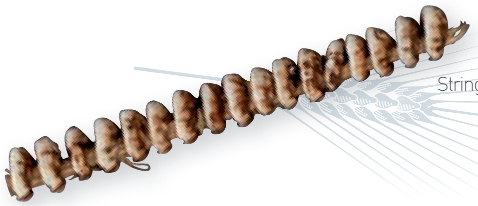
In each historical period the production and use of money was treated differently, according to the prevailing political, social or economic conditions and commercial quests, as well as the availability of raw materials.

The word χρήμα (from the ancient Greek verb χρήομαι-χρῶμαι meaning "to use") denotes money both as a medium of exchange and as "wealth in money", i.e. cash. Banknotes, coins, bank deposits, current cheques, cash cards and credit cards are different forms of what is now called χρήμα, or money.

THE EARLIEST FORMS OF MONEY

BARTER

Barter, or the exchange of surplus material goods, was the first phase in the history of exchanges and, therefore, of money. This type of exchange is better observed in contemporary societies in e.g. Africa, Oceania, etc., where until fairly recently mutually acceptable media of exchange were foodstuffs and clothing items (farm products, livestock, salt, hides, shells etc.) and met the basic needs of life.



String shell, New Guinea.

Boar´s tusk, New Guinea.

In China, the use of shells as a medium of exchange is attested as early as the 2nd millennium BC. Even at the end of the 17th century, merchants from Portugal, Britain, Holland and France conducted their commercial transactions on African markets with shells.

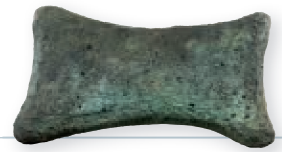
Cypraea shells, SE Asia and Australia.

Gold-lip pearl shell, New Guinea.

THE USE OF METALS

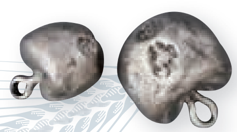
The use of metals (gold, silver, copper, iron) was a further step facilitating exchanges already since the middle of the 3rd millenium. In ancient but also more modern primitive societies, objects of a specified shape and a value fixed by weighing (rods, parts of rods, finger-rings, annuli, pellets, ingots, etc.), as well as functional items (tripods, cauldrons, spits, jewellery, weaponry, etc.) served as a measure of value for various goods. They were also offered as gifts or prizes, were used to pay compensation or fines, served as a store of value and, occasionally, in more economically advanced societies, were transported as merchandise.

Ingots, metallic plates whose shape reminds stretched ox hides, were used across the Mediterranean as early as the 2nd millennium BC. This particular copper ingot is from a shipwreck off Kymi, Evia. It dates back to mid-16th c. BC and is kept at the Numismatic Museum in Athens.



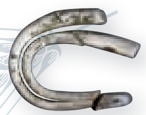
Iron spits, widely used to roast meat, were also used on a large scale as a medium of exchange in Southern Greece (late 8th – 6th c. BC). These spits come from the Argive Heraion (early 7th c. BC) and are kept at the Numismatic Museum in Athens.

Iron ("kissi penny"). Liberia, late 19th – mid 20th century.



Silver (tical/"bullet money"), Thailand, 19th century.

Copper (manilla), West Africa, 19th – mid 20th century.



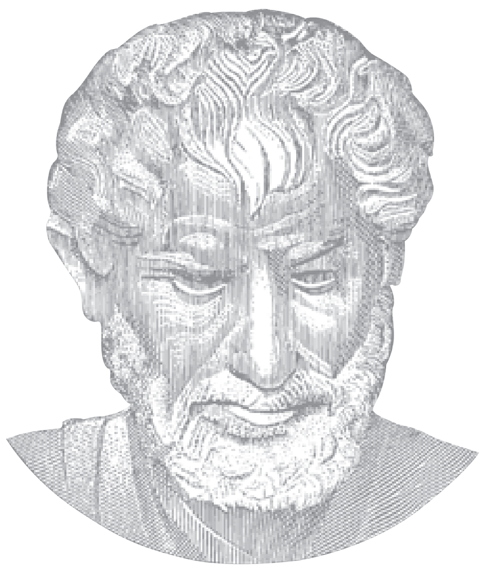
Silver (larin/"fish-hook money"), Persian Gulf, 16th – 17th century.

THE COIN

THE INVENTION

The invention of coinage in the late 7th century BC is attributed to the Lydians. Their country, especially the banks of the river Pactolus, provided ample quantities of the raw material, electrum, a natural alloy of gold and silver. However, the resourceful Ionian Greeks, who adopted almost simultaneously with the Lydians the practice of striking coins of electrum, played a leading role in spreading out the coin.

Samos, electrum stater, ca. 600-550 BC.
(Numismatic Museum, Athens)



«...οἷον δ' ὑπάλλαγμα τῆς χρείας τὸ νόμισμα γέγονε κατὰ συνθήκην· καὶ διὰ τοῦτο τοὔνομα ἔχει νόμισμα, ὅτι οὐ φύσει ἀλλὰ νόμῳ ἐστί, καὶ ἐφ' ἡμῖν μεταβαλεῖν καὶ ποιῆσαι ἄχρηστον...»

"Money has become by convention a sort of representative of demand; and this is why it has the name 'money' (nomisma) – because it exists not by nature but by law and it is in our power to change it and make it useless".

ARISTOTLE, *Nicomachean Ethics, V, 5, 11.*

Chios's strategic location on the sea route between the Mediterranean and the Black Sea and its vibrant trade activity led it to strike its first coins in the mid-6th century BC. The few archaic electrum staters that have survived to this day belong to the city's early coinage period. The sphinx, a winged monster with a head of a woman and the body of a lion, was the symbol of Chios and featured on its coins throughout its ancient history.

Chios, electrum stater, ca. 500 BC.

THE COIN

THE SPREAD OF COINAGE

In around the mid-6th century BC many Greek cities began issuing coins, mainly in silver. The Aeginetan staters (turtles), the Corinthian didrachms (colts), the Athenian tetradrachms (owls) would be carried by the indomitable Greeks to the extremities of the then known world and contribute to a widespread shift to a monetary economy.

Athens, silver tetradrachm, ca. 500-480 BC.
(Benaki Museum, Athens)

Athens was among the first Greek city states to adopt coinage (in mid-6th century BC). Lavrion mines, rich in metals, provided the necessary silver. The diptych of goddess Athena and her sacred bird, the owl, first appeared in the late 6th century BC and would seal Athenian coins for more than 400 years.
At the end of the archaic period, two new details are added to the two sides of the tetradrachm, most likely echoing the triumphant victories against the Persians (of Marathon in 490 BC and of Salamis in 480 BC). Thus, on the obverse side the helmet of goddess Athena is decorated with an olive branch, while on the reverse a small crescent is pictured on the left, behind the owl.
The Athenian tetradrachms produced during the second half of the 5th century BC formed one of the largest series of silver coins struck in antiquity. Owls (or glafkes, as they were called) travelled to distant places, crossing the Mediterranean, and became the first international coin of the time.

PRECIOUS METAL COINS

Precious metal coins were issued by empires, kingdoms, hegemonies and governments across most of human history as an expression of political status and economic prosperity.

Philip II, gold stater, ca. 359-336 BC.

The obverse sides of Philip II staters commemorate his victories in the Olympic Games. Gold staters feature the two-horse chariot (synoris) that gave him his victory and silver ones show the young charioteer triumphantly holding a palm branch.

Philip II, silver tetradrachm, posthumous issue, ca. 323/2-315 BC.

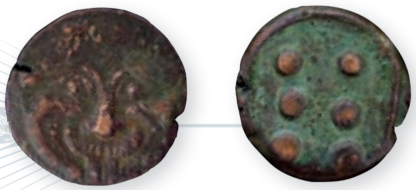
Fokas (602-610 AD), Constantinople mint, solidus.

THE COIN

BRONZE COINS

The use of coins made of materials other than gold and silver is not a modern innovation. The Greek philosopher Plato (427-347 BC) suggested the introduction of a coin other than gold or silver suitable for everyday transactions. But it was not until late 4th century BC, after many years of misgivings, that the Athenians issued bronze coins, even though the rest of the Greek world, in particular the Greek colonies, had introduced bronze coinage as early as the mid-5th century. The bronze coins of the ancient Greeks could be regarded as the earliest form of credit money.

Athens, bronze coin, 2nd century BC.



Himera, Sicily, bronze hemilitron, ca. 430 BC.

«...ἐξεῖναι χρυσὸν μηδὲ ἄργυρον κεκτῆσθαι μηδένα μηδενὶ ἰδιώτῃ, νόμισμα δὲ ἕνεκα ἀλλαγῆς τῆς καθ' ἡμέραν, ἣν δημιουργοῖς τε ἀλλάττεσθαι σχεδὸν ἀναγκαῖον, καὶ πᾶσιν ὁπόσων χρεία τῶν τοιούτων μισθοὺς μισθωτοῖς, δούλοις καὶ ἐποίκοις, ἀποτίνειν...»

"... There is a further law following all these, that no private person may possess gold or silver, and may have coinage only for daily exchange, which is almost essential when making exchanges with tradesmen and payments to those who need to work for hire, slaves and immigrants ..."

Plato, *Laws*, V, 742a.

The widespread use of bronze currency in Classical and Hellenistic antiquity, as well as in the Roman and Byzantine periods, bears witness to the continuous monetisation of everyday transactions and urban activities. During this period, but also later, bronze coinage was adopted by other peoples as well, either under the influence of the Greco-Roman tradition or independently.

Zhao, China, bronze spade-shaped coin, ca. 475-221 BC.

Jin, China, bronze knife-coin, ca. 475-221 BC.

The first bronze coins of China, spade-shaped and "knives" were issued at the end of the 7th century or the beginning of the 6th century BC.

THE COIN

THE EVOLUTION OF WESTERN COINAGE

Bronze coinage was abolished during the 6th century AD by the post-imperial kingdoms of Western Europe. However, in the late 15th century, as a result of the revival of urban centres and culture, the minting of bronze coinage was resumed in continental Western Europe

Venice, Andrea Contarini (1368-1382), gold ducat

Venice began issuing gold coins in around 1284 following the revival of gold coinage in the West since the first half of the 13th century. In this way, a multimetallic system was created in the West (coins of gold, silver and silver-copper alloy), which included a broad range of denominations.

Spain, Ferdinand and Isabella (1474-1507), double excelente

In the late 15th-early 16th century, gold coinage flourished in Spain due to the import of huge amounts of golden spoils from Central and South America.

Metz, Lorraine area (ca. 1540), silver gros

Various local, clerical or secular, mints operated in France between the 14th and the 16th century.

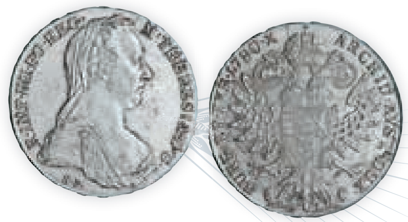
At the beginning of the 17th century, a new quantity of silver fed into the monetary system not only of Europe but of the entire world, after the discovery of rich silver deposits in the New World (the Americas). The decline in the role of silver coinage in the West during the 19th century – a result of establishing gold as the standard unit of value –, the refusal of many countries, after the destructive World War I, to widely circulate gold coinage and the prevalence of paper money transformed coins of precious metals into collector's items, inactive money or even pieces of jewellery.

Holland (1589), silver leeuwendaalder

These silver coins issued by the United Dutch Provinces were intended mainly for use in external trade and became quite popular in the Eastern Mediterranean and Asia. Contemporary imitations of these issues were struck in Northeastern American colonies, from Virginia to Massachusetts.

Austria, Maria Theresa (1740-1780), silver thaler

During the 18th century, the Austrian thaler was added to those international coins already in circulation, the Dutch leeuwendaalders and the Spanish 8 reales coins.



Swiss Confederacy (1801), Bern mint, silver 4-franc

As the Swiss Confederacy (Helvetische Republik) did not have a national mint, ½, 1, 2 and 4-franc coins were issued by the mints of Bern, Basel and Soloturn. From 1853 on, all Swiss coins were issued by the Bern mint.

THE BANKNOTE

Trade and colonial expansion, as a result of the discovery of new lands, and later the industrialisation of the Western world, brought about significant changes to the form of money. Through the overproduction of coins made of base metals (copper, cupronickel and later aluminium), but above all through the introduction and gradual establishment of paper bills as from the 17th century, credit money became entrenched. The disengagement of money from precious metal – its value now based on the solvency of the issuer, rather than on the intrinsic value of the material from which it is made – and continuous technological advances in the banking and credit industries have made money an invisible and immaterial, but all-powerful regulator of our lives.

Dalers, coins in the form of a plate of copper, bore special stamps indicating their denomination, which ranged between ½ and 10 dalers. Before adopting the system of conventional copper coins, Sweden, a copper-producing country, introduced this type of "coin" in order to keep the metal in the country and to maintain its prices at reasonable levels, at a time of strong demand owing to the revival of bronze coinage in the West. Gradually, this heavy, awkward "coin" was replaced by "credit paper" (Kreditivsedlar).

Sweden, Adolf Frederick (1751-1771), 1-daler copper "coin"

In the West, the first paper bills were issued in the late 17th century in Scandinavia, Britain and America. The experimental nature of the early efforts and the public's distrust of this hitherto unknown form of money did not prevent the spread of paper money. With the establishment of rules of proper use and the constant improvement in issuing conditions over the next three centuries, the banknote passed from the stage of experiment to that of control and rational management by the state and central banks.

"The expedient, therefore, of symbolical money, which is no more than a species of what is called credit, is principally useful to encourage consumption, and to increase the demand for the produce of industry"

JAMES STEUART, *An Inquiry into the Principles of Political Economy*, London, 1767, Book II, Chapter XXVII

THE BANKNOTE

Banknotes of various countries and issue dates with illustrations, varied ornamentation, elaborate backgrounds and designs, in multi-coloured paintings

Chinese banknote issued by the imperial treasury in 1287. The inscription in the lower part informs that the banknote is put in circulation together with bronze coins and that counterfeiters would be put to death. China's pioneering launch of paper money dates back to the early 11th century AD
(China Numismatic Museum)

MODERN FORMS OF MONEY

Money has become immaterial, in terms of both form and the money-making procedure. However paradoxical, this has not undermined its power at all. By contrast, the "god of money" devises new techniques, mainly in stock exchanges and capital markets, leaving most of the population mystified. Other, clandestine aspects of the new money-making techniques will be explored in the future on the basis of the historical *testimonia* of our time.

Plastic money. The most widespread transaction method

TOWARDS A BANKING SYSTEM: A HISTORICAL REVIEW

BANKS IN GREEK ANTIQUITY

There is evidence for the existence of private banks in Greek antiquity since the end of the 5th century BC. They functioned as offices for changing money or keeping coins and valuables. In addition, they operated as pawnshops. The activities of an ancient banker included settling debts by order of a client and acting as sequestrator.

FROM ANTIQUITY TO THE MIDDLE AGES

The existence of bankers (argentarii) is testified in various places of the vast Roman empire. The term public or civic banker, attested in 3rd and 4th century AD written sources, implies the existence of public banks during this period, although this practice vanished in the 5th century. In post-imperial kingdoms of Western Europe banking activities were abandoned, in contrast with the Byzantine empire. The 10th century Book of the Eparch includes a reference to the bankers' guild in Constantinople, which conducted mainly exchange operations.

