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Event Report
BÖLL LUNCH DEBATE

Forty Years after the Fall of the Dictatorships: Why Greece and Portugal Matter to the European Union[1]

When talking about Greece and Portugal these days, the probability is high that the conversation will revolve around the euro crisis with Greece often depicted as the source of all evil. What is frequently overlooked by fellow-Europeans is the long and difficult way these countries had to travel from dictatorships and backward economies towards democracy and industrial development. It is forty years ago now that, on 25 April 1974, the Carnation Revolution in Portugal made an end to a 48-year long dictatorship, the 'Estado Novo'. And it is also 40 years ago that, on 24 July, the Greek military regime that had ruled the country since the military coup of 21 April 1967 ended. This should be reason for celebration, but the mood in both countries is rather gloomy, if not angry. What was once won seems to be threatened. Anger and disappointment are directed against the political establishment, but also often enough against the European Union and its policy of austerity. When Greece joined the European Community in 1981, followed by Portugal (and Spain) in 1986, their accession was not embraced wholeheartedly. Especially French president François Mitterrand, who had opposed it initially, was afraid that the countries were not ready for membership and, also, that their accession would reduce the community to a free trade area. But then, for a while, everything seemed to go well on all sides and both countries seemed to prosper. Until the global financial crisis struck Greece in 2009, Portugal a year later and we started speaking of the 'eurozone crisis'. The year 2014 provides a good opportunity to look back on the history of Greece and Portugal from a European perspective and to look forward to both countries' future. Both countries matter to the European Union because with their (and Spain's) accession came an end to right wing dictatorships in Europe, turning the European Community/Union into the ‚flagship of democracy', which inspired people in central and eastern Europe to finally shake off their dictatorships.

Summary

In 1974 Portugal and Greece shed their dictatorships opening the road towards democracy. Forty years afterwards, there should be reason to celebrate, but the mood in both countries is one of frustration and anger. People do not feel they have a lot to celebrate and authorities are rather nervous about any commemorative actions. Still, the first part of the road towards

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[1] The event took place on 09 of April 2014. Guest speakers were **Ricardo** Cabral, Vice-President (Vice Reitor) and Assistant Professor in Economics, University of Madeira (Portugal) and **Iannis Konstantinidis**, Assistant Professor in Politics at the Department of International and European Studies, University of Macedonia (Greece). The event was held under Chatham House Rule. The opinions expressed do not necessarily represent the opinions of the Heinrich-Böll-Stiftung.

democracy went well for both countries. In the 1980s both joined the European Union and strongly benefited from EU funds, which brought about a rise in living standards accompanied by domestic political reforms, giving the citizens more economic and political freedom. However, this positive development is on the brink as the financial and economic crisis – and its management – revealed and fuelled several problems in both countries, resulting in downgrading by the rating agencies, but more severe a decline in social security, rising unemployment and especially bleak prospects for the future of Portuguese and Greeks citizens, especially the young.

Portugal

Portugal transformed beyond recognition in the last 40 years. The main causes for the uprising in the Carnation Revolution were a lack of political and economic freedom combined with the war-weariness of the population and alarmingly high emigration. In 1974 the revolution, led by young army officers, remained largely peaceful and ended 48 years of dictatorship. The aftermath resulted in free elections. The new government introduced a minimum wage, which – in real terms – has never again been as high as at that time, unemployment insurance, a national bank and foremost a social security system for all citizens including a national health service. The education system was transformed as well resulting in an exponential rise of enrolled students. The following years can be headlined with: embracing the integration into the EU, which also included the broad desire to be in the eurozone by Portuguese politics and people. But the installation of the euro in 1999 changed the tide in Portugal: unemployment rose, wages dropped and the trade deficit of the state grew, resulting in increasing external debt. The core problem of the eurozone is that the architecture of the euro is defective. One major malfunction of the euro is that most of the decision-taking in Brussels is based on negotiations, compromise and power games and less on actual facts. This is not desirable for any economic and financial policy. Another factor is that the euro was built on 'utopian ideas', which only vaguely relate to reality. To conclude, for the Portuguese people the euro has been a disappointment. Nevertheless, the euro had a massive impact on Portugal's economy, even though it is not the only reason for the situation in Portugal as malfunctioning domestic policies add to the broader picture.

Looking at the impact of the austerity measures imposed by the Portuguese government in the first decade of the 21st century, main developments were a decline in living standards in general and higher borrowing by the government, which resulted in the bailout by the troika (International Monetary Fund (IMF), European Central Bank (ECB) and Commission). When the troika took over many people including academics hoped for a better economic government than the domestic politicians were able to deliver. But, the troika's perception that the Portuguese problem is a fiscal crisis has two shortcomings: first, misdiagnosis of the crisis' nature which is not a fiscal but a balance of payment and external debt crisis and second, the wrong treatment meaning the focussing on austerity measures. This wrong assessment resulted in job destruction, particular for young people, a deterioration of labour conditions for those still in employment, such as the loss of social security, of unemployment insurance and, of course, a decline in wages. The average young employee in the public sector with a college degree earns about €800 per month, which makes it rather difficult to raise a family. Additionally, the health system fails as hospitals often lack money for the simplest things such as bandages.

