

# Greece: The Long Road Ahead

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**Alexis Tsipras's government imposed years of suffering on Greeks, only to let the conservatives back into power. Rebuilding the fight against austerity could take years — and will be impossible without a direct confrontation with the European Union.**

The Greek election results were, first and foremost, a victory for the center-right New Democracy, whose nearly 40 percent of the vote secured it an absolute majority in parliament. For the time since 2009 — when the center-left PASOK (Panhellenic Socialist Movement) last won an election — a single party will form the government. Throughout most of the crisis, Greece has been run by coalitions, including Syriza's pact with the right-wing ANEL (Independent Greeks). But New Democracy's victory has formally brought that period to an end. Political stability has returned to Greece, and the traditional forces of government are back in power.

In practice, this stability began to return in late 2015, when Syriza surrendered to the European Union and signed a bailout agreement with Greece's lenders. New Democracy's victory is primarily the result of the four years of austerity Syriza applied at the behest of the lenders, hitting middle-to-low incomes hard and reducing national and popular sovereignty. Syriza's conservative foreign policy — turning Greece into a committed military and political ally of the United States and Israel in the Eastern Mediterranean — was a further factor in this defeat, particularly as it led Syriza to cut a deal on North Macedonia's official name that was rejected by broad swathes of Greek public opinion.

However, Syriza's defeat mostly owed to the economic and social policies it [policies it adopted](#) after its capitulation to the EU. Considering that Syriza originally promised a radical challenge to the Greek and European status quo, its evolution has been nothing short of disgraceful. Alexis Tsipras and his party are a lesson in what the European radical left ought to avoid in years to come.

[New Democracy](#) will not find it easy to keep its own promises. The rigid economic-policy framework imposed on Greece by its lenders will ensure weak growth, low incomes, and sustained pressure on workers and the middle class. The country might have turned to the right in reaction to Syriza's policies, but the conditions for long-term social and political stability simply do not exist. Equally, while in opposition Syriza will focus on becoming the alternative party of government and reestablishing a new two-party system, it will also find its task far from easy.

There is, however, a deeper problem. The parties of the radical left have either done very badly or proven untrustworthy. The challenge is to reestablish a Greek radical left connected with working people and articulating a transformative program that truly speaks to society's problems. In this respect Greece does still have lessons to offer — for it is not so different from the rest of Europe.

## Electoral Shifts

To understand Syriza's defeat, it is vital to consider some evidence about the electoral performance of the main parties of government during the decade of crisis. The table shows all national parliamentary elections since October 2009 — I have rounded the figures to make it easier to follow. The figures for the Greek electorate have remained stable at around 10 million throughout this

period. There is very good reason to doubt the accuracy of this number, as the electoral rolls appear to be badly out of date, though here we in any case focus on absolute figures.

Several important political conclusions are immediately apparent.

First, the abstention rate has risen significantly, indicating that Greeks are profoundly disillusioned with parliamentary politics. This percentage is probably substantially exaggerated given the poor quality of the electoral rolls, but the rise is not in doubt. The rising trend goes back a long time and became stronger during the deep crisis of the last decade. When Syriza rose to power in January 2015, abstention declined as the country looked to the left and there was a new enthusiasm for politics. Syriza's surrender after the notorious referendum in the summer of 2015 destroyed hope, and disillusionment returned. Abstention declined once again on Sunday but has remained very high, and this time the turn was to the right. Syriza's real legacy for Greek politics is that it has reinforced apathy and discredited the Left.

The outbreak of the crisis severely damaged the electoral appeal of New Democracy, which registered just 1.19 million votes in May 2012, rising to 1.83 million in June 2012, when it formed a government. But in January 2015, when Syriza first won, New Democracy's votes fell to 1.72 million and then collapsed to 1.53 million in the September 2015 contest, when Syriza won again in the immediate aftermath of its capitulation. This is the benchmark against which to judge New Democracy's resurgence in Sunday's election: its vote jumped to 2.25 million, nearly the same as in October 2009. The reason why the center right won on Sunday with an apparently large 40 percent score is that far more people abstained compared to 2009. Syriza's rule has certainly rejuvenated New Democracy, but it is important to keep in mind the center right's true electoral strength.

