

Greek Politics in Hard Times: Between Europe and an Imaginary Place

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- In Greece, a program consisting of reforms in exchange for rescue packages from the EU, the ECB and the IMF – the largest such program in modern financial history – was supposed to have served its purpose by 2015
- Aimed at preventing the debt crisis from spreading through the eurozone, the program proved a mixed blessing for Greece
- Early election may lead to four scenarios: no government / new election, SYRIZA-led coalition government, ND-led coalition government, SYRIZA government
- It appears extremely uncertain whether a SYRIZA government can negotiate a successful new troika arrangement that will be also acceptable to SYRIZA as a party
- In terms of the challenges and dilemmas ahead, a broad coalition determined to reach a consensual, negotiated European solution to Greece's problems would be the best option for the country
- Greece's substantial defence presence in Southeast Europe exceeds the requirements for burden sharing within NATO and should be recognized as such both internationally and in domestic politics, especially in a phase of reopened geopolitical issues
- At the moment, the prevailing political logic in Greece does not endorse politics as a sophisticated way of seeking common ground in order to pursue collective ends
- Yet the political socialization of actors is a continuous process; it is hoped that collective wisdom in the EU will be such that any eventuality will be dealt with in a European spirit

Introduction

In significant ways, 2014 has been a crucial year both for Greece and for the EU. But it is 2015 that will likely be seen, in retrospect, as a juncture. Greek parliamentary election in January ushers in a year of elections in Europe: there are parliamentary elections in Estonia, Finland, Britain, Denmark, Portugal, Poland, and Spain, in addition to a presidential election in Poland. This paper provides a reading of the road to this juncture and of the prospects ahead for Greece. It is argued that in 2015 the Greek polity will face a juncture in terms of both political economy and the quality of democracy. The outcome will of course depend primarily on Greek citizens and the country's political system, but the content and direction of EU-Greece interactions will play an important, even crucial role.

Between a Rock and a Hard Place

It is an "early", not a "snap" election – the latter usually refers to a parliamentary election called when not required by law or convention, in most cases to capitalize on a favourable electoral opportunity or to decide an urgent issue. It should be clarified from the outset that the early election on January 25th is the result of a Greek constitutional peculiarity (a provision that links the failure of the parliamentary election of a new president with the obligatory dissolution of parliament) and of the exploitation of that peculiarity by different political forces. While in other, comparable parliamentary systems with a president as formal head of state, the parliament would go on voting until they elect the president with a progressively lowered quorum – possible recourse to a national election being a political decision – in Greece the obligatory nature of the dissolution of parliament after the third unsuccessful parliamentary attempt to reach a

consensus on the President generates political developments by itself.

It goes without saying that from the perspective of Greece's fragile economic recovery, the early election was very bad news indeed. An election (and the intense politicization of the issues) at a later stage in 2016 would probably find the country on a more synchronized pace with an EU that would itself be clearer on its future direction.

In the few days remaining, as we approach parliamentary elections in Greece, a couple of issues and developments may play important roles. At the European level, there is of course the much-debated and eagerly anticipated January 22nd ECB announcement on Quantitative Easing. Pundits doubt whether the announcement will have a truly significant impact.¹ They may be right (in view of dissent on the ECB governing council and a sceptical Germany), but the issue for Greece is whether Draghi et al. will consider that to include Greek bonds might be seen as a political gesture in view of the election; not including them, on the other hand, raises serious questions about the integrity of the eurozone. In Greece, survey evidence appears to suggest that citizens in varying degrees (a) wish the country to remain in the eurozone, (b) consider that the stability associated with membership in EU institutions also includes a more or less "guaranteed" eurozone membership,² (c) are willing to try another approach to "negotiations" with partners and lenders, (d) tend to be persuaded by SYRIZA and ANEL that a "tougher" stance does not imply a substantially higher risk and, finally, (e) remain "undecided" in large numbers. A week before the election, a tentative "poll of polls" (based on the average findings of the most recent polls) published in Kathimerini suggests a rather considerable lead for SYRIZA (34,7) followed by ND (30,2), To Potami (7,0), Golden

1 D. Wessel, Draghi's Dilemma (15/1/2015), <http://www.brookings.edu/research/opinions/2015/01/15-draghi-dilemma-euro-central-bank-wessel>.

