Despite optimistic economic assessments, Greek living standards are still a long way from emerging from the crisis

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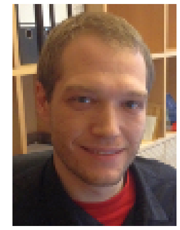
Greece was the epicentre of the Eurozone crisis, however the Bank of Greece recently announced that it expects the country to return to growth before the end of this year. **Steffen Stierle** *writes on whether the crisis is now being overcome within Greece. He argues that based on the austerity policies which have been implemented in the country, Greek living standards are still a long way from emerging from the crisis.*



The Troika (EU Commission, ECB, IMF) was once again in Athens in April to review the progress of reforms and economic development in Greece. The EU Commission brought seemingly good news back to Brussels. After all, the Review says: "Both soft indicators and hard data point to a bottoming out of the protracted economic recession." The evidence given is the fact that the Greek economy shrank by only 2.3 per cent in the first quarter of 2014, whereas the decline in the first quarter of 2013 was still as high as 6 per cent.

Positive growth of 0.6 per cent is even expected for 2014 as a whole. But beware: the Troika had already forecast a return to positive growth figures for 2012. Reality produced a decline of 6.4 per cent. The Greek economy was supposed to grow by 2 per cent in 2013. Instead, it shrank by a further 3.9 per cent. And even if things do turn out differently this time, growth of 0.6 per cent is no more than a drop in the ocean, given that the economy has shrunk by almost 25 per cent since 2008.

Labour market reform and unemployment

The EU Commission likewise predicts employment growth. Following an increase in the unemployment rate from 7.7 per cent to 27.3 per cent within just a few years in the course of the so-called Greek bailout, a decline by 0.6 percentage points is now forecast for 2014. This, too, is hardly a serviceable basis for declaring that the crisis has ended – especially since even the Commission expects the years of dramatically declining wages to continue in 2014.

The Commission attributes this wage collapse to "moderate wage agreements" in its Review. In the same report, it lists "examples of major labour reform measures", enforced by the Troika. The points mentioned include the suspension of collective agreements, the admission of firm-level collective agreements without trade union involvement, limitation of the maximum duration of collective agreements, the reduction and freezing of minimum wages, the creation of apprenticeship contracts below the minimum wage level, prolongation of the probationary period to 12 months, the reduction of periods for dismissal notice and of severance pay, the facilitation of collective dismissals and the expansion of temporary employment. Against this backdrop, "moderate wage agreements" can hardly come as a surprise to anyone.

The objection is frequently raised that wages in Greece rose far too rapidly for years, and that an adjustment is now unavoidable. It is shocking to note that even trade union representatives are adopting this argument in Germany. The trouble with this argument is that it's not true. If the development in wages in Greece since the introduction of the euro is compared with the country's price and productivity development, it can be seen that wages have tended to rise too slowly, rather than too quickly. The problem here is rather the economic pressure emanating from countries like Germany, where the development in wages is even worse.

Bank bailout and restructuring of society

The bailout policy was ultimately intended to address the Greek debt problem. In 2007, the Greek state had debts totalling 239.3 billion euros. That was equivalent to 107 per cent of economic output. Since then, the debts have increased to 318.7 billion euros or 175 per cent of economic output. The cause of this development is that the Troika loans did not go to Greece. Rather, more than 90 per cent of them were passed straight to the international finance sector to settle Greek debts. We used taxpayers' money to bail out Greece's creditor banks. So, it was not a case of rescuing Greece, but of internationally rescuing banks – at great cost to the Greek people, as can be taken from the aforementioned Review.

First, many of the country's public enterprises were transferred to a privatisation fund. The entities up for sale included the state lottery, utilities, railways, ports, airports, waters supplies, the postal service and over 1,000 pieces of real estate. This compulsion to sell is also causing prices to fall. Similarly, large parts of the public sector are in the process of being broken up. Greece agreed to cut 150,000 jobs in the civil service by 2015 and is currently "on schedule" in this respect, under European Commission estimates. The remaining employees are also facing pay cuts.

Second, the health system was badly affected. Expenditure was first cut and then limited to 6 per cent of economic output. This means that the slump in economic output automatically drags health spending down. A hospital reform is currently being implemented. Among other things, it aims to reduce the utilisation of specialists and emergency care in order to cut "unnecessary, high costs". In addition, spending on drugs is to be limited to 80 per cent of the previous year's level.

Finally, the pensions system also suffered similar cuts of more than 30 per cent in some cases. A reduction of the basic pension to 360 euros per month and an increase in the pensionable age were already contained in the framework of the first programme. The reforms currently being discussed primarily aim to permanently fix the low pension level. The Programme also affects many other areas, such as unemployment insurance, fiscal policy, education, energy and transport.

One description of what is happening here would be, to borrow a term from the globalisation critic Naomi Klein, a 'shock doctrine'. Faced by the crisis, an entire social model is being turned topsy-turvy in the interests of financial and economic elites. Instead of taking effective action against the crisis – through public investment, employment programmes, regulation of the finance markets, prevention of the flight of capital and extensive participation of the wealthy in the burdens of the crisis – the situation is being taken as an opportune time to whittle away social security systems, destroy trade unions and employee rights, and sell off public property at low prices.

Of course, that aggravates the economic and financial crisis. Constant cutbacks are the main cause of the recession and unemployment. In addition to which, the cutbacks have induced a profound social and humanitarian crisis: 60 per cent of young Greeks have no work and no prospects in life. The poverty rate rose from 20.1 per cent in 2008 to 35.8 per cent in 2012. It is probably even higher today.

The partial destruction of the health system has led to a 32-fold increase in HIV infections, the return of malaria, a dramatic shortage of drugs in rural regions, an increase of 21 per cent in stillbirths and 43 per cent in child mortality. Around 800,000 unemployed Greeks today neither receive unemployment benefits, nor do they have health insurance. Massive homelessness is omnipresent in towns and cities. The shock that the population is expected to cope with is also expressed in the tripling of the number of people suffering from severe depression and an increase of 45 per cent in the suicide rate.

Bleak outlook or radical change

An end to this crisis is not in sight, even if the Commission untiringly paints a more flattering picture of the situation. The Greek state still has arrears in the billions. Over 30 per cent of all loans of Greek banks are considered to be non-performing. And there are so far no signs of a return of the capital that fled from Greece in recent years.

Consequently, it is only logical that ever-louder thought is being given to a Third Programme for Greece and extension of the loan terms to 50 years. That means more of the policies that have set Greece back by decades, undermining the social and democratic rights achieved there since the end of the dictatorship. Nevertheless, the victory of SYRIZA in the European Parliament elections in May could offer the potential for a radical change of course. It is time for new elections, so that the current majority in society is also reflected in Greece's national politics.

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