FROM THE MIDDLE AGES TO THE MODERN WORLD

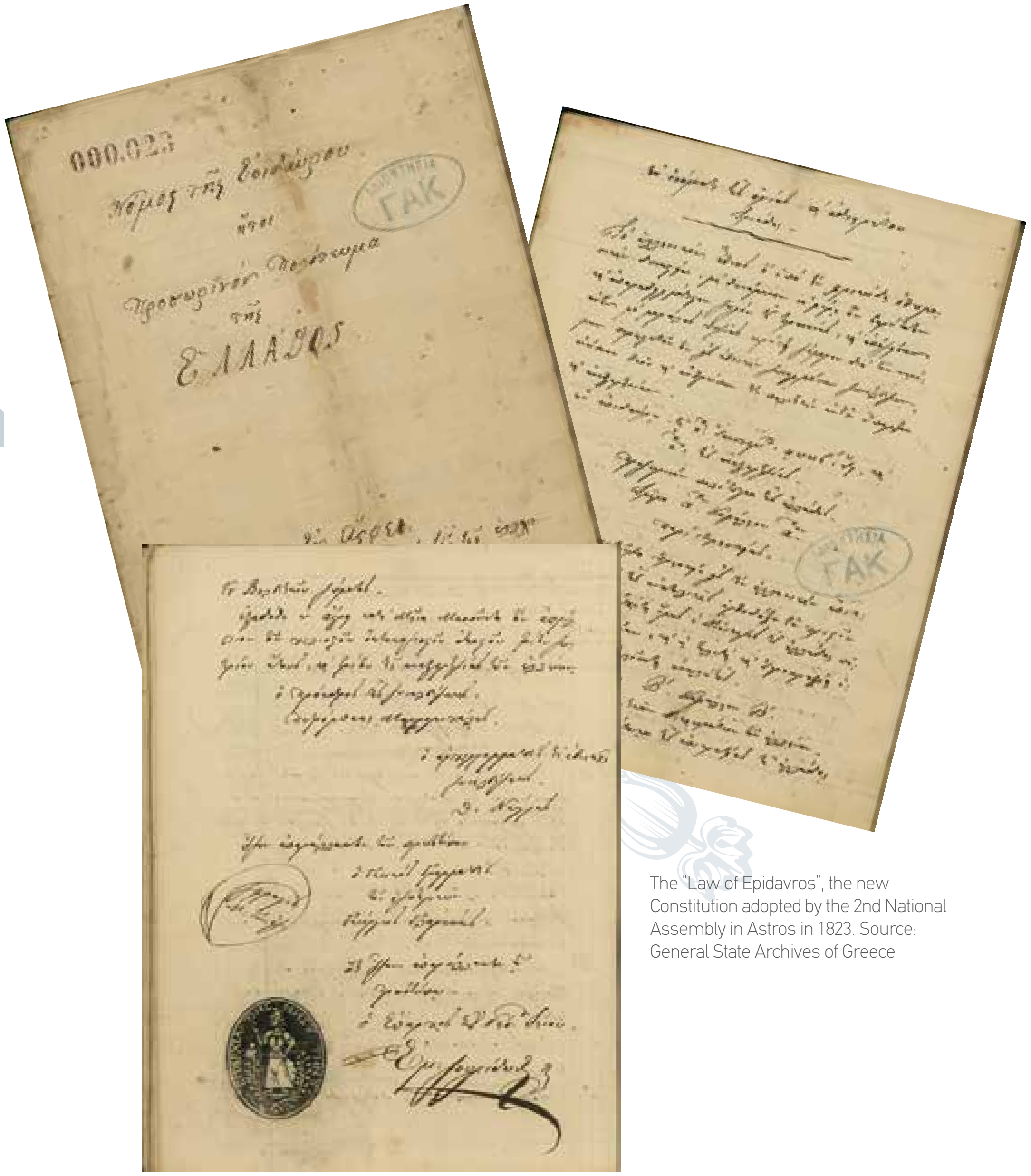
Stable international trading networks, developed in the end of the 12th century and during the 13th century, enabled the Italians to establish systems that allowed the easy and safe circulation of money, e.g. credit notes representing bank accounts. At the same time, credit and loans began to be extended on a large scale, while interest-bearing deposit accounts and local banking operations developed as well. The progress observed since the end of the 17th century, when paper money gradually prevailed, led banks to acquire the role they hold in the modern economy. A modern bank is a credit institution whose objectives include supporting economic activity and productive investment.

MONETARY SYSTEM AND POLICY IN GREECE (1828–2001)

World War I brought the end of the so-called "first globalisation" of 1870-1914. There followed a period of realignments, transformations and crisis that intensified global economic disparity. World War II, which came soon after, was to remain one of the greatest tragedies in History and – at the same time – a catalyst for changes in the European economy and society, and massive geopolitical alterations. One of the impacts of WWII was the revival of the idea of European integration, which led to the establishment of the European Economic Community (EEC) in 1957.

THE ORIGINS OF THE MONETARY SYSTEM IN MODERN GREECE

Setting up a monetary system was one of the top priorities of the modern Greek State. Thus, the first Greek Constitution, voted by the National Assembly that met in Epidavros in 1822, provided that one of the main duties of Parliament and the Executive Body was to establish a monetary system.



The "Law of Epidavros", the new Constitution adopted by the 2nd National Assembly in Astros in 1823. Source: General State Archives of Greece

THE FIRST MONETARY SYSTEM OF THE GREEK STATE: THE PHOENIX (1828-1832)

The first Governor of the newly established Greek State, Ioannis Kapodistrias, introduced the first modern national monetary system in 1828-1829. It was silver-based and its currency unit was the *phoenix*. The mythical bird symbolised Greece's political rebirth and economic independence from the Ottoman Empire. On 1 October 1829, the first phoenix coins were issued (together with copper subdenominations).

Kapodistrias, 1-phoenix silver coin, 1828

THE FIRST MONETARY SYSTEM OF THE GREEK STATE: THE PHOENIX (1828-1832)

ISSUANCE OF PAPER MONEY (1831-1832)

In June 1831, it was decided to issue paper bills not convertible into metal currency in order to finance the large fiscal deficits caused by increased expenditures for the rehabilitation of refugees from Turkish-occupied regions. The assassination of Kapodistrias and the ensuing political turmoil caused further problems. By a decision dated 4 January 1832, an abortive effort was made to peg the faltering phoenix to the national estates; this contributed to the failure of the first effort to introduce paper money.

The first National Mint started its operation in 1829 at Aegina Governorate. Source: Hellenic Literary and Historical Archive

Ioannis Kapodistrias (1776-1831), first Governor of Greece. Detail from a 500-drachma banknote of 1945

5 phoenix, 1831

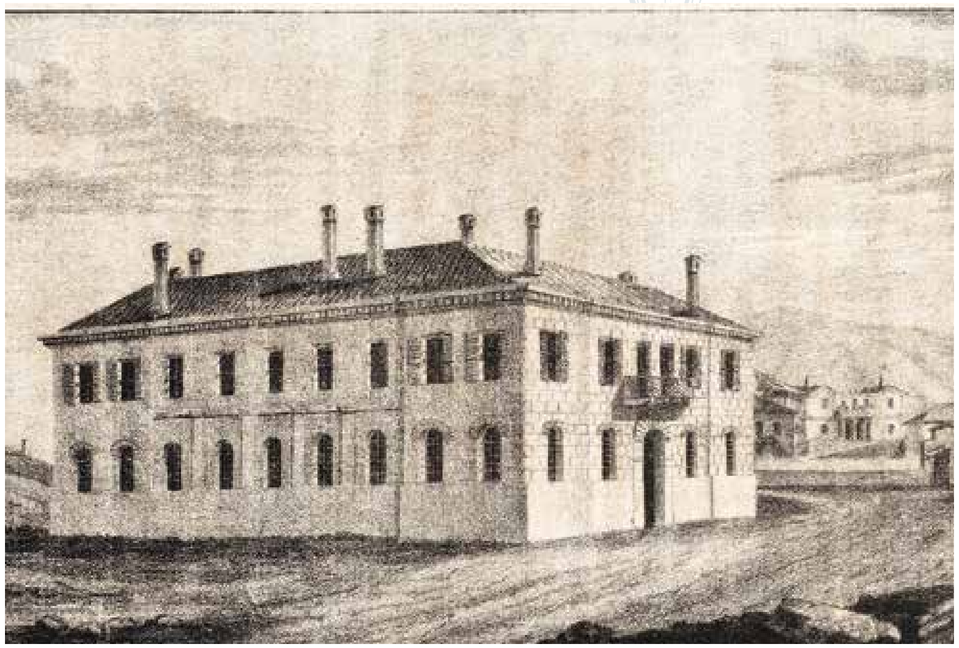
10 phoenix, 1831

THE ESTABLISHMENT OF THE DRACHMA MONETARY SYSTEM (1833-1841)

In 1833, Otto's Regents introduced the Drachma as the new currency unit of the Greek State and bimetallism as the new monetary system. The drachma was an alloy of 90% silver and 10% copper. The new coins were struck in the Munich and Paris mints. Gold 20-drachma coins, as well as 1- and 5-drachma silver coins were also struck in the Munich mint. In 1836 the Athens Mint was established, mainly issuing copper subdenominations of the drachma. A serious challenge to the new monetary system was the widespread circulation of Turkish, Spanish and other coins used in transactions by Greeks due to the limited quantities of Greek coins in circulation. The Royal Decree of 1833, which prohibited "under penalty of confiscation" public revenue offices from accepting Turkish coins, failed to stop their circulation. The drachma was actually used as a scriptural currency, while transactions were overwhelmingly carried out in worn-out foreign coins.

Otto, 20-drachma gold coin, 1833

The Athens Mint in Klafthmonos Square. Source: Gennadius Library, American School of Classical Studies



THE FOUNDING OF THE NATIONAL BANK OF GREECE (1841)

The establishment of the National Bank of Greece in 1841 as a note-issuing commercial bank helped gradually consolidate the drachma's position, this time also in the form of banknotes. The National Bank of Greece, pursuing from the outset a prudent credit policy and attracting important economic personalities into its Board of Directors, managed to gradually impose its banknotes as a medium of exchange by maintaining their convertibility and to consolidate public confidence in the banking system. At the same time, it financed directly the restoration of the economy.

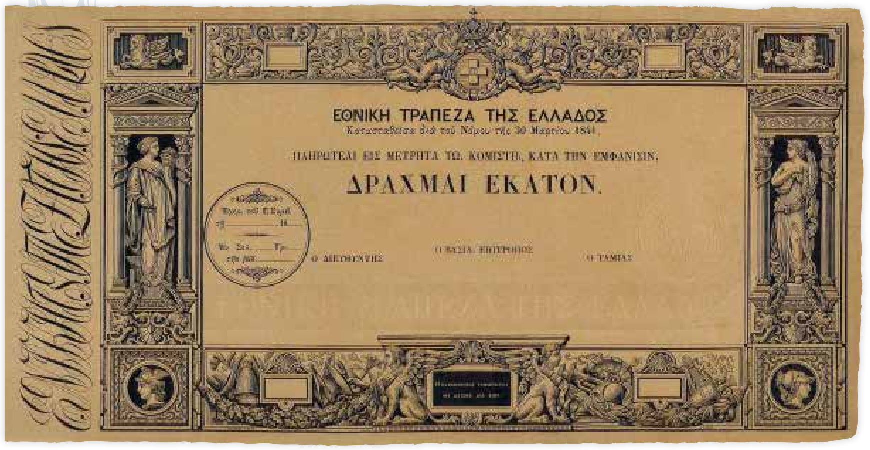
Nikiforos Lytras, "Otto holding the decree for the establishment of the National Bank of Greece". Source: National Bank of Greece

THE 1848 FIAT MONEY EPISODE

The only time when public confidence seemed to waver was the fiat money episode in April 1848, when the European monetary crisis led to strong demand for metal currency for payments abroad. Backed by the State, the National Bank of Greece suspended the convertibility of its banknotes and tightened its credit standards; as a result, confidence was quickly restored and fiat money status was withdrawn in December 1848. This success consolidated public confidence in the National Bank of Greece and its banknotes.

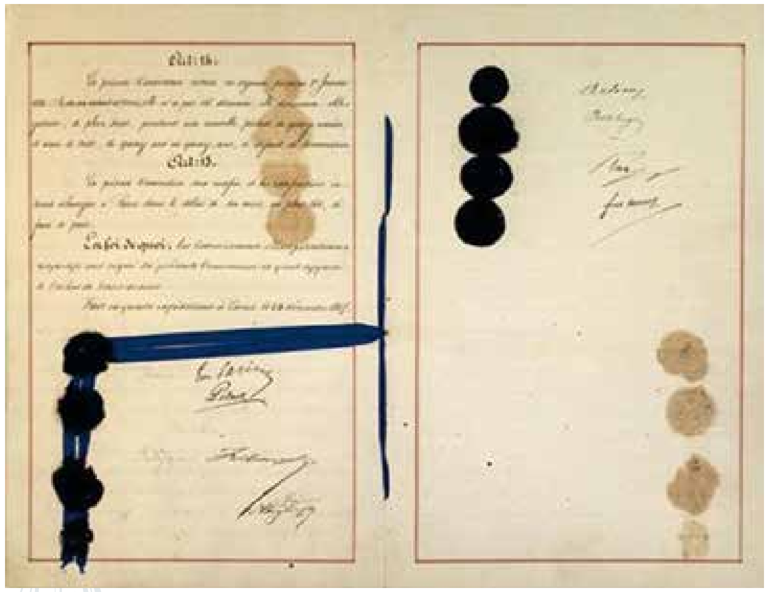
Otto, 10-drachma coin, 1848

Preliminary design for a 100-drachma banknote by the National Bank of Greece, 1841



PARTICIPATION IN THE LATIN MONETARY UNION (LMU)

However, problems in the monetary system lingered on and metal currency shortages continued to hamper transactions. Some efforts made during Otto's reign failed. The biggest opportunity to overhaul the monetary system was the establishment of the LMU in 1865. The National Bank of Greece managed to convince politicians of the advantages of Greece's joining the Union, thus accepting bimetallism, at a gold-to-silver ratio of 1:15½.



The treaty on the formation of the Latin Monetary Union, 1865

George I, 10-drachma gold coin, 1876

CONFLICT BETWEEN THE NATIONAL BANK OF GREECE AND THE GOVERNMENT

In 1864, the government granted the issuing privilege also to the Ionian Bank, as the Ionian Islands had been united with Greece, giving rise to expectations of similar developments in the immediate future. The escalation of the Cretan uprising and the insistence of the Voulgaris government to help the revolted Cretan people led to a conflict with the National Bank of Greece, which refused to cede its metal currency reserves to the government for financing war preparations and to issue paper money. In 1868, the government issued a decree entitled "Issuance of government paper money", actually withdrawing the National Bank of Greece's issuing privilege; this triggered mass redemptions of National Bank of Greece banknotes. Faced with this attack on its metal currency reserves, the National Bank of Greece was forced to suspend the convertibility of its banknotes.

Dimitrios Voulgaris (1802-1877). Source: National Historical Museum

ΕΦΗΜΕΡΙΣ ΤΗΣ ΚΥΒΕΡΝΗΣΕΩΣ
ΤΟΥ ΒΑΣΙΛΕΙΟΥ ΤΗΣ ΕΛΛΑΔΟΣ
ΑΡΙΘ. 64. 1868 ΕΝ ΑΘΗΝΑΙΣ 24 Δεκεμβρίου.
ΔΙΑΤΑΓΜΑ
ΓΕΩΡΓΙΟΣ Α'.
ΒΑΣΙΛΕΥΣ ΤΩΝ ΕΛΛΗΝΩΝ.
ΕΚ ΤΟΥ ΕΘΝΙΚΟΥ ΤΥΠΟΓΡΑΦΕΙΟΥ.

Government Gazette of 23.12.1868, in which the Decree on the issuance of goverment paper money was published. Source: Hellenic Parliament

MONETARY POLICY AND TERRITORIAL EXPANSION (1877-1882)

The liberation of Thessaly and Arta put an excessive strain on the government budget, already in deficit, as further financing was required to integrate the new territories. The government relied exclusively on monetary financing and in 1877 imposed fiat money (i.e. suspended convertibility) for a third time. New loans were concluded with both domestic banks and foreign creditors, leading to substantial public debt accumulation and a large increase in monetary circulation, which made monetary policy management a difficult task.