2 A view apparently shared by the European Commission, see, e.g., http://www.focus.de/finanzen/news/eu-kommission-griechenlands-euro-mitgliedschaft-ist-unwiderruflich_id_4382787.html

Dawn (6,2), the Communist Party KKE (5,6), PASOK (4,7), ANEL (3,0), but with a substantial 15 percent still undecided.³ In Greece's unicameral parliamentary system only parties surpassing a 3 percent threshold are entitled to parliamentary seats; the party that comes first wins an additional 50 seats. Given the provisions of the current electoral law, the number of votes required for securing a majority in Greece's 300-seat legislature depends on the support that smaller parties can attract.

Starting on January 26th, there will be three attempts by the President of the Republic to help form a government (inviting the leaders of the first, second, and third party based on election results) and if all fail, there will be another election sometime in February. Yet, the new Parliament that will emerge from the January 25th elections will have to choose the new President, according to one constitutional interpretation, even if a government is not formed. That seems to be the wish also of the current President, although constitutional experts tend to be far from agreed on the matter.⁴ Papoulias's term will have expired by the time second elections are held and a new parliament is in session. Papoulias himself is reported to insist that the parliament elected on January 25th elects his successor before a new election, if needed, is called.⁵

The 2014 European Parliament elections provide an interesting background. In Greece, the extreme-right vote (Golden Dawn) was consolidated at a level that is by no means negligible, but remains lower compared to Hungary's Jobbik, Bulgaria's Attack, the signatories to the Declaration of Bauska in the Baltic states, Austria's FPÖ in the Haider era or Geert Wilders' party in the Netherlands. Still, the group's potential for violence should not be underestimated: although this clearly escapes the boundaries of the present discussion, one of the problems in compar-

ing Golden Dawn to other parties of the extreme right (despite the clear common denominator of ultranationalism adapted to different national contexts) is the group's core metamorphosis into a network apparently encouraging criminal activities and the involvement of the Greek judicial system in order to combat such activities. Still, on Greek EP elections, another issue is the generational cleavage that clearly increases in importance; this is a dimension we should watch in so far as it appears to positively influence parties far removed from the centre, be it on the left or on the right. However, relatively unnoticed by Greek media, perhaps the most interesting result at European level is that the EP election in 2014 confirmed the dominant role of the European People's Party (EPP), the only "news" being the reaffirmation of a substantial part of its strength in times of crisis and change. This is also a parameter to be taken into account in the context of Greek debates on the negotiations with EU partners. The Social Democrats (S&D) were established in the important position of the second party, while the performance of the European United Left (GUE/NGL) has been weak, especially given the severe crisis and unemployment in many countries. It just managed to climb from a meagre 4.57 percent in 2009 to a somewhat improved 6.9 percent in 2014.

Background and Conditions

Familiar problems of bureaucratic inertia, lack of policy innovation, clientelist commitments, and legislative deadlocks have largely prevented the crisis from becoming also a window of opportunity. There are issues on the side of Troika, too: the apparent lack of specialized and applied knowledge of the Greek case was combined with the occasional indifference to domestic nuances and sensibilities. Being oblivious to social coalitions and the requirements for medium to

3 <http://www.kathimerini.gr/799946/article/epikairothta/politikh/ti-deixnei-o-mesos-oros-twn-dhmoskophsewn>.

4 http://www.contiades.gr/index.php?option=com_content&task=view&id=1330&Itemid=1.

5 http://www.ekathimerini.com/4dcgi/_w_articles_wsite1_1_17/01/2015_546303.

longer-term reform, different players within the Troika demonstrated at different times various degrees of inadequacy. One of the most urgent tasks back in 2010-2012 should have been a combination of deregulation, privatization and re-regulation, in order to combat oligopolies and increase competition in domestic markets. It did not happen.

