Whither Greece?

John Markakis

'It is not only the economic foundations that are threatened. Those we could have managed somehow. It is our respect for values that until recently were our pride that has been seriously wounded. It is our morale, our beliefs, our trust – not only in the state but in ourselves as well – that have been gravely wounded. As for old practices that we are supposed to have dropped, they are all here: traditional party politics, nepotism, self-regard, and lack of planning as we move forwards to nowhere.' (*Kathimerini*)

Greece took over the rotating presidency of the European Union on 1 January 2014: a signal day for the EU's problem child and the occasion for celebrations. The Greek government set the tone with the unveiling of a milestone: a balanced budget, the first in a decade and the cherished goal of the draconian reform programme designed to restore a bankrupt state to economic health. 'The worst is over,' proclaimed the Prime Minister, 'next year is the year of economic recovery.' 'I believe that more austerity is not the solution to the problem,' added the Economy Minister. The government received kudos from abroad and the *Economist* welcomed the return of the black sheep to the fold. The EU grandees who gathered in Athens for the occasion must have noticed the absence of the public from the ceremonies. Central Athens resembled a besieged zone, with only armed security personnel in sight. Even the underground trains were banned from the district. Don't the Greek people share their leaders' assurance? It's worth trying to see things from their perspective, which is little understood abroad.

The year 2013 brought suffering this

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nation has not experienced since WWII. It was the year when the standard of living for 40% of the people hovered near or below the level of poverty. Continuing a four year slide the GDP fell by eight billion euro in twelve months, industrial production shrank by 7.7%, 10,000 jobs were lost, retail market turnover decreased by 14.4%, and exports dropped by 5.7%. This was the year also when the law of unintended consequences took effect, as the drive to restore the state to fiscal health sent an ailing economy into a tailspin with devastating consequences. Furthermore, it was the year when the state's abject failure to deal with the consequences was painfully revealed. Several examples of this are cited below.

Greeks are not starving, but a growing number are in need of food aid. Soup kitchens and food banks have multiplied, organised with private initiative and supported with public donations. The state's role in this is to block large food companies from donating supplies – something they declared themselves willing to do – by a law that treats donations to private organisations and individuals as normal commercial transactions subject to a tax of 26% plus 13% VAT. This block was not removed for fear of losing revenue.

This was the year when people faced the winter without heating. Heating oil until now had been taxed at a lower rate than petrol, and had been accessible to most households. In 2012 the Troika (the team of technocrats from the European Commission, European Central Bank and the International Monetary Fund, who supervise the implementation of the austerity programme) demanded the opening of Greece to the international oil market, as a result of which the woefully unprepared state apparatus lost control of imports and the domestic market was flooded with smuggled fuel. Allegedly in order to combat smuggling, the tax on heating fuel was raised in 2012 to match the petrol tax. When VAT was also raised from 19 to 23% the same year, the price of the former nearly tripled. What the hike actually achieved – as people turned to alternative sources, primarily wood – was to reduce consumption of heating fuel by 70%, and to defeat its real purpose which was to raise revenue: VAT revenue fell by half a billion euros.

A thirteen-year-old girl in Salonika died in December of carbon monoxide poisoning from an open charcoal fire. She lived with her unemployed mother in a house without electricity: cut off for non-payment. Her death caused a public outcry leading to calls from many sides, including MPs of the two ruling parties, to rescind the heating fuel tax increase. In the aftermath, the grief-stricken mother was charged with homicide due to negligence. Then, discovering she is a Serb national whose residence permit had expired, the authorities expelled her from Greece, where she had lived and worked for ten years. The tax on heating fuel remains.

Wood burning produced a new menace to health dubbed 'smokefog'. With large cities choking under a blanket of 'smokefog', the government was forced to offer a heating fuel subsidy to 'vulnerable' households. The first problem was funding the subsidy. There was no budget for it, the Troika did not allow supplementary expenditure, and the electricity company, a profitable state monopoly, would have no part of it. The burden was first shifted to local government, arguably the most dysfunctional branch of the state, whose inherent incapacity was made worse by drastic budget and personnel cuts. The problem was kicked about for a couple of weeks fruitlessly, with officials sending contradictory messages: one hapless minister managing to give four contradictory answers in one press interview. In the end, the Economy Minister decreed the subsidy would be funded from the anticipated surplus in the 2014 budget.