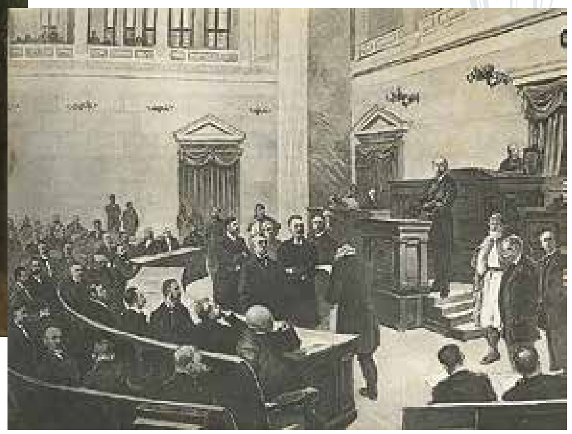
Map of Greece showing the northern border, 1880s. Source: Hellenic Literary and Historical Archive

Map of Greece, after the integration of Thessaly, 1881. Source: Hellenic Literary and Historical Archive

LAUNCH OF THE NEW DRACHMA AND TEMPORARY REINSTATEMENT OF CONVERTIBILITY (1882-1885)

By implementing a monetary reform in 1882, the Charilaos Trikoupis government tried to achieve Greece's admission to the LMU. The launch of the new drachma, equivalent to 1.12 old ones, aimed at drastically reducing the fiscal deficit, withdrawing fiat money status and restoring confidence in general. In 1885, the reinstatement of banknote convertibility and the adoption of the gold standard gave rise to hopes of a smoothening of monetary conditions, which, however, were belied. The mobilisation of the armed forces after military disturbances on Greece's northern borders led to a resumption of public borrowing in September 1885 and banknote convertibility was suspended for a fourth time.

P. Mathiopoulos, "Ch.Trikoupis". Source: Hellenic Parliament



Sitting of the Hellenic Parliament. Charilaos Trikoupis is delivering a speech. Source: Hellenic Parliament (Tsagaris archive)

George I, 1-drachma silver coin, 1868

FROM SUSPENSION OF CONVERTIBILITY TO BANKRUPTCY (1885-1897)

In the next years, the Greek economy saw strong growth rates, benefiting from large infrastructure projects, but public borrowing skyrocketed. The fall in the price of currants – a key export commodity – in conditions of overproduction brought the situation to a head; as a result, Prime Minister Trikoupis declared the Greek State bankrupt in 1893 and Greece entered a vicious circle in search of resources for financing the State apparatus. This led to a rapid devaluation of the drachma and high fiscal deficits, which shook public confidence. The situation further deteriorated after Greece's defeat in the Greco-Turkish war of 1897, leading to the imposition of International Economic Control.

Cartoons of the time. Source: Hellenic Literary and Historical Archive

FROM INTERNATIONAL ECONOMIC CONTROL TO THE CONSOLIDATION OF THE CURRENCY (1897-1910)

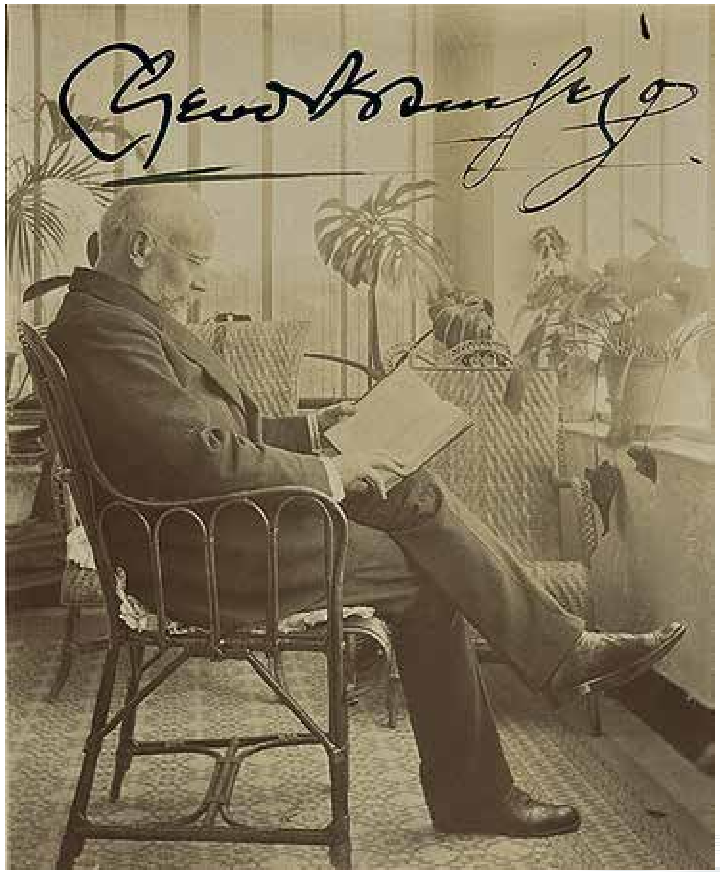
The International Committee for Greek debt management imposed a strict fiscal and monetary management programme, which led to further recession and substantial emigration. Among other things, the International Committee collected taxes in lieu of the Greek State and supervised the annual withdrawal of inflationary money from circulation. Despite the heavy toll on the Greek economy, in the first years of the 1900s fiscal consolidation was achieved and the national currency recovered.

Plaster cast for a 1-drachma coin during the reign of George I, 1910

THE DEFEAT IN THE ASIA MINOR CAMPAIGN AND THE DRACHMA

THE DRACHMA IN WARTIME (1912-1918)

At first, the Balkan Wars (1912-1913) and World War I (1914-1918) had no impact on the value of the drachma as, after 1914, the other European countries were at war too. This prevented gold and exchange outflows and favoured inflows. As from 16 June 1915, the drachma was unpegged from the franc in favour of the pound sterling and, a year later, the US dollar. In November 1916, despite the National Schism, the Greek economy remained robust. Underlying this were mainly emigrant and shipping remittances, as well as Allied spending for the maintenance of troops in Macedonia. After Greece entered the war in June 1917, the high cost of military operations at the Macedonian front put a substantial strain on the budget. The Venizelos government financed high defence expenditures through internal and external borrowing. At the same time, external transaction controls were imposed.



Eleftherios Venizelos (1864-1936). Source: National Archeological Museum

THE DEFEAT IN THE ASIA MINOR CAMPAIGN AND THE DRACHMA

ALLIED CREDITS AND MONETARY DETERIORATION

In 1918, the government allowed the National Bank of Greece to issue banknotes backed by credits to be extended to Greece by the Allies after the war (the so-called Allied Credits). Monetary conditions started to worsen with the stock exchange crisis of 1918 and the sharp deterioration in the trade balance in the first half of 1919, which brought the National Bank of Greece's foreign exchange reserves on the verge of depletion. As a result of these developments, the National Bank of Greece abandoned the fixed drachma/dollar exchange rate and adopted a floating rate policy, therefore the drachma's official parity was adjusted to its market value. The government change in 1920 exacerbated the deterioration in monetary conditions, as advances under Allied Credits were stopped, hence monetary circulation was uncovered.

P. Prekas, "Dimitrios Rallis". Source: Hellenic Parliament

Stefanos Dragoumis (1842-1923). Source: National Historical Museum

THE 1922 FORCED LOAN

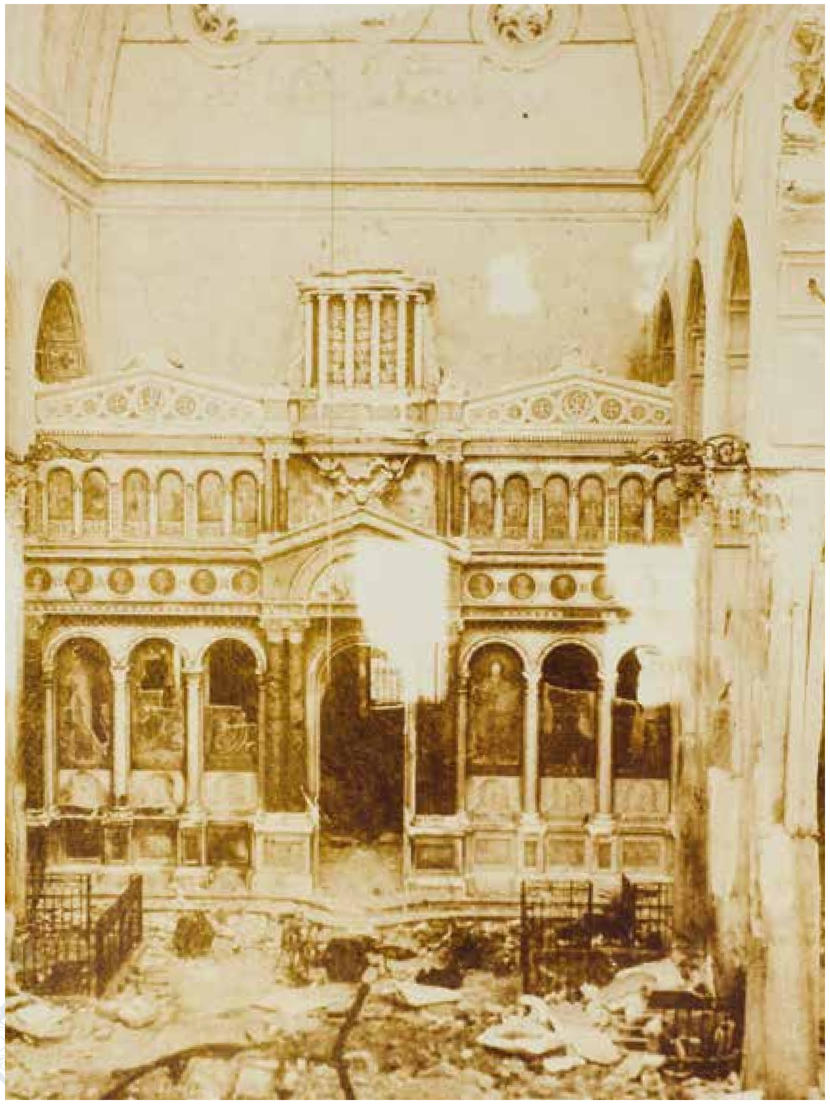
The need to finance war expenditures, in particular for the Asia Minor campaign, further deepened the fiscal and monetary crisis. The only option left to the government for financing the war budget was to roll the printing press. Under pressure to raise funds, on 25 March 1922 the government took out a forced loan of 1.3 billion drachmas: one half of all the National Bank of Greece banknotes had to be surrendered and exchanged with Treasury bills.

"Trial of the six", Athens 1922. Source: Hellenic Literary and Historical Archive

National Bank of Greece, 5- and 100-drachma divided banknotes, 1922

FROM THE DEFEAT IN THE ASIA MINOR CAMPAIGN TO THE STABILISATION OF THE CURRENCY (1922-1928)

The 1922-1928 period was a very difficult one for fiscal and monetary management in Greece. The defeat in the Asia Minor campaign led to an influx of 1.5 million refugees and a 30% rise in Greece's population, bringing welfare policy to the top of the agenda. The loans granted to Greece by the international community temporarily relieved the public purse, but did not solve the country's economic problem. Although the government resorted to another forced loan in 1926, the economic conjuncture did not improve and the drachma showed wide swings between 1922 and 1926, embarking on a devaluation path.



The destruction of Smyrna, 1922. Source: National Historical Museum

The destruction of Smyrna, 1922. Source: National Historical Museum

Refugees after the defeat in the Asia Minor campaign, 1922-1928. Source: National Historical Museum

THE ESTABLISHMENT OF A CENTRAL BANK (1927)

The monetary turmoil that followed the defeat in the Asia Minor campaign and the requirements of welfare policy placed the government before unprecedented dilemmas. The Greek economy's foreign financing requirements in the interwar period led the government to request, in March 1927, the Fiscal Committee of the League of Nations to provide a guarantee for a loan. The League of Nations sent a four-member committee headed by Joseph Avenol to study the economic situation in Greece. The committee demanded a reform of the banking system as a condition for providing a guarantee for the loan. Special mention was made to the National Bank of Greece, which both had the issuing privilege and carried out commercial banking operations, causing serious problems to monetary circulation management.
The committee recommended that the National Bank of Greece give up its commercial banking activities and maintain its central banking function. At first, the National Bank of Greece demurred. Under pressure to choose, it accepted to relinquish the issuing right and transfer it to a new, purely issuing central bank. Thus, on 15 September 1927, the Geneva Protocol was signed, whereby the Bank of Greece was established, with a monopoly over currency issuance and the gold and foreign exchange markets. By founding the Bank of Greece, the country was harmonised with the current international practice in monetary policy management. At the same time, the drachma was pegged to the pound sterling (at 1/15 of its pre-war value, i.e. 375 drachmas per pound) and to gold.

The transaction hall of the Bank of Greece in 1928

The key to the Simantiras mansion, where some services of the Bank of Greece were housed in 1928

The façade of the Simantiras mansion

THE FIRST YEARS OF THE BANK OF GREECE (1928-1932)

The new issuing bank began operations on 14 May 1928, taking over the National Bank of Greece's assets linked with the issuing privilege, after serious controversy about the amount of gold reserves covering the issue of banknotes that had to be transferred to the Bank of Greece. The first Governor was Alexandros Diomidis, theretofore Governor of the National Bank of Greece, with Emmanuel Tsouderos as Deputy Governor. The Bank of Greece's main intervention tools, at least until World War II, were the discount rate and, secondarily, the reserve requirement. At first it was very difficult to offset the National Bank of Greece's dominant position by using the discount rate; however, in the course of time and under the pressure of the conjuncture, the Bank of Greece managed to take over the formulation of monetary policy in Greece.

The Bank of Greece began operations at a difficult national and international economic conjuncture. The New York stock market crash in October 1929 and the Great Depression that followed caused uncertainty in the domestic banking market and put to test the monetary stabilisation policy. The suspension of the gold-exchange standard by Great Britain in September 1931 called into question the drachma's convertibility into gold-based exchange. Continued outflows of the Bank of Greece's foreign exchange reserves forced the government to take action in order to protect the national currency and avert the collapse of the monetary system. In September 1931, the drachma's peg to the pound sterling and gold was abandoned, and the administration of the Bank of Greece decided to peg the drachma to the US dollar, which maintained a fixed ratio to gold. Moreover, import quotas were imposed and a moratorium was declared on all foreign debt payments. Foreign exchange payments were converted into drachmas at a rate below the market quotation. This prevented a deterioration, not least a banking crisis. A. Diomidis resigned on 29 September 1931 over disputes with Prime Minister E. Venizelos and was replaced by the then Deputy Governor, E. Tsouderos.

D. Kokotsis, "The Governor of the Bank of Greece A. Diomidis", 1931

Bank of Greece, 50-drachma overprinted banknote, 1928

Bank of Greece, 5,000-drachma overprinted banknote, 1928

AFTER THE MORATORIUM ON FOREIGN DEBT PAYMENTS (1932-1940)

In the following years, the measures taken by the Venizelos government helped contain fiscal and trade deficits and stabilise the drachma; as a result, market confidence was gradually restored and the Bank of Greece's gold and foreign exchange reserves grew. Besides, following Greece's debt default, the Bank of Greece assumed a stabilising role, adapting its credits to demand in line with the economic conjuncture. Its objectives were to control and stimulate economic activity, finance the economy and control foreign exchange. By its decision of 29 June 1932 converting the gold-denominated government debt into drachmas, the Bank of Greece controlled monetary circulation, gradually reduced the cost of money and lowered the discount rate; it also took advantage of the favourable conjuncture created by the dollar's devaluation in 1933 to increase its foreign exchange reserves. From June 1933 to 1936, Greece joined the Gold Bloc, pegging the drachma to the Swiss franc. Then the Bank of Greece pegged the drachma to the pound sterling. The temporary crisis caused by massive deposit withdrawals in August 1939 was tackled successfully.

By its prudent policy during that period, the Bank of Greece played an increasingly pivotal role in the national economy, gradually yet steadily taking up the role previously played by the National Bank of Greece. It gradually started to act as government treasurer and fiscal agent and became responsible for the implementation of foreign exchange policy. Moreover, it covered the State's financing requirements by granting loans and, from 1933, undertook the management of foreign debt servicing. Finally, it contributed to the organisation and modernisation of the banking system by setting up clearing offices, imposing cash requirements and cooperating with banks abroad. In 1938, E. Tsouderos resigned and Deputy Governor K. Varvaressos took over as Governor.

