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

- Two parties alternating in government
  - OLD PARTY SYSTEM

Economic crisis (2009-today)
- Fragmentation – Coalition government difficult to be formed
  - TODAY’S PARTY SYSTEM
The Role of EU in the Economic Development and the Management of Economic Crisis of Greece

EU funds


OLD PARTY SYSTEM

Memorandum

Mismanagement of economic crisis (2009-today)

TODAY’S PARTY SYSTEM
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-elitistic 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)
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.
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

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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