

The negotiation that never happened...

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2015-6-10

There are – there have always been – two approaches to the Greek crisis. One, that realises that there is a *domestic* problem (high debt, propensity to produce new debts, state and market inefficiencies, weak institutions and export base) and many political and legal *external* constraints (no-bailout clause, belief in fiscal discipline and the ideology of structural reforms, the statutory clauses of the ECB and the IMF); and thus seeks to explore a possible set of arrangements that will enable a – least costly – solution. And a second one, which sees the crisis as the outcome of global capitalism, of antagonistic economic and political relations, of hierarchies and power struggles within the Eurozone, of pressures emanating from powerful (and neoliberal) elites, and as a means to attack human (and distinctively Greek) rights; thus favouring a confrontation approach that essentially refutes the existence of the problem in the first place.

It is no revelation to say that it is the second set of interpretations that have dominated public discourse and policy in Greece since the onset of the crisis – well before SYRIZA came to dominate Greek politics. From the ‘resistant’ backbenchers of PASOK in the [first pension reform in spring 2010](#), to the [defiant ‘Zappeion moments’ of ND leader Samaras](#), to the [“pay not” movement](#) and “indignant” demonstrations in Parliament Square, to the more recent [gibberish of current government officials](#), in Greece at large, the crisis – and the bailout(s) – have been interpreted not as a challenge for fixing long-looming problems and working with a set of diverse but resource-pooling partners to find viable solutions to common threats; but as a confrontation, a war, between the evil ‘them’ and the victimised ‘us’.

In my experience, those [siding from the start with the first interpretation](#) have often been viewed by the ‘anti-memorandum camp’ as insensitive market-apologists and austerity enthusiasts, who have no respect or understanding of the real plight of the real people – even though many of them *are* real people (whatever that means) and have families, friends, neighbours and colleagues who have been experiencing *real* plight. For this ‘pro-memorandum camp’, which was already disillusioned by the actions and rhetoric of the PASOK and New Democracy governments at least since 2011, it became clear from quite early on that SYRIZA had a very weak understanding of the politics of the Eurozone and of the economics of the crisis, and very limited capacity to articulate and *implement* a plan for exiting the crisis – may I say, at the great disappointment of some, as this meant that the left-wing answer to the challenges of austerity in Greece was neither available nor forthcoming.

But even the most pessimist sceptic could not have expected the idio(syncra)tic, irresponsible, naive and counterproductive attitude and approach to the negotiations that we have seen over the last 4-5 months. And the culmination of all these into what is clearly a terrible deadlock, with the stance of the “troika” becoming tougher as the economic situation in Greece deteriorates and SYRIZA finding it harder to come to terms with this new, but really impossible from its own standpoint, reality. In this, the threat of Greek default and ‘exit’ seems now more imminent than ever; and the ‘best-case scenario’ – fresh elections, formation of a cross-party unity coalition government and implementation of a new round of harsh(er) austerity measures – is really and truly anything but good.

Personally, despite the signals to the contrary that I was receiving for a long time from discussions with SYRIZA sympathisers and officials, I always thought that SYRIZA's negotiations would go more or less along the following lines.

SYRIZA. You asked for the full decentralisation of wage bargaining, as a means for strengthening wage adjustments in the country (arguably, to ease the quantity adjustment through unemployment) and lowering labour costs (to increase Greece's international price competitiveness). We believe that the effect of this was a stronger decline in effective demand and a reduction in consumer confidence and domestic consumption, as decentralisation brought more income insecurity. Moreover, given the production structure of the economy (small firms, consumer services, low export orientation and capacity) and the cost structure of production (heavily influenced by high energy and distribution costs) this did not help with exports – as is also clearly evident in the data. [Note that your very own Prof Olivier Blanchard, Chief Economist of the IMF, [had already in the 1980s](#) identified that under such conditions structural reforms and internal price adjustments would become too costly in economic terms and too difficult to implement politically.] Similarly for minimum wages. Although by now [there is some evidence](#) suggesting that the reduction in minimum wages may have had some positive employment effects, it is well known that [in the presence of asymmetric market power by employers and 'thin' labour markets minimum wages do no produce negative employment effects](#). We thus ask to restore collective bargaining at the sectoral level and implement a partial/gradual recovery of the minimum wage, so as to boost effective demand, bring more income security to domestic consumers and push producers away from (labour-)cost saving technologies and (short-termist) coping strategies; and to instil a bit more economic confidence and political faith to the ailing Greek public.

Troika. Well, perhaps. We are well aware of the literature on the [low wage – low productivity trap](#) – even though there is certainly no universal agreement on this. But this doesn't address the problem of wage adjustments and of unemployment. Mind you, these also have implications for tax receipts and the financial viability of social security funds. How will you address competitiveness, adjustment, unemployment and the viability of the social security system??

SYRIZA. Well, a number of things. First, the viability of the social security system is hindered, not helped, by the lower contributions associated to lower wages. But we want to move beyond this. We will deregulate the transport sector (occupational licensing and permits) to reduce production costs. We will establish, with your financial and technical assistance, an export promotion mechanism/office, which will assist small businesses in pooling resources to identify exporting channels and new markets and exploit synergies in sharing distribution networks. We will also lower energy taxes and shift taxation (to make up for the reduced revenues) to (a) non-reinvested profits (to incentivise investment and job creation), (b) high-income earners (to enhance the sense of 'fairness' to society and also support our mandate for redistribution), and (c) property holding/investment, which is universally seen as least productive. Last, we will abolish the Pensioner Social Solidarity Benefit (EKAΣ) which currently burdens the social security funds and instead implement the Minimum Income Guarantee scheme already piloted by the previous government, which is much more effective in targeting poverty.

