

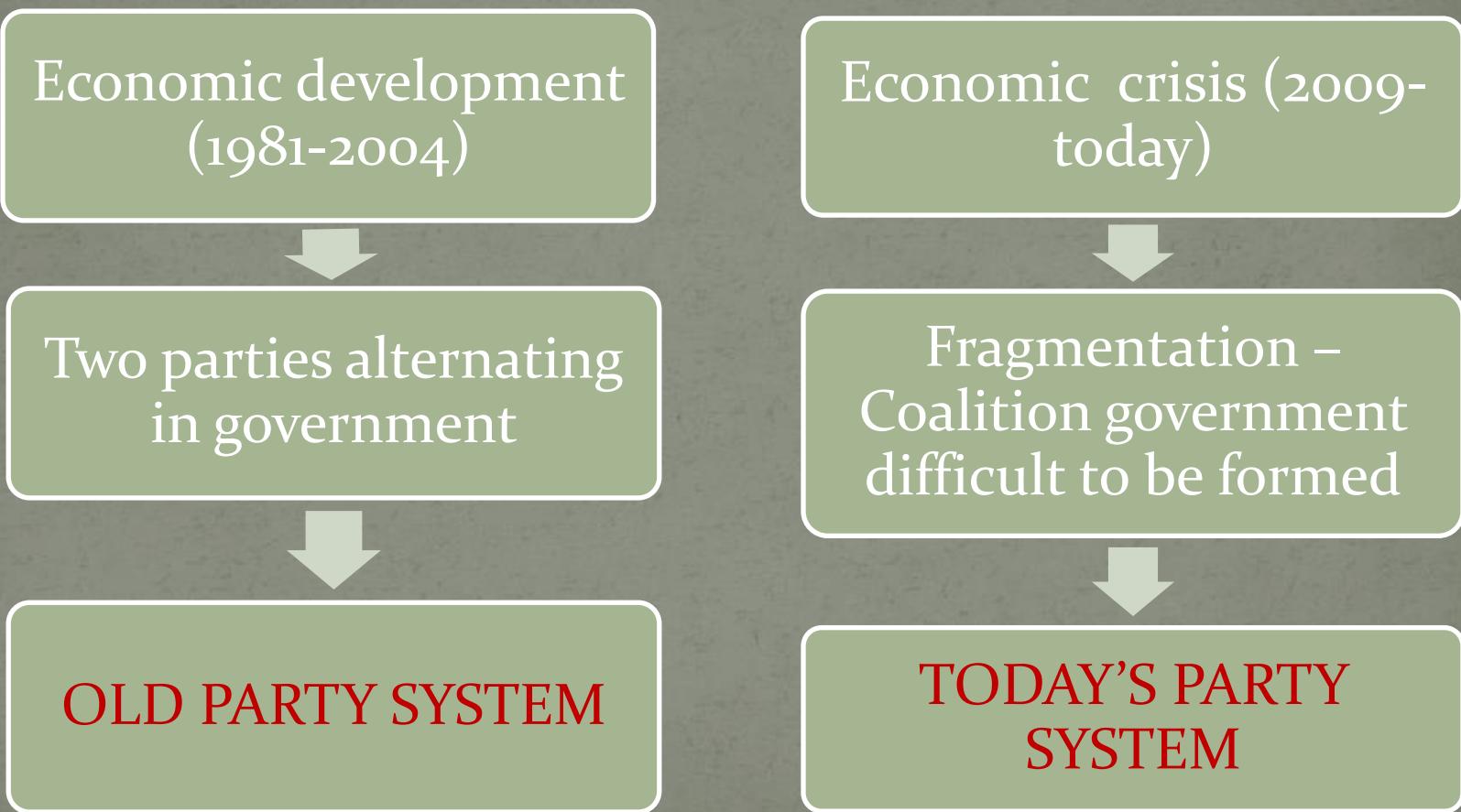
Democracy in Greece, Forty Years on

the role of economy and European Union
in Greek politics

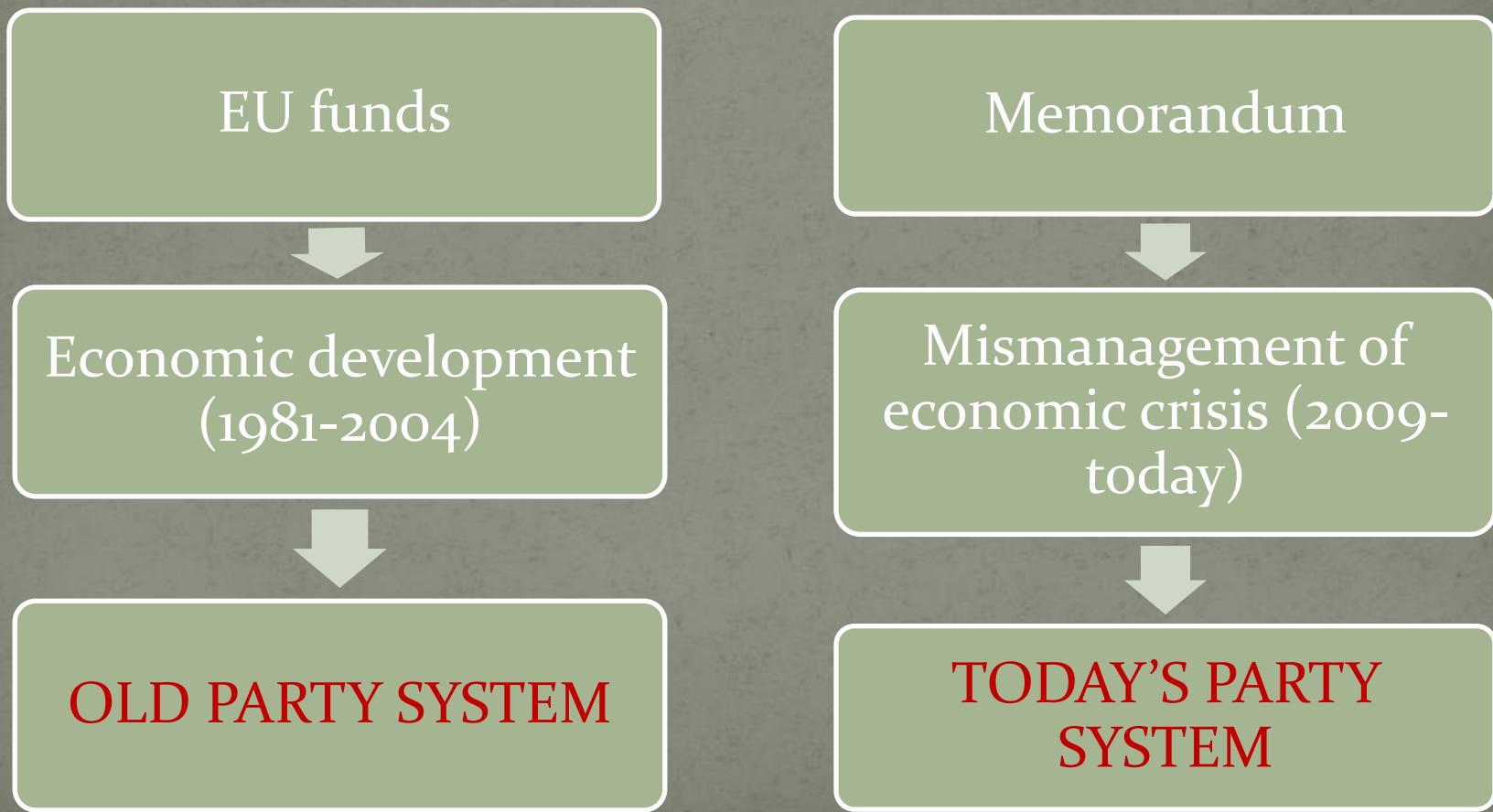
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The Role of the Economy in the Formation and the Transformation of Party System



The Role of EU in the Economic Development and the Management of Economic Crisis of Greece



The Old Party System

- Classic two-partyism and convergence to the middle ground
 - PASOK and New Democracy peacefully alternating in government with no particular policy differences (esp. since 1990)
 - Fierce competition over the management of client-elastic network consisting of public sector employees, labour unions and state-dependent businessmen
 - Weak, but surviving, communist party – temporary success of far-right party
 - Failure of new parties to enter the political battleground

