businessfile

JUNE-JULY-AUGUST 2017 | No 111 | € 5.00

www.economia.gr

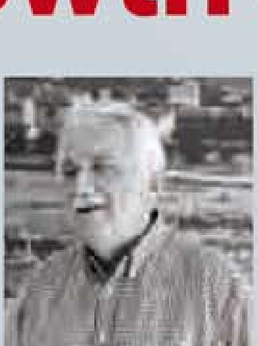
ISSN 1109-1592

9 771109 159005 06

Ideas and projects

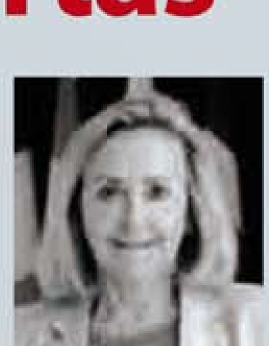
for growth ante portas

Stergios Pitsiorlas
on development, privatisations and investments



Stavros-Ioannis Benos
on the reforms in public administration

Raphael Moissis
reflects on the electricity sector in Greece and the PPC



Anna Bredima
on hopeful signs for ship financing from EU banks

Saving Greece: Lessons from the past, challenges for the future

The Hellenic Centre location in London was the backdrop of a gathering of academics, economists, journalists, both English and Greek, bringing together a wealth of knowledge and analysis, to address some of the pivotal issues of the Greek economic crisis. Organised by the Macedonian Society of Great Britain, the panel used their different strands of expertise to examine the crisis and the impact of the economic, political and social challenges that Greece is currently facing

By Eugenia Anastassiou

Professor Kevin Featherstone – Introduction to challenging Issues

"The Greek crisis has lasted eight years, seen four prime ministers and a greater number of finance ministers and it is now time to take stock and consider implications for the future and more importantly ask the question: how far has policy changed in eight years?" pointed out ***Professor Kevin Featherstone***, chairing the panel.

Unfortunately, the only consistent in the crisis is that there is no real exit and what is making matters worse is that the government is locked into a certain policy. This arises because of the prevailing attitude and strategies of individuals, politicians, the political class, institutions and leadership.

Who is to blame for this situation? Inherently, the fault lies with individuals and institutions, both domestic and international. Change has to come about in Greece, but it also has to be adaptable to the demands of the eurozone.

Structural reform of all institutions in the country must take place and furthermore be consistent and far-reaching, in order to escape from the existing crisis.

Professor Featherstone presented the "what if" scenario: If the IMF/ECB and Berlin showered Greece with more money, would the government use it wisely, would they administrate this euro windfall responsibly, restructuring and creating a more sustainable future?

Regrettably, the words and outlook of former Deputy Prime Minister, Theodore Pangalos “mazi ta fagame” (we all ate it together) still haunts Greece, and not only that; it also apportions the blame to the rest of Greek society, with not one person being “innocent” of contributing to the current crisis – change has to come about from both individuals and leadership.

Crisis in the context of history

One of the problems in dealing with the effects of the crisis, stressed ***Professor Stathis Kalyvas***, is that there is a general lack of knowledge and understanding of modern Greek history. Because this predicament has been faced by Greece several times in the past, it follows certain historic patterns:

1828-1830: The aftermath of the Greek War of Independence

1897: The aftermath of Greek/Turkish Wars

1947-1950: Post World War II, Civil War

These pivotal events in modern Greek history are interconnected, since they were all major disasters and Greece ended up bankrupt. However, despite these catastrophes, Greece had the resilience and ability to overcome them and escape, not just from the adversity of its history but also from the difficulty of its geography.

The overall story of Greece is of an “upstart” nation struggling to become modern. In general, emerging out of empire tends to make countries worst off, not just economically but in all other aspects; however, comparatively speaking, Greece has done better than the other former Ottoman colonies. Measured against its peers in the Balkans and other post-Ottoman states, it has done very well. It achieved independence against poor odds and over the coming decades built democratic institutions, it overcame a traumatic Civil War and oversaw a remarkable rise in living standards in the 1950s and 1960s.

