From hope to concern and from concern to hopefulness

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By Vassilis Monastiriotis

SYRIZA's central pre-election motto was 'hope' – 'hope is coming'. In fact, what would perhaps describe better the pre-election sentiment of the Greek public, including a big part of SYRIZA's voters, is the word 'concern': concern over whether SYRIZA will 'make it'; whether "they will throw us" out of the Eurozone; whether they will back-track, emulating a U-turn similar to that of Samaras' New Democracy after the 2012 elections; and whether they will be able to really alleviate the pain of 5 years of austerity and, indeed, end it.

It is of course too early to tell what the answer to these questions will be. But if the first couple of days of the new government provide any serious measure, it would seem to me that concern should give way to some (not hope but) hopefulness – because many of the first signals given by the new government are indeed hopeful. There are two elements to this: one concerning the new government's stance to the issue of the debt and the loan agreement negotiations; the other concerns the type of policies that are being prioritised domestically. In this article I am discussion the first of these two elements.

Continuing on the earlier trend of a gradual but unmistaken softening of language and of meaning, in the first three days after the election we already see strong signals for a more pragmatic stance on the issue of the negotiations with the Eurozone. Of course, the new government is right to claim that the existing memorandum agreement is dead: there is clearly no way that the new government would continue implementing the policies agreed with the troika in the past – and, indeed, there is no electoral mandate for this. But they now seem to recognise that a programme – a programme of reforms and of fiscal consolidation – is *needed* and *will be* negotiated (or discussed, or devised, or whatever) with the Eurozone.

The new Finance Minister Prof Varoufakis, who had in the past insisted that the Greek crisis is simply a problem of capitalism with very little to do with Greece itself, talked on Wednesday (28/1/15) about the new agreement that will provide **a bridge** between the old programme and the new policy framework in Greece. To me, this sounds like clear news that the Greek government will apply for an extension of the current programme, from the currently extended deadline of 28/2 to sometime perhaps in July – a four or six month extension – on the very real grounds that time is needed for a new adjustment programme to be designed and agreed with the country's creditors.

This is not a trivial issue. Extension of the programme will allow the ECB to continue providing access to its ELA mechanism to the commercial banks in Greece. This means that banks will be able to draw liquidity, which is absolutely necessary even for their day-to-day functioning, at rates much lower than what they could draw from the markets. But, more importantly, it also means that the banks will be able to continue participating in the short-term cash injections to the public finances (through the purchase of 3-month T-bills) which the Greek state will need desperately and unambiguously. But this is probably not enough. The Greek government will need a few more billions of euros well before July – without even counting the additional euros that it will need if it is to implement with immediate effect some of its pledges, for example to re-hire large parts of those made redundant from the public sector by the previous government. I am pretty hopeful (to return to my opening lines) that this money will be found – most probably by a technical window that will be found (or invented) for the temporary use of the reserves of the Greek Financial Stability Fund to finance 'temporarily' core budget needs of the Greek state.

For this to happen, the new government has between now and the end of February, or perhaps a bit later, to communicate two things to its Eurozone partners: first, a **credible and coherent economic programme** that will be consistent with the objective of fiscal adjustment whilst, naturally, focusing more on pro-growth and pro-poor measures; second, a **clear and well-specified commitment to structural reforms**, that will entail most probably less privatisation and marketisation than the previous programme but will nevertheless be consistent with the rules of the EU (e.g., on competition policy) and will, as a minimum, provide a credible prospect for the tackling of high- and medium-level corruption, clientelism, public sector inefficiencies and red-tape, problems of cronyism, etc – including confronting crony capitalism, on which the EU is as much in favour as is SYRIZA.

This is not an easy (t)ask. It is not an easy task under normal circumstances and it is definitely not an easy task under conditions of crisis, immense and urgent fiscal pressures, and within the context of a newly formed government with little public office experience, a rather academic understanding of how state bureaucracy and policy processes work, and – it should be emphasised – with some important and unresolved internal differences on key policy beliefs and priorities – e.g., between the different 'sections' and 'groupings' that comprise SYRIZA. It has not been an easy task for Greek governments before SYRIZA or for other governments elsewhere, such as those of Hollande and Renzi, who would also like to see – but have not been able to deliver so far – an end to austerity and a more Keynesian response to the crisis and to the challenge of fiscal consolidation.

But it seems now just a little bit more likely that the new government – and SYRIZA in particular – has the intention and the clarity of mind to work in this direction with pragmatism and soberness, understanding the constraints as well as the wants, and showing the willingness to find a balance between what is desirable and what is feasible, between the programmatic slogans of the pre-election campaign and the constrained realities of modern-life government. In this sense, although the concern remains, everybody in Greece should feel that they have the right to be – at least moderately – just a little bit more hopeful.

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