A heating fuel burner needs electricity to work, a facility many Greeks can no longer afford: 1.3 billion is owed the electricity company, 325,000 households were disconnected during the past year. The problem now was to identify the 'vulnerable' households without electricity and reconnect them. No workable indicators of 'vulnerability' were cited, and another bureaucratic snarl-up followed. The electricity company refused to identify disconnected customers lest it 'violate their right to privacy,' and asked local authorities to provide it with lists of 'vulnerable' disconnected households. The latter couldn't even begin to oblige, and turned to the Orthodox Church and private charity groups to compile lists. In one northern town, municipal employees went around with loudspeakers to ask 'vulnerable' citizens to identify themselves. Enabling legislation was proclaimed only after Christmas, and the 'vulnerable' could hope to receive the subsidy sometime in 2014; meanwhile they had to survive the winter as best they can.

2013 was the year the austerity axe started hacking at the bone. Having slashed incomes and pensions (by one-third according to official calculations), raised taxation by 50%, and reduced the average household income by 31.8% (between 2008-2013), the government took the axe to another tax milch cow, housing. A tax enacted in 2012 was made retroactive to 2011, but was not collected because 2012 was an election year. In 2013 house owners were asked to pay the accumulated tax for three years, plus a special 'solidarity' tax, in addition to income and other taxes. 'The ease with which our politicians engage in over-taxation is impressive,' noted *Kathimerini*, a leading conservative daily and pillar of the political establishment, yet also a disenchanted and trenchant critic of its debasement. Its attitude exemplifies the political dilemma facing most Greeks, who both desire and fear the collapse of the political system for

lack of a clear alternative.

Since even these exactions could not close the revenue gap, an omnibus tax on land and housing was included in the 2014 budget. It falls on every square metre of land in the country, including agricultural land whether cultivated or not, olive groves and fruit gardens, and structures of any kind, including warehouses, garden sheds, stables, sheep pens, etc. At 2% the rate is the highest in the EU. Moreover, it is calculated on 2007 prices that have plummeted since then (by 9.2% in the third quarter of 2013 alone) in a moribund real estate market. All told, real estate taxes have multiplied more than sevenfold in five years.

Relentless taxation now threatens to push most Greeks into bankruptcy. Three million are in default already, and the amount owed the state is staggering: 61.24 billion euro at the end of 2013, and rising by the day – 10 billion was added that year. Home ownership is widespread in Greece. In fact, it is the only value most people possess. Encouraged by the credit bonanza promoted by the banks in the past two decades, an estimated one-third of households are now burdened with housing loans. It became an explosive political issue that rocked a fragile two party coalition government. A senior figure of the dominant party, New Democracy, likened Greece to an 'occupied' country, and was expelled from the party. MPs from rural constituencies ganged up on the Economy Minister and forced him to exempt uncultivated land from taxation. Lacking a cadastral survey, the measure was anyway unenforceable. (The EU has funded two attempts to produce one. The first was abandoned, the second is still incomplete).

This was the year when the spectre of homelessness hovered over millions of households, with 130,000 bank foreclosures and 20,000 confiscations for tax default. To contain the political damage, the government blocked the confiscation of homes worth less than 250,000 euro inhabited by debtors with low incomes, until the end of 2013. As the year's end neared, the issue of extending this protection to 2014 arose, and caught the government between the Troika's refusal and its own MPs who clamoured for it. In the end, the government was compelled to defy the Troika by allowing the extension, and their relationship was strained.

General unemployment in 2013 reached 28% and youth unemployment passed the 60% mark: more than 1.3 million people are out of work. This was achieved by the policy of 'labour mobility,' the lodestar of the austerity programme, and another point of constant friction between the government and a Troika perennially dissatisfied with its progress. Not that the government has not exerted itself to meet the targets it has been set. It's simply that, formulated under great pressure to meet these targets,

government plans are hurriedly drawn up and often ill-conceived and vague, with hopelessly unrealistic deadlines, and requiring repeated amendment, modification and clarification; 695 of these were issued in one year concerning taxation issues according to one count. 'Instead of the long awaited simplification of procedures, citizens and tax accountants are faced with dozens of regulations and decisions that make life very difficult, almost dangerous, for those who want to comply with the law' complained an editorial in *Kathimerini.*

The fact that most of the measures were not discussed in Parliament is another reason for confusion. Parliament approves laws in principle, and allows the government to implement them via 'legislative orders' that need not be brought to the legislature. Alternatively, the government can ask Parliament to use summary proceedings for 'urgent' matters, and many important measures have gone through overnight, with lawmakers hardly given the time to read them. Importantly, government efforts are hamstrung by a monster bureaucracy unique in the developed world. 'It is questionable if there is another country in the West with such a wasteful, incompetent and corrupt administration, unable to meet in the least its responsibilities, and to respond to the demands of the time.' A journalist's lament appearing in *Kathimerini,* this would make a fitting epitaph for an ossified institution.