The main reason being Greece hitched itself to the West from the outset of its independence, which helped it overcome extreme poverty – this external assistance was a pivotal contribution to the process of Greece’s modernisation and, as time went on, a factor which ended up in joining the ambitious eurozone project.

The IMF would prefer that any money left over as a result of pension cuts and tax reforms should be spent on cutting taxes and invested in social programmes, education, health and towards boosting the economy, rather than repaying the debt.

Of course, compared to its Northern European neighbours, Greece has not done so well. Especially ever since Greece’s 1974 transition to democracy, which has been a story of three decades of “stop-start” reforms, which has had major political and institutional consequences, which we are seeing today.

There have been changes in Greece’s economy, society and politics to bring its institutions and policies in line with more developed European countries, but others have been sporadic and vague, especially in taxation, pension and civil service reforms. Attempts to introduce change had fuelled systematic resistance from organised interest groups over the years, contributing to the Greek malaise.

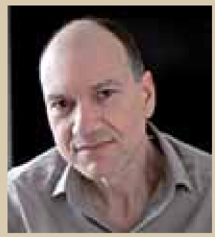
Professor Kalyvas cited the report, very appositely titled “Wanted: A Miracle in Greece”, which was written in September 1947 by Paul Porter, a US diplomat and President Truman’s envoy to Greece.

However, despite these “gloom and doom” scenarios the Greeks have managed to emerge and overcome previous similar crises and furthermore found themselves in a better position.

Eight years ago, everyone was talking about the political and financial Armageddon of Grexit, but eight years later Greece is still in the eurozone and this proves a certain resilience on the part of the Greeks, especially in this time of long-term, imposed austerity.

There is of course no escaping the fact that there has to be deep-seated reform in fundamental institutions and ideally internally – and this means everything, not just economically or politically.

Professor Kevin Featherstone, Head of the European Institute at the London School of Economics, Professor of European Politics and the Eleftherios Venizelos Professor of Contemporary Greek Studies. He has also served on an advisory committee for the reform of the Greek government. In addition, he has co-authored and edited various books on contemporary Greece, especially on the challenges of “Europeanisation”. His work (written with Kenneth Dyson) *The Road to Maastricht: Negotiating Economic and Monetary Union* was selected by the European Parliament as one of its “100 Books on Europe to Remember”



Political scientist Professor Kalyvas directs the Programme on Order, Conflict and Violence at Yale University. He has published extensively and has received numerous international awards for his work on politics, history and international affairs. Most notably he is the author of *Modern Greece: What Everyone Needs to Know*, combining the most up-to-date and complete economic and political analysis in the context of modern Greek history

Dr Chrysa Lamprinakou is a Research Associate at The Constitution Unit, University College London. She is a specialist on British and Greek political parties and her main research interests include election campaigns, political communication and studies into the professional backgrounds of the political class. She is currently co-authoring a paper on the changing characteristics and attitudes of Greek parliamentarians

Analysing the political background

The Greek public's mistrust of political parties has been a fact of life, even before the recent crisis. During the period of 2001 to 2009 it was provoked by the political scandals of the two main governing parties, PASOK and Nea Dimokratia, insisted ***Dr Chrysa Lamprinakou.***

After the first bailout in 2010 there was a significant drop to 50% in trust in the political system and today it is at an all-time low of 10% – with the last election seeing the highest rate of abstentions ever, at 43%.

In addition, there have been other fundamental changes in the Greek political scene. There has been a steady decline in support of the traditional two parties; in 2009 they had 97% of the vote, the major shock being in 2012, when they were unable to form a coalition and the historically entrenched two-party system just collapsed. In 2015, both PASOK and ND combined had a 64% share of the vote, with the new parties, such as SYRIZA, having 30%.

With this changing political landscape in the Greek parliament in 2012, 51% of MPs were newcomers, but it is interesting to see what is the background of those who have been elected recently and to ask the question: what and who is the new political class?

Traditionally, the largest amount of MPs were from the professions, eg. lawyers, doctors, business people, academics at 61.1%, but now their numbers are almost halved to 34%. The numbers of representatives from the media/journalism has increased from 4.1% to 9.3% and party or elected officials (such as former councillors, MEPs, mayors e.tc) has gone up slightly, from 0.1% to 3.5%.

