

Evolving Greek Politics amidst the Crisis: Destination Unknown

Takis S. Pappas

Department of Political and Social Sciences
European University Institute, Florence

Paris Aslanidis

University of Macedonia, Thessaloniki

We have all come to refer to it simply as the “Greek Crisis,” but it is a long-term, multi-actor national drama with important, even perilous, consequences for the EU and the euro zone. In this concise article, written shortly after the elections of May 2012, we begin with a somewhat impressionistic description of the dimensions of the crisis, then move on to examine the specific repercussions for Greek politics, and, finally, offer an assessment of both the outcome of the elections and possible directions going forward.

Crisis Data

Even the most cursory look at the data suggests that, by early 2010, the socioeconomic circumstances in Greece had already entered a cycle of hard-to-reverse deterioration. According to Eurostat, Greek GDP declined 6.9% in 2011 and is forecast to dip another 4.7% in 2012, marking the fifth consecutive year of recession (EC, Spring 2012 Forecast). The IMF reports that GDP per capita in constant prices is expected to fall from €16,113 in 2007 to €13,216 in 2012 – a whopping 18% drop in just five years. The country is unattractive to investment: the World Economic Forum’s *Global Competitiveness Index* ranks Greece 90th amongst its worldwide competitors in 2012, down from 47th in 2007. The Heritage Foundation/Wall Street Journal’s *Index of Economic Freedom* paints a similar picture, ranking Greece 119th, down from 73rd in two years’ time, while the IFC/

World Bank’s *Ease of Doing Business Index* ranks Greece 100th (out of 183) in 2012. Numbers on the social front are even gloomier: the unemployment rate is projected to rise to well over 21% in 2012, up from an already disheartening 8.3% back in 2007: this amounts to a loss of 700,000 jobs in five years and more than a million unemployed Greeks in total, all in a population of just 11 million – an overwhelming burden, shouldered mainly by the youth.

If numbers are half the truth, the other half is the Greek state’s underperformance on the institutional and administrative levels. *The Economist’s* Intelligence Unit reports a drop of 10 places (from 22nd to 32nd) on its *Index of Democracy* between 2008 and 2011, relegating the country to the category of “flawed democracies.” Reinforcing these findings, Transparency International’s *Corruption Perception Index* conveys an appalling message, ranking Greece 80th in 2011, on a par with many Latin American countries and even below many sub-Saharan African ones. This is down from 56th in 2007, which was already considered a disgrace for a country that fancies itself a member of the developed world. Finally, widespread social anomie, graphically captured in the news images of a burning Athens that travelled across the globe, is an unmistakable sign of a state that is failing to apply the rule of law and constitutionalism.

Political Repercussions

Even so, the picture presented so far is only the tip of the iceberg, for, below it, everything seems to be in transition in Greece’s hitherto well-established political and party systems. However, before looking at what is being dismantled as a result of the crisis, let us review the milestones of the Greek drama so far. Following the resignation of the New Democracy (ND) government back in September 2009, snap elections

were called for October, which were easily won by the socialist PASOK under George Papandreou's leadership on a promise of continued public spending. After a few crucial months in denial, the cat was out of the bag and into the streets: there was something terribly wrong with Greek debt dynamics, and public deficit figures were routinely manipulated. In February 2010, an estimated 5% deficit for 2009 was revised to 12.7% (the official Eurostat figure now stands at 15.6%), spawning worldwide fears of a hard landing. While foreign officials were dragging their feet and Greek politicians were indulging in exercises of self-delusion, Prime Minister Papandreou officially asked for EU/IMF intervention and, on 27 April 2010, Greek bonds were downgraded to junk status. On 1 May, a bailout loan of €110 billion was agreed on the condition of harsh austerity measures, spurring indignation, strikes, protests and riots throughout the country. As the economy plunged headlong into deep recession, the need for a second €130 billion rescue package was agreed on 21 July. However, the government was disintegrating and had to resign on 10 November in favour of a coalition government under the former vice-president of the European Central Bank, Lucas Papademos. The new government pressed on with implementing the agreements and managed to successfully conclude the procedure for a private debt write-off of more than €100 billion (entailing a 53.5% loss in face value for bondholders) by March 2012 that signified the end of its mission and the start of the pre-election period.