Syriza emerged from the margins of Greek politics in 2012 by taking advantage of the massive wave of anger regarding bailout policies and the humiliation of Greece. Its electoral support rose rapidly, peaking at 2.25 million when it formed its first government in January 2015. Syriza rode a tremendous wave of popular hope and increased involvement in politics. Even following its capitulation in summer 2015, it still managed to win the election that September with 1.93 million votes. The electorate was prepared to give Tsipras another chance despite his manifest lack of trustworthiness. It is remarkable that, after four more years of government, Syriza can still today collect 1.79 million votes. New Democracy's rise has not been matched by the equivalent decline of Syriza. This development will mark Greek politics in the coming period and calls for explanation.

Indeed, Greece appears to be returning to a two-party system in which New Democracy and Syriza — both establishment parties — will alternate in power. However, the table brings out a further crucial point: if there is going to be a new two-party system, it will be a threadbare version of the one that preceded the crisis. Despite New Democracy's dominance, its electoral strength is barely on a par with 2009. Similarly, although Syriza has sustained itself, it is a pale version of PASOK, the party it seeks to replace. Even in 2009 — just before it commenced the relentless decline that eventually brought its marginalization and name change — PASOK could rally more than 3 million votes. There is no evidence that Syriza will ever manage this feat.

## **The Causes of Defeat**

The seeds of New Democracy's victory were sown in summer 2015, when Syriza surrendered to the lenders and became an establishment party. It signed Greece's third bailout, lasting formally until August 2018, and consistently applied economic policies dictated by the EU and the IMF. The result was weak economic development and the alienation of broad layers of the population, especially those attached to small and medium businesses, which are still the backbone of the Greek economy.

Syriza accepted the bailout condition of ensuring monstrous primary balance surpluses of 3.5 percent of GDP, with the aim of servicing Greece's huge public debt. Achieving these surpluses required imposing heavy taxation. The entry rate of income tax was raised to 22 percent and the maximum rate to 45 percent. VAT was also raised, averaging 24 percent. Taxes on small and medium enterprises rose to 29 percent, though they were recently dropped a point in a desperate attempt to placate reactions. Incredibly, small and medium enterprises were frequently required to pay next year's taxes in advance, thus throttling their operations. Social-security rates were also raised to confront the intractable problems of the pension system, but they were imposed very unequally among companies. To these burdens must also be added heavy property taxes, including on private houses — taxes that are rightly perceived as the most unfair of all. Syriza had promised to abolish property taxes when it rose to power but instead maintained them.

To achieve the huge surplus targets, Syriza also systematically reduced public investment, thus undermining Greece's infrastructure and productive potential. Even worse, following the dictates of the lenders, it set as its main aim "the return of Greece to the markets." The party that had risen to power by railing against the "loan sharks" of the global markets came to consider their approval the ultimate mark of success. To this end, Syriza undertook an extraordinary effort to build a protective "cushion" of nearly €40 billion that would act as a guarantee for the markets. Thus, it exceeded even its 3.5 percent target, chalking up a surplus of 4.2 percent in 2017. The cushion was built by imposing tremendous pressure on working people and their families.

The markets did indeed reward Tsipras for his obedience by allowing his government to reissue bonds, and even brought the spread of ten-year Greek bonds to the remarkably low level of 2.5 percent in July 2019. This is the lowest borrowing rate Greece has been able to secure since well before the crisis, and the drop occurred despite its public debt standing at a record €355 billion — around 180 percent of GDP. The markets' approval has, however, come at great social and political cost.

In light of these policies, it is not at all surprising that the Greek economy performed poorly in the Syriza years, even though it has recovered from the depths of the gigantic recession of 2010–2012. Growth has been anemic, barely reaching 2 percent, the main cause of which is weak domestic demand due to bailout policies.