The biggest difference is the amount of civil servants currently in the Greek parliament, from 8.5% to 22.9% – so the country is being governed by more civil servants.

Basically, these are "new dogs" performing "old tricks". This new political class may be younger, more forward-thinking and progressive, but they grew up and were educated in the old political environment with that negative stance of putting party interests over national welfare.

For almost ten years, Simon Nixon has been Chief European Commentator at the *Wall Street Journal*. He writes extensively on the Greek crisis, the European economy, the UK and the EU. He has also been City editor of *The Week* and founding editor of *Money Week*. Before his career in journalism, he worked in investment banking

Economist Vicky Pryce is a board member at the Centre for Economics and Business Research (Cebr). She was previously Director General of Economics at the Department of Business, Innovation and Skills (BIS) and Joint Head of the UK Government's Economic Service. She has also held a number of economic positions in the banking and oil sectors, as well as academic posts. She is the author of *Greekonomics*, a book on the eurozone crises and the possible impact of Grexit

It would be ideal that the Greeks could have a parliament which did not make the mistakes of the past, meritocracy replacing nepotism and that there was a pragmatic approach and cooperation for the good of the country.

The financial reality

For ***Simon Nixon***, all in all, according to *WSJ* figures and projections, **from 2015** Greece owes **€293.2 billion**, payable till **2059**.

The breakdown

- European Stability Financial Fund (EFSF) **€131 billion**
- Eurozone governments **€53 billion**
- Private Investors **€36 billion**
- European Stability Mechanism (ESM) **€30 billion**
- European Central Bank (ECB) **€17 billion**
- Treasury Bill Holders **€15 billion**
- International Monetary Fund (IMF) **€12 billion**

So far, **from February 2015 to April 2017,** Greece has paid back **€35.4 billion.**

The **IMF** taking the largest share – Greece repaying the first bailout programme from 2010.

Followed by the **EFSF** and **ECB** equally – Bonds exempted from the 2012 default.

Last repayment is to the **ESM.**

Treasury bond holders and private investors are due to get the first tranche of repayments **from mid-May till July 2017.**

The 'Catch 22' situation of the next bailout is implementing the agreed package of reforms needed to unlock the next instalment of cash.

Unfortunately, the lack of economic growth in Greece and lack of trust in its economic model, means that the IMF is not willing to lend, unless there is a credible plan on Greek debt. The IMF would prefer that any money left over as a result of pension cuts and tax reforms should be spent on cutting taxes and invested in social programmes, education, health and towards boosting the economy, rather than repaying the debt.

However well-meaning the IMF's intention, this puts Greece in breach of EU treaty prohibitions - which require member countries to bring government debt to below 60% of GDP over 20 years – by giving Greece more favourable surplus targets than its other hard-up Mediterranean neighbours, it could create a precedent for further debt relief demands and exemptions from other countries.

Greece is rich in both natural resources and human capital and this needs investment – examples include developing health tourism, alongside traditional tourism - but investors have had bad experiences in the past, especially in 2014-2015 and once bitten, they are twice shy, to come back and provide further finance.

The fate of Greece is both in the hands of its people and its government. Only they can win back investment and enact this much-needed growth in the country; creditors cannot be relied upon to create this transformation.

If Greece can implement the necessary reforms, restructure and modernise its systems it should be able to stay in the euro; if not, then it should just leave.

A positive voice

According to ***Professor Vicky Pryce***, Greece was not well-served in 2010, neither by its politicians nor the EU and IMF; in reality, no organisation was truly prepared for a eurozone member state defaulting – in addition to the fact that the measures imposed on Greece were too severe and not appropriate for the country and its circumstances.

Even the IMF expected the Greek economy to perform better and they have recently admitted that their prediction was wrong. The issue worrying Greece's creditors at the moment is regarding the fiscal regime: is it suitable to allow Greece to grow and improve? One aspect of concern is the scope of the tax base: is it wide enough?

Contrary to the stereotypical reports on Greece, it has in fact done well in some respects. It has reformed significantly, fulfilling 80-90% of the required fiscal repair and structural reorganisation – but Greece has to go even further, to attract that vital foreign investment.

