
Greece: Looking Beyond the Economic Crisis (ARI)

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Theme: This ARI examines how the economic crisis in Greece has come hand in hand with a crisis of political representation that makes it difficult to implement austerity measures.

Summary: Behind the protests of recent months by Greek citizens angry over economic austerity measures there lies something more than just the frustration of people who saw their standard of living drop overnight. Since 2007, another kind of crisis has been brewing that compounds the current one and involves a growing rejection of politicians and political institutions. As things stand now, it is important for people to feel they are represented by politicians and for politicians to be heard when they account for their decisions. In the case of Greece, the divide between the two groups poses a real challenge, although there are proposals –some of which have already been put into practice– that virtually everybody agrees on.

Analysis: Greece has been in the headlines since early December 2009, when credit rating agencies began to lower their ratings of Greek sovereign debt. It was the second time in less than a year –recall the protest rallies that took place in late 2008– that a country that goes largely unnoticed, and about which we know little, became front-page news.

The reason for the current high profile seems to be related to the economic crisis. But the two instances have more in common than one might think. Both in 2008 and now, the Greek people's explosion of anger stems from what might be called a 'crisis of political representation' that goes beyond the economic crisis *per se*. It is through this prism that the people's protests and their occasional outbursts of violence must be interpreted. The fact that different kinds of crises are piling up makes it hard to resolve any of them.

Economic alarm bells sounded in early December 2009 when the main credit rating agencies started to downgrade Greek sovereign debt. Greece became the first and so far the only country of the euro zone to slip below an A rating. Because of these events, the Greek budget approved in late December already called for spending cuts to reduce the deficit in 2010. Early this year, the ugly truth about the Greek economy became clear. The Prime Minister, Giórgos Papandreou, announced that the budget numbers of the *Néa Dimokratía* government in 2008 and 2009 did not reflect reality: he disclosed that the deficit was actually much larger than previously stated (12.7% of GDP as opposed to 7%). The European Commission reacted by placing the Greek government's finances under supervision. It was the first time the Commission did this, even though, as the Trade Commissioner Karel de Gucht said, Greek accounting acrobatics were known about as far

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back as 1999, when Greece joined the euro under the PASOK government. Papandreou immediately announced a stability plan aimed at reducing the deficit to 2.8% of GDP in 2012 (from a starting point of 13.6%, as revised by Eurostat). From that point on there came a series of austerity measures that had direct consequences for most Greeks.

On 3 March, the first package of measures was adopted and it consisted mainly of cutting government spending (including a wage cut in the bloated Greek public sector and a freeze on pensions) and raising special taxes and VAT, as well as increasing income taxes for the highest earners. These measures failed to prevent talk of the crisis spreading to Spain and Portugal, nor did they keep speculators from feasting on Greece. Greece's economic situation worsened in late April when Greek bonds were downgraded to junk status. On 23 April, the Greek government requested help from the International Monetary Fund and the EU. The aid was made contingent on the adoption of a second package of measures, which Papandreou presented for parliamentary approval on 6 May as huge protest rallies filled the streets of Athens. Among other belt-tightening steps, the second package involved the elimination of two bonus payments for state-sector workers earning more than €2,500 a month and reducing these payments to a total of €1,000 in all other cases. The plan was approved by the ruling PASOK party, by the far-right populist party LAOS and by *Néa Dimokratía* member of Parliament and former Foreign Minister Dora Bakoyanis. She was immediately expelled from her party, as were the only three PASOK deputies who abstained. The result was that the IMF and the EU made aid available. Over the past three months, unions have called five general strikes, which the international press covered closely, due in part to the heavy turnout.¹ These reactions certainly have to do with the heavy economic sacrifices they involve for many Greek citizens.

But the protests are not always understood by international public opinion or the governments of some countries. Many people see the protests as unreasonable in a country that has been living beyond its means thanks to EU aid and that fudged its government finance numbers.² It is hard to comprehend the protests of those who, in their day-to-day life, sit back and watch –while some even take part actively– in the abuse of State resources for personal benefit (either through tax fraud, accepting bribes while working for the government or obtaining civil service jobs in exchange for political support). It is hard to understand why they feel like prisoners of institutions which have raced to their rescue. As Greeks express indignation, many outsiders ask why much of Greek society reacts as if it were the victim even when all signs are that the problem stems from social and political dynamics that have been deeply rooted for some time.