The 'liberation of the labour market' – yet another euphemism – was strenuously opposed by all professions and the remnants of organised labour, with strikes, demonstrations, occupation of government buildings, hospitals, universities, and resort to the courts whose decisions often went against the government. Even the judges went on strike, while the police and sections of the military demonstrated before Parliament. Even so, over 100,000 state employees were reportedly 'liberated' in 2013. 'Liberation' has been a tortuous process and is still far from completion, because the status of many state employees is not definitively settled. To facilitate the process and reduce resistance, excess staff was initially placed in a so-called 'reserve' category that allowed them to hope they would be transferred to another branch of the state. Meanwhile they continued to draw their salaries. The process stalled before anyone was actually dismissed, and a new plan introduced another category labelled 'availability.' Supernumeraries stay 'available' for one year with gradually reduced pay, and unless they are lucky enough to be transferred, they are dismissed. Given that many are still languishing in the limbo of 'availability', and many others have secured court orders rescinding their dismissal, it is not possible to know exactly how many state servants have

been thrown into the widening unemployment pool.

2013 was the year when the government took the austerity axe to the pillars of the welfare system: health and education. Here it met with particularly determined resistance, with administrative chaos and great suffering for many people as a result. Dysfunctional, corrupt and unsustainable, the state health system is badly in need of treatment itself. The treatment started with savage funding cuts – the health budget was reduced from 0.6 to 0.4 of GDP in 2012, the public hospital budget was cut by 26% and the budget for medicines from 4.37 billion in 2010 to 2 billion in 2014, and the budget for mental health shrunk by 64% between 2010 and 2012. Facilities were arbitrarily closed, services curtailed, fees were levied for services and medicines previously provided free by state insurance schemes, and failure to pay pharmaceutical companies for drugs and pharmacists for distributing them caused shortages and public panic.

The public health impact of 'one of the most radical programmes of welfare state retrenchment in recent times,' was assessed in a report by a team of British public health experts published in *The Lancet* (22/2/14). The report noted 'the failure of public recognition of the issue by successive Greek governments and international agencies is remarkable. Indeed the predominant response has been denial that any serious difficulties exist … This dismissal meets the criteria for denialism.'

The government vowed to reform the health sector, and its intentions were revealed early in 2013, when the design for a new state primary health care system was unveiled. In effect, this is an invitation for market forces to enter this lucrative field. The new system will not be the 'provider' of health services but the 'purchaser' of the same in the open market. A clumsy attempt to disguise this lurch to privatisation was the suggestion that 'community health enterprises' would be formed by local government in partnership with private capital.

The first problem posed by the launching of the new system was what to do with the old one, especially its personnel. The Health Minister (the fourth within a year), a pugnacious character with no previous experience in the field, suddenly declared all work relationships in the primary health sector void, negating existing legal, contractual and professional rights. All personnel in this sector were placed in 'availability', until it is decided who would be rehired or transferred in the reformed system and under what conditions, and who would be dismissed. An employee strike called in September 2013 paralysed the service for months: only accident and emergency services were provided. In January 2014, the Health Minister imposed a hospital visit fee of 25 euros and triggered another political

storm. The junior party in the governing coalition, PASOK, whose political standing has collapsed, sought to regain ground by opposing the measure and succeeded in having it rescinded. It was then announced the revenue loss would be made up through a hike of the cigarette tax, and a draft law was sent to Parliament. A couple of days later it was withdrawn for redrafting, because it had not included cigars. The Minister next decreed a five euro fee for every visit to a hospital, whose approval is still pending.

Higher education is another state sector desperately in need of reform. Successive reform efforts since 1976 foundered, leaving it prey to suffocating state control, political manipulation, vested staff interests and infantile student radicalism. A reform plan enacted early in 2012 by the then caretaker government was not implemented, and the present government set about modifying it as soon as it took office. Budgets were slashed, appointments frozen, student numbers increased, and privatisation was touted as the cure for an ailing system.

The new Education Minister hardly had time to settle into his office when he became embroiled in skirmishes with every section of the academic community, preventing normal functioning in the spring and summer. The system broke down completely at the start of the academic year in September 2013. Casting about for 'availability' prospects, the Minister ordered the immediate dismissal of all cleaners, guards and maintenance workers, leaving institutions unclean, unguarded and without technical support. He then assigned quotas of administrative staff to be placed in 'availability.' With teacher and student support, the staff went on strike, and higher education ceased to function for the rest of the year. The impasse lasted until the end of the year when, faced with the threat of a lost year, the academic community, never a solid body, divided and the strike petered out. The Minister of Education now stirred himself to find ways of salvaging the lost year. One gem of an idea was simply to examine students on the courses they had not been taught.