In the period between the elections of 2009 and those of 2012, the tectonic plates of Greek politics shifted considerably, paving the way for historical developments. Here are the most important changes.

The first and perhaps most obvious change concerns the very stability of the country's political system, which, at least since 1981, had been characterised by a simple two-party format. For three decades, the centre-right ND and centre-left PASOK were able to alternate in office with impressive regularity and, therefore, to share the spoils of controlling the state and its resources. Yet, as the crisis shook up the old party system, eventually forcing PASOK and ND to cohabitate in a coalition government led by a technocrat, the former two-party format suddenly seemed defunct.

Related to the decline of two-party politics is, second, the discrediting and disrepute of the entire political class that served under it and is now held responsible for the crisis. As indicated for instance in a 2011 *Public Issue Barometer* (Athens, April 2011), more than

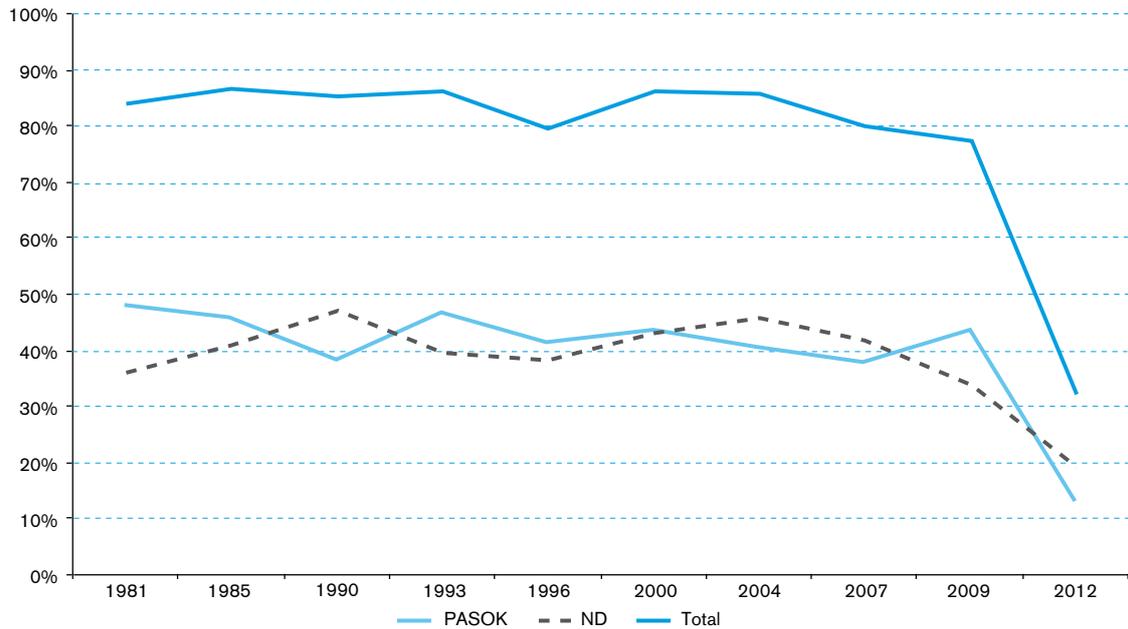
60% of Greek society held negative views of the leaders of all major parties, whether left, centre, or right. These negative views, however, soon morphed into occasionally ugly physical animosity towards politicians, ranging from physical attacks against lawmakers on their way to Parliament to mobs storming and ravaging their offices or disrupting their public meetings. Along similar lines, a third important development in Greece has been the virtual obliteration of the scions of the traditional political families that had, with few interludes, administered the land since WWII. The earliest victim of this trend was Prime Minister Kostas Karamanlis, nephew of the late Constantine Karamanlis, founder of the post-authoritarian Greek republic. The latest victim was the Papandreou family, with George Papandreou stepping down as Prime Minister in November 2011 and resigning as party leader in March 2012. Meanwhile, Dora Bakoyannis, a political heavyweight and daughter of former Prime Minister Costas Mitsotakis, was forced to leave ND and create her own splinter party, which failed to top the 3% threshold to enter Parliament.

