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The Greek Crisis: a Tragedy in the Making

Greece, as many other countries, has since 2009 faced the second phase of a global-scale capitalist crisis, the sovereign debts crisis. The banks, after being saved during the first phase of the financial crisis with government money, then turned against their saviours by reducing lending for the increasing sovereign debts, which ironically occurred for their sake.

Greece, as the eurozone's weakest link, was the first to experience the consequences of this lending suffocation and was very rapidly led into a deep economic and social crisis. There are two kinds of causes that are responsible for this crisis: firstly, the problematic design and functioning of the euro as a common currency, and secondly, the internal weaknesses and contradictions of the Greek production model and political system. This article is mainly focusing on the second kind of cause, that is, the internal element of the Greek crisis.

The weaknesses of the economic model

The global economic crisis of 2008 has found the Greek economy with several fundamental weaknesses:

- Reliance on 'easy money' (such as from the stock market or property), as well as on over-inflated private consumption, which has in turn relied on loans in recent years.
- The disproportionately central role of construction as the 'driving force of the economy' dating back to the 1960s.
- Particularly high public debt, which remains undiminished despite the widespread privatisations of the last 20 years.
- Over-reliance on sectors directly affected by the international crisis, such as tourism and shipping.
- Excessive dependence on oil consumption, an energy-wasting, pollution-generating energy model and the prospect of high-cost 'emissions rights' from 2012 onwards.
- Abandonment of mountainous and disadvantaged regions, which represent two thirds of the country, and overcrowding and overuse in the remaining third.
- An absence of genuine protection of natural resources in sectors such as water, forest land, fisheries resources and the countryside and biodiversity.

Most of these weaknesses were tightly related to the economic model that was designed after World War II and closely followed by all Greek governments (socialist and conservative). The mainly socialist governments especially the ones of the 1990s had envisioned a dynamic economy of services with a bright future, initially the introduction into the euro area and then the 2004 Olympic Games. The banks, the construction sector and retail based on imports would form the foundation of this economy.

Mergers and repurchases of banks, huge public works focused mainly on road and air transport, the introduction of international retail chains in collaboration with Greek groups, deviations from the urban planning in order to facilitate large commercial centres, encouragement of Greek investments in all neighbouring countries, were all utilised as growth levers.

By employing 'modernisation' as the basic political argument, social consensus was sought after by providing opportunities for easy money to a wide part of the society, as dividend and tangible proof for the profits of the undertaking. The proliferation of luxurious cars (especially the expensive SUVs), was presented as the new status symbol of prosperity and purchasing power. However, it soon led Greek cities to saturation despite the increasing number of new, ambitious road works. The external trade deficit was steadily increasing with alarming rates, a fact that wasn't even entering the political dialogue. On a communicative level, the Greek political leaders promoted the image of a 'strong Greece' while it was stressed that the said nominal convergence, with the entrance into the Eurozone, would follow the real convergence, where Greek wages would become equal to the ones in Germany.

Such an economy would ingloriously lead to a serious recession immediately following the 2004 Olympics, as was the case with Spain in the 1990s. But the new conservative government which took the power just before the Olympic Games, continued to support with conviction and admirable determination the further inflation of the financial bubble and the further growth of the construction sector, by encouraging a boundless household lending. At the same time the new government, did not made any effort to fight tax evasion and tolerated extensive violations of the working and environmental legislation.

As a result, the global economic crisis found our country with high public debt and high budget and current accounts deficits. Thus, when international financing started to tighten up, Greece went into a deep crisis.

European policies played a crucial negative role in certain sectors, as they were designed for production structures that did not correspond to Greek conditions. The CAP of the 1980s and 1990s led to abandonment of the mountainous and semi-mountainous regions of the country, which constitute two thirds of the country, since it was directed towards a model of intensive agriculture that requires big plains and abundant water resources.

During the 2008-2009 period, European programmes that were used to promote the demand for industrial consumer goods such as cars and air-conditioners, contributed to the further collapse of the trade balance due to the fact that Greece does not produce such products. Part of the resulting deficit was compensated with further government external borrowing.