Today's Party System

- Fragmentation and increasing polarization
 - Pro-EU-coalition government struggles to keep the parliamentary majority of only two MPs
 - SYRIZA, a radical left party split over the EU issue, is currently heading the polls
 - PASOK, the dominant party of previous decades, is reaching the point of near extinction
 - Neo-Nazi Golden Dawn smashed into the party system with an astonishing 7% and is expected to gain a higher share of votes in the upcoming election
 - New entry in the battleground: the liberal-minded River, lead by a 50-year-old journalist has recently risen to 3rd place

Phase I: EU funds boost the Greek economy

- EU funds contributed to the development of rural areas and improvements in infrastructure
- 27bn € were granted to Greece from 1989 to 2006, while 20bn € were to be drawn for the 2007-2013 period
- It is estimated that CSF III contributed to a total of 6.2% to the Greek economy between 2000 and 2006
- However, public finances and structural imbalances of its economy have not been addressed

What went wrong?

- Overextension of public spending
 - not actually channeled to welfare benefits but to the recruitment of public employees
- Dependence of private sector on the State for tenders, subsidies and low-interest loans
 - businessmen counted on loans and subsidies to start their business and they then supplied goods and services at prices far above the market price
- Inability or unwillingness to collect taxes
- Little export activity and long-term tendency to consume imported consumer products

The culmination of economic problems

- Greece borrowed money from abroad in order to finance the public sector and state-dependent business activity
- Governments funded deficits (16% of GDP in 2009) by **increased borrowing** that has gradually grown into an unsustainable public debt (129% of GDP in 2009)
- The culmination of Greek national economic problems **coincided** with a very adverse global economic environment

Phase II: Troika demands extensive salary cuts in return for new loans

- EU's insisting on sudden and harsh austerity measures coupled with governments' unwillingness to face privileged groups led to an asymmetrical distribution of burden
 - Severe decline in demand for consumer goods and services
 - Rise of unemployment to 27% in 2013 and youth unemployment to 59% in 2013
 - 1/5 of the population materially deprived, 2/5 of the population runs the risk of poverty or social exclusion
 - Public finances have been addressed but at a high cost (both economic and political)

How different was the Greek crisis?

- In contrast to Portugal and Spain, which also underwent a crisis but managed to form a political consensus, the Greek political forces **were divided on the issue**
- Apart from policy content, challenges refer to the rather abrupt policy processes through which government cuts were decided – **shift of decision-making power** from domestic institutions to EU and international financial organizations
- **Loss of legitimacy** of the elected government of 2009: divergence between policy promises and policy deliver

Radicalisation and other political implications of these differences

- Voters shifted their allegiances to the far-right and the radical left -> **ungovernable country?**
- Not easy to say, though the budget deficit has been transformed from 16% in 2009 to a tiny budget surplus in 2013 and the country is ready to borrow money from the markets, a development that is likely to bring voters back to centripetal forces
- All in all, Greece's post-authoritarian democracy stands out as a stable parliamentary regime in one of the most unstable corners of Europe

A look on quality of Greek democracy

- In fact, there is clear evidence of considerable improvement with regard to quality of democracy

Before crisis	After crisis
Political cynicism	<i>Still low trust in institutions</i>
Dormant civil society	Reactive civil society
Political corruption	Adoption of anti-corruption policy
Party discipline and personalization of party competition	MPs independence and policy-oriented parties
Weak role of parliament	<i>Still poor policy-making activity</i>

2014: a year to celebrate?

- Transition to democracy after a seven-year army rule (1967-1974)
- Positive role of EU on Greece's democratization (freezing the agreement to negotiate over Greece's accession to the EU in 1967, accelerating procedures soon after transition to democracy in late 1970s)
- **EU is still an issue in Greece though:**
 - The issue was hotly debated prior to 1981 between ND and PASOK, though PASOK changed its stance and discourse towards the EC due to purely economic motives
 - Euroscepticism has recently risen in Greece due to EU's involvement in handling the economic crisis

Thank you for your attention