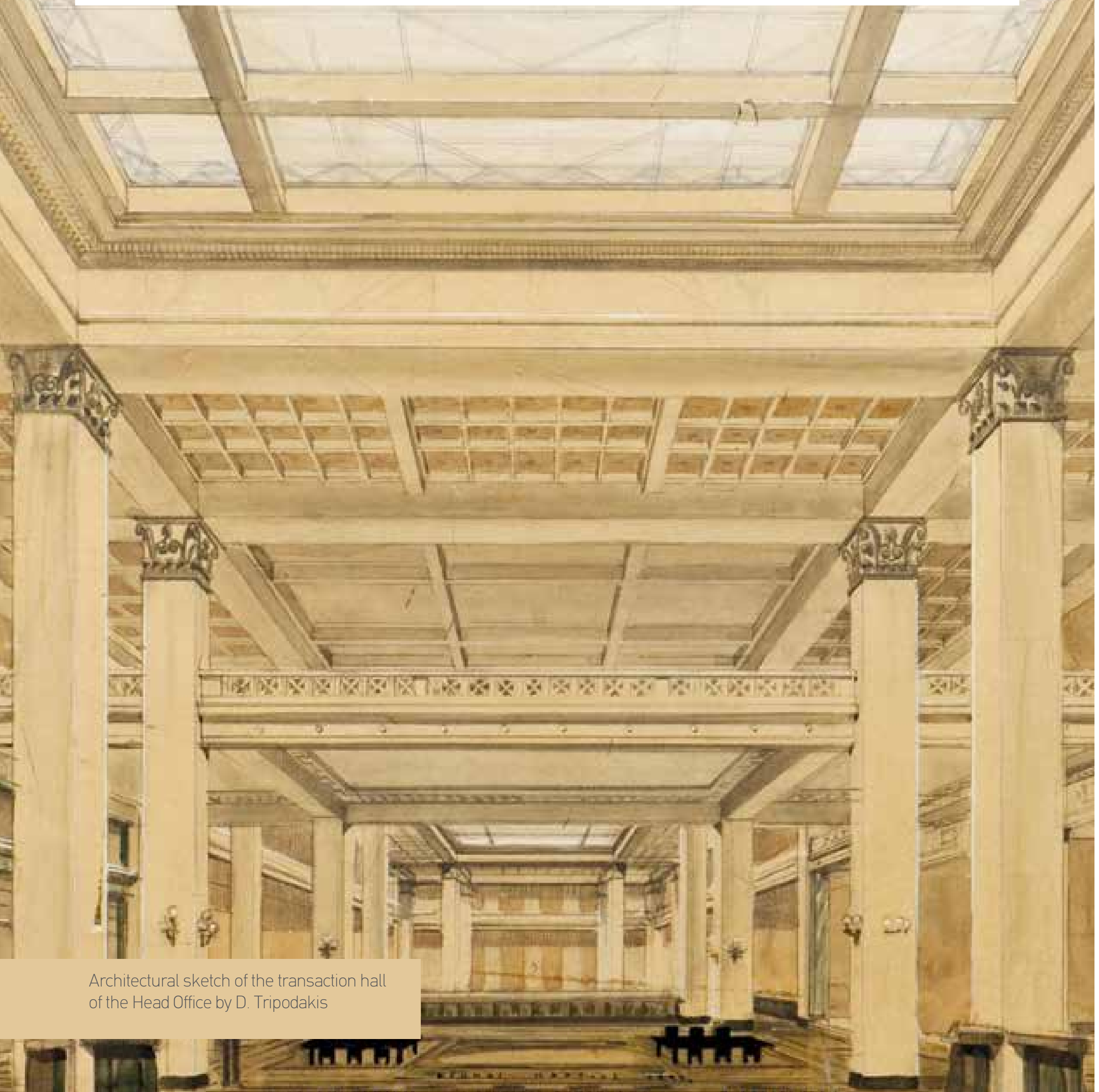
Preliminary design for a 50-drachma banknote, 1935

Bank of Greece, 5,000-drachma banknote, 1933

Bank of Greece, 100-drachma banknote, 1936

THE BANK OF GREECE FINDS ITS HOME (1938)

The year 1938 was a landmark for the Bank of Greece. On 4 April, the Bank's administration settled in its new premises, at 21 Panepistimiou Street. The building's foundation stone had been laid five years earlier. This event, in addition to its organisational aspect, also had a symbolic significance. Since its vaults and cash services had theretofore been housed in the premises of the National Bank of Greece and the Mortgage Bank of Greece, moving into privately owned premises not only signalled its organisational and infrastructural independence from the National Bank of Greece, but also strengthened its role as a central bank, putting an end to the plans of political and economic circles that had been favouring its merger with the National Bank of Greece.



Architectural sketch of the transaction hall of the Head Office by D. Tripodakis

Perspective sketch of the Head Office; architects: N. Zoumpoulidis and K. Papadakis

The Administration and the members of the General Council, meeting on the day that the foundation stone was laid (20.11.1933)

The General council, meeting of 4.4.1938, day of the inauguration of the Head Office

THE AXIS OCCUPATION PERIOD (1941-1944)

RESCUING THE GOLD RESERVE

The Bank of Greece's positive course was halted by the outbreak of World War II. In October 1940, the Bank of Greece raised to 1 billion drachmas the ceiling on its advances to government and, with the outbreak of the Greek-Italian war, imposed a moratorium on banking transactions. At the same, negotiations started with the British government for financing Greek war expenditures and credit lines were extended to the government in order to cover the issuance of new money.
In a bold move, the Bank of Greece's administration decided in February 1941 to evacuate the Bank's gold reserve on board ships of the Greek Navy to the Bank's branch at Heraklion, Crete. In April 1941, a few days before the Germans entered Athens, Governor K. Varvaressos and Deputy Governor G. Mantzavinos left Athens for Crete, together with Greece's political leadership. After the fall of Crete and the flight of the Greek government and the Bank's administration to Egypt, it was decided in June to move the Bank's administration and gold reserve to Cairo; later, the Bank's gold reserve was relocated to Pretoria, thus ensuring the future restoration of the drachma.

UNDER AXIS OCCUPATION

The three occupying powers (Germany, Italy and Bulgaria) issued their own currencies (German Occupation Mark, Italian Mediterranean Drachma and Bulgarian Lev, respectively). They imposed a new administration on the Bank of Greece in Athens, appointing commissioners with exclusive rights to conduct monetary, credit, foreign exchange and fiscal policies. Through the Bank of Greece, they issued large quantities of money to finance the requirements of the occupying forces, leading to gradual devaluation of the national currency.
The burden shouldered by the Greek economy, which had to pay for the maintenance of the occupying troops, and its excessive financial contribution to military operations in Southeastern Europe, as well as the annexation of substantial parts of the national territory (Eastern Macedonia, Western Thrace and the Ionian Islands) by Bulgaria and Italy, led to a sharp decline in national output and, eventually, a dramatic fall in national income. This, coupled with the devaluation of the national currency, led to economic collapse and hyperinflation. Indicatively, from 1,000 drachmas in 1940, the gold sovereign soared to 1.5 billion drachmas in 1944. By the end of the occupation period, the Greek economy had amassed huge debts, its production infrastructure had been dislocated and its monetary system had been irreparably damaged.

Members of the Greek government and the Administration of the Bank of Greece in Cape Town, August 1941

Black market in Athens during the Occupation. Photograph: Dimitri Papadimos. Source: Hellenic Literary and Historical Archive

THE AXIS OCCUPATION PERIOD (1941-1944)

Banknotes from the period of the Occupation
(100,000; 50,000; 200 million; 100 billion), 1944

THE AXIS OCCUPATION PERIOD (1941-1944)

THE BANK OF GREECE'S ADMINISTRATION ABROAD

In September 1941, the exiled government and the Bank of Greece's administration arrived in London. The Bank of Greece's administration undertook many activities: informing the Allies; protecting Greece's economic interests; ensuring humanitarian aid for occupied Greece; and representing Greece in international institutions. It also participated in the special inter-allied committee that recorded Greece's war damages and estimated its post-war requirements.

In July 1944, representatives from 44 countries met in Bretton Woods, where they agreed to establish the International Monetary Fund and the International Bank for Reconstruction and Development (IBRD) and set up the framework of the post-war monetary system. Greece was represented by the Bank of Greece Governor, K. Varvaressos.

K. Varvaressos in front of the International Bank and the IMF

STABILISING THE ECONOMY AND STIMULATING PRODUCTION (1944-1953)

THE FIRST STABILISATION EFFORTS (1944-1945)

After Greece's liberation and the repatriation of the exiled Greek government and the legitimate administration of the Bank of Greece, efforts were made to achieve monetary stabilisation and stimulate economic activity. The plan worked out jointly by the government, the Bank of Greece's administration and British experts proved defective and the new drachma, which was launched in November 1944, failed to challenge the gold sovereign's de facto dominance.

A new stabilisation effort included such measures as 1) prohibiting the use of gold and foreign currencies in transactions; 2) devaluing the drachma vis-à-vis the pound sterling from 600 to 2,000 drachmas and the US dollar from 150 to 500 drachmas; 3) imposing price controls on key consumer goods; 4) introducing a one-off levy on industrialists, merchants and the self-employed with a view to reducing demand; and 5) levying high taxes on persons with high purchasing power and those who became rich during the Occupation period. This triggered strong reactions by the affected social strata, so the effort was dropped in September 1945.

The liberation of Athens, 12.10.1944. Source: National Historical Museum

THE LONDON AGREEMENT (1946) AND THE ESTABLISHMENT OF THE CURRENCY COMMITTEE

The third monetary stabilisation effort was made in January 1946, when the Anglo-Hellenic Agreement was concluded. Great Britain accepted to grant a loan of GBP 10 million, which would cover monetary circulation. Greece agreed to undertake a radical reform of fiscal management and impose monetary discipline.

Thus, under the Law of 9 March 1946, the Currency Committee was established, composed of members of the government (holders of the economy and finance portfolios), the Governor of the Bank of Greece, and (until 1956) two foreign experts. The Currency Committee became the paramount monetary and credit policy-making body until 1981. Any decisions on the domestic currency, foreign exchange, lending etc. were subject to approval by the Currency Committee. At the same time, a Credit Committee was established within the Bank of Greece, its main task being to approve credits to industry and manufacturing for covering requirements in raw materials, oil and small repairs.

The drachma was devalued once again, to exchange rates of 20,000 drachmas per pound sterling and 5,000 per US dollar. Foreign exchange was granted for import and investment purposes, and restrictions on the use of, and trade in, gold coins (with the exception of export) were abolished. This policy failed to substitute the drachma for the gold sovereign. By contrast, it entailed costs for the monetary authorities, which had to spend a considerable part of their foreign exchange reserves not on productive activities, but to maintain the drachma's exchange rate. The escalation of the Greek Civil War towards the end of 1946 exacerbated speculative trading in gold sovereigns and the Bank of Greece had to sell gold sovereigns in order to maintain stability.

On 22 November 1947, the first post-war General Meeting of shareholders of the Bank of Greece was held. The Bank's administration submitted to it for approval the balance sheets for the years 1941, 1944, 1945 and 1946, while the financial statements for the years 1942 and 1943 did not qualify as balance sheets from a legal point of view. The General Meeting approved the Bank's policy during the above period and reaffirmed the policy of supporting the drachma by selling gold sovereigns.

Bank of Greece, 5,000-drachma banknote, 1945

Bank of Greece, 10,000-drachma banknote, 1945

THE MARSHALL PLAN AND THE AMERICAN ECONOMIC MISSION TO GREECE – CONTROL OF CREDIT

In April 1948, the government, the Currency Committee and the American Economic Mission cooperated to prepare the legislative decree "Control of credit", which laid down in more detail the powers of the Currency Committee, in an effort to curb speculation by controlling the foreign exchange market and abolishing the Bank of Greece's intervention in the gold sovereign market. Moreover, in October 1947, the legislative decree "Strengthening of external trade" introduced foreign exchange certificates, with a value above the official exchange rate (25,000 drachmas per pound sterling and 3,000 drachmas per US dollar), and established an organisation to coordinate trade policy. This policy was supported by the aid received by Greece under the European Recovery Programme (the so-called "Marshall Plan"). However, the civil war, the serious fiscal problems and low industrial output (still 85% of the pre-war level in 1948) hindered the monetary stabilisation effort and inspired uncertainty to the public, which still considered the gold sovereign as the dominant currency and the most reliable medium of exchange for large-value transactions. In August 1948, the Currency Committee set the minimum reserve ratio at 15% for the National Bank of Greece and 5% for the other banks, before raising it to 22% in February 1949 for all commercial banks in order to control inflationary circulation. The need to further control inflationary pressures led in the next year the Currency Committee to raise all commercial banks' reserve ratio to 25% of deposits of legal persons in public law and 12% of other deposits.

Visit of the Secretary of State, George Marshall, in Athens, 1.5.1948-18.11.1948. Source: Konstantinos G. Karamanlis Foundation

THE DRACHMA'S INSTABILITY UNTIL 1952

However, the drachma continued to navigate turbulent waters. In September 1949, the Diomidis government decided to devalue the drachma. For psychological reasons, it resumed the policy of gold sovereign sales by the Bank of Greece, and dropped the drachma/sterling-dollar fixed exchange rate policy. These measures did not curb demand for gold sovereigns, which was fuelled in the next year by the outbreak of the Korean War and the ensuing stockpiling of goods. In May 1951, the Plastiras government launched an economic stabilisation plan, abolishing foreign exchange certificates and devaluing the drachma once again. The Bank of Greece would no longer sell gold sovereigns, and at the end of 1951 credit policy was tightened by a decision of the Currency Committee raising the reserve ratio to 35%; it was also decided that 50% of loans to industry should be drawn from the reserves of commercial banks. This rate was increased to 70% in January 1952, and a month later the Banking Supervision Department was established within the Bank of Greece, responsible for supervising and controlling commercial banks.
These measures led to consolidation of public finance and stabilised the drachma's exchange rates, paving the way for a final solution to the monetary problem.

Bank of Greece, 5,000-drachma banknote, 1950

STABILISING THE ECONOMY AND STIMULATING PRODUCTION (1944-1953)

CONTROL OF THE BANKING SYSTEM

In June 1950, Delos Johns, Head of the Committee for the reorganisation of the Greek banking system, submitted a report to the Governor of the Bank of Greece. In line with Johns's recommendations, a law was passed in 1950 assigning to the Bank of Greece the management of the deposits of legal persons in public law (theretofore managed by the National Bank of Greece); another law passed in 1951 laid down the way of monitoring commercial banks and tightened the criteria of operation of credit institutions. Control and concentration of the banking system were completed with the National Bank of Greece's forced merger with the Bank of Athens in January 1953. These measures were instrumental to stabilising the drachma.

Georgios Mantzavinos (1888-1955). Governor of the Bank of Greece from 11.12.1946 to 2.2.1955

MONETARY STABILITY AND ECONOMIC GROWTH (1953-1974)

THE FIRST PERIOD. THE 1953 DEVALUATION

On 9 April 1953, the new government under A. Papagos, with S. Markezinis as Minister of Finance, decided, with the consent of the Currency Committee and the International Monetary Fund, to devalue the drachma from 15,000 to 30,000 per US dollar and join the Bretton Woods fixed rate system, cornerstone of post-war growth in the western world until 1971. This monetary regime was combined with the liberalisation of imports, abolition of market controls, attraction of foreign direct investment and implementation of an ambitious public investment programme.
One year later, on 1 May 1954, in an effort to improve the business climate against the backdrop of protracted monetary instability, the government launched the new drachma, equivalent to 1,000 old ones. This effort, coupled with the implementation of a consistent monetary stability policy and a balanced budget, gradually contributed to the restoration of confidence in the national currency.
These measures were combined with tighter controls of commercial banks' lending to industry and trade. Law 2687/1953 "Investment and Protection of Foreign Funds" attracted higher foreign fund inflows to implement major investments in Greece. The Bank of Greece's objectives now were monetary balance and economic growth. The year 1955 saw the beginning of Professor Xenophon Zolotas's long spell as Governor (1955-67 and 1974-81); his influence on the formulation of monetary and economic policy was decisive. Growth started to pick up gradually and inflation remained very low (7.3% and 2.2% on average respectively in the 1953-70 period).