The blossoming of consumption during the 1995-2009 period constituted the final phase of a long-lasting 'social contract', where the political system promised citizens continuous improvement of their living standards through the improvement of their purchasing power.

However, even since the decade preceding the crisis, the continuous burdening of the weaker parts of the society constituted the concealed side of all this 'blossoming of consumption'. The increases in the Greek wages were considerably higher than the European average. However, although they corresponded to a proportional productivity increase, they also corresponded to an inflation rate almost double as high as in Germany. As a result, the price increases of the basic goods of accommodation, diet and locomotion were by far higher than the official consumer price index (and much higher than the wage and pension increases at the same period), while the prices of many durable goods such as electronic, automotive and the cost of air travel increased at a much lower rate. This binary inflation is also related to basic weaknesses of the Greek economy and society, such as the absence of a powerful movement for the protection of consumers or the insufficiency of mechanisms to regulate the market. Practically, lower income

citizens improved their lives minimally, while the rise of consumption constituted an almost exclusive privilege of the middle and upper class incomes.

On the eve of the 2008 financial crisis, Greek society had one of the highest percentages of households in danger of poverty, as well as one of the highest rates of unemployment of young people compared to other European countries. Moreover, the basic trust between citizens, the priority in the protection of collective goods, as well as the fundamental concept of public interest had all taken a decisive turn for the worse, long before the purchasing power started to seriously deteriorate. This cultural crisis constituted, amongst other things, the background for the extensive dysfunction of public administration and the explosion of corruption, thus intensifying the traditionally pronounced social inequalities in our country.

Fiscal condition before the collapse

The fiscal aspect was even more complex. Traditionally, Greek public expenses were similar to those of Germany. However, their efficiency for the society was much lower.

A large part of public expenses was lost for decades in 'black holes' such as inflated military expenses which, for the bigger part, served other aims. Even during the 2001-2008 period, when the relations with Turkey were improving in an impressive fashion, military spending was continually growing. The conservative 2004-2009 government, openly talked about the 'diplomacy of military equipment' in the context of its campaign for the name of the Former Yugoslavian Republic of Macedonia, while even in the middle of the economic collapse of 2010, the socialists of Georgios Papandreou placed multi-billion euro orders for German and French armament systems, orders that the international press interpreted as political favours in return for the creation of the Support Mechanism. It should be noted that Greece is the second best customer of German military exports. Criterion 8 of the EU's Code of Conduct on Arm Exports explicitly prohibits such sales in countries with problematic economies. However, the answer to my question with regard to criterion 8 in the European Parliament stated that the Code of Conduct does not apply to Member States.

The public works sector constitutes one extra source of financial bleeding, supplying an extensive government-assisted private sector having strong bonds with the media, energy and mining sectors. Overpriced contracts, extensive corruption but also spending of European funds on programmes that lacked any sense of sustainability, created a situation which accumulated economic and environmental dead ends. The public works were used as a lever in order to support the dominance of road transports with the simultaneous scorn of the railway. They also enforce intensive agriculture of few big plains and depopulate the remainder countryside and transform prime agricultural land around the bigger cities into building grounds. Just shortly before the 2004 elections, socialist Prime-Minister Simitis, promised a network of closed motorways, where the distance from each point of the continental country would be a maximum of one hour. This is a promise that was also consistently promoted by the subsequent conservative government, and that Papandreou's ministers are also trying to honour at any cost.

The projects that were related to the 2004 Olympic Games established amongst politicians, a state of indifference for the final costs of each project, while the projects themselves were developed with the intention of occupying areas with high land value and with complete disregard for the law. Works such as the suburban railway connection with the new international airport or the coastal tram of Athens, were built only with insistence of the International Olympic Committee, while

commercial centres that functioned 18 months *after* the Olympic Games were legally shielded with special deviations, long before.

Despite its theoretically sufficient level, public spending had only marginal contributions to society. All these years Greece did not acquire either a sufficient welfare state, or functional public administration, or efficient support policies for the small and medium-size enterprises, or effective control mechanisms, or fundamental tools such as cadastre, forest cadastre and land use planning. The number of public employees was shown to be at the same levels as in other European countries. Their capabilities however, remained unexploited in an environment where cliental relations, bureaucratic perceptions and absence of objectives and accountability thrived.