The same strategy demolished the state owned media of communication, a popular, albeit flawed, service. It was preceded by a defamation campaign to undermine the service with charges of mismanagement, corruption and nepotism aimed at the journalists' union. Trade unionism has been the government's target of choice in the battle for labour mobility and, truth be told, it is not blameless. What is true also is that the trade unions are the offspring of the two coalition parties that have governed Greece since 1976; each created and controlled one of the country's two major trade unions. The state media sector with all flaws is entirely their handiwork.

Journalists were offered Hobson's choice: 'availability status' with the promise that some of them would be rehired on short term contracts, or immediate dismissal. Months of fruitless negotiations followed, until one morning the public were stunned to learn the government had shut down the service. The journalists went on strike, occupied the main building in Athens and went on to broadcast via the Internet. The stalemate lasted until the year's end when, with the impending turn of Greece in the presidency of the European Union, the government sent the police to evict them. No reform of the public media sector has been announced, and the space has been filled by private media.

Labour rights have been whittled down under relentless Troika pressure, and the near collapse of the trade unions deprived employees of the remedy of collective action. Employers in the private sector need not bother with 'availability': they can dismiss workers with little or no compensation. Cut several times, the minimum wage after tax now stands at 489 euros monthly; for the under 25s it's 440 euros. These rates are not simply below subsistence level; they are below the level required for the reproduction of labour power and, as Marx argued, violate the logic of the capitalist market. Theoretically, driving down labour costs should make the economy competitive in a global market and spur domestic employment. In this case, it has achieved the opposite: spiralling unemployment and an exodus of many young educated people from the country, while many others return home to live off their parents.

An unemployment subsidy of 200 euros monthly is offered for one year. Announced in January 2014, its extension for a second year proved another bureaucratic débâcle. To qualify for the extension, the unemployed have to apply no later than two months from the expiration of the first year's subsidy. This disqualifies the long term unemployed who have not received a subsidy for several months or years. This, the Labour Minister boasted, 'shows that we protect the long term jobless'.

In theory, also, cheap labour is an inducement for capital investment, especially from abroad, with job creation as a result. Little of this is evident in Greece. If the largest foreign investment to date is anything to go by, the employment creation of capital investment is overrated. The government fought an epic battle in order to lease part of the port in Piraeus to the Chinese COSCO company. The main obstacle was the entrenched dockworkers' union that had to be subdued to allow COSCO to function. To settle the issue the government was forced to make concessions to the union, compromising 'labour mobility'. The existing workforce retained certain perquisites, including higher pay that newly

hired workers do not have. In the event, only about a dozen permanent new workers were hired. COSCO makes do with casual labour hired daily at 40 euros per day.

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The abject failure of the state to deal with rampant tax evasion, for which Greece is famed, is another bone of contention with the Troika. The extent of it is estimated in epic proportions: the OECD put it at 20 billion euro annually. Tax evasion is said to be part of Greek culture, and it's true that Greeks habitually shirk their obligations to the state. Nevertheless, it should be noted that the bulk of the population – civil servants, wage earners and pensioners – cannot evade income taxation, while the self-employed can and do. Sections of the ruling class – professionals, businessmen, merchants, commercial farmers, politicians – account for the lion's share. This explains why this nefarious practice has not and will not be eradicated without radical political change.

The present government has outdone its predecessors in proclaiming its determination to wipe out tax evasion, but has little to show for it. At the close of 2013 it unveiled a new strategy that involves the direct seizure of salaries, pensions and bank deposits of defaulters. The tax service showed uncharacteristic zeal this time, coordinating this draconian measure with the banks through electronic connections. Needless to say, if anything, this will net only small fish. The sharks that gorge on public money will remain immune.

Intrinsically linked with tax evasion, corruption has grown massively over the last years, as the political class became heavily involved and infected every branch and level of the state. According to the Tax Justice Network twenty billion is stashed in Swiss bank accounts and some 10,000 off-shore companies. According to the Deputy Prime Minister, around 15,000 individuals and companies owe the taxman 37 billion euro. Fearing a possible exit of Greece from the Eurozone, the ruling class transferred huge sums abroad through the banking system: with the full knowledge of the Bank of Greece, which kept a count but took no action. The tide of corruption engulfed the Ministry of Defence, and reportedly has reached the top of the military hierarchy. 'If that is proved to be true,' commented *Kathimerini,* 'it means there is no public institution that remains uninfected.'