There are conflicting views on the role of the troika in Portugal: they range from blaming the troika for having worsened the situation in the country to arguing that the troika is at least co-responsible for the current situation together with the national government. In the eyes of the proponents of the former point of view the troika is rather technocratic and has an escapist perspective and prefers its own perception to the facts. The facts are: mass emigration ('brain drain') of Portuguese comparable to the peak under the dictatorship (120.000 people left Portugal only in 2013) and a significant rise of suicide rates since the crisis began. Another alarming fact is that this year schools will remain open during the Easter holidays in Portugal to keep children from starving.

But in Brussels and Berlin the perception of Portugal is different, both claiming that 'Portugal is a success' and therefore austerity is the ongoing plan for the next years. Which of the views on Portugal will become dominant in the public debate depends very much on the resources to promote it; which is clearly in the advantage of the leaders of the EU and the strong Member States. But if Portugal and its people are dealt with in that way the country will crash against the wall, because it is not able to reach the unrealistic goals set up by the EU. Though, the EU has enough money to follow that road even if it is quite obvious that it leads into the wrong way. The Portuguese situation in that case seems to some extend comparable to the situation of Germany after WWI and the Versailles treaty which imposed huge war reparations; some see Portugal even under a 'second 'technocratic' dictatorship' by the troika.
To summarise the current state, Portuguese integration into the EU with its positive features, as democratisation and all the other mentioned achievements over the last 40 years, is at a high risk, therefore a rebellion by Portuguese people against the current EU and domestic policies seems possible until the decision-makers in Brussels and Frankfurt realise their failure and change their policies accordingly.

Greece
Looking at Greece's recent history sounds alarm bells just as in the case of Portugal. But it is necessary to contextualise the current situation. In November 1973 students of the Athens' Polytechnic School rose against the Military Junta, which had ruled the country for almost seven years. The brutal suppression of the student rebellion added to the de-legitimisation of the Junta. Slightly more than six months later, the Cyprus debacle led to the definite fall of the regime. Greek history from that point onwards can be roughly divided in three phases: 1974 – 1981; 1981 - 2004 and 2009 until today.

Greece entered the European Community (EC) in 1981, which affected the country positively. Relating to the political system from 1974 onwards Greece was led by two alternating moderate parties: the socialist PASOK and the conservative Nea Demokratia. Certainly since 1990 both parties do not differ much in their policies and ideology, both are pro EU and both tried to please their clientelistic network rather than to advance Greece as a whole. This old paternalistic system was very solid and is part of the Greek problems today as it contributed heavily to the overextended public sector and therefore to the debt of Greece. However, in economic terms Greece improved in that period, largely due to the EU funds, which amounted to €27bn for the period from 1989 to 2006 and contributed to the development of the rural areas and of infrastructure. On the other hand, the EU funding hampered domestic reforms as everybody more or less benefited from the system. The Greek private sector was and is heavily dependent on the state, as the state offered low interest loans and subsidies without which many Greeks could not have started their business. Most of these businesses sold their goods to the state or state-owned companies for relatively high prices. This system, which was cherished by public servants and businessmen alike, added significantly to the public debt. Other aspects of the situation in Greece were high tax evasion accompanied by insufficient tax collection effort, corruption, political cynicism and a predominantly dormant political society. Concerning the balance of trade the Greek private sector is dominated by high imports and little exports, which results in a foreign trade imbalance. Taken these factors together Greece borrowed heavily to keep its status, in 2009 lending was about 16 percent of the GDP and the public debt reached 129 percent of the GDP.

The third phase started with the external factor of the financial and economic crisis, which revealed the smouldering problems of the old paternalistic system; later the troika pressured the Greek government to apply harsh austerity measures e.g. to cut salaries in the public sector as an exchange for loans. But the measures by the troika and the Greek government can mostly be seen as mismanagement and asymmetrical distribution of the burden as unemployment rose to 27 percent in 2013; especially youth unemployment is a major problem as 59 percent of the young are without a job. Furthermore, the social system is on the brink of collapse and many people become impoverished; all these aspects result in a legitimacy problem of the Greek government, especially as many citizens feel that the government is just the extended arm of the troika.
Looking at the political system of Greece nowadays, it is obvious that government formation is hard to achieve seen the party political fragmentation with e.g. the radical left party Syriza at one extreme and the Neo-Nazi Golden Dawn at the other. The only positive change is that political fatigue has given way to a more active Greek society. Since 2012 the country has been governed by a relatively small governing coalition, which consists of pro EU socialists and conservatives and has only have two more seats in the parliament then the opposition. At the moment, Syriza is seen by some polls as the leading party, whereas PASOK is close to extinction. It is estimated that Golden Dawn will reach above seven percent of the votes for the European Parliament elections. Recently, in March, the Greek party system welcomed a new party: the Potami (River) party which is lead by Stavros Theodorakis, a popular journalist. Recent polls give Potami around 6 percent.

Conclusions

In spite of all negative developments, there is some hope for **Greece**. 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. And all in all, Greece’s post-authoritarian democracy stands out as a stable parliamentary regime in one of the most unstable corners of Europe.

As far as **Portugal** is concerned, it is indisputable that the integration in the European Union was helpful in establishing a democratic Portugal and in Portugal’s integration in the World economy, but all of this progress is now at risk. The troika adjustment programme is seen by some as a ‘Coup d’état’ where fundamental elements of Portugal’s social contract, part of it embodied in Portugal’s Constitution, are forever changed, with little regard for niceties or consequences. Portugal did not get out of a dictatorship, to get into a more powerful, more remote, more autistic 20-year long ‘dictatorship of technocrats’ based in Frankfurt, Luxembourg and Brussels.