

Interview with Dr. Alexandros Nafpliotis*

By K. Kaan Renda**

Many Greeks believe that the dichotomy between a Greek civil service, which is perceived as slow, well-paid and overstretched and on the other hand of a private sector, which carries the costs of the existence of a big state is the reason for the current crisis. Who do you think is to blame for the Greek crisis?

First of all, I think it is essential to stress the multiple character of the current crisis. We live in a globalized economy now more than ever, and it is a truism that the effects of, for example, a credit crisis in the US could very much influence economic policies in the Eurozone and beyond. In contrast with other countries around the world, Greece has been particularly hit by the so-called Great Recession of the late-2000s, for a variety of reasons. Greece's current predicament could be summed up in the herculean task of dealing with its





sovereign debt crisis. This colossal public debt was mainly caused by spendthrift state policies during the previous three decades. Successive governments of Greece, whose economy is among the 30 largest in the world, and was one of the fastest growing in the Eurozone during the 2000s, based the country's entire social model on running large public deficits, predominantly in order to finance public sector jobs (thus creating a gigantic and unsustainable civil service), with an eye to gaining advantage over their political rivals. The somewhat nefarious ways of the credit rating agencies, in conjunction with the lack of a stentorian European answer to Greece's financial woes, has added poisonous elements to the already toxic mix. As far as the dichotomy mentioned in the question is concerned, I would like to make two observations. It is true that a large part of the Greek civil service is slow, well-paid and overstretched (I would also add inefficient and corrupt), and that the private sector is encumbered with all the negative consequences of a big state. However, I believe that it is the type and the function of the Greek economy (with the public sector accounting for about 40 percent of GDP), often characterized as 'semi-soviet' due to the state's role and the predominance of vested interests (see, for instance, the existence of closed professions), that are the main culprits. One should not neglect the fact that a very large part of private sector activity (like construction, for example) is intertwined with the state, as it is mainly financed by it.

For the last two months, a new social movement (Desperates) continuously protests against the austerity measures. How does the political system see this movement/phenomenon?

The movement of *Aganaktismenoi* (Indignants) of Greece was modelled on that of the Indignados of Spain (its creation was actually sparked by protesters in Madrid). It now seems to have lost its, arguably significant, momentum. The originality of this social movement was owed to the fact that it was distinctively non-violent, and that it attracted people from across the political spectrum. Press and politicians alike initially discredited the movement thinking or hoping it would go away quickly. The perseverance of the demonstrators, however, forced the political system to pay increased attention to the movement. Unfortunately, though, this multifarious and far from monolithic phenomenon was once again exploited by politicians who wished to create the false impression that they were in touch with the people on the street. The protesters, on their part, did not manage to agree on anything more than their opposition to the austerity measures and the condemnation of MPs and the political system as a whole.

What are the benefits of staying in the Eurozone and the benefits of going back to the drachma?

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I strongly believe that Greece cannot afford to leave the Eurozone. The benefits of going back to national currency (the rise of exports, for instance) would evaporate in a short amount of time and any real recovery would not be sustainable. Greece has a long tradition of strong ties with the EEC/EU, which is extremely important to it for historical, political and economic reasons. Despite the fact that Athens has repeatedly failed to cultivate sincere relations with other Eurozone members, and despite some jingoistic talk about dropping the Euro for nationalistic reasons, most Greeks realise that their country could only flourish in close economic cooperation with its traditional European partners. Of course, there are some disadvantages as far as Greece's membership of the Eurozone is concerned; some analysts have long noted the inefficiencies of the economic system of the EU, as well as the inequalities it creates. These are issues, however, that need to be addressed on a European level, and certainly solutions that take into account not only major exporting countries like Germany and France, but also the countries of the South and the periphery, in general, should be reached. This is tied to the quintessential issue of political integration in the EU lagging behind economic integration.

In Greece, the labour unions have close connections with the political parties and for many they are historically controlled by PASOK. Do you think that this crisis can change this political relationship?