In fact, the political dimension of the crisis that erupted after 2009 has roots in both the government and the opposition. Greece has been remarkably reform-resistant, and this is partly due to the consistently fierce and often violent opposition by the Left, combined with the Left's hegemonic position in the mass media, in universities, in opinion-makers and cultural apparatuses. This has resulted in the opposition's capacity to effectively veto developments.

In terms of the Greek economy, fiscal imbalances and sovereign debt are linked to longer-term problems, such as the inability to attract substantial amounts of foreign direct investment (FDI) which in turn relates to factors such as the lack of predictability on the tax system and the absence of encouraging political conditions. On the positive side, a number of important steps were taken during recent years, resulting in – among other indicators – an improved ranking for Greece in the World Bank's "Doing Business" scales.

Following years of intense, often erratic, but unmistakably painful efforts, the Greek government risked announcing that it planned an early exit from the rescue program in October 2014. The markets were not impressed. Under pressure from the opposition and anticipating a possible impasse in the coming presidential election, the government sought a game-changer. It did not work. Yet as two observers recently noted, "these elections are not about how to manage

the economic debacle, but rather about how to steer an incipient recovery. The Greek economy has been growing since the first quarter of last year, according to Eurostat. In the third quarter, the country's growth was higher than that of any other eurozone member, including Germany. This is not just a rebound: Unemployment has been declining and now stands roughly where it was before the worst point of the crisis two years ago. All this suggests that reforms are belatedly but surely yielding results."⁶

While the first indications of a recovery were evident by the end of 2014, including a projected primary surplus in 2015 of 3 percent of GDP, the instability associated with an early election against the background of a still fragile economy and an apparent lack of consensus on the way forward brought to the fore a series of doomsday scenarios and negative projections.

Possible Scenarios

As the international financial crisis that erupted first in September 2008 became a major issue within the EU, developments led to a re-opening of discussions over key issues and dilemmas on the eurozone and economic governance. In Greece, the financial-cum-economic crisis reshaped the parameters of the debate. From a longer-term perspective, it may seem as if the crisis simultaneously wreaked havoc on the social fabric and forced open a window of opportunity. The latter would have required a new pragmatism in politics. But to achieve this, we would have to curb some of the structural constraints on large-scale reform while at the same time reassuring Greek citizens that national democratic accountability is not a thing of the past. Both aspects would be crucial. In today's conundrum, four scenarios can be entertained.

⁶ P. Barbieri and D. Valatsas, *Argentina's Lessons for Greece* (16/1/2015), http://www.nytimes.com/2015/01/17/opinion/argentinas-lessons-for-greece.html?_r=1.

First scenario: ND and Samaras manage to pull it off – improbable but not impossible. Formation of a coalition government (assuming, which is a safe assumption, that there will be no one-party government if ND just manages to stay ahead) will present relatively little difficulty. Challenges will have to be addressed immediately, though, in view of the very tight schedule for the completion of negotiations with the Troika. If Samaras manages to return to an improved reform track, he will probably be able to rely on a precautionary ESM credit line sometime later in 2015.

Second scenario: No new government can be formed and – as was the case in 2012 – a second election will be necessary. This will undoubtedly intensify economic problems and fiscal pressures. But it is possible that a rapidly deteriorating economic climate will help strengthen ND and Samaras as a preferred solution for many undecided voters.

Third scenario: SYRIZA wins and manages to form a coalition government. With SYRIZA leading a governing coalition, the tenor of policy will depend partly on the profile of the other partners. As several pundits have noted, whether Tsipras can negotiate a successful new troika arrangement that is also acceptable to his own party is extremely uncertain. It is worth noting that most leaders in SYRIZA have a Marxist background, while others have their origins in small parties associated with a pro-European left. It makes for a cacophonous, disjointed mix. As the New York Times reminded us, “the clearest indication of what SYRIZA’s policy plan would mean came from Tsipras himself. In September 2012, he stated in the Greek Parliament that he wished the country ‘had become Argentina’ ” apparently alluding to the deceptive and temporary combination of a debt moratorium and economic populism.⁷ In the end, it seems improbable that a SYRIZA-led government could

survive long, no matter which choice it makes. The Greek economy will deteriorate without a new program, probably causing the government’s partners to seek new elections. A deal could cause the more radical elements to desert Tsipras; it would be hard for the government to sell a deal that seems to depart from electoral promises to his more radical supporters. In this scenario, Greece would likely head back to the polls in a few months, and the options would be open.⁸