Income tax rates were on average consistent with the levels of public spending. However, property taxes were 40% lower than the European average, indirect taxes and the taxes on employment much higher, while Church and politicians maintained special tax privileges. The basic difference was that in Greece the real governmental income was by far lower (at the levels of Ireland and Poland as percentage of GDP) because of extensive tax evasion. Specifically, the years shortly before the crisis, tax evasion led to a dramatic increase of lending, since the conservative government had suppressed the Tax Police as it had promised before the 2004 elections.

The truth is that the political system in Greece had 'defaulted' long before the economic collapse: with policies that opposed environmental, social and economic sustainability, with an inability to inspire the society to place its confidence to the politicians, with statistical data that undermined the country's credibility, with cliental relations that corrupted consciences to expect special treatment while remaining unwilling to fight for basic rights and public interest, with an over-inflated public administration and limited social state, with government-assisted business entrepreneurship which contaminated the private sector with all of the state's 'diseases', with failure to substantially utilise the huge funds from European programmes.

The wrong treatment for the weakest link of the system

In this situation, it was easy for Greece to become the weakest link of the eurozone. In an economy addicted to easy liquidity, the enforcement of the neo-liberal policies of the Support Mechanism that follows indiscriminately the classic shock treatments of IMF wherever it is applied, paved the way for economic and fiscal collapse. Moreover, the austerity measures were applied without any effort for a just distribution of the burden, without true political will for cracking down on widespread corruption and tax evasion (tax amnesty was given twice to tax evaders within a period of just 9 months) and without any idea of what the next economic 'landscape' would be. Practically speaking, we had the worst of the austerity recipes, with measures harder than those for Ireland and Portugal, combined with the negatives of the cliental system that was established long before the crisis appeared.

The course of the country could have been different if only fiscal adjustment had started more gradually and had been combined from the beginning with a broad European investment programme, specifically designed for the refocusing of the Greek economy in a green direction; if the representatives of the political system and the financial elite had decided from the get go to sacrifice some of their privileges; if the fight against corruption and property from untaxed capital had become a priority; if, instead of horizontal increases in indirect taxes, an integrated tax policy had been designed. In other words: if the measures had been designed

on the basis of social justice and the citizens had been offered a clear and tangible compensation for their diminishing purchasing power.

Therefore, the initial tolerance of the majority of the Greek people rapidly transformed into rage by the spring of 2011, when it became clear that the programme designed by the Troika (EU-ECB-IMF) and the Greek government was failing in its fiscal objectives, while the recession became deeper, unemployment skyrocketed to unprecedented and more permanent levels and the severe sacrifices of the citizens up to that point had not brought any tangible result.

Instead of apologising to Greek society with persuasive explanations for the reasons of the obvious failure, the government chose to address the rest of the political establishment for consent. When this effort stranded on closed doors, the government spent all its remaining political capital in order to pass, with the aid of a marginal majority in the Greek parliament, the Medium-term Framework of Fiscal Strategy in June of 2011.

This vote that the European Commission and the European governments greeted as a step of Greek credibility turned out to be the beginning of the end. In order for the Medium-term Programme to be approved, the socialist government promised its MPs the renegotiation of the programme immediately after its voting, strengthened the presence of deniers of the austerity policy on the ministerial board, while it adopted, with the blessings of the Troika, proposals from the conservative opposition such as the deletion of 10 billion euros worth of fines for illegal buildings and their mass legalisation with much smaller fines. At the same time, the fiscal goals that had been dictated by the Troika were proved overly ambitious and utterly unrealistic and the divergence reached levels of billions of euros. Under these conditions, the credibility of the country in Europe was effectively destroyed, while within the country, the additional measures were presented as a prerequisite in order to avoid immediate default and not as a route to overcome the crisis.