The way the socio-political system was created in Greece the last 30 years, has influenced all strata of society and all interest groups. Labour unions gained considerable power with the rise of PASOK, and the two seemed interconnected to a large degree. The symbiotic relationship between the unions and the socialist party has been on the wane since the death of Andreas Papandreou, and, more importantly (and somewhat ironically), since the premiership of his son, George. The terms described in the memoranda signed between the PASOK government and the troika (IMF, ECB, EU) are destined to frustrate and even infuriate labour unions and other pressure groups. Papandreou is now faced with the task of having to balance between the more liberal, progressive members of his party (and society, in general), on the one side, and the more conservative, populist members who belong to the old style PASOK of the profligate 1980s, on the other. It is my personal opinion that the prime minister will not be able to walk this tightrope without significant casualties on one of the two sides, and possibly on both. George Papandreou's transformation of the party that his father created, in conjunction with the painful decisions that he needs to take for the country's sake, will not leave PASOK's relationship with the unions unscathed.

Do you think that the programmatic statements of the opposition (right-party, Nea Demokratia), which states that lower taxes are necessary for growth can be implemented?

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The question posed reveals a variety of different issues that all affect the current Greek crisis. First of all, there is the stance of the opposition. Nea Demokratia, under its new leader Antonis Samaras, has chosen a quite precarious path in its approach to the country's financial woes. Although, traditionally, the party has struggled to promote liberal economic policies, placing great emphasis on Greece's involvement in the European integration process, Samaras has appeared adamant in his judgement of the memoranda signed by the Greek government as inefficient and conducive to further recession and troubles. However, and despite hopes from within and outside Greece, he has not succeeded in providing a credible alternative to the austerity measures taken by Papandreou in consultation with the troika. This has created serious friction within the European People's Party, the organization where Nea Demokratia belongs; European conservative party leaders have expressed their dissatisfaction with Samaras' intransigence as far as consensus in Greek politics goes. Nevertheless, as time progresses, the measures do not seem to pay off and figures do not seem to pick up, Samaras is increasingly gaining support, both domestically and abroad. As far as taxes are concerned, everyone that has studied the Greek economy since the creation of the Greek state knows that there exists a huge problem, and that is collection. It has been traditionally difficult to persuade Greek citizens to declare their income, be sincere about it, and pay the appropriate tax. Corruption in the sector is rife, thus making predictions of state profits irrelevant. Where Samaras is right, though, is in his insistence on demanding measures that would stimulate growth - see for example his recent fulmination against the government for not taking full advantage of EU funds provided in the form of the National Strategic Reference Framework (NSRF). The austerity measures will certainly help ease the burden on the state's finances, but they have already affected gravely a significant part of the population. Therefore, in the longer term, Greek economy needs a boost in order to stand on its feet but also in order to pay back its debt, and that can only be achieved through growth. It is no wonder that OECD has urged Athens to 'urgently' strengthen tax collection and boost privatization. In conclusion, I think that a policy of lowering taxes could work, but it would need a proper working, corruption-free tax collection mechanism (a major task in itself) as a prerequisite.

On the other hand, the left parties are against the austerity measures. What is their position about the future of the country and do they have a clear development proposal?

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Greek left parties have traditionally been against austerity measures, and in that sense they have been steady in their policies. However, they tend to ignore the harsh reality of the financial woes of the state's finances, and the dire need of reforms. They demand higher wages for everyone, discrediting any rationalization of the economy and the public sector, and thus appear unrealistic in their suggestions to resolving the crisis. As the situation in Greece rap-

idly deteriorates, their plans appear more and more chimerical. Notwithstanding that, it is only natural that a considerable part of those venting their rage at Syntagma and elsewhere will have political recourse (if briefly) to the Communist Party of Greece (KKE) and other parties of the left, as these represent the most vocal and militant opposition to the government and the troika.

What is the role of the media so far about the austerity measures, the performance of the government and about the rise of the new social movements?

The media's initial response to the austerity measures was numb; most outlets insisted on their necessity, as a guarantor of Greece's avoiding default. The majority of journalists followed the government's rhetoric about reaching the end of the abyss and tried to make the people understand that the measures were absolutely necessary for the country's 'salvation'. Lately, however, opposition to the measures imposed by the troika has become more vocal, since positive results are far from forthcoming and the people have started to feel the squeeze in their everyday life. This is greatly owed to the *Aganaktismenoi* of Syntagma square and elsewhere. The media at first dealt with the movement as another mass demonstration, like the hundreds that paralyse Athens every year. It was only after the demonstrators proved their worth by insisting and staying on for a considerable amount of time that the media decided to take the whole matter seriously and try to explain this new social movement.