The swearing-in of Xenophon Zolotas as Governor of the Bank of Greece, 7.2.1955

MONETARY STABILITY AND ECONOMIC GROWTH (1953-1974)

ORIENTATION OF THE ECONOMY TOWARDS THE EEC

Faced with a reduction in American aid and a trade deficit, Greece pursued closer cooperation with Europe, applying for association with the EEC in July 1959. The Deputy Governor of the Bank of Greece, I.S. Pesmazoglou, was in charge of the difficult negotiations that led on 9 July 1961 to the signing of the relevant agreement. Greece's association with the EEC added impetus to economic growth, further strengthening the orientation of export trade to the EEC countries. Although the agreement was frozen during the junta rule, it was revived after the restoration of democracy in 1974.

Kingdom of Greece, Paul, 10-lepta coin, 1954

The representatives of EEC member states following the signing of the Association Agreement of Greece with the EEC, 9.7.1961. Source: Konstantinos G. Karamanlis Foundation

Bank of Greece, 100-drachma banknote (specimen), 1955

ENDING THE GOLD PULL

Until the mid-1960s, despite the drachma's stability, all large-value transactions were carried out in gold sovereigns. After the November 1963 elections, there was a gradual increase in demand for gold sovereigns, which, despite fluctuating, was rekindled due to the escalation of the Cyprus issue. Measures were taken to curb this in December 1965, such as prohibition of trade in gold sovereigns, price controls and unregistered conversion of gold sovereign holdings into drachmas, which proved successful and led to substantial gold sovereign inflows into the Bank of Greece's vaults.

Prime Minister Konstantinos Karamanlis in the Bank of Greece for a presentation of the economic developments, 16.3.1962

Bank of Greece, 50-drachma banknote, 1964

Bank of Greece, 100-drachma banknote, 1966

Production features of the 500-drachma banknote of 1968 (preliminary sketch or coloured designs of details from the obverse side and approved proposal bearing signature)

MONETARY STABILITY AND ECONOMIC GROWTH (1953-1974)

GROWTH AND PROBLEMS. DISORIENTATION AFTER 1967

Economic growth and monetary stability ran risks after the military coup of 21 April 1967. The economic conditions created in previous years allowed the Greek economy to continue growing in 1967, despite a slowdown in investment growth. However, the freezing of the Association Agreement with the EEC and the loss of favourable credits from the European Investment Bank disoriented economic agents. The policy to boost output growth first implemented by the junta included granting tax breaks and rebates, increasing credit to the private sector, and favouring tourist and construction activity. The policy of public investment in infrastructure projects led to an increase in public debt servicing costs from 7.8% of total budgetary expenditure in 1966 to 12.4% in 1971. Monetary growth, mainly through the extension of low-interest credit to support construction and trade in 1968-1970, led to a gradual overheating of the economy, which coincided with the collapse of the Bretton Woods fixed parities system.

View of the Kastraki dam. Source: Konstantinos G. Karamanlis Foundation

FIRST MEASURES AFTER THE COLLAPSE OF THE BRETTON WOODS SYSTEM (1971-1974)

The suspension of convertibility of the dollar into gold by the US government in August 1971 led to an 8% devaluation of the dollar by the end of the year. At first, the Greek monetary authorities kept the drachma/dollar exchange rate unchanged and the drachma was devalued vis-à-vis all other currencies. Inflationary pressures emerged, and prices started to rise. In 1972, the Bank of Greece tightened its policy: commercial banks' reserve ratio was raised and credits to construction firms were suspended. In February 1972, the US dollar was devalued once again by 10% vis-à-vis gold, sweeping along the drachma to a new devaluation. In May 1973, banks' deposit rates and the discount rate were increased, in an effort to reduce liquidity. It was at this conjuncture that the oil shock erupted. Its outbreak in October 1973 and the oil price hikes fed into domestic inflation. The Currency Committee, as a last resort in order to halt the depreciation of the drachma, decided to decouple it from the dollar and appreciate it by 10%, while price controls were relaxed. However, the political and economic developments that followed in quick succession slowed domestic economic activity and inflation soared to 33.7% in January 1974. In the next months, the drachma returned to a rate of 30 drachmas per dollar, while the Bank of Greece once again conducted a disinflationary policy as the political crisis around the Cyprus issue came to a showdown.

Hellenic Republic, 1-drachma coin, 1973

CONTROL OF THE ECONOMY AND DECLINING GROWTH (1974-1981)

The reorientation of economic policy after the restoration of democracy led to a partial recovery of the real economy. GDP grew by 6.4% in 1975 and 6.9% in 1976, at constant prices. At the same time, Greece applied for accession to the EEC. The drachma was finally decoupled from the US dollar and the Bank of Greece started to set the drachma's exchange rate on the basis of a basket of currencies. Fixing the drachma's exchange rate was a new instrument for achieving economic policy objectives such as controlling price hikes, improving the balance of payments and supporting the recovery of economic activity.

However, these efforts coincided with the second oil shock. At this unfavourable conjuncture, the Greek economy followed a path of declining growth, with GDP growth falling from 7.2% in 1978 to 3.3% in 1979, 0.7% in 1980 and -1.6% in 1980. Greece's Treaty of Accession to the EEC was signed in May 1979, to take effect on 1 January 1981.

Hellenic Republic, 1-drachma coin, 1976

Prime Minister Konstantinos Karamanlis signs the agreement on the accession of Greece to the EEC. Zappeion Hall, 28.5.1979. Source: Konstantinos G. Karamanlis Foundation

Hellenic Republic, 5-drachma coin, 1976

DEFICITS, INFLATION AND STABILISATION EFFORT (1982-1987)

The budget deficit soared from 2.6% of GDP in 1980 to 9.1% in 1981 and 11.7% in 1985. Inflation rose to 24.5% in 1981 and remained close to 20% over the next five years. The relaxation of monetary policy is also reflected in M3 growth by 35.7% in 1981, 28% in 1982 and 29.6% in 1984. To tackle inflationary pressures, a stabilisation programme was launched in January 1983, including a reduction in the drachma's devaluation vis-à-vis the US dollar to 16% and the ECU to 15%. This effort proved unsuccessful. The trade deficit rose from $4,342.8 million in 1978 to $6,696.8 million in 1981 and $6,267.9 million in 1985. Higher labour costs as a result of a 32% hike in the minimum daily wage in 1981 increased the financial problems facing many firms, which were characterised as "loss-making" and came under government control. Investment as a percentage of GDP fell from 23.6% in 1980 to 21.5% in 1981 and 18.5% in 1984.

Growing fiscal deficits, the balance of payments deficit and high inflation led to the implementation of a stabilisation programme in October 1985, which was submitted to the European Commission. In the context of this programme, the drachma was devalued by 15%, public spending was cut and wages were frozen. This programme improved economic indicators temporarily, but was dropped after 1987. The budget deficit returned to the previous levels.

In the new conditions after the liberalisation of the capital account, which was phased in from the late 1980s in Greece, competition in the banking system strengthened. The monetary authorities' primary concern was now to control broad money supply (M3). The 1985-1987 stabilisation programme provided for the monitoring of economic aggregates and set targets. In May 1986 measures were taken to curb credit growth and in 1987 preferential low interest rates were abolished and liberalised upwards (only minimum lending rates were set).

Bank of Greece,
200-drachma banknote, 1996

Hellenic Republic, 50-drachma coin, 1980

Bank of Greece,
1,000-drachma banknote, 1987

THE "HARD DRACHMA" POLICY

The stagflation of the 1980s, in conjunction with the decision to liberalise markets in the EU, led the Bank of Greece to speed up structural reforms in the banking system and adopt stricter macroeconomic objectives, such as lowering inflation and containing the deficit of the balance of payments.
Commercial banks' portfolio management was liberalised. Free interbank lending was allowed and lending rates were fully deregulated. A tight monetary policy, coupled with still high fiscal deficits, favoured high real interest rates.
A policy of limited sliding of the drachma was pursued, i.e. the drachma was allowed to depreciate at a rate lower than inflation ("hard drachma" policy), in an effort to control inflation. In addition, this policy contained the public debt (still growing due to the devaluation of the currency), at the cost of a deteriorating balance of payments. The public debt as a percentage of GDP persisted above 100%, while the current account deficit rose from 0.8% of GDP in 1987 to 4.3% in 1989.

The European Council, Strasburg, 8-9 December 1989

THE ROAD TO THE EMU

In December 1991, the EU Member States decided in Maastricht to establish an Economic and Monetary Union on the basis of certain fiscal and monetary criteria. The adaptation of the Greek economy to the new situation called for immediate action in line with European developments, warranting a policy to reduce fiscal deficits and implement privatisations. In August 1992, a number of measures were announced and a new convergence programme was prepared, based on higher indirect taxes and privatisations of loss-making firms. At the same time, automatic indexation of wages was abolished and markets subject to price controls were liberalised.
The Bank of Greece's objectives were to achieve disinflation and promote money and capital market development. In January 1994, Stage II of the EMU started and a few months later the drachma temporarily came under strong pressure; to counter this, the Bank of Greece drastically raised lending rates to credit institutions. In the next three years (1995-1997), a policy of limited sliding of the drachma was pursued, while setting an intermediate monetary target. The Bank of Greece's intervention rates, through which it absorbed liquidity on the interbank market, proved a key instrument for controlling liquidity.

Hellenic Republic, 500-drachma commemorative coin, 1993

DISINFLATION AND GROWTH – RECOGNITION OF THE INDEPENDENCE OF THE BANK OF GREECE

Monetary policy shouldered most of the weight of the convergence effort. In 1995, inflation dropped to 8.9%, from 10.9% in 1994, and then kept on declining, to reach 2.1% in 1999. Moreover, economic growth continued its uphill course throughout the second half of the 1990s, coming to 4.5% in 2000.

Regarding structural reforms in the financial system, after the abolition of foreign exchange restrictions in current account transactions (e.g. tourist exchange) and the completion of interest rate deregulation, capital account restrictions were removed for transactions with non-EU countries as well, and commercial banks' compulsory investment in government paper was abolished.

In December 1995, the European Council finalised the scenario of transition to Stage III of the EMU and decided that the single currency would be called "euro". In June 1997, the Amsterdam European Council adopted the Stability and Growth Pact, under which governments were committed to continued fiscal discipline.

In December 1997, a new central banking regime was introduced: most importantly, the Bank of Greece became independent, as required by the Treaty on European Union. Since 1994, the Bank of Greece no longer financed the government; it continued to act as treasurer and fiscal agent of the government and managed the government paper portfolio in which public organisations' reserves kept with the Bank of Greece are invested. At the same time, the monetary policy objective was modified decisively. Now its main objective was to maintain the stability of the general level of prices.

In order to join the Eurosystem, the Bank also had to change its monetary policy instruments. This procedure had already begun at the start of Stage II of the EMU (1994). The monetary policy instruments under the operational framework of the Eurosystem, inaugurated in 1998, are open market operations, standing facilities and minimum reserve requirements. Open market operations comprise main refinancing operations, longer-term refinancing operations, fine-tuning operations and structural operations. Standing facilities comprise the marginal lending facility and the deposit facility. The reserve requirement system contributes to maintaining a liquidity shortfall in the money market and lowering interest rate volatility. The Bank of Greece phased in the relevant adjustments. It was necessary to bring the Bank of Greece's monetary policy instruments in line with those of the Eurosystem in time by 1 January 2001, when, as the ECOFIN Council had decided, the euro would be introduced as a scriptural currency in Greece.

FROM THE DRACHMA TO THE EURO

With the outbreak of the financial crisis in Southeastern Asia in 1997, the drachma came under pressure. The Bank of Greece responded by raising interest rates drastically in order to support the exchange rate; at the same time, efforts were made to achieve the drachma's prompt admission to the Exchange Rate Mechanism (ERM-1). The drachma was devalued by 12.3% to 357 drachmas per ECU. It joined the ERM-1 in March 1998, with a fluctuation band of ±15% around its central parity. Regarding economic policy, fiscal adjustment and structural reforms in preparation for Stage III of the EMU were continued. In January 2000, the drachma's central parity was realigned to 340.75 drachmas per euro. Ever since then, the market-set drachma/euro exchange rate gradually converged towards its conversion rate.

In March 2000, Greece applied for euro area entry and was admitted to the euro area by the EU Summit in Santa Maria da Feira, Portugal, in June. Under the decision to admit Greece to the euro area, the drachma's conversion rate was irrevocably fixed at 1 euro = 340.75 drachmas. On 1 January 2001, the euro was introduced as a scriptural currency in Greece, and on 1 January 2002 the euro cash changeover took place in all the euro area countries. After a two-month dual circulation period, the drachma ceased to be legal tender and was replaced with the euro.

Hellenic Republic, 1-drachma coin, 1986

Hellenic Republic, 1-euro coin, 2002

MILESTONES ON THE ROAD TO EUROPEAN MONETARY INTEGRATION

1929

In a speech in the League of Nations, Gustav Stresemann, German foreign minister, calls for a European currency against the background of an increased economic division due to a number of new nation states in Europe after the Treaty of Versailles.

1946

In September 1946 Winston Churchill calls for a "United States of Europe" in a speech in Zurich. Churchill advocates as a first step a closer cooperation between Germany and France. He closes with the words: "Therefore I say to you: let Europe arise!"

1950

On 9 May 1950 (which was later considered the birth date of the European Union) Robert Schuman, the French Foreign Affairs Minister, announces an unprecedented plan to place the Franco-German coal and steel production under an independent supranational structure, the "High Authority", open to the participation of the other countries of Europe. The plan is based on an idea by Jean Monnet, French economist and statesman, and it is immediately welcomed enthusiastically by the German Chancellor Konrad Adenauer.

> As Monnet points out: "If … the victors and the vanquished agreed to exercise joint sovereignty over part of their joint resources…then a solid link would be forged between them, the way would be wide open for further collective action, and a great example would be given to the other nations of Europe."

1952

The European Coal and Steel Community (ECSC) is established for 50 years by Belgium, Germany, France, Italy, Luxembourg and the Netherlands. The intentions of the ECSC founders are twofold: the pooling of the coal and steel resources of the Member States and the launch of a European unification process.

1957

On 25 March 1957 the Treaties of Rome are signed. They are envisaged to enter into force in January 1958 and comprise:

✓ a Treaty establishing the European Economic Community (EEC), aiming at realising a customs union and a common agricultural market; and

✓ a Treaty establishing the European Atomic Energy Community (EAEC or Euratom).

The Treaties are accompanied by a Convention on certain institutions common to the European Communities.

1962

With the Athens Agreement of July 1961, Greece had become an Associate Member of the European Economic Community. The Association Agreement comes into force in November 1962 providing for a customs union between Greece and the Community at the end of a 22-year transitional period as well as for the conclusion of a financial protocol and the harmonisation of certain policies in the areas of agriculture and taxation. The free movement of persons, services and capital is to take effect at the end of a 12-year period. Article 72 of the Association Agreement also acknowledges that Greece will, eventually, accede to the Community.

1970

In 1969 the European Commission had submitted a plan (the Barre Plan) which proposed greater economic coordination and the creation of a distinct monetary identity in the Community. On the basis of this plan, the Council mandates a committee, chaired by the Luxembourg Prime Minister and Minister for Finance, Pierre Werner, to lay out the options for the realisation in stages of an economic and monetary union among the six Member States. The so-called "Werner Report", the first "blueprint" for a monetary union, is submitted to the Council in October 1970, after consultation with the Committee of Governors of the Central Banks.

The Werner Report

The Werner Report (1970) proposes to create economic and monetary union in three stages by 1980, i.e. within a ten-year period. Its aim is to achieve free movement of capital and to limit fluctuations in exchange rates between European currencies by making use of a reserve fund. Economic and Monetary Union (EMU) will be completed when exchange rates are irrevocably fixed and a single currency is introduced.

