

Viewpoint: The politics of Greece's financial crisis

 blogs.lse.ac.uk/greeceatlse/2011/06/27/viewpoint-the-politics-of-greeces-financial-crisis/

Spyridon
Economides

2011-6-27

In the last 72 hours the full force of Greece's political problems have hit home. Financial bankruptcy has been superseded by political bankruptcy.

The entreaties made by President Karolos Papoulias, urging Greece's political leadership not to turn the financial crisis into a political one, go unheeded.

A lame attempt by Prime Minister Papandreou to form a government of "national unity" or "national salvation" was met with unsustainable demands from the leader of the opposition, Antonis Samaras, and was undermined by lack of support within his own ruling party, Pasok.

Papandreou proceeded to a largely cosmetic cabinet reshuffle, strengthening the position of his internal party rivals by giving them key ministerial portfolios, including the Ministry of Finance.

The "short-termism" of these political manoeuvrings has laid bare the shallowness of the political system.

What has become the biggest political crisis in Greece in the last 30 years is treated as yet another round in a normal electoral cycle – with political opponents within the ruling party, and across party divides, lining themselves up for a crack at the prime minister's office.

The prime minister is derided by large swathes of the media, who until recently provided much-needed public support, while the public at large has lost any little faith it had in the political system and establishment as a whole.

Growing public hostility:

Underlining all of this, of course, is the little matter of Greece's mounting financial woes. After all, this is how we got here.

A generation of fiscal mismanagement and clientelistic economic largesse, underpinned by cheap credits – and EU funds – resulted in the financial crisis which necessitated an EU/IMF funded bail-out.

This bail-out came at a social cost. A harsh austerity programme has resulted in public sector wage and benefit cuts, and a reduction in pensions, as well as an unemployment rate which has now climbed to 16%.

While spending has been cut, revenue-generating policies – including legislation to clamp down on tax evasion – have been enacted, but not really enforced.

While restructuring and privatisation programmes have been met with great public hostility, the public debt is still growing.

Public hostility against the austerity measures grows daily.

The blame game has been long-joined, as Greeks search for culprits for the deep financial mess.

The list is long and unexpectedly familiar.

Domestically, the Greek political establishment is seen, at best, as being incompetent and self-serving and, at worst, corrupt. The private sector is considered narrowly self-interested and bereft of social conscience or a social contribution.

Internationally, blame is apportioned to bankers, and speculators, for causing the crisis, and the IMF and the EU –

especially Germany – for the nature and harshness of the austerity programme.

To emerge from this crisis with a healthier, competitive economy, what is needed above all is public consent and support.

Prime ministers may come and go, the IMF and the EU may consent to further bail-outs, additional legislation may be enacted. But the key is the understanding and consent of a Greek public which has developed a sense of entitlement and state dependency that is difficult to change.

Conditions for consensus:

The Greek financial crisis is essentially home-grown (and exacerbated by the global economic climate of recent years).

For a whole generation, Greeks have elected and supported a political establishment (generally-speaking), which in turn has rewarded it with an extravagant system of state support and subsidy.

Membership of the EU has long been treated as a form of political legitimisation of this system as well as a source of a steady flow of money and subsidy from its various structural and convergence funds.

The Greek electorate has been central to this political and economic contract which is the direct cause of the immense financial obstacles now faced.

A new political contract is essential for Greece to survive the current crisis.

For this contract to emerge there has to be a degree of self-realisation among Greeks as a whole that responsibility for the last 30 years lies not only with one party or another, or one political class or another.

Greece could absolve itself of responsibility for the crisis, and sever its European commitments, by defaulting on its debt and removing itself from the Eurozone. This is an unrealistic, though not an unlikely option, and immensely unpopular in European circles.

Alternatively, there could emerge a gradual realisation that this crisis can only be met and overcome through broad public consent and co-operation in the wake of some acceptance of responsibility for the causes of the crisis.

The conditions of the bail-out are strict, the austerity measures harsh, and faith in the political system is diminishing, but a better future can only be built on a broad social consensus and co-operation to see the programme through in the long-term.

Can the Greek political leaders see that far ahead and create the conditions for consensus? Current evidence suggests not.

Dr Spyros Economides

Deputy Director of the Hellenic Observatory

NOTE: Dr Economides' article first appeared on the BBC News website (17/6/2011)