Many commentators see new elections in September. Are these a realistic option? And what is the cost/benefit of this decision, given the fact that PASOK is only two years in power and the prime minister just reshuffled the cabinet?

After the recent deal concerning Greece, the voices of members of the government and PASOK that push in the direction of an early election in September have risen in number and determination. That is because these people believe that the best strategy to hold on to power is to go to the polls hot on the heels of the deal on the Greek debt that provides Athens with a significant breather, pushing away the specter of full and uncontrolled bankruptcy. Prime Minister Papandreou is tempted to succumb to this pressure in order to gain legitimacy for his choice to have recourse to the IMF and sign the memoranda proposed by the troika. However, the next tranche of the loan to Greece is set for mid-September, and the last thing that Eurozone member countries want to see, after the recent rise in the Italian and Spanish cost of borrowing, is instability and troubles in the Greek capital. The prospect of fresh elections, less than two years after the ones that brought PASOK to power, and almost three

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months after a cabinet reshuffle, seems quite dismal, also given the current fluidity of the Greek socio-political system, and the reaction, even violent, (due to the mercurial nature of the Greek public) that an indecisive election result could cause.

Do you think that the Greek programme can succeed or do we need a global solution to tackle the debt crisis?

Most sober commentators have been clamoring, for years, for the reforms included in the rescue package for Greece to be implemented. The rationalization of public policy, the opening up of sectors of the economy to a wider part of society, the end of the public sector as a depository of inefficient and corrupt but well-connected employees, have been high up on the list of things that needed to be done yesterday if the Greek economy were to stand on its own feet and become sustainable. Nevertheless, as implied earlier, the debt crisis is a global problem, and as such, it calls for a solution that is global in scope. The actors that will struggle to procure such a solution cannot be limited to a group of people, a government, a country, or even a regional organization alone; much more than that is needed. It is a combination of local, regional and international policies that will manage to tackle the issue successfully, but that does not mean that Greece (and the other countries that are facing similar problems) should halt its new difficult course, navigating through its dire financial straits. Greece has its work cut out for it, but it could also function as an (extreme) case study of how things can go wrong and how to fix them.

The EU urges the Greek parties to concede with the new measures and be more realistic about the future of the country. Do you think there is room for consensus in the near future, and which parties are more likely to move in that direction?

Consensus is an example of a word in the political dictionary that (unlike democracy) does not derive from ancient Greek (plebiscite is another fine example)- and for very good reason; consensus in Greek politics is a rare sight. The opposition leader has clearly stated that he will not provide the government with any substantial form of agreement unless the terms dictated by the troika are re-negotiated. Samaras is a staunch critic of many of the austerity measures included in the 110-billion-euro deal agreed last year and he insists that Papandreou should admit that the memorandum has failed. PASOK is more likely to get some (qualified) support from smaller parties like Democratic Alliance- the one recently created by Dora Bakoyannis, who served as foreign minister under the previous conservative government. Even in that case, however, it seems that would not be enough for PASOK to remain in power, as its performance in opinion polls has been extremely poor lately.

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Turkish Prime Minister Erdogan and the Minister of Foreign Affairs Davutoglu have been using a harsher rhetoric in terms of Cyprus issue. Do you think this tendency towards a more hawkish foreign policy has anything to do with the deep economic crisis in some European countries especially in Greece?

It is quite certain that, in such an international climate and given the importance of a country's financial clout today, Greece's bargaining position vis-à-vis its neighbours and other foreign partners is in constant decline. A number of commentators have noted that, apparently, Greece will not have much room for maneuver in a number of unresolved geopolitically crucial issues, such as energy sources in the Aegean, the Cyprus issue, and, finally, Greek-Turkish relations, in general. To answer your question I believe that Ankara's choice to use harsher rhetoric has less to do with the sorry state of Greece's finances (granted, that has always been a strong incentive), and more with Turkey's resilience and the confidence that the country is enjoying at the moment. I think it would be a mistake to approach this one-sidedly and ignore the current socio-political realities of Turkey, as well. In that respect, I would say that tells us more about the role the Turkish government wants to play in the region and beyond, than about the Greek crisis per se. **PR**

Notes:

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