Consumption has been largely stagnant as real incomes are not rising and household indebtedness to banks is huge. The most telling indicator of ratcheting pressure on workers and their households is the enormous backlog of unpaid taxes. The sum currently exceeds €100 billion, or roughly 60 percent of GDP, owed by nearly 4 million people and enterprises. This huge debt has accumulated rapidly in recent years, growing by a further €3 billion in the first quarter of 2019. Its escalation has occurred despite the ruthless government policy of sequestering the private bank accounts and wage receipts of more than 1 million people. The axe has fallen heavily on the poorest, since at least half the debtors owe trivial sums of less than €500.

Private investment has also been very weak. From its peak of €63 billion in 2007, it collapsed to just over €18 billion in 2015 as the recession ravaged Greek industry. The steepest collapse of investment was in the construction sector, which has been devastated, destroying hundreds of thousands of jobs. Investment has been persistently weak during the Syriza years, barely exceeding €24 billion in 2018. Together with the fall in public investment — imposed by Syriza to achieve the exorbitant targets of primary surpluses — the profound weakness of private investment has been the main reason for anemic growth.

Greek capitalists will not invest, partly because the battered country's net saving is negative, leaving little room for investment growth. To make prospects even bleaker, Greek banks are essentially

bankrupt as nearly 45 percent of their assets comprise non-performing loans. The crisis has shattered the banks, and Syriza has made things worse by selling them to foreign speculative investment funds. The provision of credit to the economy for investment and consumption has been steadily declining for years.

The only positive sign for the economy has been the growth of exports, as Greek enterprises turned to foreign markets during the crisis. Exports of goods rose to more than €33 billion in 2018, and this growth has been much trumpeted as a sign of success for the bailout policies. It is less often mentioned that, once the economy had stabilized, imports began to rise again strongly, reaching €54 billion in 2018. Their growth reflects the underlying weakness of Greek industry, heavily dependent on imports. It also makes a complete mockery of the neoliberal notion — promoted by the EU, the IMF, and the Greek elite — that the country could be saved by directing itself toward world markets and becoming more “outward-oriented.” Greece’s trade deficit has been growing since 2015 and will prove a barrier to the neoliberal strategy. Greece cannot, and will not, be saved by directing its efforts toward exports. It needs a major restructuring of its productive base and strengthening of domestic consumption and investment. This will not happen without systematic public intervention.

In short, the straitjacket imposed by the lenders and accepted by Syriza has stabilized Greece by impoverishing it and miring it in stagnation. The Greek economy has not been structurally transformed: it has a weak industrial sector and an uncompetitive agriculture, while relying heavily on services of low productivity. It is no wonder that the sector with the strongest growth in recent years has been tourism, including rapid growth of Airbnb. Tourism is a welcome boost to an economy ravaged by crisis, but it represents a complete developmental dead end.

The inevitable result has been persistent and entrenched poverty. Unemployment has declined from around 27 percent in 2013 to around 18 percent in 2019, but the new jobs have typically been of very poor quality, precarious and badly paid, especially for the young. The ILO (International Labour Organization) found that real wages [declined significantly](#) in 2017, and it is probable that they fell again in 2018. Indeed, in 2018 about one-third of workers were paid less than €400 a month before tax. During the Syriza years — despite the mealy-mouthed words about “helping society to stand upright” — exploitation in the private sector reached fever pitch.

Poverty has been further exacerbated by the austerity and privatization policies in welfare provision — health, education, housing — adopted as part of the Syriza bailout. No wonder that the exodus of skilled Greeks seeking employment abroad, perhaps exceeding 400,000 people during the last decade, continued apace in the Syriza years. The capitals of Europe — Berlin, London, Stockholm, and elsewhere — abound in highly trained Greeks working as doctors, engineers, builders, and mechanics. Greece is losing its skilled youth while its birth rate is collapsing and its population is rapidly aging. Depopulation, poverty, and decline have resulted from implementing EU-imposed policies.

