

## Give Greece a chance ... again

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Published on 10/7/2015 on *Politico*.

A lot of Europeans, especially in Germany and other northern countries, appear to be steadily more unsympathetic towards **Greece**. Greece's stubborn defiance is becoming tiresome. Grievances multiply, and have piled up for decades.

Let us recount them briefly here. Greek governments, both Pasok and New Democracy, fiddled accounts to join the euro and later concealed their deficits so as not to be penalized, while they severely mismanaged the crisis since 2009. George Papandreou was oblivious to the storm that was gathering and had to retire with his tail between his legs after not being able to call a referendum on the first rescue package.

Antonis Samaras was little better. When in opposition he unflinchingly insisted that the memorandum of understanding Papandreou signed with the Troika was dishonorable and was leading the country's economy to disaster, although once in office he lost no time in signing an adjustment program that was very similar to the one he had so vehemently opposed. He showed that his only interest was gaining office, and that his priority was party over country.

**The Greek two-party system failed to prepare the country for globalization.** The political elites dispensed cash and favors to gain votes, essentially a patriarchal system. For a government employee, or for someone with a patron in the system, a comfortable life was merely dependent on a continuation of the traditional set-up, while those outside this system had only limited chances of social advancement. The pattern was replicated in the private sector, dependent on public sector favoritism for contracts.

**Greece had become a rentier state**, dependent especially on the following: income from tourism (due to the sun and beaches); seaborne transport, thanks to its geographical location; real estate (those who could buy a second or third property relied on rentals in the black economy); the domestic expenditure of civil servants and pensioners; and on foreign lending, both private (with many German and French banks encouraging Greek consumption by way of cheap loans) and public, through EU cohesion funds. This external financing was necessary to cover the **current account's structural deficit**.

With such a weak economic structure there were few incentives to innovate and produce. Young people who dropped out of school worked in the tourist sector, construction or the black economy, while university graduates had four options: (1) attempt to become civil servants to gain a "tenured" job; (2) exploit family contacts to get decent work; (3) in the absence of patrons, make the best of it and end up frustrated in a substandard job; or (4) emigrate. The best-educated Greeks are in exile in the U.S., the U.K. or Germany.

Despite these drawbacks, for a time the Greek economy grew extraordinarily. Like Spain and Portugal, Greece had shed a dictatorship and there was much to build in the 1980s and 90s. Then came the triumphant first years of the 21<sup>st</sup> century, with the Athens Olympics and the national football team winning the 2004 European championship. The average Greek had a good life. **Retirement age was, on average, 56 in the public sector and 60 in the private.** Pensions were, and continue to be, extremely important, because they boost domestic demand and, at the same time, given the patchiness of the welfare state, are the only regular sources of income for families with a spouse or son or daughter lacking employment.

Alas, the crisis has brought the system tumbling down. Foreign lending has evaporated, the real estate sector has collapsed, wages and pensions have been cut by 40 percent, GDP has fallen by a spectacular 25 percent, the EU has doled out the biggest bail-out in the EU's history (in exchange for reforms and cuts) and two-party dominance has given way to Syriza, a party of the radical left which has championed the rejection of austerity and the demand for debt restructuring. This is the programme that has taken it to power and that it has defended tooth and nail — **as we've seen in the "Oxi" vote.**

"Kick them out of the euro," many in Europe say. **The idea of amputating the gangrenous Greek limb is gaining adepts.** Germany's Minister of Finance Wolfgang Schäuble is at the forefront of this camp.

But this attitude is a mistake. Compliance with the rules is important, but politics even more so. **Can Europe allow itself to see the eurozone, the clearest exemplar of European unity, split apart?** What message would the world receive? What sort of a political project would throw its weakest members overboard at the first sign of trouble? To say nothing of geostrategic and geopolitical factors: Does Europe really want Greece to submit to Vladimir Putin's Russia?

There are historic times when both leaders and their people, if they wish to continue united and earn the respect of the rest of the world, have to look beyond domestic economic interests and legal niceties. Despite their criticism of Tsipras' attitude, most Spaniards — my compatriots, who are better placed to understand Greek woes than, say, the German — seem to get the underlying issue.

**The latest Elcano Royal Institute barometer (BRIE)** shows that 65 percent of Spaniards surveyed believe that Greece should recover economically before paying its debts. That is an intelligent response. Greece is prey to many problems, but that does not mean it is incapable of transforming itself from a rentier state to a modern economy. Greece should be given a last chance to reform itself. Are you listening, Frau Merkel?