Fourth scenario: SYRIZA wins big and is able to form a government without coalition partners – improbable but not impossible. Most of what was mentioned above (in scenario three) applies, with a couple of addenda: the temptation would be much greater to resort to a confrontation with Europe and try to suppress opposition at home, leading to Greece exiting not just the Eurozone, but probably the EU itself. A referendum might find its place in such a scenario. SYRIZA in government may prove unwilling to tolerate the sort of multilevel opposition (in parliament, in the media, in interest groups, in the streets) it itself helped nurture and exploit. But it is the second and third scenarios that appear more likely. They will both have to steer through the Scylla of increased dependence on the lenders and the Charybdis of a justifiably disillusioned electorate. For any government, the timetable will be very tight. In a timely interview on January 18th, Finance Minister Gikas Hardouvelis called attention to this timetable and to the fact that Greece will not receive an outstanding aid payment of 7.2 billion euros unless a review of the country’s progress in meeting the terms of its bailout is completed by February 28th.⁹ Where does this lead? Having criticized the ND–PASOK government for its limited reform record, asymmetric and often erratic performance, and lack of meritocracy, noted economist Theodore Pelagidis goes on to argue that “when it comes

7 http://www.nytimes.com/2015/01/17/opinion/argentinas-lessons-for-greece.html?_r=1.

8 J. F. Kirkegaard, Greece’s Latest Travails Are Not Europe’s Problem This Time (2015), <http://blogs.piie.com/realtime/?p=4689>.

9 <http://www.kathimerini.gr/799975/article/proswpa/synentey3eis/xardoyvelhs-pi8ano-atyxhma-e3aitias-elleihs-egkairhs-symfwnias>.

to SYRIZA's manifesto, its policy proposals are not simply demagogic, contradictory and superficial. They are hilarious"

For the same analyst, the idea that a SYRIZA government "will be able to negotiate a new debt haircut is rather unrealistic as the debt is neither unsustainable after the PSI-plus, nor are the creditors going to accept any new haircut if the government will not first implement the existing conditionality program already agreed, which includes privatizations, primary fiscal surpluses and pension reforms". Since bond maturities in 2015 will reach almost 25 billion euros and most of the maturities are held by state entities, "one should not discount the possibility of either a violent 'Grexit' from the euro or, conversely, a long transition to some kind of normality that will unfortunately kill any hope of an imminent 'Greccovery'."¹⁰

The often vague and contradictory pronouncements by SYRIZA seem to reinforce this view.¹¹ For Pelagidis, "whatever may come to pass, 2015 promises to be a turbulent period for Greece and the eurozone. Unless Germany, that is, does 'whatever it takes' to avert Grexit and save Greece and the eurozone itself."¹²

An even starker picture is painted by J. F. Kirkegaard: "Despite what many outside commentators say, Greece is the least likely country to shift from the austerity policies in Europe. It remains a small broke country in need of outside financial aid in a potentially rough neighbourhood. In a euro area with no financial contagion, it has zero crisis leverage and will inevitably lose any new game of chicken with its euro area partners and jeopardize its hard won economic stabilization while the euro area's hawks use it as an example of what happens to a country that strays from the traditional policy consensus [...] and to illustrate concerns over moral hazard".¹³

Views diverge as to why SYRIZA should be so persistent in "renegotiating debt" hic et nunc instead of joining forces with many Greeks who think that the country's EU partners should be more visionary in supporting real reform and encouraging the conditions that would ensure longer-term growth (and a sustainable debt). Noted economic journalist Athanasios Papandropoulos argues that pre-electoral SYRIZA discourse is neither superficial nor transient; it expresses party line and is moreover aimed at sustained conflict with the EU: SYRIZA "wants an almost fully nationalized and corporatist economy in which the party would play the leading role. And they want to 'play' with international debt restructuring in order to create conditions of political hysteria at home, and to use such hysteria to limit the domestic democratic institutions".¹⁴ In the early 1980s, when the rise of PASOK sent tremors through Greece's political establishment, distinguished Greek-American political scientist, Roy Macridis, published a controversial paper on Greek politics. He considered Greece to be at a crossroads between European social democracy and Third World authoritarian socialism.¹⁵ PASOK populism proved to be disruptive, even catastrophic in a longer-term fiscal perspective, but not a real threat to Greece's democracy or indeed the country's European and Euro-atlantic trajectory. SYRIZA may prove a more formidable challenge to both, although the jury is still out on the party's eventual direction.