During this entire saga, the European Commission's role came as an unpleasant surprise as the Commission revealed itself as a zealot of neoliberal policies. The initial predictions that the 'bad cop' role of the Troika would be casted to the IMF and that the EU would play a balancing role between the programme and well-established European values, were quickly proven wrong. In the European Parliament, the Commission created the impression of a grey zone that was frustratingly opaque with respect to democratic scrutiny. Questions related to applied measures were referred back to the Greek government, which in turn referred such questions back to Commission and Troika. Many of the measures openly contradict and undermine European policies and treaties, whereas in several cases, the Troika offers political support to cliental policies and corruption phenomena. The Commission's as well as the Council's stand could be better comprehended if, at least, it led the rest of Europe to a clear solution. For the time being however, it seems to fight against the very basic European interests as the European south (Greece, Italy, Spain, Portugal) and Ireland are continuously sinking into debt and are practically under IMF supervision.

Lastly, the interventions in Greece's internal political life were exceptionally alarming for the future of the whole of Europe and its democratic identity. The concerted effort that lasted many months for a coalition government in Greece, the blunt intervention of European governments in the Greek prime minister's attempt to hold a referendum and the direct threat to withhold the 6th tranche of the loan despite the fact that Greece had already fulfilled all necessary terms and conditions of the current lending agreement with the Troika, remind us more of approaches

applied by the 19th century empires rather than a Europe of the 21st century aiming at its unification.

The Greek political system, as a whole, played a decisive role in what led to the country's tragic dead-end. The electoral system has been designed in order to promote self-reliant single-party majorities in parliament, while the more proportional representation system of the 1989-1991 period, was marked by three elections in just 10 months and was associated with governments that were considered by everyone as failures. Thus, a culture of collaborations is non-existent, with the two traditional parties (conservatives and socialists) always seeking self-reliant governments and with the more significant part of the left refusing any type of collaboration with the government.

It would, however, be unfair to attribute the failure of the measures to the absence of inter-party consent: their popularity in the society has become very low, while the polls forecast that socialists and conservatives would today assemble in total less than 50% of votes, compared to roughly 80% in 2009. The measures do not fail due to the intensity of the reactions against them, but due to their problematic philosophy and premise, bad planning, absence of a realistic adaptation to the Greek conditions and inability to inspire even a small part of Greek society.

Hence, the basic responsibility of the Conservative opposition is not that they avoided to consent, but that they fail, even to this day, to suggest a realistic, alternative solution to the Greek crisis. The transient collaborative government became urgently necessary in early November 2011, when the irresponsible political moves with respect to the referendum resulted in the loss of trust in the socialist prime minister even in his own parliamentary party, as he essentially accepted the ultimatum that Merkel and Sarkozy imposed: to pose as a question for the referendum whether Greece wants to stay in the euro and the EU, instead of making the new lending contract its issue.

The Green proposals to exit the crisis

As 'Ecologists Greens', the Greek Green Party, we pointed out since our first steps in 2003, that the country was building up an economy with an expiration date. As a surging political force in spring 2009, we spoke publicly about the problems of debt and deficits in a period that Georgios Papandreou as a candidate prime minister, offered assurances that "money does exist".

Our proposal for a green turn in the economy, in February 2009, took into account this fiscal problem, proposing a 'deviation of' the 28 billion euros in guarantees to the banks, so that they become connected with the obligation of preferential financing of the households for green investments with the objective to transform each household into a potential green investor. In practice though, the banks preferred to invest the cheap additional capital from the European Central Bank in order to extend their exposure to Greek government bonds so that they can fully exploit the difference in interest rates. The same choice was also made for the next series of governmental guarantees, which in total sum up to 100 billion euros, which is approximately the same as the total amount of loans agreed between Troika and Greece to date. As a result, the banks found themselves on the brink of disaster, while a unique opportunity for the economy, the environment but also for the creation of new jobs was essentially thrown into the garbage can.

In the climax of the lending crisis, in the spring of 2010, as Ecologists Greens, we supported the almost unanimous proposal of the European Parliament (the report of Green MEP Giegold) for European bonds as a means of a European guarantee for lending. At the same time we rejected the resort to the Mechanism of Support of the IMF and the governments, knowing the deep wounds that such policies have

left in the social and environmental viability, wherever they were applied. During the first phase, we characterised the measures that were applied as “immoderate cost, with unfair distribution and doubtful return”, without however encouraging the other green parties to vote down the relevant lending treaty in their national parliaments.

