Between two poor alternatives, either is ok(-ish)

By Dr Vassilis Monastiriotis

The forthcoming snap elections in Greece will inevitably be conducted in a polarised setting, between a (perceived as) pro-memorandum pro-reforms camp, represented mainly by the parties of the coalition government (New Democracy and, less so, PASOK) and an (also perceived as) anti-austerity and anti-reform camp, represented mainly by SYRIZA. Quite inevitably then, the electoral debate is destined to be framed around two scare-mongering propositions. On the one hand (the ‘pro’ camp), that a vote for SYRIZA will jeopardise all the sacrifices made by the Greek people so far, will destabilise the economy and will lead to a deadlock in negotiations with the troika thus producing a very real threat for a Greek exit from the Eurozone. On the other hand (the ‘anti’ camp), that a vote for New Democracy (ND) will maintain the current status quo of permanent austerity and will moreover empower the country’s political and economic establishment to intensify their ‘neoliberal’ programme of market liberalisation and ‘impoverishment of the masses’. [A third emerging rhetoric supports the view that once/if elected into government, SYRIZA will inevitably register a humongous U-turn and more or less continue to implement, with minor differentiation, the programme and measures already pursued by Greek governments since 2010 – my take here is slightly different.]

Both of these propositions are fundamentally wrong, as they suffer from the double fallacy of (a) tending to demonise the ideological and programmatic (?) aims of the other camp, (b) overestimating the ability (let alone the willingness) of either camp to deliver on their stated promises.

Let’s take the ‘actually existing’ example of the ‘pro’ camp, as realised by the ND-led coalition government of 2012-2014. Whether intentionally or not, the government did not implement the type and range of measures one would associate with the (neoliberal?) demands of the troika. The introduction of employee assessment and redeployment schemes in the public sector is still far from complete and whatever has been achieved so far in terms of public sector downsizing is mainly via the retirement of existing public sector employees (natural attrition or pension-reform-driven early retirements) and some panicky and ad hoc measures such as the abolition of the municipal police, the firing of school caretakers or the closing down of the public broadcaster. The homogenisation and rationalisation of pay-scales in the public sector is still pending and parts of the cuts already implemented have been annulled by recent rulings of the Constitutional Court – which goes to show how evidently poor and hasty was the design of the relevant cuts. Measures to deal with corruption, tax evasion and patronage are still in the realm of fantasy play, as the media still remains suspiciously intertwined with politics and spectacularly self- (read: un-) regulated; the ability of the state to capture undeclared incomes remains as weak as it was before the crisis; and instances of clientelism continue to appear with stubborn persistency. The liberalisation and privatisation programme also remains incomplete, if not un-started, as legal barriers have not been removed and many of the much-advertised measures have either not been fully implemented or they have been watered-down thanks to resistances, often by ministers and officials from within the coalition government. What has been enacted and implemented are half-measures and half-hearted reforms, which have typically hurt the most vulnerable – or so they feel from the receiving end – and in any case have not produced the type of adjustment or the degree of restructuring that was needed for a fresh start (even in pure neoliberal terms) of the economy. On the basis of the existing evidence, a possible ‘pro’ camp victory in the forthcoming elections will not lead to the completion of the (let’s call it, neoliberal) programme of economic restructuring and structural reforms, but to the continuation of the half-hearted and half-effective measures and the anaemic economic recovery (which is itself more the outcome of the natural tendency of heavily-depressed things to bounce back than of the government’s implementation of the troika recommendations).
Now, let’s see what SYRIZA has to offer. Even without the “spectacular U-turn” predicted by some, SYRIZA will have neither the mandate nor the appetite to push the country out of the Eurozone. Barring an “accident” – which is not unthinkable given the amateurish style of some of its officials – SYRIZA will strive to find the fine balance between renegotiating some terms of the bailout and post-bailout agreements and keeping to the promises it has made for ‘cancelling’ some of the cuts implemented by previous governments. According to its public discourse, its priorities will not be on extending the minimum income guarantee programme (which targets the really needy and which the troika and the World Bank spent months and months trying to convince the Greek government to pilot) or with implementing, in socially less hurtful ways, measures to correct for existing market distortions and public sector inefficiencies. Rather, its main priorities appear to be more with raising public and state pensions and the minimum wage back to their pre-crisis levels and abolishing a series of public administration reforms such as the 2011 higher education reform or the 2014 law on public sector evaluation (and employee appraisal). Now, such measures may in fact help boost the ailing domestic demand (as the minimum wage cuts, for example, have evidently killed domestic demand more than they contributed to containing unemployment or raising exports) and they will represent only a small upfront cost for the public purse (minimum wages are not paid by the public sector and ‘restoring’ the 13-month year for pensions does not create a payment obligation until the long-distant December 2015…), but with immediate ‘political’ gains. However, they will do little to help those experiencing abject poverty, because most of them are neither pensioners nor minimum-wage earners; or to increase the productivity of the Greek economy, because a higher minimum wage does not automatically create a more productive workforce. It will thus not do much to address fundamentally either the social crisis or the growth problem of the country – or for that matter, the underlying weaknesses of its economy, that have to do with its low export capacity, its low savings and investment rates, the over-accumulation of housing assets, the extensive self- and small-firm employment, etc. Nevertheless, with a fresh and loud anti-austerity mandate – and despite what is currently being argued by European officials and politicians – SYRIZA may actually be successful in achieving some concessions for the relaxation of the fiscal consolidation programme – perhaps not the right to apply the ‘golden rule’ (the provision for funds directed to public investment not to count in the deficit calculations), which it proposes, but maybe a stronger version of the ‘growth clause’ (whereby repayments are activated only when positive growth rates are achieved) and a lowering of the target for primary surpluses of 4.5% post-2015 (which everybody knows is unrealistic and cannot be consistently met by any government of any colour). In this way, a prospective SYRIZA government may be able to muddle through, between continuing public discontent (because many of the promises, at least in the way they are perceived, will NOT be kept) and the pressures from the country’s creditors (who will still want to see a firm commitment to public administration and judicial reforms, for example), offering marginal increases in the living standards of some but postponing further, if not derailing completely, the restructuring of the Greek economy and the modernisation of its public administration and state sector. [In this, it will have against it also the main media and business interests, for some of whom the New Democracy / ‘pro’ camp approach is not only “in the right direction”, but in fact optimal (market competition is better as a rhetoric than as a practice – especially in Greece).]

Thus, whatever happens in the elections on the 25th of January, do not expect any substantial ‘metamorphosis’ nor any ‘Greek tragedy’. A prospective New Democracy led government will deliver a bit more modernisation but with continuing inequality and – for some – rising poverty; and a prospective SYRIZA led government will deliver a bit more redistribution and poverty alleviation but with continuing administrative inefficiencies and market distortions. In both cases, Greece will remain a Eurozone member, an ailing one, continuing to implement reluctantly and ineffectively its very own interpretation of the fiscal consolidation and reform programme pushed by its creditors, and continuing with the anaemic recovery path of positive growth but no development. Neither path is perfect, or optimal, but given the menu of options either path is ok – just ok.

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