Conclusion: At a Crossroads

The interactive and multi-faceted nature of the eurozone crisis presents all players with acute and complex dilemmas: while domestic conditions have exacerbated the problems, the origins of the eurozone crisis cannot be reduced to the

10 Th. Pelagidis, Greece in 2015: Assessing the 'SYRIZA' Political Risk. Brookings Up Front, January 2015, <http://www.brookings.edu/blogs/up-front/posts/2015/01/05-greece-assessment-SYRIZA-political-risk-pelagidis>.

11 M. Martens, Der Geldregenmacher (12/1/2015), <http://www.faz.net/aktuell/politik/ausland/europa/das-wahlprogramm-der-griechischen-linkspartei-SYRIZA-13358352.html>.

12 Th. Pelagidis, Greece in 2015: Assessing the 'SYRIZA' Political Risk. Brookings Up Front, January 2015, <http://www.brookings.edu/blogs/up-front/posts/2015/01/05-greece-assessment-SYRIZA-political-risk-pelagidis>.

13 J. F. Kirkegaard, Greece's Latest Travails Are Not Europe's Problem This Time (2015), <http://blogs.piie.com/realtime/?p=4689>.

14 Ath. Papandropoulos, Η παγίδα Τσίπρα και που οδηγεί (14/1/2015), <http://www.europeanbusiness.gr/page.asp?pid=1504>.

15 R. C. Macridis, Greek politics at a Crossroads: What kind of Socialism? (Stanford, CA: Hoover Institution Press, 1984).

inadequacy of the club's peripheral members.¹⁶ But such members appear more vulnerable during transitions, especially since the asymmetries in economic power have increased in recent years.

Our discussion leads to five key but tentative conclusions: First, most of today's problems have been the result of a development path in which both governments and oppositions have played their part by eschewing consensus and reproducing a style of confrontational-ritualistic politics even when confronted with existential dilemmas for the country and its future. Second, while the first indications of a recovery were evident by the end of 2014, including a projected primary surplus of 3 percent of GDP, the instability associated with the early election against the background of a fragile economy and an apparent lack of consensus on the way forward brought to the fore a series of negative scenarios and projections. Third, the firewall in the Eurozone has developed and become stronger since the early crisis years, rendering Greece's position more vulnerable in the event of a conflictual type of bargaining. Yet – perhaps paradoxically – that is the style SYRIZA purports to favour, at least in domestic electoral discourse. Persistence in conflictual negotiating games, aiming to reach an early conclusion on debt haircut instead of focusing on improving the conditions that would further assist Greek growth, is a choice of high risk – especially if the EU partners choose similar bargaining tactics. The costs to Greece would be disproportionate. In other words, a choice of games of conflict in negotiations appears incomprehensible today. Fourth, current political instability – pace the Left's arguments – in fact increases dramatically Greece's dependence on the EU and on other member states' strategies, tactics, perceived interests, and views on solidarity. Last but not least, there is a link between

exploring "alternative ways" of economic governance and tampering with the institutions and practices of a pluralist democracy. For the Third Republic, undoubtedly the most open, liberal and democratic regime of modern Greece, this potential link does not augur well for the future. In this context, what is remarkable about much of the debate in 2014-2015 is the Left's yearning for an extra-European "progressive" recognition. There is open support for the likes of the late Venezuelan socialist leader Hugo Chavez. More to the point, there is an unmistakable fascination with a political class that would put business through its paces, with demands for the state to provide solutions for each and every social malaise. Barbieri and Valatsas argue that "Argentina offers apt economic parallels for the Greek electorate. But it is an example to avoid, not to follow. Debt default and unilateral withdrawal from the globalized world would not lead Greece to a renaissance. It would lead the country back to ruin. After years of recession and reforms, it would be a sad sight for Greece to follow Argentina, precisely when the former is recovering and the latter is finally about to turn its back on shortsighted populism."¹⁷