On the question of corruption both in politics and society, Greece is not the only country afflicted. Germany has had numerous corruption scandals both in government and business, and Italy is in a much worst position, with exports in the south of Italy now totally under the control of the Mafia.

The Greeks have shown great forbearance enduring their prolonged adverse economic situation, but there needs to be renewed confidence, both in what they have already achieved and in the positives – and there are positives, such as Greece's natural resources and the Greeks' entrepreneurial spirit. bf

Paul Porter

Professor Kalyvas cited the report, very appositely titled "Wanted: A Miracle in Greece", which was written in September 1947 by Paul Porter, a US diplomat and President Truman's envoy to Greece

It is interesting and ironic to note that some of Paul Porter's 1947 observations are regrettably true today...

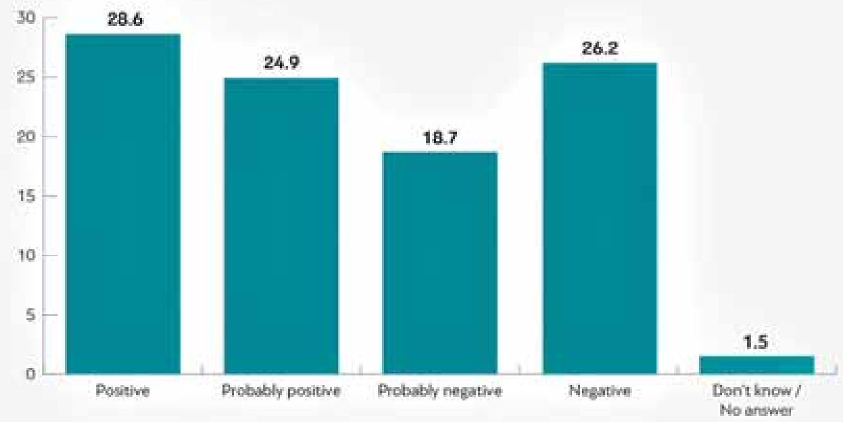
On the Greek civil service:

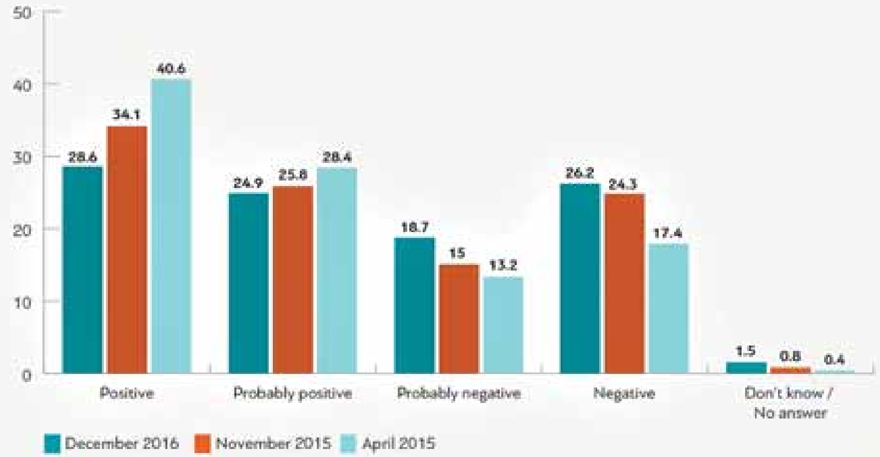
"I have never seen an administrative structure which, for sheer incompetence and ineffectiveness, was so appalling. The civil service simply cannot be relied upon to carry out the simplest functions of government – the collection of taxes, the enforcement of economic regulations, the repair of roads." **On Greek political leadership:** ***"Thus the drastic reform of the civil service is an indispensable condition to getting anything else done in Greece. But the civil service is just the beginning. There is the far more intricate and explosive question of the political leadership of the country."***

On organised interest groups:

"Behind the government, is a small mercantile and banking cabal. This cabal is determined above all to protect its financial prerogatives, at whatever expense to the economic health of the country."

It's been 35 years since Greece's accession to the European Community. Do you think that Greece's membership in the EU is overall...





Source: *Dr Chrysa Lamprinakou*