On the internal political front of our country we placed an emphasis on submitting proposals on transparency, military expenses and tax privileges of Church and MPs. We also focused on specific fronts such as defending the railway, where we fought a battle lasting several months at both national and European levels. WE asked for its reorganisation by a public railway company of another European country, instead of its network amputation that the government imposed, which in turn led to profits for construction companies that with the consent of the conservative opposition and the support of the Troika are involved in collaborations between the public and private sectors in order to fund motorway construction, from the railway network of 2009. The latter was already the second thinnest in the EU, today we have shut down 1/3 while another 1/3 hardly functions with only two routes per day. The regulations on the ‘suppressed network’, that allows free change of land use in just 12 months from the interruption of a line, excluding even the future reconstruction of the line in the same corridor, suggest even worse prospects for the railway.

Similar blows to environmental sustainability are:

- An over 40% rise in public transportation tickets; this rise neutralises the potential to utilise the high fuel prices as a tool to shift towards public transportation and the railway.
- The massive cuts in public spending, which also includes expenses for the benefit and protection of the environment. In the 2011 budget, the corresponding environmental expenses constituted a mere 0,01% of public expenses.
- The reduction of funds for public investments which inhibits the shift towards the so-called ‘sustainable infrastructure’, allowing the progress only of projects that can be co-financed by the private sector.
- The provision of exploiting public property, which leads to building precious free areas either in cities dramatically lacking in parks (such as the old airport Elliniko and abandoned military camps), or in extremely sensitive protected areas (such as the ex Voice of America in River Nestos).
- The policy of immediately attracting foreign investments aims at combining the disaster of the overly-built Spanish coasts with the uncontrolled mining industry of South America or Eastern Europe. The ‘fast track’ legislation of 2010 allows every investor, even an investor with modest funds, to negotiate his own environmental legislation, which nullifies the existing one.
- The massive legalisation of illegal buildings with the accompanied deletion of fines, led to losses of approximately 10 billion euros. With a last minute favourable amendment, even illegal constructions in areas of the Natura network will also be included in the legalisation process.
- The decision for water privatisation in Athens and Thessaloniki, as well as many islands.
- The provisions of the enforcing law of the Medium-term Framework of Fiscal Strategy for selling sensitive areas as well as the legislation which allows for non-transparent concessions to those who illegally utilize publically-owned land.
- The framework for tourist housing, especially in smaller islands, creates conditions for complete destruction of the landscape and the ecosystems.

- The recent amendment which forbids the use of 95% of the funds collected by the 'Green Fund' for the purposes that it was created for. The aims of the Green Fund (unfeasible henceforth due to lack of resources) concern the compensation of repercussions from the maintenance of illegal interventions that overload the natural and built-up environment.

A fundamental priority of Ecologists Greens is **TO SIMULTANEOUSLY INVEST IN THE EXIT FROM ALL THREE ASPECTS OF THE CRISIS**: the economic, the social and the environmental.

We focus on three basic priorities in parallel with the efforts for fiscal viability and the fight against corruption and tax evasion:

- Sustainable revitalisation of the countryside, with emphasis in the production of biological agricultural goods, and resurgence of the local and regional level economy, including the abandoned mountainous and disadvantaged areas.
- Promotion and upgrade of collective goods and services as compensation for the loss of purchasing power of people, in order for quality of life to become again a right for everyone as a kind of 'parallel social wage'.
- Urgent turn in the energy sector to eliminate the dependence on oil and lignite, promotion of solutions alternative to car use, but also investments in energy saving and in renewable energy sources, drawn so that they offer additional incomes for the maximum possible number of households.

Specific policies having these priorities need to be developed and applied in order to create funds and engage creative social forces:

- A just tax reform that will use the taxes as tools for encouragement or not of activities depending on their repercussions on the environment and the society.
- Measures for transparency and fight against corruption and tax evasion should aim at the re-establishment of a sense of social justice.
- Reduction of military spending and negotiations with Turkey for even larger mutual reductions. Given the Turkish candidacy for integration into the EU, it is logical to assume that the EU should become more involved in the efforts to resolve Greek-Turkish differences.
- The promotion of a social and solidarity economy is of central importance to us. The reconnection with the tradition of the 'ecology of the poor' becomes again particularly relevant.

