Greece's crisis has brought new popular mood

Monday, July 30 2012

The June elections and subsequent formation of a government averted a much-feared crisis, which could have had repercussions for the whole euro-area and beyond. Following a very close race between centre-right New Democracy (ND) and ‘anti-memorandum’ left-wing Syriza, the former’s victory led to the creation of a coalition government, whose composition derives from a sensitive party balance and whose future is unpredictable.

What next

The new coalition government does not have much room for manoeuvre because it has to take on the hard choices previously agreed with the country’s lenders. Amid a climate of harsh realities and unprecedented changes in Greece's political landscape, the economy and the country's survival in the euro-area are still very much at risk. Nevertheless, as with every new government, even in the worst circumstances, there are some weak hopes that the situation may be reversed.

Analysis

Greece is in its fifth year of recession; the government expects its economy to shrink by a further 7% in 2012. Small and medium-sized businesses are closing down in large numbers. The unemployment rate is rising, having reached 22.5% in April (from 16.2% in April last year), while that for 15-24 year-olds reaching 51.5%.

The three-month electoral period affected the economy in a negative way, by allowing further deviation from the goals of the bailout agreement, weakening the reform process and hindering the state’s ability to raise revenue. Wider European uncertainty and weak growth rates in the euro-area have added to problems, with Greeks watching anxiously the situation in Italy and Spain.

Changed political landscape

Two consecutive elections in May and June (see GREECE: ND comes first but now must forge coalition - June 18, 2012) have confirmed that the two-party system of the Panhellenic Socialist Movement (Pasok) and ND has collapsed, and that the political landscape is altered irrevocably:

- The main victim is Pasok, the former governing party, whose parliamentary power fell from 160 seats out of 300 after the 2009 elections, to just 33 in June.

- Syriza has consolidated its position as the second-strongest party, gaining 27% on June 17, as the alternative pole of popular reaction, disapproval and opposition to the heavy conditions of the bailout packages. It is more than happy to play the role of main opposition, as it would have been neither able nor prepared to govern the country with all the unrealistic expectations it had raised during its election campaign.

Impact

- The former ruling Panhellenic Socialist Movement (Pasok) is damaged, its political clientele having migrated largely to Syriza.

- Under vibrant leader Alexis Tsipras, opposition Syriza is biding its time, yet it too is vulnerable to decomposition into its diverse parts.

- The Communists are weaker, but an aggressive force -- Golden Dawn -- has introduced neo-Nazism to parliament.
ND, a close frontrunner in the elections, was able to gain 30% of the vote, because the campaign was heavily polarised around the 'memorandum/anti-memorandum' dilemma, and the fear that Syriza’s victory would have resulted in immediate exit from the euro-area.

The elections confirmed that Greeks do not trust one party to govern the country, voting so as to force them to cooperate. The ND-Pasok-Democratic Left (Dimar) coalition was quickly agreed by the three party leaders. ND and Pasok could have formed a majority government with 162 seats in parliament, but because they were directly associated with the failures of the recent and more distant past, they sought Dimar's support, as a new, more legitimate pillar in the new coalition. ND leader Antonis Samaras was forced to adopt a more realistic and down-to-earth approach to coalition building, very much in contrast to his earlier unrealistic and out-of-touch prime-ministerial ambitions.

However, most of the credit for the formation and legitimacy of the new government goes to Dimar leader Fotis Kouvelis, who despite the risk, engaged actively with the new government by nominating some prominent officials. In the most recent post-election opinion polls, Kouvelis is the most popular politician, with close to 60%.

Some irrevocable changes

The current period after the elections marks the end of an era in Greek politics, and some fundamental changes have taken place, which reflect the dead-end of the last four years:

- Political elites, representatives of a bankrupt state, have abandoned their usual clientelistic practices, as they have neither money to give away nor positions to promise.

- Citizens have come to realise that the state sector is no longer a guarantee of secure life-time employment, are gradually deconstructing some sacred beliefs in the power of the state to manage the economy and are demystifying the perceived ‘evil’ of privatisation. In recent polls, more and more people appear to accept some privatisation at a decent price.

- Greece’s European partners have made it clear that solidarity and financial assistance come at a price, and that Greece must be serious about reform in order to receive the funds to avoid default.

- Despite the pessimism and the country’s negative image in the international media, the policies pursued by previous governments have done something to make Greece become more competitive in the labour, pension, wage and health sectors. However, there is much to be done in privatising and in modernising the state and the closed professions.

Greek expectations

Despite the memorandum/anti-memorandum dichotomy that has dominated political discourse, the real message of Greeks to their politicians and powerful masters abroad, is the need for growth and employment. On this Greeks do not feel that they are alone but are together with the other countries of Southern Europe. People have become obsessed with the notion of growth, following a devastating and debilitating recession and constantly rising unemployment that threatens to destabilise the country’s fragile social equilibrium.
While more protests are to be expected after the summer holiday, when additional austerity measures sink in, some are tired of strikes and what they regard as the stubborn vested interests that oppose reform. The coalition character of the new government reflects both the country’s strength and weakness. On the one hand, the new government’s agenda commands the majority of 179 deputies; on the other hand, splits could occur out of political calculation and party survival.

New Finance Minister Yannis Stournaras enjoys the support of the three party leaders and the prime minister in particular, and has gained some respect abroad for his decision not to renegotiate the bailout package or seek an extension of its implementation, before the country is back on track on its reform process (see GREECE: Apolitical minister pilots recovery course - July 25, 2012). Moreover, because the main party of this government -- ND -- is ideologically closer to privatisation, potential investors from abroad have started testing the intentions and the mood of the Greek market.

Faced with all this, the Greek people, who are depressed both economically and psychologically, need to believe desperately in a new more hopeful and optimistic narrative, in the knowledge that their effort may be pointless if the rest of the euro-area and its periphery do not recover either.

*Word Count (approx): 1189*