MILESTONES ON THE ROAD TO EUROPEAN MONETARY INTEGRATION

1971

As a follow-up to the Werner Report, the Member States agree in March 1971 to realise an economic and monetary union. As part of the first stage, they establish a Community system for the progressive narrowing of the fluctuation margins of the members' currencies, the "snake", in a context of increasing instability in international markets after the abandonment of the Bretton Woods system in 1971.

1973

In April 1973 the European Monetary Cooperation Fund (EMCF) is set up as the nucleus of a future Community organisation of central banks. The United Kingdom, Ireland and Denmark join the European Communities in their first enlargement on 1 January 1973.

1979

On 13 March 1979 the European Monetary System (EMS) is established. It includes (i) a basket currency ("ECU"), (ii) an Exchange Rate Mechanism (ERM), which features fixed but adjustable central rates between participating Community currencies with fluctuation margins around the central rates of ±2.25% (parity grid), and (iii) the European Monetary Cooperation Fund.

1981

In the second enlargement of the Community, Greece becomes the 10th Member State on 1 January 1981.

Greece joins the European Community

Greece officially submits its application to the European Economic Community (EEC) in June 1975. Ongoing accession negotiations had been interrupted during the dictatorship of 1967-1974. In February 1976, the Council of Ministers approves Greece's application. After completion of the accession negotiations, the Treaty of Accession is signed in Athens in May 1979. The Greek Parliament ratifies the Act of Accession on 28 June 1979.

In general terms, Greece is granted a transitional period of five years in which to adapt its economy to Community rules. Nevertheless, a number of elements of accession are made subject to a seven-year transitional period. The free movement of Greek workers and of agricultural products does not come into force until 1 January 1988. For a transitional period Greece is also exempted from part of the payments relating to value added tax (VAT).

"Let us therefore welcome Ulysses of Ithaca, and pay tribute to his resourcefulness and spirit of adventure, two things Europe needs so badly, today more than ever!" [Emanuele Gazzo, «Greece's merchant fleet and the Community», Europe, No 3117, 10.4.1981]

1986

Spain and Portugal join the Community.

1987

The Single European Act (SEA) comes into force on 1 July 1987. The Act had been signed in February 1986 by the Foreign Ministers of the Community and envisages the completion of the single market by end-1992. In addition, it reaffirms the need for the Community's monetary capacity for achieving economic and monetary union.

1989

In June 1988 the Hannover European Council authorises the European Commission, under its President Jacques Delors, to propose practical measures that would lead to the adoption of a single currency: The full benefits of the internal market would be difficult to achieve with the relatively high business costs created by the existence of several currencies and unstable exchange rates. According to the Delors Report, submitted in April 1989 and envisaging the achievement of Economic and Monetary Union in three stages, *"Economic and Monetary Union in Europe would imply complete freedom of movement for persons, goods, services and capital, as well as irrevocably fixed exchange rates between national currencies and, finally, a single currency".*

1990

The first stage of Economic and Monetary Union (EMU), envisaged by the Delors Report, starts on 1 July 1990. On this date all restrictions on the movement of capital between Member States are to be abolished. The process by this date was in fact completed in 8 out of 12 Member States. The Committee of Governors of the central banks of the Member States of the EEC are given additional responsibilities, in order to promote the coordination of their national monetary policies.

1992

The Treaty on European Union (TEU) is agreed in December 1991 and signed in Maastricht on 7 February 1992. However, owing to delays in the ratification process, the Treaty (which replaces the term "European Economic Community" with the term "European Community" and introduces, inter alia, the Protocol on the Statute of the European System of Central Banks and of the European Central Bank and the Protocol on the Statute of the European Monetary Institute) does not come into force until 1 November 1993. The Treaty of Maastricht allows for the derogation of the United Kingdom and Denmark from the third stage of Economic and Monetary Union. It is ratified in Greece through a parliamentary vote on 31 July 1992.

MILESTONES ON THE ROAD TO EUROPEAN MONETARY INTEGRATION

1994

Stage II of EMU is launched on 1 January 1994. The European Monetary Institute (EMI) is established to start preparations for Stage III of EMU. Its two basis tasks are in the fields of:
(i) strengthening central bank cooperation and monetary policy coordination;
(ii) making necessary preparations for establishing the European System of Central Banks (ESCB), for the conduct of the single monetary policy and for the launch of the single currency.
A central role is assigned to the avoidance of excessive fiscal deficits. Moreover, the compliance of EU Member States with the prohibitions of monetary financing and privileged access is monitored.

Abolition of capital controls in Greece

All medium- and long-term capital movements from Greece are liberalised vis-à-vis the Community Member States already in 1993. However, some short-term capital movements remain subject to restrictions until 30 June 1994, in accordance with Directive 122/1992 of the Council.

In 1994 capital movements liberalisation is completed with the removal of controls on short-term capital. Controls are only retained vis-à-vis third countries on inward investment in certain "sensitive sectors" (e.g. direct investment in border areas, participations in broadcasting) in Greece. In the run-up to the completion of capital movements liberalisation, the Bank of Greece takes all necessary measures (exchange market interventions, interest rate increases) to relieve excessive pressures on the drachma exchange rate. In fact, to defuse market anticipations of drachma depreciation, the Greek Government brings forward the completion of capital liberalisation, both vis-à-vis the European Union and third countries, to 16 May 1994.

1995

On 1 January 1995, Austria, Finland and Sweden join the European Union, which thereby expands from 12 to 15 Member States.

1997

The Bank of Greece becomes independent.

The Law on the independence of the Bank of Greece

The Statute of the Bank of Greece is amended to meet the requirements of the Treaty of the European Union. Price stability is now explicitly stated as the Bank's primary objective. Moreover, the independence of the Bank is safeguarded and accountability to the Parliament is ensured.

A new body is established at the Bank of Greece, the Monetary Policy Council, responsible for monetary policy and exchange rate policy. As from the adoption of the euro as the currency of Greece, the Bank of Greece performs its tasks as an integral part of the European System of Central Banks in accordance with the guidelines and instructions of the European Central Bank.
In addition to its tasks in the field of monetary and foreign exchange policy, the Bank:

- ✓ holds and manages the country's official foreign reserves;
- ✓ issues banknotes which have the status of legal tender;
- ✓ exercises prudential supervision on credit institutions and other enterprises and institutions of the financial sector;
- ✓ promotes and oversees the smooth operation of payment and clearing systems;
- ✓ acts as treasurer and fiscal agent for the government.

1998

In May 1998 the selection of countries which would participate in Stage III of EMU is made on the basis of the convergence criteria laid down in the Maastricht Treaty. The EMI is liquidated and on 1 June 1998 the European Central Bank is established in Frankfurt am Main. Willem Duisenberg is appointed first President of the ECB.

MILESTONES ON THE ROAD TO EUROPEAN MONETARY INTEGRATION

1999

The third stage of EMU is launched with the participation of 11 Member States of the European Union (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain). The ECB is henceforth responsible for conducting the single monetary policy in the euro area. The euro (initially in a scriptural form) replaces the national currencies, which are rendered non-decimal subdivisions of the euro for a transitional period from 1 January 1999 until 31 December 2001, i.e. until the introduction of euro banknotes and coins.
In this transitional period extensive preparations for the cash changeover (i.e. the introduction of euro banknotes and coins) take place. An important result of monetary unification is the increase in European financial integration.
In May 1999 the Treaty of Amsterdam, amending both the Treaty establishing the European Community and the Treaty on European Union (Maastricht Treaty), enters into force.

Harmonisation of the monetary policy instruments and procedures of the Bank of Greece

Independently from the prospect of entry into the Monetary Union, the adoption of an efficient operational framework was a long-standing desideratum for the Bank of Greece, as it would further its ability to achieve and establish price stability in Greece.

Thus, even before the preparatory work of the European Monetary Institute (EMI) which started officially in 1994, the Bank of Greece attempts to introduce "best-practice"/"state-of-the-art" in monetary policy operations.

Later on, the main adaptations necessary to conform with the monetary policy framework of the Eurosystem refer to open market operations, the marginal lending facility, the deposit facility and the reserve requirement.

2001

Greece joins the euro area.

Greece participates in Stage III of EMU

The decision for the participation of Greece in Stage III of EMU, effective as of 1 January 2001, had been taken during the European Council of Santa Maria da Feira on 19 June 2000. Intensive efforts had been made in the preceding years for the fulfillment of the convergence criteria and for the harmonisation of the Bank of Greece monetary policy framework to the standards of the Eurosystem. The cash changeover is envisaged to take place in Greece and in the other 11 countries of the euro area simultaneously on 1 January 2002, leaving Greece with a shorter transitional period.

2001

The Bank of Greece within the Eurosystem

The Bank of Greece becomes an integral part of the Eurosystem.

The Governor of the Bank of Greece participates in the Governing Council of the ECB. He also continues to participate in the General Council of the ECB.

The Bank of Greece is involved in conducting the single monetary policy of the euro area. It carries out monetary policy operations, such as providing liquidity to credit institutions, and it ensures settlement of cashless domestic and cross-border payments. Moreover, it undertakes foreign reserve management operations on its own account and as agent for the ECB. In addition, the Bank is responsible for collecting national statistical data. The Bank continues to perform also other functions, such as banking supervision.

2002

On 1 January 2002 euro banknotes and coins are put into circulation. Cash denominated in the legacy currencies ceases to be legal tender at the latest by the end of February 2002, when the period of dual circulation ends. The logistics of the cash changeover for over 300 million European citizens represent a tremendous organisational and technical challenge. The cash changeover requires intensive planning by all involved parties: governments, central banks, commercial banks, businesses, retailers, public. A Euro 2002 campaign had been launched by the Eurosystem to familiarise the public with the new currency and to promote a smooth transition. At the same time national cash changeover plans were drawn to address country-specific conditions.
The changeover takes place in a very smooth fashion and the euro is immediately accepted by the citizens of Europe.

Cash changeover in Greece

As Greece joined EMU in 2001, it had a shorter (one-year) transition period than the rest of its partners. So in Greece, perhaps more than anywhere else in the euro area, a smooth cash changeover relied on thorough planning, as is described in detail in the National Cash Changeover Plan (December 2000), which was elaborated jointly by the Bank of Greece and the Ministry of National Economy/Finance.
The main framework for the Greek changeover intended to generate by the end of 2001 four important preconditions for a smooth transition:

✓ sufficiency of euro banknotes and coins;
✓ wide frontloading to credit institutions and enterprises to avoid bottlenecks in the beginning of 2002;
✓ preparation of the retail and banking sectors; and

MILESTONES ON THE ROAD TO EUROPEAN MONETARY INTEGRATION

2002

✓ familiarisation of the public with the security features, the denominations and the appearance of the new banknotes and coins, as well as with the basic cash changeover modalities.
The cash changeover also required rapid ATM conversion. Thus, on the very first day of January, 92.25% of ATMs had been converted to dispense euro banknots, while conversion of all ATMs was completed by January, 3rd. Summarising the experience of the first few weeks of 2002, euro replaces the drachma in transactions very quickly.
In general, the introduction of euro banknotes and coins and the withdrawal of drachma in Greece was a great success. A large part of this success should be attributed to the reception by the Greek public, who from the first moment supported the decision to join the EMU and enthusiastically welcomed the single European currency. The public campaign conducted by the Bank of Greece, complementing the Eurosystem campaign, contributed to this end, along with similar initiatives by other institutions.

2003

The Treaty of Nice (Amended Treaty on European Union) enters into force. It is the outcome of an Intergovenmental Conference launched in February 2000 with the mandate to prepare the European Union for enlargement. The Treaty introduces not only institutional and decision-making reforms, but also provisions relating to fundamental rights, security and defence policy, cooperation over criminal law and the status of European political parties.
The main institutional changes introduced by the Treaty refer to four key areas:
✓ size and composition of the Commission;
✓ weighting of votes in the Council;
✓ extension of qualified-majority voting;
✓ enhanced cooperation.

In the same year the first ECB President, Willem Duisenberg, steps down and Jean Claude Trichet is appointed as new ECB President. He delivers his first speech in this capacity in Athens in the framework of the festivities for the 75-year jubilee of the Bank of Greece.

2004

On 1 May 2004 the European Union welcomes ten new Member States: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. The Accession Treaty had been signed in Athens in April 2003. The Accession Treaty provides for the entry of the new Member States in EMU as soon as they fulfil the convergence criteria laid down in the Maastricht Treaty.

2007

On 1 January 2007 Bulgaria and Romania join the European Union.

Moreover, on the same date Slovenia becomes the 13th member of the euro area.

On 13 December 2007 the Treaty of Lisbon is signed. The target date for ratification set by member governments is 1 January 2009 – few months before the elections for the European Parliament, but the ratification process stalls, after a rejection by the Irish voters in a referendum in June 2008.

2008

On 1 January 2008 Cyprus and Malta join the euro area. One year later, Slovakia adopts the euro and on 1 January 2011 Estonia becomes the 17th member of the euro area.

On 30 June 2013 Croatia joins the European Union.

On 1 January 2014 Latvia joins the euro area, followed by Lithuania one year later.

2015

COINS OF THE GREEK STATE (1828-2001)

MONETARY SYSTEMS IN EUROPE IN THE 19TH CENTURY

From the early 19th century to the start of World War I (1914), the monetary systems of European states and the United States were either monometallic (gold standard) or bimetallic.
Under both systems, low-denomination copper coins are minted to be used in small transactions. In the bimetallic system prevailing in several European countries until the late 19th century, the main monetary unit was the silver 5-franc coin; gold multiples were also struck. Low-denomination silver coins and copper coinage constituted supplementary currency: silver coins had a lower silver purity (835‰, compared with 900‰ for the main monetary unit).
After World War I, efforts were made to keep European countries' monetary systems pegged to gold, even indirectly, by pegging national currencies to gold-based exchange (either the pound sterling or the dollar). However, these efforts were undermined by both the high inflation episode in the aftermath of World War I and – mainly – the 1929 international crisis.

THE SILVER PHOENIX AND ITS COPPER SUBDIVISIONS (1828-1833)

As we have already seen, in 1828, Governor Ioannis Kapodistrias designed and implemented the first modern Greek monetary system. A National Mint was established in Aegina, then capital of the Greek State, to strike the first modern Greek coinage.
The monetary unit was the silver phoenix, subdivided into 100 lepta. It weighed 4.4 grams., with a silver purity of 900‰. It was equivalent to 1/6 of the Spanish distilo. Copper subdivisions of the phoenix were also struck to be used in small everyday transactions.
During the 1829-1832 period, silver 1-phoenix coins and copper 1-lepton, 5-, 10- and 20-lepta coins were launched.
The phoenix monetary system was abolished by the monetary reform of February 1833.

KING OTTO'S DRACHMA (1833-1867)

On 8 February 1833, Otto's Regents introduced a new monetary system: this change was justified by the fact that the phoenix's weight was lower than that defined by law. The new monetary unit was the silver drachma, subdivided into 100 lepta. It weighed 4.477 grams., with a silver purity of 900‰. Like the phoenix, Otto's drachma was based on the decimal system.
Silver quarter-, half-, one- and five-drachma coins were struck. The silver purity of silver coins was 900‰ across denominations. Gold 20- and 40-drachma coins were also minted, as well as copper 1-lepton, 2-, 5- and 10-lepta drachma coins.
During Otto's reign, the Aegina National Mint ceased its operations. Several coins of this period were struck in the Athens Mint (1836-1857) and other mints abroad, chiefly in Paris and Munich.
Otto's monetary system remained in force from February 1833 to April 1867.