A 'more', but different Europe

The promotion of proposals on a national level does not nullify the need for viable European answers to a crisis, predominantly European and global. Beyond the effort to fight off the dangerous stereotypes of each European country for the other, we consider that the crisis has revealed the exceptionally problematic character of the current intergovernmental model of the EU governance: governments that jointly shape European decisions but are accountable only at a national level have significant difficulties to 'think European'.

Therefore, we want 'more Europe', in a federal direction, with increased democratic legitimacy, social cohesion and justice. In this framework, we support the common proposal of European Greens for a Pact of Sustainable Prosperity, but also the proposals of Green MEPs of the Committee on Economic and Monetary Affairs for restructuring and deletion of part of the Greek debt, but also its detailed public logistic checking for any kind of dubious debts. We also seek changes in the ECB's

role with an extension of its mission beyond monetary stability to sustainable development and fighting against unemployment. In particular, with respect to its monetary policy, a less hard euro, low interest rates, but also increased funding for regional policy, and more targeted priorities around a green turn of the economy. Regarding the agreement of the 26th of October several issues need to be clarified: it is not acceptable to us that bonds which were obtained by the ECB in reduced value are paid in their nominal value, while bonds that are owned by pension funds are drastically cut.

This philosophy of our green proposals brings us on opposite sides with the socialists and the conservatives in our country who essentially rely on and promote neoliberal policies which led Greece to the current dire situation. As a party that is represented only in the European Parliament, we were not called into the recent negotiation for the formation of a collaborative government. We expressed the opinion though that this government should be short-lived and lead the country to elections. This in our opinion constitutes the lesser evil under the particular economic and political conditions. Our radical programmatic differences do not prevent us from staying open in communication and dialogue with other parties on specific subjects.

Presenting our proposals on the Greek economy, last June, we marked that a sincere effort for consent should include exchange of ideas on:

- What can we do for the sake of Europe as European citizens in order to have a sustainable reform of the eurozone, instead of only making demands on Europe as its weakest link and partner.
- What can our country bear? Where should the 'red lines' for taxation be drawn, for budget cuts, in the criteria and the limits that we place for public property privatisation?
- What went wrong with the Memorandum and what are the guarantees that this will not happen with the new one?
- In what ways and with what arguments do we address the European public opinion, how do we reverse stereotypes, how do we convincingly explain, without refusing our own responsibility, that the Greek crisis is part and consequence of a European-wide crisis and that dealing with it at the European level will also benefit Greece and all other European countries?
- What will happen if the Commission and the other European Union governments (mainly German and French) reject the Greek proposals? What measures would be needed for a scenario of immediate extinction of our primary budget deficit if we did not want to succumb to their demands?

During recent months, Greek society has been dealing with a continuous shock of measures and threats of expulsion from the Eurozone, which would most probably destroy the economy to an extent analogous to that of Eastern Europe after 1989. A similar fear and awe is faced by Europe in general.

Parallel to the rage directed towards the Greek political system, Greek citizens also view Merkel and Sarkozy as potential occupiers who want to punish everyone without any distinction, not as partners in a Union. It is still too early to have a complete and clear view of how the new political landscape will look like. We do know however that it will be a very different one. We, the Greek Ecologists Greens, are fighting for solutions with more democracy rejecting the temptations for populist 'powerful leaderships', temptations that unfortunately flourish in such situations. The final solution however in the issues pertaining to the crisis cannot be given by

one country alone: the solutions will either be European, undivided and thus sustainable or will not exist at all in the long run.

Michalis Tremopoulos is the first Green MEP from Greece. A lawyer and journalist for many years, he was prefecture councillor in Thessaloniki, after 1998, and regional councillor in Central Macedonia. He is co-founder member of the Greek Greens.

In the European Parliament Michalis Tremopoulos is vice-chair of the Committee Regional Development and substitute member of the Committee Environment, Public Health and Food Safety. Also, he is member of the Delegation Albania, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo and a substitute member of the Delegation EU-Former Yugoslav Republic of Macedonia.



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