Greek politics used to be polarized and confrontational – attempts to overcome the confrontational style failed as the short electoral period up to the January 25th election was full of intense and heated exchanges between the main contenders. But if SYRIZA governs it will probably be in the context of a coalition government with either To Potami or PASOK, which will moderate some of the new government's views. Hopefully that will apply to honouring Greece's NATO commitments, too. Greece's substantial and laudable defence presence in Southeast Europe exceeds the requirements for burden sharing within NATO and should be recognized as such both inter-

¹⁶ K. A. Lavdas, S. N. Litsas and D. V. Skiadas, *Stateness and Sovereign Debt: Greece in the European Conundrum* (Lanham, MD: Lexington Books, 2013).

¹⁷ P. Barbieri and D. Valatsas, *Argentina's Lessons for Greece* (16/1/2015), http://www.nytimes.com/2015/01/17/opinion/argentinas-lessons-for-greece.html?_r=1.

nationally and in domestic politics – but also by the more commercially minded of Greece’s EU partners, some of them still being unable to read developments in the region from a geostrategic perspective.

While SYRIZA’s Latin American cacophony is genuinely baffling and potentially very damaging, other ideas can be more interesting. It has been reported that Irish Finance Minister Michael Noonan told Irish ambassadors and civil servants he “would not be dismissive” of a European debt conference being held as long as the issue of not only Greek but also Irish, Spanish and Portuguese debt could be discussed.¹⁸ And on January 18th, just a week before the Greek election, French Finance Minister Michel Sapin appeared to be rather conciliatory on post-election debt talks with Greece,¹⁹ while Germany and Finland appeared to be adamant that there could be no new Greek debt reduction.²⁰ Crucially, German Chancellor Merkel reiterates her wish for the eurozone to survive the crisis intact and emerge stronger as a whole.²¹ At the same time, however, in lender countries the public becomes worried. It would at any rate be beneficial if the more general contours of the European project were to become more openly debated. After all, transcending the current policy entanglement on sovereign debt could encourage better conditions for making debt itself more sustainable.

Most analysts agree that Greece will stay in the eurozone and explore ways to deal with its loans, most of which are now owned by other eurozone governments. Restructuring these loans into 100-year bonds at concessionary rates or converting them to euro bonds probably remain feasible options in the longer term,

so long as the developments are smooth, the timing is right and Greece first completes its economic reform programs.²²

But these are no easy tasks. A disinterested observer could reach the conclusion that this is the time for national consensus and reconciliation. Indeed, given the nature of the challenges and the dilemmas ahead, a broad coalition that would seek to reach a negotiated European solution to Greece’s problems would be the best option for the country. At the moment, the prevailing political logic is difficult to reconcile with a genuinely consensual approach. Politics as a sophisticated way of seeking common ground in order to pursue collective ends seems far away. Yet the political socialization of actors is a continuous process. In Greece, even if the results of the election lead to coalition governments, the political system seems unprepared to use this opportunity in order to turn the page to a new and happier chapter of political life. In the EU, on the other hand, one can only hope that the collective wisdom will be such that any eventuality will be dealt with in a European spirit.

18 http://www.ekathimerini.com/4dcgij/_w_articles_wsite1_1_17/01/2015_546307.

19 <http://www.ft.com/cms/s/0/7717f976-9f1c-11e4-a849-00144feab7de.html#axzz3PDWLge13>.

20 <http://atlanticsentinel.com/2015/01/finlands-stubb-rules-out-greek-debt-reduction/>.

21 <http://www.faz.net/aktuell/politik/europaeische-union/angela-merkel-ueber-den-verbleib-griechenlands-in-der-eurozone-13372348.html>.

22 J. F. Kirkegaard, Greece’s Latest Travails Are Not Europe’s Problem This Time (2015), <http://blogs.piie.com/realtime/?p=4689>