THE DRACHMA IN THE LATIN MONETARY UNION

On 10 April 1867, the Greek State implemented an ambitious monetary reform, introducing the monetary system of the Latin Monetary Union (LMU). A year later, Greece became full member of the LMU. The monetary system of the LMU was bimetallic, based on a fixed gold-to-silver ratio of 1/15.5.
In order for bimetallism to be implemented in Greece, it was decided that the main monetary unit would be the silver 5-drachma coin. According to law, the silver drachma, subdivided into 100 lepta, would weigh 5 grams., with a silver purity of 900‰. Silver 5-drachma coins were authorised to be launched, as well as gold coins (of 5, 10, 20, 50 and 100 drachmas). The system also envisaged supplementary silver coins with a silver purity of 835‰ (20 lepta, 50 lepta, 1 drachma and 2 drachmas), as well as copper or cupronickel coins (of 1, 2, 5 and 10 lepta).
The new monetary system was planned to come into effect on 1 January 1868. However, following successive postponements, it was not until 15 years later (on 1 November 1882) that it was fully implemented. Despite this fact, during the 15-year transitional period (1868-1882), several of the coins envisaged by the system were minted and put into circulation: silver 5-drachma coins (1875-1876), gold 5-, 10-, 20-, 50- and 100-drachma coins (1876), supplementary silver coins of 20 and 50 lepta, 1 and 2 drachmas (1868-1876) and copper coins of 1 lepton, 2, 5 and 10 lepta (1869-1882). In the 1880s, gold 20-drachma coins were re-struck (1884), as well as supplementary silver coins of 20 and 50 lepta and 1 and 2 drachmas. All these coins were minted in French mints.
The LMU monetary system formally applied in Greece from 1868 to 1926.

INTERNATIONAL ECONOMIC CONTROL AND EFFORTS TO STABILISE THE DRACHMA (1897–1927)

In 1893, the Greek State was declared bankrupt and in 1897 the International Committee for Greek debt management was established. Amidst the fiscal crisis, the drachma was devalued substantially, and in the mid-1890s lost 40% of its value. Thus, in the post-1883 period no Greek coins were minted, other than bronze 20-, 10- and 5-lepta coins between 1893 and 1895.
The disinflationary policy pursued by the Greek State restored the drachma's parity in 1909. In 1910, the currency was pegged to gold-based exchange.
In 1910 and 1911, supplementary silver 1- and 2-drachma coins were struck in the Paris Mint, in accordance with the LMU standards.
The monetary stabilisation policy was undermined by the war adventures of the period: after the defeat in the Asia Minor Campaign, the drachma was devalued dramatically. Thus, during the reign of King Constantine I, only nickel and cupronickel coins were minted. During the first period of his reign, nickel 5-, 10- and 20-lepta coins were minted in Paris, which were commissioned in 1912 and delivered gradually during the 1912-1920 period. Cupronickel 50-lepta coins were minted in England in 1921, but were never put into circulation. By contrast, the aluminium 10-lepta coins struck in Paris in 1922 were put into circulation.
In 1926, the First Hellenic Republic decided to strike cupronickel 1- and 20- drachma and 50- and 20-lepta coins, which were minted in Vienna.

BANKING AND MONETARY REFORM (1928-1941)

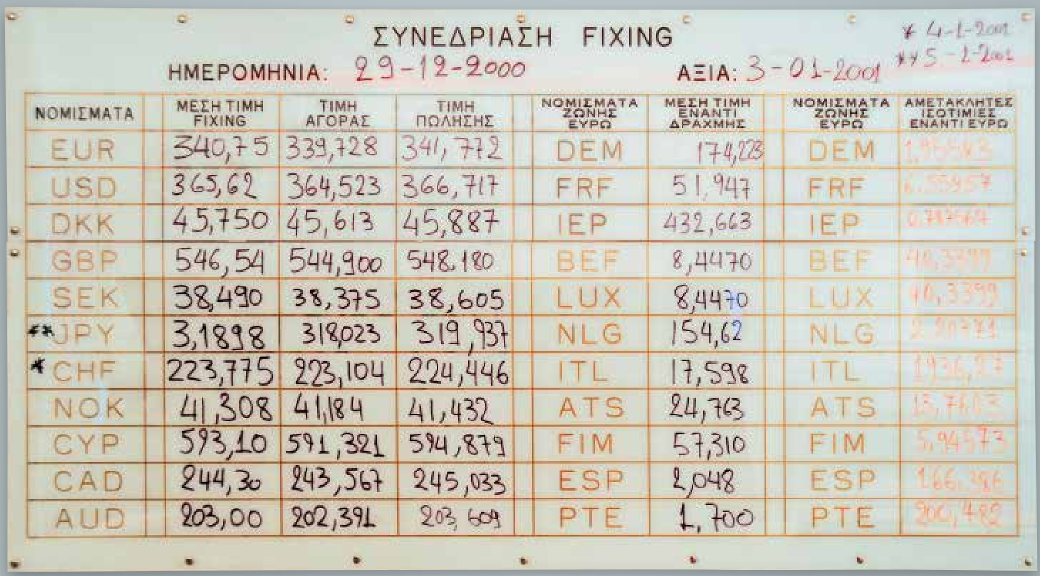
As of 14 May 1928, when the Bank of Greece started its operations, the newly-founded central bank was granted the exclusive right to issue banknotes. Monetary reform went hand-in-hand with banking reform. Greece adopted the gold-exchange standard. Thus, on 14 May 1928, the Greek State fixed the drachma's parity at 0.01952634 grams. of gold and, given this parity, the Bank of Greece set the drachma/pound exchange rate at 1/375.
Under the new monetary system, in 1930 the Bank of Greece struck and launched silver 10- and 20-drachmas coins, with a silver purity of 500‰, and a nickel 5-drachma coin.
In 1930, the 1926 cupronickel 50-lepta and 1-drachma coins were re-struck in Vienna using the original moulds, to which the letter B was added above the minting year (1926).

SUSPENSION OF METAL COINAGE CIRCULATION (1941–1953)

Between 1941 and 1953, the minting and circulation of metal coinage were fully suspended as a result of the negative economic impact from Greece's participation in World War II, foreign occupation and the ensuing hyperinflation.

THE DRACHMA IN THE 1954-2001 PERIOD

In 1953, the drachma was pegged to the US dollar (at a parity of 1 dollar = 30,000 drachmas) and Greece joined the Bretton Woods fixed rate system. On 1 May 1954, in order to achieve monetary stabilisation, the Greek State struck three zeros off the old notes and set the US dollar/drachma exchange rate at 1/30. The minting and circulation of drachma coins were resumed in 1954.
In the 1954-2001 period, regardless of important changes in the historical evolution of the monetary system, drachma coins continued to be minted and launched.
One of the main developments in the 1954-2001 period was the full assumption of minting activity by the Bank of Greece Printing Works (IETA). Since 1971, IETA, in addition to printing banknotes, designed and minted all the coins that circulated in Greece until 2001; today, it is one of the Eurosystem mints producing euro coins and banknotes.



The drachma's bilateral exchange rates
in the last fixing session, 29 December 2000,
before the adaptation of the euro

THE EVOLUTION OF CENTRAL BANKING AND THE BANK OF GREECE

Central banking emerged gradually in the 17th century and was generalised in all the advanced economies by the 20th century, with central banks having more or less the same characteristics and responsibilities. As central banking evolved over a long time period, the earlier experience of note-issuing commercial banks and progress in economics and monetary theory proved valuable in the shaping of central banks' responsibilities and functions in the 20th century.

17TH-19TH CENTURIES

The idea of establishing a public or semi-public bank emerged when governments realised the economic advantages of such an option. Usually an already existing commercial bank was granted a monopoly over banknote issuance in a geographical region, in exchange for lending the government in emergencies. These institutions were responsible for restoring the value of the currency, in particular after wars, which were invariably connected with paper money overissuance. Finally, certain institutions were set up in order to promote economic integration in newly liberated countries, streamlining chaotic monetary systems and rationalising payment systems. Central banks mainly profited from seignorage. Up to 1900, the main question in monetary theory concerned the degree of dependence of central banks on government and the control mechanisms they should be endowed with in order to achieve their objects.

As soon as a banking institution was granted the note issuing privilege and developed a special connection with government, it could take on further functions. Not only was it the government's banker, but it would also allow commercial banks to open accounts, discount commercial papers and draw additional liquidity in periods of liquidity shortage.

In addition to gaining political power, central banking institutions amassed all the metal currency reserves of the country over time and started conducting a discretionary monetary policy with a view to ensuring the smooth operation of the banking system. At international level, this meant ensuring the convertibility of the currency according to the gold standard prevailing in the 19th century.

20TH CENTURY

In the 20th century, central banks undertook to supervise the implementation of the governments' monetary and foreign exchange policies. The collapse of the gold standard in the interwar period gave rise to doubts about the feasibility of stabilising the economy through monetary management, but did not shake confidence in the need to concentrate supervisory powers in central banks.

After World War II, these powers included ensuring the compliance of monetary policy with the requirements of the Bretton Woods agreements, under which all currencies were pegged to the dollar at fixed parities. After the abolition of this system in 1971, central banks' monetary policies were guided by pragmatism and government economic priorities, such as achieving low inflation or boosting employment. Moreover, cooperation among central banks of developed economies was enhanced. Here follow some highlights and milestones in the history of central banking.

EXAMPLES OF EUROPEAN NATIONAL CENTRAL BANKS

THE BANK OF AMSTERDAM

The Bank of Amsterdam (Amsterdamsche Wisselbank) was founded in 1609 under the protection of the City of Amsterdam, then a metropolis of international trade. This bank was praised by Adam Smith in *The Wealth of Nations* as an exemplary semi-public banking institution, being a pioneer in banking innovation. The bank received both foreign and local coinage, deducted a management fee and credited clients in its book for the remainder. This credit was known as bank money, a precursor of the banknote. It facilitated transactions and consolidated confidence in the Dutch currency, prompting merchants to open accounts with the bank, as bank money was worth more than real coinage, which was subject to wear.
The Bank of Amsterdam also accepted deposits of gold and silver, granting the depositor a receipt, which was negotiable in trade transactions or redeemable at the bank six months later. Thus, it encouraged receipt holders to speculate on the fluctuations of gold prices, at the same time offering safety against theft or loss.
The Bank of Amsterdam was a profitable business of the City of Amsterdam. It kept accurate books of account and its fees policy was never questioned. Merchants in other countries championed the establishment of similar banking institutions.

CENTRAL BANKING IN SWEDEN

In 1656, the first state-authorised bank was established in Sweden, with the proviso that it would transfer half its profits to the Crown.
The business of Stockholms Banco consisted in accepting non-remunerated deposits in giro accounts (from which account holders could withdraw money and draw cheques) and extending long-term loans.
In 1661, Stockholms Banco issued the first convertible banknotes (credit notes), made available to the bank's customers in exchange for their metal coin deposits with the Bank. Issued to bearer, these first banknotes were freely transferable and backed by a promise of immediate payment in metal currency. However, although paper money became quite popular, Stockholms Banco collapsed in 1668 as a result of its imprudent lending policy and overissuance of uncovered banknotes.
In 1668, after the dissolution of Stockholms Banco, the right to control banking operations was transferred by the government to the Riksdag of the Estates (Swedish National Assembly). This resulted in the establishment of the first public note-issuing bank in European history, the Sveriges Rikes Ständers Bank. However, given the hard experience with Stockholms Banco, it was not until 1777 that this bank was allowed to issue banknotes. However, as early as 1701 the bank had been authorised to issue credit notes (in exchange for metal coin deposits), to be used only in commercial transactions. Renamed Sveriges Riksbank in 1866, it is still the central bank of Sweden today.

EXAMPLES OF EUROPEAN NATIONAL CENTRAL BANKS

THE BANK OF ENGLAND

The Bank of England was established in 1694 by private capital under a Royal Charter, its main object being to raise private funds in order to finance government expenditure.

Among its other activities, it issued certificates of metal coin deposits. These certificates were used in commercial activities as quasi-money, thus gradually evolving into convertible banknotes (another form of quasi-money was Exchequer bills, redeemable at the Bank of England).

Over time, the Bank of England became the central bank of the United Kingdom, playing a key role in both the British and the international monetary system, particularly between 1870 and 1914, when it was the cornerstone of the international gold standard. In 1946, the British government nationalised the Bank of England, paying compensation to its private shareholders.

In 1998, after a long period under complete government control, the Bank of England became operationally independent from the government, specifically entrusted with conducting monetary policy and ensuring financial stability. Since 1999, the Bank of England has been a member of the European System of Central Banks, without however participating in the euro area and the Eurosystem.

THE BANQUE DE FRANCE

The Banque de France was established in 1800 on Napoleon's initiative as a private enterprise that would extend credit and issue banknotes so as to promote trade and industry.

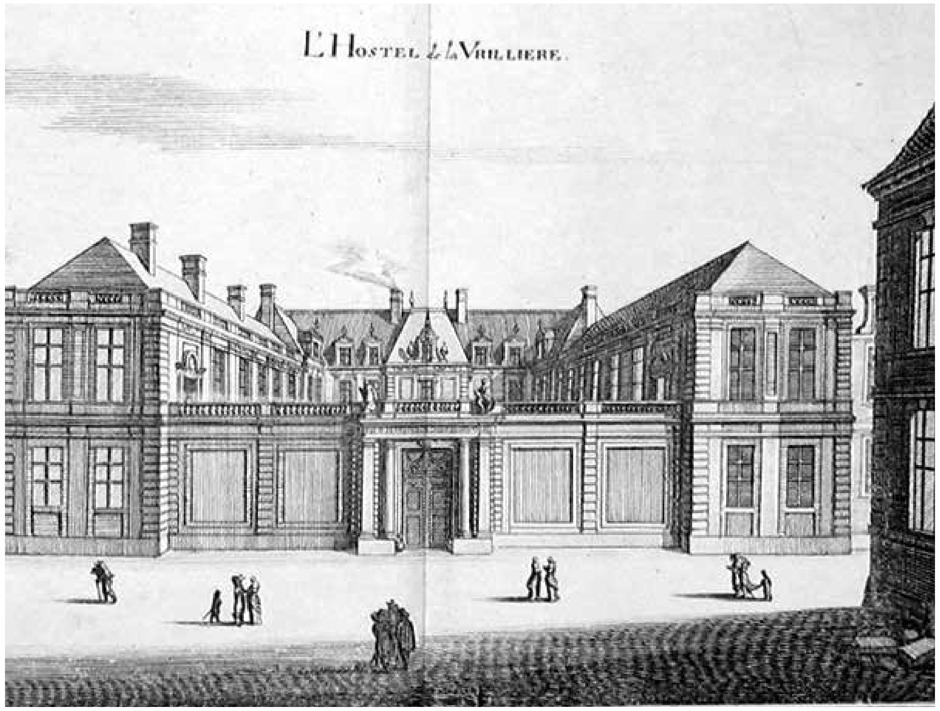
Specifically, in 1800 Napoleon convinced the shareholders of the Caisse des Comptes Courants (one of the largest note-issuing commercial banks of the time in Paris) to dissolve their bank and found the Banque de France.

The Banque de France had a difficult task to accomplish because of public mistrust in the banking system following the bankruptcy of the Banque Royale in 1720 and the business endeavours of John Law in France, which undermined business confidence in the political system and paved the way for the French Revolution.

The monetary reform of 1803 in France (with the introduction of the franc as the currency unit) laid the foundations of the French bimetallism, based on gold/silver coinage and combined with parallel circulation of convertible banknotes. In this context, the Banque de France obtained the exclusive right to issue banknotes, initially within the city of Paris in 1803, and then for the entire country, starting from 1848.

Throughout the 19th century and until the late 1930s, both the Bank's pivotal role and its control by the government gradually increased, leading to its nationalisation in 1945.