Realizing the severe social implications of its bailout policies, Syriza adopted a redistribution policy toward the end of its tenure. Part of the extraordinary surpluses in excess of the 3.5 percent target were redistributed to pensioners, low-income families, and others through small handouts. In effect, the tremendous tax burden imposed on modest incomes and small and medium enterprises was partly used to shore up low, or very low, incomes. This policy had very little to do with a socialist redistribution, which would aim to rebalance the share of national income in favor of labor against capital and would seek primarily to redistribute a growing income — as well as wealth — as the economy expanded. Syriza effectively redistributed poverty within a stagnating economy in the hope of maintaining its electoral influence.

Along similar lines, after the formal end of the third bailout in August 2018, Syriza decided to

[increase the minimum wage](#). Until 2012, the country's minimum wage stood at €751 a month, but it was reduced to €586 for those over twenty-five and €510 for those under twenty-five (the "subminimum"). With effect from February 2019, the minimum wage was raised to €650 and the subminimum abolished. Close to 1 million workers were affected by these changes. At the same time, the government began to take some steps toward reregulating the labor market. Collective agreements were made generally binding and the benefits were felt by workers in several sectors, including banking, tourism, and mining. These belated measures were important in allowing Syriza to avoid a steep decline in the recent election.

## **What Lies Ahead?**

Syriza has paid the price for capitulating to the EU and Greece's lenders. Middle-class layers turned against it, especially those attached to small and medium enterprises suffering from taxation and economic stagnation. They made up the increase New Democracy's vote. Syriza did, however, succeed in maintaining support in working-class areas of Athens, Piraeus, Thessaloniki, and other parts of Greece. These are traditional PASOK-supporting areas, though Syriza today obtains far less votes than that party once did.

There is no doubt that the political initiative now belongs to the rejuvenated New Democracy. Its new leader, Kyriakos Mitsotakis, comes from a rich [family of long-established political operators](#) — his own father was prime minister — and many close to him are scions of well-known political families. They are the core of the elite that led Greece to bankruptcy a decade ago. Now, Syriza has ushered them back in.

Mitsotakis appears to have learned some lessons from the crisis and the electoral shock it delivered to New Democracy. He has surrounded himself with technocrats — often people from enterprises and the financial markets — seeking to convey an impression of efficiency, modernity, and progress. He has promised to reduce taxation, thus directly appealing to the layers battered by Syriza, while also vowing to boost investment in the hope of accelerating growth and providing good jobs. His program and outlook are uncompromisingly neoliberal, aiming to shrink and revamp the public sector, presumably in order to boost the "wealth-creating" private sector. His message has found some resonance, even among the young, who associate the public sector with corruption, inefficiency, and nepotism, including during the Syriza years.

New Democracy will not find it easy to deliver on its promises. The straitjacket imposed by the lenders on Greece leaves very little room for maneuver. It will be impossible to substantially reduce the burden of taxation without negotiating a reduction in the 3.5 percent target for primary surpluses, and there is no evidence that the EU will agree to that. It will also be very difficult to increase investment over several years given the negative net saving and the parlous state of the banking sector, even if there is a temporary uptick of investment as private capitalists feel more encouraged by the change of government.

The notion of systematically attracting foreign direct investment (FDI) is just a red herring beloved by Greek conservatives and economic "weather forecasters" in the mass media. Greece has no tradition of large FDI, and the investment shortfall it faces in rebuilding its economy is far too big to be filled by foreign capitalists. The underlying realities of the Greek economy, especially its tendency to stagnation due to the policies imposed by the lenders, will be telling for Mitsotakis's ambitions.

## **Rebuilding the Left**

For his part, Tsipras will instead seek to restructure Syriza as a center-left party of government — a poor version of PASOK for the contemporary era. He can certainly draw some strength from the

electoral support Syriza has retained. Much more difficult is building anything like the organic links with local communities, trade unions, and other social bodies that PASOK used to possess. Syriza has minimal roots in unions or local communities despite nearly five years in government. In May's local elections, it secured fewer than ten major local authorities out of a total of 332.