A fourth victim of the crisis has been the Greeks' trust in Europe, which is currently giving way to both bewilderment and misgivings. As recent Eurobarometer surveys show, in contrast to the not-too-distant past, such feelings are now particularly strong in Greece. Thus, while in mid-2007 as many as 63% of Greeks claimed to trust the EU compared to a European average of 57%, by late 2011 only 29% of Greeks did as opposed to an EU average of 34% (*Eurobarometers* 67 and 76). Similarly, while a strong majority of Greek citizens used to agree that the country benefited from its membership in the EU (75% compared to an EU average of 59%, *Eurobarometer* 67), this opinion is now held by a 47% minority (compared to an average of 52%, *Eurobarometer* 75).

Finally, and perhaps most consequential of all, is the wave of Greeks now seeking a better future abroad, thus turning Greece once again into a country of emigrants. As employment prospects, as well as the general economic outlook, appear grim, many talented youth are moving to richer countries in the West, where they can benefit from higher wages and a more stable financial and working environment. The consequences of this haemorrhage of precious human capital are considerable in at least two ways, since apart from further shrinking the Greek market they also signify the loss of its most innovative and creative individuals around whom a framework for the return to growth could potentially be constructed.

CHART 13

Two-Party System 1981-2012 (% of votes)



The May 2012 Elections

The changes underway since the beginning of the crisis clearly impacted the outcome of the elections of 6 May 2012. Although many had predicted a major upset in domestic politics, no one was prepared for a complete realignment of the country's political and party system. The traditionally dominant ND and PASOK, which both backed harsh austerity measures in exchange for the continuation of Greece's loan agreement with the Troika, failed to get enough votes to form a majority in government. ND came in first with a dismal 18.9% of the vote, and PASOK all but collapsed. The big winners were the anti-austerity forces on both the left and the right of the political spectrum, which harvested a rich protest vote.

The electoral outcome has a number of characteristics that both help to understand the Greek predicament and offer valuable clues as to what comes next. First, the most decisive factor in the outcome was society's collective anger rather than the differing ideologies or policies of the participating parties. Citizens voted overwhelmingly against austerity and punished mainstream parties for years of economic mismanagement. In a very real sense, therefore, the outcome of the election constitutes a popular rejection of the terms of the foreign loan agreement signed between Greece and its foreign creditors.

The second characteristic of the electoral outcome is the extreme fragmentation it has wrought in the Greek

TABLE 6

Greek Elections, 6 May 2012

	%	Seats
New Democracy (Centre Right)	18.85	108
SYRIZA (Radical Left)	16.78	52
PASOK (Social Democrats)	13.18	41
Independent Greeks (Populist Right)	10.60	33
KKE (Communist Party)	8.48	26
Golden Dawn (Far Right)	6.97	21
Democratic Left (Moderate Left)	6.11	19

party system. As the two-party system went out with a bang, a multitude of smaller parties managed to attract all the floating voters of the broken system. However, because the electorate showed a strong tendency to flee the centre, most of these parties are located near either the far left or far right of the electoral competition space.