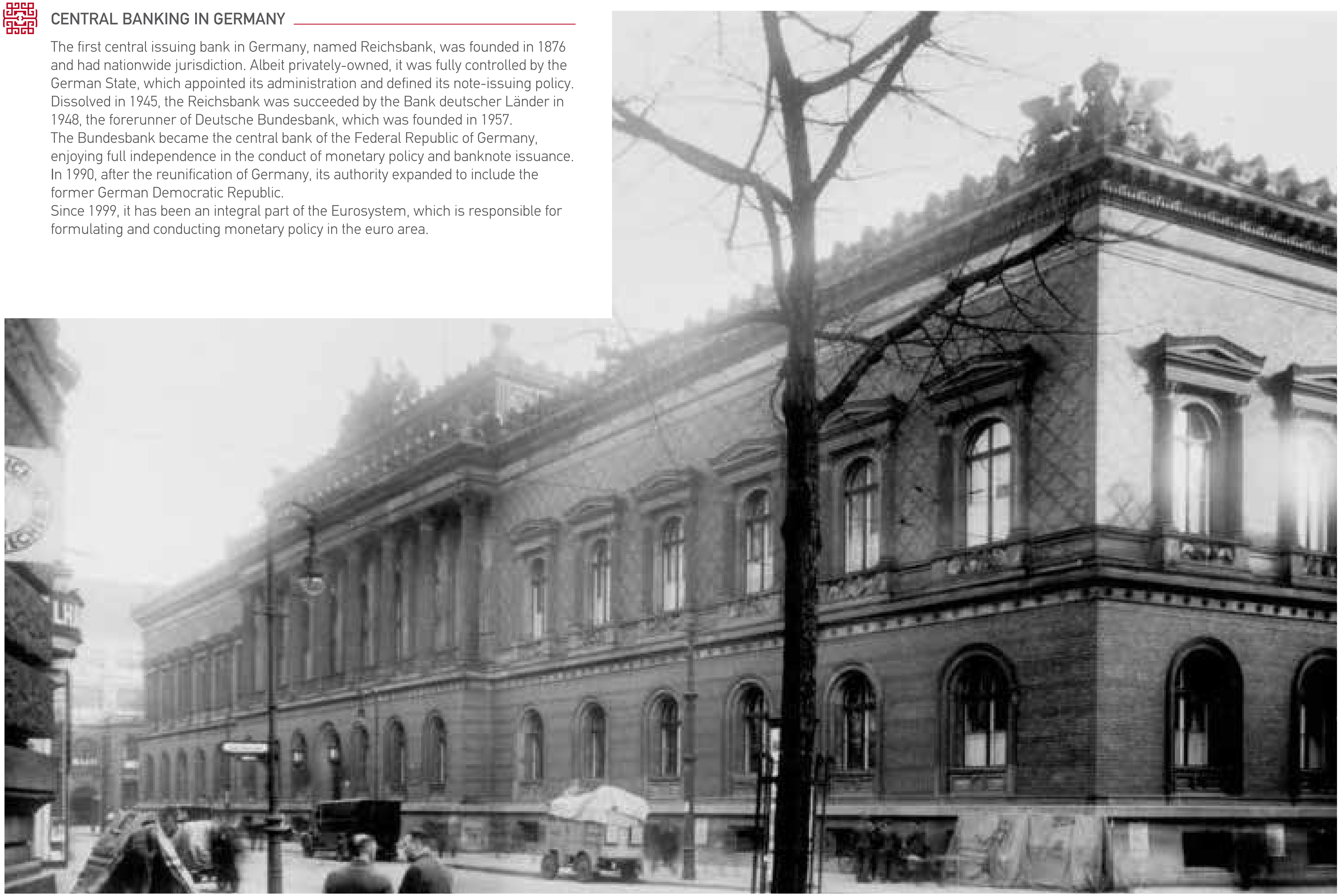
In 1993, the Banque de France was granted full independence from the government in conducting monetary policy, while in 1999, when France joined the Economic and Monetary Union, it became a member of the European System of Central Banks, the euro area and the Eurosystem.



EXAMPLES OF EUROPEAN NATIONAL CENTRAL BANKS

CENTRAL BANKING IN GERMANY

The first central issuing bank in Germany, named Reichsbank, was founded in 1876 and had nationwide jurisdiction. Albeit privately-owned, it was fully controlled by the German State, which appointed its administration and defined its note-issuing policy. Dissolved in 1945, the Reichsbank was succeeded by the Bank deutscher Länder in 1948, the forerunner of Deutsche Bundesbank, which was founded in 1957.
The Bundesbank became the central bank of the Federal Republic of Germany, enjoying full independence in the conduct of monetary policy and banknote issuance. In 1990, after the reunification of Germany, its authority expanded to include the former German Democratic Republic.
Since 1999, it has been an integral part of the Eurosystem, which is responsible for formulating and conducting monetary policy in the euro area.



CENTRAL BANKING IN NON-EUROPEAN COUNTRIES

CENTRAL BANKING IN THE UNITED STATES

In 1791, by a decision of Congress, the First Bank of the United States was established as a note-issuing commercial bank, vested with the additional task of managing the central government financing requirements. Its 20-year long life was marked by endless political disputes on whether it was actually needed, and the bank was dissolved in 1811, when its charter was not renewed. However, in 1816, in the face of economic problems inherited from the Anglo-American war of 1812-1814, the government and Congress established the Second Bank of the United States, which operated as a note-issuing commercial bank under central government control until 1836. Between 1837 and 1913, the US financial system carried on with several private note-issuing commercial banks, but no central bank.
The problems accumulated during that period led President Woodrow Wilson to establish in late 1913 the first federal central banking system in history, named Federal Reserve System, informally the Fed. The Fed comprises a network of 12 regional Federal Reserve Banks and 25 branches, under the general supervision of the Board of Governors, which is its supreme governing body at country level. The seven Board members constitute a majority of the Federal Open Market Committee (FOMC), which formulates monetary policy with a view to ensuring price stability and promoting economic growth.

CENTRAL BANKING IN THE PEOPLE'S REPUBLIC OF CHINA

The People's Bank of China was established in 1948. In the beginning, it was neither a central bank in the true sense nor a commercial bank, as it not only exercised the functions and powers of a central bank, but also extended industrial and commercial credit and accepted deposits.
It was not until 1983, as part of the economic reforms that had begun in 1979, that the State Council decided that the People's Bank of China would function as a central bank exercising macro-control and supervising the nation's banking system, whereas its central bank status was legally recognised in 1995.
In 2003, the role of the People's Bank of China in the formulation and implementation of monetary policy, in safeguarding overall financial stability and in the provision of financial services was further enhanced, while its banking supervisory tasks were separated and assigned to the newly established China Banking Regulatory Commission.

CENTRAL BANKING IN JAPAN

In the 19th century, the government of Japan set up a national banking system which was modelled after that of the United States, comprising 153 national banks, capable of issuing banknotes as well as accepting deposits. During the Seinan War, which broke out in 1877, the overissuance of government notes (issued by the State) and national banknotes (issued by the national banks) to finance war expenses led to a sharp rise in inflation.
In order to prevent the issuance of inflationary money and stabilise the value of the currency, it was decided that the issuing privilege should be assigned to one bank. The Bank of Japan was therefore established under the Bank of Japan Act and began operating in 1882 as the nation's central bank. The Bank started issuing convertible banknotes in 1885, when the exchange rate between silver coins and (government and national) banknotes was stabilised.
The Bank was reorganised in 1942 and its amended Act strongly reflected the wartime situation. The Act of 1942 was amended several times after World War II and was revised completely in June 1997 in line with the two principles of independence and transparency.

THE EUROPEAN CENTRAL BANK, THE EUROSYSTEM AND THE EUROPEAN SYSTEM OF CENTRAL BANKS

THE EUROPEAN CENTRAL BANK

The European Central Bank (ECB) is established in June 1998 in Frankfurt am Main, taking over from its predecessor, the European Monetary Institute (EMI). It is a supra-national institution with its own legal personality. The members of its staff come from all countries of the European Union.

The Eurosystem comprises the ECB and the national central banks (NCBs) of the Member States which have adopted the euro. The European System of Central Banks (ESCB) comprises the ECB and the NCBs of all EU Member States.

THE EUROSYSTEM

The primary objective of the Eurosystem is to maintain price stability. Price stability is the most important contribution of monetary policy to the achievement of a favourable economic climate and a high level of employment.
In the pursuit of price stability, the ECB aims to maintain positive inflation rates below but close to 2% over the medium term. It accomplishes this through the key ECB interest rates it sets, thereby influencing the level of short-term market rates.
Price stability must be maintained over the medium term, which reflects the need for monetary policy to be forward-looking, since there are significant lags in the transmission mechanism, i.e. the process through which monetary policy decisions affect the economy in general. Moreover, monetary policy should anchor inflation expectations and help to reduce volatility in economic developments.
In addition to the definition of price stability, the monetary policy strategy consists of a comprehensive assessment of the risks to price stability consisting of an economic analysis and a monetary analysis. Every decision on monetary policy is preceded by a thorough cross-checking of the information coming from the two analyses.

Moreover, the Eurosystem has the following tasks:
- to formulate and carry out the monetary policy for the euro area;
- to conduct foreign exchange operations;
- to hold and manage the official reserves of the euro area countries (portfolio management);
- to promote the smooth operation of payment systems.

The ECB has exclusive competence for a list of tasks relating to the prudential supervision of credit institutions of the euro area (and the participating member states). It performs these tasks in the framework of the Single Supervisory Mechanism, which comprises the ECB and the competent national supervisory authorities. It thereby ensures the safety and soundness of the banking system, as well as its stability in the euro area and in each participating member state.
In respect to banknotes, the ECB has the exclusive right to authorise the issue of euro banknotes within the euro area. Moreover, in collaboration with the NCBs, it collects the statistical information that are necessary for the ESCB's tasks to be fulfilled, either from the pertinent national authorities or from economic agents directly. Finally, the ECB cooperates with respective institutions, organisations and bodies within the EU, and internationally, in respect to Eurosystem 's duties.

DECISION-MAKING BODIES OF THE EUROPEAN CENTRAL BANK

THE GOVERNING COUNCIL

The Governing Council, which is the main decision-making body of the ECB, comprises the members of the Executive Board of the ECB and the governors of the National Central Banks (NCBs) of the euro area countries. It currently meets twice a month, usually on the first and third Wednesday and/or Thursday of each month.

The main responsibilities of the Governing Council are:
• to adopt the guidelines and take the decisions necessary to ensure the performance of the tasks entrusted to the ECB and the Eurosystem;
• to formulate monetary policy for the euro area. This includes decisions relating to monetary objectives, key interest rates, the supply of reserves in the Eurosystem, and the establishment of guidelines for the implementation of those decisions;
• in the context of the ECB's new responsibilities related to banking supervision, to adopt decisions relating to the general framework under which supervisory decisions are taken, and to adopt the complete draft decisions proposed by the Supervisory Board under the non-objection procedure.
When taking decisions on monetary policy and other tasks of the Eurosystem, the Governing Council takes into account the developments in the euro area as a whole.

THE EXECUTIVE BOARD

The Executive Board comprises the President and the Vice-President of the ECB plus four other members, who are appointed from among persons of recognised standing and professional experience in monetary and banking matters.

The main responsibilities of the Executive Board are:
• to prepare the meetings of the Governing Council;
• to implement monetary policy in the euro area in accordance with the guidelines and decisions of the Governing Council and, in so doing, to give instructions to euro area NCBs;
• to manage the day-to-day business of the ECB;
• to exercise certain powers, including regulatory powers, delegated to it by the Governing Council.

THE GENERAL COUNCIL

The General Council comprises the members of the Executive Board of the ECB and the governors of all NCBs of the EU Member States. The General Council generally meets every three months.
The General Council is responsible primarily for reporting on the progress made towards convergence by EU Member States which have not yet adopted the euro, and for giving advice on the preparations necessary for adopting the euro as their currency. It contributes to the advisory functions of the ESCB and helps to collect statistical information.
The General Council can be regarded as a transitional body. It carries out the tasks taken over from the European Monetary Institute which the ECB is required to perform in Stage Three of Economic and Monetary Union on account of the fact that not all EU Member States have adopted the euro yet.
In accordance with the Statute of the European System of Central Banks and of the European Central Bank, the General Council will be dissolved once all EU Member States have introduced the single currency.

THE BANK OF GREECE

The Bank of Greece is the central bank of the country. It was established in 1927 by an Annex to the Geneva Protocol and started operations in May 1928. It was incorporated as a société anonyme. According to its Statute, its head office is in Athens. It has a nationwide network of 17 branches, 32 agencies and 5 outlets.

As from January 2001, the Bank of Greece is an integral part of the Eurosystem and contributes through its activities to the achievement of the objectives and the performance of its tasks. According to its Statute, its primary objective is to ensure the stability of the general price level. Without prejudice to its primary objective, the Bank supports the general economic policy of the government. In the performance of its tasks, the Bank enjoys institutional, personal and operational independence, and is accountable to the Greek Parliament.

The tasks of the Bank of Greece can be divided into Eurosystem-related tasks and other tasks.

EUROSYSTEM-RELATED TASKS OF THE BANK OF GREECE

The Bank of Greece:

- participates in the formulation of the single monetary policy in the euro area and implements it in Greece;
- manages part of the ECB's foreign exchange and gold reserves on behalf and in line with the instructions of the ECB;
- oversees payment systems and instruments with a view to ensuring their soundness, reliability and efficiency. In this context, it supervises, inter alia, DIAS S.A. and the Athens Clearing Office. As from 19 May 2008, the Bank of Greece is a member of Target2, the new trans-European automated real-time gross settlement express transfer system;
- promotes arrangements for the maintenance of financial stability and effective management of financial crises;
- collects statistical data from monetary financial institutions (i.e. banks and money market funds);
- issues legal tender euro banknotes, subject to prior approval by the ECB, and is responsible for the circulation and handling of euro banknotes and coins in Greece; more specifically, it ensures the supply of the necessary quantities per denomination, either through the Bank of Greece Printing Works (IETA) or through cross-border cash shipments, as well as their safe storage, transport and recycling or destruction and guarantees the smooth supply of the economy.

OTHER TASKS OF THE BANK OF GREECE

The Bank of Greece:

- supervises credit institutions and certain categories of enterprises in the financial sector;
- supervises and monitors insurance and reinsurance firms, as well as insurance intermediaries;
- is responsible for the management and operation of the System for Monitoring Transactions in Book-Entry Securities;
- is responsible for the operation of the Electronic Secondary Market for Securities (HDAT);
- holds and manages the country's official reserve assets, including the foreign exchange and gold reserves of the Bank of Greece and the government;
- acts as treasurer and fiscal agent of the government;
- compiles and publishes monetary and credit aggregates concerning the Greek economy and conducts specialised statistical surveys;
- publishes reports and conducts research, in the framework of monitoring and analysing monetary policy and the economic conjuncture.

GENERAL DESIGN COMMENCEMENT:
JANUARY 2002
Governor: Lucas Papademos
Deputy Governor: Panayotis Thomopoulos
Deputy Governor: Nicholas C. Garganas

DESIGN AND CONSTRUCTION
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Deputy Governor: Panayotis Thomopoulos
Deputy Governor: Nicholas Paleocrassas

PROJECT COMPLETION: JANUARY 2010
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GLASS CONSTRUCTIONS
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PAINTING
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Zapadel Ltd

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FLOORS, MARBLE
V. Emmanouil

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EXTERNAL COLLABORATOR
Athanasios St. Bergeles

MECHANICAL-ELECTRICAL INSTALLATIONS
Karakassis Lighting Ltd
ETMEKAT Techniki AE
N. Stamatopoulos

ELECTRICAL, ELECTRONIC AND DIGITAL
MATERIAL SUPPLIERS
Pronet SA
Sisco
Cosmos Business Systems SA
Sony
General Electromechanical Works Ltd

ART CONSERVATIONS MATERIALS SUPPLIERS
Konstantinos E. Ananiadis
ΧΑΡΤΙ & ΤΕΧΝΗ ΕΠΕ
Art & Hobby SA
Anastasios E. Lymperakis
NEOTEX SA

COLLABORATING INSTITUTIONS:
Alpha Bank SA
Aluminium of Greece SA
Argolikos Archival Library History and Culture
b p k Photo Agency Berlin
Benaki Museum
Cartographica Neerlandica
Gefyra SA
Gennadius Library
Hellenic Broadcasting Corporation SA
Hellenic Embassy – Beijing – China
Numismatic Museum
Hellenic Library and History Archive
Hellenic Railways
Ipiros Metalworks Industry (MBH) SA
A. Katerinopoulos
Konstantinos G. Karamanlis Foundation
Library of the Greek Parliament
Lighthouse for the Blind of Greece –
Tactual Museum
S. Mavromatis
Ministry of Culture / Archaeological
Receipts Fund
Musée du Louvre – Apeiron photos
National Archeological Museum
National Bank of Greece
National Gallery – Alexandros Soutzos Museum
National Geographic (Greece)
National Historical Museum
Numismatic Museum of Athens