Why are the Greeks Protesting?

The key appears to lie in interpreting the reaction of the Greek people through the prism of additional factors other than the economic crisis. They include both factors which have characterised Greek society for some time and others which have emerged in recent years if not just months. Starting with the former, it is important to recall that the history of Greece since independence in 1830 has been punctuated with interventions which have often violated the sovereignty of the Greek State. Suffice it to say that Greece was the privileged scenario of so-called 'gunboat diplomacy' in the 19th century, and of the Cold

1 The last general strike, on 20 May, had a lower turnout, probably in response to the death of three bank employees in the previous strike, who died because of a Molotov cocktail thrown by violent groups taking part in a demonstration.

2 In order to do this, the Greek government relied on some banks and on the EU itself, which, although aware of the deceit, has so far not taken any measures in response.

War. Its geopolitical location and the recent nature of its current borders do not help either when it comes to allaying Greeks' fears of intervention by other states or international organisations.

Secondly, general strikes and protests by unions are relatively common in Greece. Just because news media interest has increased recently and street protests have been beamed to TV viewers all over the world does not mean this is a phenomenon that came along with the current crisis (and not even that of late 2008). In other words, Greeks are prone to protests, especially the unions. Added to this is a peculiar subculture of violent protest waged by anarchist groups, with its origin in recent Greek history.³ This subculture is particularly present in university circles following repression at the Polytechnic University in 1973, where –since then– the idea of law and order is immediately associated with dictatorship.

A third factor which can help us understand Greeks' angry response to austerity measures has to do with the successful populist discourse that dominated the country's politics in the 1980s. Its main exponent, Andreas Papandreou, father of the current Prime Minister and radically different from him in this regard, managed to instil in Greek society the idea of people being 'victims'. One of the defining characteristics of this kind of discourse was the construction of dichotomies with a deliberately vague meaning. A good example of this was the divide between 'the non-privileged' and 'the privileged' without quite specifying which were which. In this way, people just considered themselves to be part of whichever group suited them best.

The Political Crisis that Started in 2007

But moving on to factors which have appeared in more recent times, it is necessary to bear in mind that Papandreou won elections held just a few months ago (in October) on a platform that called for reining in the deficit even while spending more on public investment, raising civil servants' salaries, increasing pensions, fighting unemployment and supporting small businesses. In other words, the deepening of the crisis did not give him even two months of truce until, as a result of the austerity plan, his policies began to move in a radically different direction. This 'crisis of representation' could only be resolved with another election to ratify the current government and its proposals under the new circumstances. However, Papandreou himself has ruled out the possibility because of the high economic cost of another election and the risk that he might not win an absolute majority.

Finally, it is important to stress two underlying factors which have been present since 2007 and certainly allow a better understanding of both the current protests and those which happened in late 2008: a 'policy crisis' which goes hand in hand with what can be called a 'national identity crisis'. Greece enjoyed a sort of euphoria of national pride in 2004 thanks to the victories of its national sports teams and its hosting of the Olympic Games. Whereas in that period Greece showed the world what it was capable of, since 2007 a trend in the opposite direction has been observed. It all started with Greece's abject failure to cope with fires which razed the Peloponnese in the summer of 2007, killing 63 people and damaging archaeological sites, among others. Still, the opposition leader of the time, Giórgos Papandreou, was seen as a politician lacking charisma, a man with an American accent and ways and an electoral programme that was diffuse and

³ This should be taken into account when interpreting the protests that took place in late 2008 (see Kalyvas, Stathis, 'Why Athens is Burning', *The New York Times*, 11/XII/2008).

uninspiring. In the end, despite their discontent with the *Néa Dimokratía* government, Greeks were still far from considering PASOK an alternative and re-elected Kostas Karamanlis in the general elections of September 2007.

