

Crisis in Greece: Will History Repeat Itself?

Against the backdrop of political and economic crisis in Greece, Savas Manoussakis writes a timely piece on whether Greece's recent history will repeat itself. Mr Manoussakis argues that Syriza may be able to correct, and prevent a repeat of, the disastrous failures of its predecessors but provided it takes ownership of some of the measures imposed by the Troika and manages an equitable distribution of their burdens.

A firebrand, charismatic, controversial and populist leader of the radical left electrifies large sections of the Greek populace. Before crowds in the tens of thousands, he promises to heal the pain of the nation with a program of public investment, rebuilding the welfare state and fighting inequality. He argues for an independent foreign policy, eschews neckties, advocates progressive causes and says OXI (no) to foreign powers, antagonizing them and giving a sense of dignity and sovereignty to a battered and subjugated people. All the while his Russian overtures put Greece's European orientation into question. The year is not 2015. The party is not Syriza. The leader is not Alexis Tsipras. Rather it is 1981, the party is the Panhellenic Socialist Movement (PASOK) and the leader Andreas Papandreu, its founder.

PASOK was the governing party in Greece for 22 of the last 41 years. Both PASOK and its center-right rival, New Democracy, essentially bought public support with public sector jobs. This resulted in a constant and unnecessary drain on public finances as well as on private resources as this ever-expanding bureaucracy justified its existence with needless red tape on businesses and citizens. As Greece's public institutions were weak and bloated, citizens and businesses were disinclined to pay tax, especially given the state's weak ability to collect it. A dynamic set in whereby tax-paying businesses were at a competitive disadvantage and where it was expected that individuals evade tax in some form or another. These weak institutions, the partial absence of the rule of law, and the resulting mountain of public debt, are PASOK's and New Democracy's legacies and monumental failures.

The parallels between PASOK and Syriza are many and are no coincidence. Syriza's rise and victory in the 25 January elections were largely a result of disenchanted former PASOK voters migrating to the alliance of the radical left, leaving PASOK a shell of its former self. Similarly, PASOK parliamentarians, local politicians, and unions abandoned PASOK to bet on Syriza. For example, Yanis Varioufakis, the outspoken ex-Finance Minister, was an economic advisor to Prime Minister George Papandreu (tellingly, Andreas Papandreu's son) between 2003 and 2006. Like PASOK, many of Syriza's members are from families who fought on the communist side of the Greek civil war and faced decades of repression thereafter. For example, Nadia Valavani, the former Syriza Alternate Finance Minister, was a prominent figure in the resistance against the military junta between 1967 and 1974 and was imprisoned and tortured during that period. These parallels give rise to justified concerns that Syriza is PASOK rebranded and that Greece's dysfunctional history will repeat itself.

A common history but not a repeat of history

The Troika has made it clear that it will not allow a repeat of previous largess. The public spending of the past, funded in part by EU monetary aid and in part by lax capital markets, will remain in the past, although the resulting clientelist and otherwise corrupt and wasteful structures currently still remain. Syriza's platform – the **Thessaloniki Program** – promised increased government spending (including free electricity, meal subsidies and housing guarantees to combat the Greek humanitarian crisis) as well as a higher tax-free threshold for income, personal debt relief, and increased public sector hiring.



The main terms of the third memorandum (including increased VAT and other taxes, primary surplus targets of 3.5% by 2018, and pension reforms) will make some of these measures difficult if not impossible. The current narrative is one of capitulation and defeat. Even while arguing in favor of these terms before Greek Parliament, Prime Minister Alexis Tsipras spoke of “blackmail” and a “deal in which he did not believe”. There are rumors of elections in the fall and talk of Syriza being merely a “left-wing parenthesis”, an aberration which will quickly pass. While the Troika’s demands will undoubtedly block much of Syriza’s program there are opportunities for Syriza and much more importantly for Greece – even within the restrictive confines of the third memorandum.

Opportunities for positive change

While many in Syriza are advocating for the exact opposite, the privatization of EUR 50 billion in state assets may paradoxically be just such an opportunity. The demanded privatization caused a worldwide uproar, with critics protesting that it was intended to humiliate and force regime change in Greece. Besides these ostensible motives, and the obvious objective of raising funds to pay down state debt, privatization can serve to dismantle the clientelist system through which PASOK and New Democracy bought public support with public sector jobs—ultimately contributing towards Greece’s current situation. Provided the sales processes are conducted transparently with the view of maximizing value, and provided that consumers are adequately protected, divesting loss-making public enterprises could free up state resources to focus on Greece’s humanitarian crisis (a key pillar of Syriza’s Thessaloniki program).

Ending the corrupt trade of votes for public sector jobs through privatization will “transform the political system to deepen democracy” – a further key pillar of Syriza’s Thessaloniki program. Yanis Varoufakis calls the plan a **vindictive abomination**, primarily on the grounds that it will fail to attract homegrown investments to promote growth and would be a fire sale. However, the privatizations will now be over the course of 30 years, rather than only three, will be based in Greece rather than Luxembourg and will have 25% reinvested in the Greek economy (50% will go towards bank recapitalization and 25% towards debt repayment). Similarly the terms stipulate that the Greek administration be depoliticised. How this will happen remains to be seen, however if done in a competent manner Syriza can yet turn this crisis into an opportunity.

Rallying against the establishment, as PASOK once did, Syriza has promised to “destroy the Greek oligarchy system”. The third memorandum does not prevent this. Indeed, building on the efforts of the previous government, Greek authorities are in negotiations with their Swiss counterparts to cooperate in fighting tax crime. This follows the revelations of the “Lagarde List” of approximately 2000 potential Greek tax evaders with undeclared Swiss accounts, including names from Greece’s political and economic elite.

Similarly Greek authorities could bring greater transparency and accountability to its public procurement processes, which are currently corrupt and dysfunctional to the benefit the connected elite and the detriment of Greek taxpayers. The Troika’s demand that the Greek statistics office be fully independent can also only contribute towards better governance. Similarly, a long-standing demand of the Troika that Greece have a comprehensive land registry, besides improving tax collection, can also lead to better environmental protection. This summer – as in previous summers – forest fires have been intentionally set to clear land for illegal building. A land registry would enable Syriza – a professed environmentalist party – to crack down on these crimes.

From the dominant political force in Greece, PASOK is now the smallest party in the Greek parliament with less than 5% of the popular vote. This spectacular demise was 40 years in the making. Ineptitude, lack of vision and outright corruption finally caught up with PASOK, forcing it to accept the Troika’s terms and with them eventual electoral obliteration. Such a fate may yet await Syriza as well, having accepted even harsher terms than its predecessors. If Syriza, however, can take ownership of some of these measures, implement them competently and distribute the heavy burdens equitably, then maybe, just maybe, Syriza can succeed where PASOK failed – and Greece can be spared a repeat of this same grim history.



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