Troika. Sounds plausible. The OECD, the World Bank and others have long been calling for some of these measures. But by re-centralising wage bargaining you are also increasing union power, which means potentially more strikes, more resistance to reforms and to economic modernisation and more rent-seeking. It all means that sectoral adjustments – and the restructuring of the economy – *ain't gonna happen*. How about that?

SYRIZA. Like the Commission ([roadmap for a new industrial policy](#), [Juncker Plan](#)), we believe in an active role of the state in steering businesses to new opportunities and new markets – [not 'picking winners'](#) but [creating an environment for winners](#). We will stabilise and simplify our corporate tax code and provide tax incentives (tax breaks etc) for new firms and firms reorienting their production to new products, new markets and new technologies. This will be assisted by the establishment of a select few [special economic zones](#), to encourage in particular [incubator firms](#) and [foreign investors](#). We will utilise our strong relationship with low-level unions to establish channels of tripartite dialogue for a new social contract / social pact that will see industrial peace in exchange of managed wage

increases (in line with productivity) and better social protection (including universal access to health-care). We will encourage the establishment of apprenticeship schemes and gradually introduce a stronger vocational leg to our education system to address long-standing (even pre-crisis) problems of employability, sectoral mobility and [graduate unemployment](#). All this will take time and will require further concessions from your side on issues such as the primary surplus targets and the terms of repayment for the debt. But we believe this is the way to go: the depth of the recession over the past years and the increasing public discontent with austerity shows that this is the only [politically and economically viable](#) solution to the crisis for Greece. For our part, we will also pursue an elaborate – albeit selective – privatisation plan which will bring-in new investments in productive (and job-creating) activities: not an unconditional sale of state property prone to [asset-stripping](#), but the strategic sale of key infrastructures (ports, airports) and production units which will bring new investments directly into the production process. For this, [we ask for the temporary suspension of some EU competition rules](#), so as to be able to enter in preferential negotiations with some strategic investors.

Troika. This all sounds (too) good (to be true). How can we trust you that you will deliver??

SYRIZA. We have a young electoral base and we are not connected to big businesses and established oligarchs. We draw our public support on the sense of fairness and redistribution. By opening up opportunities for the have-nots and really laying out a new vision for Greece we will legitimise actions that will attack established interests – some of which are also favouring the less well-off – thus being able to free up sectors that are long tormented by institutional and other rigidities. But to do all this we need to go beyond the decentralisation of wage bargaining and the rise in minimum wages. We need to be allowed to reinstate public sector employees whose dismissal has been deemed unconstitutional by our High Court. This requires more money but it is essential for our political viability and the legitimisation of our reform effort. We also need to establish – beyond the Minimum Income Guarantee scheme – a viable and modern unemployment insurance scheme, which will be focused on activation but will provide adequate security for those falling into unemployment. For this, we request additional ESF financing under the [Youth Guarantee scheme](#) and relevant technical assistance. Further, the legitimisation of our reform effort requires a serious reconsideration – and thus a temporary relaxation in the first place – of some aspects of the pension reform agreed with the previous government. We commit to abolish with immediate effect some excessively favourable provisions, such as the 15-year contribution threshold for mothers of under-age children and the transferability of pensions to offspring. But we need to reconsider the financing needs of the social security funds and apply more generous transition periods for the increase in the pensionable age – to protect those with so-called ‘mature’ pension entitlements. Last but not least, we also need to work on a more viable solution to the problem of over-indebted households. On this, the release of funds withheld from the Hellenic Financial Stability Fund, to be used in recapitalising Greek banks after a prospective ‘red mortgages’ settlement, is considered essential.

I may have been too optimistic, naive even, in believing in such a scenario. Perhaps the troika was never interested in such a conversation and perhaps they were firmly and immovably stuck in their “neoliberal” interpretation of the world, where good things come only with less state and with free(er) markets. Perhaps, even if they were to consider engaging in such a conversation, the end-result would have been too close to the ‘austerity orthodoxy’ and too far from SYRIZA’s own ‘Thessaloniki programme’ – too far for SYRIZA (and the Greek electorate) to accept it. But what is now blatantly clear is that this conversation never happened – worse, it was never sought for. SYRIZA had neither the skills nor the political open-mindedness to engage in such a conversation. All that was there, was a superficial rhetoric about a [‘humanitarian crisis’](#) and claims about the unfairness of the rescue packages – as if fairness was ever a priority consideration in any rescue operation. And, underneath this, a fatal incomprehension of the full nature of the crisis and of how uncertainty, instability and indecision were depriving the economy from its slimmest of hopes for recovery.

SYRIZA thought that the economy (and the world) would stand still and wait for them to convince everybody else

about the righteousness of their views – without ever getting into negotiating on the details. Rightly or wrongly, this didn't happen. So, here we are today, truly between a rock and a hard place: between an all-out default and the implementation of the deepest austerity yet; between the complete 'rupture' and the continuation of an adjustment programme which creates more impoverishment before it generates any recovery – especially so when it is reluctantly and dubiously implemented. It has long been the case that the first option (a 'Grexit') would represent a nemesis for Greece – some would even claim [a well-deserved one](#) (see also this [piece of evidence!](#)?). From [where things stand today](#), it seems there is very little else one can wait for...