But many political corruption scandals struck in 2008. The two biggest were one involving payments by Siemens to win government contracts and the Vatopedi scandal. In this latter case, two ministers of the *Néa Dimokratía* government were involved in a swap of land between the State and a monastery, with the State ultimately losing an estimated €100 million. The corruption perception index calculated by Transparency International gives a good idea of the scope of the problem. In the ranking published in 2009 on the basis of polls of experts and businessmen in the two previous years, Greece was in 71st place, compared with 57th the previous year (Spain was ranked 28th and 32nd in 2008 and 2009, respectively). Corruption in Greece is not limited just to the upper echelons of politics. According to Transparency International, in 2009 about 18% of Greeks said that they or someone in their family had paid a bribe in the past 12 months (for Spain the proportion was 2%).⁴

Despite the steady flow of news about the government's shady dealings, PASOK still failed to stir enthusiasm as an alternative force and people began to speak of a 'two-party crisis'. This statement gained momentum with the rise of the leftist coalition SYRIZA, led by the young politician Alexis Tsipras, who captured up to 18% of voter intention between March and July. By the end of the year it was the Ecologists who began to gain support, although they never reached 4%.⁵ It was in this setting that, in October 2008, Giórgos Papandreou overcame his lack of popularity and pushed his party up into first place in voter intentions in response to the growing rejection of the ruling party. Riots broke out in December 2008 after the death of a teenager who was shot by the police, and this violence was not unconnected to the general climate of scorn towards politics and politicians and Greeks' feeling that they lacked alternatives.

The rise in the mistrust towards politicians, the main political parties and the Parliament reflects this sentiment. According to data from the European Social Survey, in Greece in November 2009, 56%, 54% and 38% of those polled said they had no trust at all in these institutions, respectively.⁶ In March 2005 these percentages were 35%, 37% and 20% (an increase of 21, 17 and 17 points, respectively). Comparing this situation with those of two other southern European countries in which the economic crisis is also hitting hard, it can be seen that the levels of political mistrust in 2009 were much higher in Greece than in Spain (38%, 39% and 13%), but similar to those of Portugal (56%, 55% and 35%). Thus, in both Greece and Portugal there is a convergence of an economic crisis with a serious political and institutional crisis. This complicates even further the idea of getting people to cooperate in the making and implementation of decisions.

Public Opinion on the Political Crisis

Some recent changes in public opinion are of particular interest. For the first time, half of the population seems to favour a solution based on a coalition government. But two new trends are also observed: an unprecedented rise in the inclination to abstain at election time, and a growing desire for new faces or new political parties.⁷ In the latter case the

⁴ See www.transparency.org. The study covered 180 countries.

⁵ The far-right party Laos seems to have relatively stable support at the national level, hovering at around 5%.

⁶ Percentages of those who place themselves between 0 and 2 on a scale of 0 to 10 in which 0 means 'no trust at all' and 10 means 'full trust' (www.europeansocialsurvey.org/).

⁷ Data from a *Public Issue* study of May 2010 (<http://www.publicissue.gr/>).

possibility that behind this lies a preference for ‘technocratic’ solutions cannot be ruled out. An example of proposals of this kind is a widely-commented speech by the President of Greece’s main business association, SEV, who in early May called for the business world to get more involved in politics. Finally, there is a clear majority support among Greeks for some reform measures. Those with the strongest backing have to do with ending tax breaks for the Orthodox Church (87%),⁸ penalising large-scale tax evasion (88%) and punishing corruption in the public sector and those having to do with armament purchases (64% in favour), including a possible accord with Turkey for reducing military spending in both countries (72%).⁹ The latter figure could signal the consolidation of the end of a long period of confrontation between the two countries, which has also served to distract people’s attention away from domestic problems.

Conclusions: The mechanisms for overseeing economic indicators in the euro zone countries have been questioned since early this year when it was made public that there was a discrepancy between what had been until then the official figures for the Greek deficit and those which in recent months proved to be the real ones. The challenge now is not only to strengthen those mechanisms but to find a solution for the Greek economy, those of other member countries also affected by the economic crisis and, finally, the euro zone as a whole. For this reason, in the coming months it will be important to find ways to convince people hit by the crisis that austerity measures are both necessary and fair. In a situation like that of Greece, where the divide between citizens and politicians has done nothing but grow in the last two years, the challenge raised is even greater. Knowing the roots of the political crisis and determining the measures that enjoy the greatest support among citizens can only help to ease off the risk of social revolt and the outright rejection of any proposal coming from the country’s current political leaders. Otherwise, measures imposed by decree will have little chance of achieving their intended results.

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⁸ This reform is underway.

⁹ Data from VPRC study of May 2010 (<http://www.vprc.gr/>).