On the far left, besides the orthodox (i.e. Stalinist) Communist Party of Greece, one finds the biggest winner of the electoral contest, Syriza, a protest movement transformed into a party consisting of several components bearing such names as the Communist Organisation of Greece, the Internationalist Workers' Left, Red, and even Rosa [Luxembourg]. On the right are the Independent Greeks, a nativist nationalist party founded by Panos Kammenos, a former ND deputy with a knack for conspiracy theories, and, most worryingly, Golden Dawn, a Greek Nazi group. The latter was able to win the hearts and minds of

many Greeks by handing out food and clothing to the needy, offering protection against anomie and growing crime rates in many neighbourhoods of Athens, and campaigning against immigration.

Electoral Aftermath

The ranks of the extremes were filled by devouring the membership of the political centre. Has the new situation come to stay or will it prove to be another flash in the pan? In other words, have electoral habits changed forever? Until the spectacular breakdown of the two-party system, swing voters aside, Greeks used to vote more or less along clientelistic and rent-seeking lines. The two parties had a firm hold on the state apparatus and were eager to dole out favours upon assuming power in order to solidify support. This situation changed abruptly with the introduction of the Memorandum of Understanding and its strict financial requirements. When the spending spree came to a halt, rent-seekers felt the danger of losing their rents as part of the commitments conceded by the Greek government in return for bailout funds. State coffers were suddenly empty and clientelistic networks realised that their resources were depleted.

This explains a fair share of the resulting dealignment, its dynamics visible in the decisions and stances of trade unions, professional associations, state-fed media tycoons and other guilds that used to reap the fruits of the old system. These groups were now determined to stand behind any political force that promised to protect the status quo and freeze the destabilising reforms. So much for the rational part of the equation; the remainder can be assessed by observing the psychology of the average citizen-voter. Greeks are helplessly watching their standard of living deteriorate and are having a hard time coming to grips with the harsh reality. They are fed up with recession and unemployment and believe that there must be an easier way out than the long and winding path of memorandums, bailouts and austerity measures presented by the elites as their only choice. They are in a state of cognitive dissonance in which their view of what is wrong contrasts with the hard facts. Unable or unwilling to locate the origins of the crisis within the confines of the good old days, when everything seemed to work fine for decades, they assume that someone or something else has to be the culprit. They consider their situation unfair; they have been done

wrong, and so they will only support the person who pledges to undo the wrongdoings and restore justice to the nation by punishing those who are really guilty, not the hard-working “people.”

Populists came to the rescue and met this demand for an explanatory narrative, taking popular grievances and moulding them into an interpretive framework whereby elites, both foreign and domestic, have double-crossed the people in order to satisfy their narrow personal interests. This framework takes on different hues depending on the ideological origins of the political entrepreneur putting it forward. Left-wing populists insert allusions to welfarism and wealth inequality; populists on the right embroider their rhetoric with national or religious themes. Both sides end up identifying the same enemies. The outcome is clear: an anti-systemic drive across the board that funnels a sense of being under siege and leaves the political centre bereft of constituents, filling the ranks of the extremes and undermining political liberalism. From there, it is all downhill.

Postscript

The foregoing was written shortly after the May 2012 elections. In the more recent elections in June, in the face of the country's collapse and as collective fear tussled with collective anger throughout the population, ND managed to regain some of its former strength and finish first. At the same time, the leftist Syriza emerged as a major opposition party and now faces the dilemma of whether to stick to its former radical tactics or present a more moderate face. It is now also clear that Golden Dawn is here to stay and that its entry into Parliament in May was not a political fad. At the time of this writing, Greece seems to hang in the balance, with a weak coalition government faced with enormous problems that must act in an increasingly insecure European environment. Whether or not it succeeds will soon become clear.

TABLE 7 Greek Elections, 17 June 2012

	%	Seats
New Democracy (Centre Right)	29.66	129
SYRIZA (Radical Left)	26.89	71
PASOK (Social Democrats)	12.28	33
Independent Greeks (Populist Right)	7.51	20
Golden Dawn (Far Right)	6.92	18
Democratic Left (Moderate Left)	6.26	17
KKE (Communist Party)	4.50	12