The growth agenda is slowly gaining ground in Europe, but much greater reforms are still needed if Greece is to overcome its challenges.

May 2 2012

Vassilis Monastiriotis *argues that while the popularity of François Hollande may signal that the growth agenda is gaining currency in Europe, Greece still faces significant difficulties. In light of the country's looming elections, he argues that the internal problems and pressures that helped lead Greece into the current crisis mean that significant structural reforms are still needed if the country is to truly return to growth.*

Following the result of the first round of the French Presidential elections, it seems that – at last – a new wind is blowing in the European sky. The much sidestepped "growth agenda" is slowly gaining currency in the European political discourse and calls for pro-growth measures, for a European growth strategy and for a reconsideration of the strict adherence to fiscal rules that are no longer received as heterodox, as dangerous or marginal. Talking about 'the growth question' is becoming legitimate again, it is becoming mainstream!

The orthodoxy of fiscal discipline of course remains. But talking about growth is no longer a taboo (before becoming too jubilant, however, see also this piece of deja vu). From all corners of Europe, from the Dutch labour party to the Governing Council of the European Central Bank, and from the offices of the Commission to the streets of Spain, more and more voices – not only by the disillusioned public but increasingly from key political figures and policy officials – are heard calling for the need to establish pro-growth instruments to counter-balance fiscally-induced austerity. All this is nice of course – and much needed. And the Greeks may be excused in feeling vindicated, as they were among the first to question (and to suffer from) the austerity recipe. They may also be excused in feeling that something is changing also for Greece, that new allies are coming out to support Greece's case for growth, that the spirit of Keynesianism is coming back – and, with it, salvation for the ailing Greek economy is on its way. But there is a problem – or two.

There is no question that, across Europe, just like in Greece, the excessive emphasis on fiscal consolidation through supply-side measures, tax rises and public expenditure cuts has led to economic suffocation. This is indeed the problem that the "new growth agenda" is trying to address. But when the likes of Hollande, Barroso, Barnier and Draghi talk about growth, what they have in mind is not a blank cheque for fiscal profligacy and state-led expansion that would keep afloat otherwise unsustainable political economies. What they are talking about is simply a re-tuning: the rebalancing of positive and negative actions, the recalibration of the policy recipe to allow a more activist approach to dealing with Europe's debt problems. An approach that takes care of the 'denominator'. No doubt, this is important for Greece too: the country has been sliding deeper and deeper into recession as the state takes more and more money out of the economy and into the coffers of its creditors – in what is essentially a badly implemented version of a poorly conceived therapy. So, surely, the Hollande agenda of infusing more Keynesianism into Europe's own Washington Consensus and finding the resources to finance (public) investments and to increase job-creation is important for Greece as it is for the rest of Europe. But for Greece there is more, much more, to it than that.

In most parts of Europe the debt crisis has been the result of a truly exogenous shock. In Ireland the crisis was created by the (foolish) decision to nationalise all private debt; in Spain it was the result of the bursting of the housing bubble following the early financial crisis; in France and Italy, it was the outcome of rising spreads induced by the 'domino effect' of the Greek debt crisis. In Greece, however, the crisis is of a different type and quality. The problem with Greece is not only one of too aggressive a fiscal consolidation as it is not (only) the austerity measures that have made the Greek debt unsustainable: the problems were there before, in the years when Greece was running excessive deficits, both fiscal and in its current account, despite the low interest rates and its exceptional growth in GDP and productivity.

The problem with Greece is not simply one of policy (although it is also that) but much more one of structure. It has to do with the fact that the country does not produce enough to have something to export when its prices become "competitive"; that it has a pre-capitalist structure, largely centred around the family, where profitability fuels consumption rather than accumulation; that its economy and society are organised on the basis of a toxic combination of consumerism and statism; that it lacks sufficient and sufficiently diversified agglomerations, that it doesn't have a developed and sufficiently independent industrial class (and, accordingly, a proletariat), that it has too much classical and too little vocational education, that entrepreneurship is not combined with investment, and that social protection is wrongly pursued through the disbursement of privileges and market distortions. Addressing these things requires much more than throwing-in a few stimulants to growth – no matter how important they may be: it requires a new development model, a strategy for the radical restructuring of the Greek economy and society – a change of structures. And on this, there is very little for Greece not only in the Hollande agenda, not only in Barroso's latest growth plan for Greece but, crucially, also in the agenda of the coming Greek elections.

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You can see this in the – rather reluctantly publicised – election manifestos of virtually all parties running in the Greek elections. Digging deep, one can actually see a range of views for the future model of development for Greece. From those arguing for a euro-exit and, by implication, a programme of nationalisation and state management of the economy – with a choice of communist, populist and fascists varieties – to those arguing for a radical change of structures and behavioural norms within the European and global systems – again, with the menu of options ranging from the liberal recipe of deregulation, marketisation and commodification to the Green call for decentralisation, anti-consumerism and sustainable development.

But these proposals are not discussed and are not contested – they are not what the elections are fought over. Instead, the whole election debate is centred around the infamous Memorandum between Greece and the IMF, with parties positioned along the pro-/anti-austerity camps, and the traditional "parties of government" fighting over who can deliver the 'softest' version of austerity and much of the rest fighting over who can deliver a more credible cancellation(?) of the debt. In this, the electoral growth agenda, among the mainstream parties, is essentially reduced to the following: the favourable release of EU/EIB funds, the support of the SME and agricultural sectors, the encouragement of economic extroversion mainly through the energy and tourism sectors, and the modernisation of public administration. These are all good – and necessary – measures to re-stimulate the economy and trigger a return to growth. But they are nowhere near sufficient for the "qualitative jump", for taking Greece to a different path of development. The latter is not discussed; and, unfortunately, the new "growth-talk" may be contributing to this.

In modern Greek, the same word is used for both "growth" and "development". Linguistically this makes it easy to confuse one for the other – and this conflation is also present in the contemporary political discourse. And so, as the election campaigns focus increasingly on the newly-legitimised "growth agenda", it seems there is very little space for a real discussion about the country's development model. With this, there is very little room to realise that Greece is today in a position similar to that of the East European countries when they entered transition in the early 1990s. Greece doesn't only need to attract foreign investments and to modernise its administration – although these would indeed help with re-igniting growth. It needs to develop capitalism, to create markets, to establish a well-functioning welfare state, to create a democratic civil society, to consolidate the rule of law and the guarantee of property rights – it needs to do it all. And of course it needs to engage in a deep and honest discussion about the model of development that it wants: what type of capitalism, what limits to the markets, what role for the welfare state, what role for society and for social actors and with what values and norms. In all this, the changing mood in Europe is absolutely welcome. But it is nowhere near enough.

So let's not put too much hope on Hollande and the changing winds in Europe: the challenges for Greece remain extremely high and the solutions are nowhere near forthcoming…

This article first appeared on the Greece@LSE blog on 30 April.

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