Tsipras will also find it difficult to give Syriza the ideological and organizational backbone so vital for a party of government. It has less than 30,000 members, and much of its cadre was integrated into the state machine during its tenure in office. Their softened constitutions are unlikely to tolerate the grinding work that would be necessary to build organic links with society. Nor will it be easy to increase membership, given the disillusionment with politics that has become entrenched in recent years. Any attempt to define a new ideological outlook for Syriza will moreover run up against Tsipras's well-deserved reputation for unreliability.

Much will also depend on other parties' actions. To the right of New Democracy, the good news was the demise of the fascist Golden Dawn. A new far-right party, Greek Solution, has emerged to fill the gap, but it is not remotely similar in terms of organization and ideological coherence. As for the remnants of PASOK, standing as KINAL (Movement for Change), they secured barely 0.46 million votes. KINAL lacks both a dynamic leadership and a clear message, but it retains some of PASOK's old local and trade-union apparatus. It remains to be seen how its relationship with Syriza will develop. As for the Communist Party of Greece (KKE), it also registered a mediocre performance with just 0.3 million votes, confirming its inability to respond to the needs and demands of the working class and the poorer layers of Greek society. The KKE has been merely irrelevant during Greece's decade-long crisis, and there is no evidence that it is capable of a stronger presence in the years to come.

But the most pressing — and difficult — questions are those regarding the radical left. Upon it falls the onus of reviving the politics of socialism based on class and connected with society. Yet its performance has varied from problematic to disastrous.

The most energetic component of this part of the political spectrum is MeRA25, the Greek section of former Syriza finance minister [Yanis Varoufakis](#)'s DiEM25 vehicle. It obtained almost 200,000 votes and succeeded in entering parliament (with 9 of 300 MPs), thus acquiring the means of reaching broader layers of society. But the party has all the weaknesses of DiEM25 itself. Its program is essentially a variant of what Syriza stood on in 2015, promising to engage in a radical overhaul of Greek economy and society, even including a rupture with the lenders, but without seeking to exit the EU. This is, of course, a hopelessly contradictory task, as Varoufakis himself proved when he was Tsipras's finance minister. His strategy was unable to withstand even a month of confrontation with the lenders, leading to abject surrender. There is not much that the radical left can expect from MeRA25.

If Varoufakis is problematic, the rest of the radical left has been disastrous. Course of Freedom, the party of Zoe Konstantopoulou — chair of the Greek parliament in Syriza's first government — strongly revolves around her personality and lacks a clear program. Its bid to appeal to nationalist sentiment was not enough to get it into parliament. Popular Unity — perhaps the most promising of the splits from Syriza after its capitulation in 2015, at first having twenty-five MPs — became an ossified bureaucratic structure revolving around its leader, Panagiotis Lafazanis, also a leading minister in Syriza's first government. Popular Unity similarly attempted to swim in nationalist waters and has practically vanished. Finally, Antarsya, a coalition of far-left forces outside Syriza, has wallowed in manic sectarianism and is electorally insignificant (with just 23,191 votes nationally; Popular Unity took 15,930).

The path ahead will be hard for Greece's radical left. It will have to engage in a long and patient

struggle of refounding the Left as a viable and trusted presence in Greek politics. This will require systematic formulation of a transformative economic program in the interests of workers and the poor. The Left's proposals should deal with the pressing problems of Greek society while moving in the direction of socialism. This requires a fresh approach to the state and public property as well as a new relationship with the private sector. Alongside these steps, the radical left must reformulate the demand for democracy, popular sovereignty, and national independence.

All of these issues involve clashing with the lenders of Greece to the point of rupture with the EU. This also means confronting the fears and concerns that working people and other social layers have regarding such a break. This has proven one of the most difficult issues for the Left to tackle in the course of the crisis, and not only in Greece. A persuasive ideological answer to widespread "Europeanism" has eluded the radical left, and there is an urgent need to identify the reasons for it. But perhaps the most important aspect of refounding the Left is to reconnect with workers' struggles and local movements, gradually regaining credibility and trust. This must necessarily be based on new forms of organization that allow for internal democracy and appeal to the young. All the old ways are dead. The road will be long, but the first steps should be taken in the coming period.

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