Reports of malfeasance in public office have been daily media fare for some time, and Greeks are hardened to the phenomenon. Here is a cocktail of recent incidents offered by a journalist in the daily *To Bima.*

> 'A Defence Minister steals money intended for arms purchases; an Economy Minister deposits huge sums in a foreign bank account; a Transport Minister is bribed by a foreign company to approve contracts; a high official in the Ministry of Defence confesses he was bribed by foreign companies for the same reason and implicates ministers, bankers and businessmen; an accountant confirms that one of the two governing parties received millions for 'election expenses' from a foreign company active in Greece; a former minister is arrested for having fake license plates on his car in order to avoid paying road tax; the director of a hospital is bribed to fix the tender for supplies; officials of a state owned bank gave themselves and friends huge loans to buy houses in London.'

What people find especially galling is the apparent immunity the perpetrators enjoy. Involved in it up to their necks, the two government parties have done their best to cover up wrongdoing and succeeded in protecting the criminals from facing justice. A particularly obscene example is the infamous Lagard list of persons who have transferred large sums abroad. Forwarded to the Greek government by the then French Finance Minister, Christine Lagarde, it was pigeonholed by two successive Finance Ministers and never acted upon, or made public. Understandably so, in the case of one of them, whose close relatives are named in the list. He is currently going through the process of interminable and inconclusive parliamentary and judicial proceedings, which normally lead nowhere. The other minister, who astonishingly claims not to have read the list because he did not think it important, is currently Deputy Premier and Foreign Minister. Three years have passed since the list containing several hundred names was received and a couple of years since its existence became known, before the bureaucrats presented just six cases for indictment. A rare exception to the rule of immunity is a former Defence Minister, whose real crime, the popular joke goes, was mindless conspicuous consumption that could not be ignored and led him to prison.

The immunity rule also touched and tarnished the judiciary, a branch of the state that had retained a measure of dignity and public respect. It lost some of its lustre when the judges peevishly refused to accept the salary cuts that hit everyone else and went on strike. Later a cabal of their own declared the cuts unconstitutional, but the government paid no attention. Recently the judiciary revenged itself when the Administrative Council ruled unconstitutional the salary and pension cuts for the uniformed services – military, police, coast guard, fire fighters – because they are 'the hard core of the state.' The Council's rulings are binding on the government, which now has to find about half a billion to return the money. Ultimately, however, it was suspected manipulation of the judicial

process when it came to high level political corruption, the procrastination, contradictory opinions, controversial decisions, resignations and recriminations that sullied the judiciary's reputation.

As the *annus horribilis* came to an end, the government's relationship with the Troika hit a low. Seeing a light at the end of the tunnel, the government proclaimed the end of the baneful austerity programme. The 2013 budget was balanced, and the budget for 2014 projected a considerable surplus – one billion to be exact – which the Economy Minister generously promised would be distributed to the most 'vulnerable' sections of society. The government tried to steal a march on the opposition by adopting the latter's slogan 'No More Cuts,' thus throwing down the gauntlet to the Troika, whose demands it now called 'excessive' and 'unrealistic', and whose status in official parlance now changed from 'representatives of our partners,' to 'representatives of our creditors.' Ministers voiced a desire to see the back of the Troika. 'People are frightened when the Troika is here,' said the Economy Minister, and a previously circumspect but now clearly exasperated State President hoped the New Year 'will see an end to crisis and the Troika kicked out of the country.'

The Troika was not impressed. It challenged the calculations that produced the 2013 surplus, because it excluded the interest paid on the external debt, which has ballooned from 300 billion and 113% of GDP in 2009 to 321 billion and 170% of GDP in 2013. It also queried the 2014 budget, reduced the anticipated surplus by two-thirds, and demanded more cuts and tax hikes for this year. When Athens stalled, the Troika did what it always does to show the Greeks who holds the reins: it did not approve the release of a loan tranche due in September. It was released at the end of December to prevent a brewing political crisis from erupting.

The Prime Minister and the Economy Minister toured Europe's capitals to appeal over the heads of the Troika. Disappointingly, the messages of congratulations from abroad on the occasion of the Greek assumption of the EU presidency included the familiar mantra: 'Greece has made much progress, but there is much more to be done.' As usual, the Germans were less flattering. 'We must not create delusions for the Greeks, greater than they already have,' cautioned the German Foreign Minister. *Der Spiegel's* analysis was incisive and characteristically blunt: 'Greece remains what it has always been: a country without an efficient state apparatus. A closer look at the country's administration, judiciary and political structures raises doubts as to whether Greece will ever regain health.' In other words, the problem is not the economy but the political system.

The same conclusion was reached last December by *Kathimerini*. 'The

country's bankruptcy is due mainly to the bankruptcy of the political system,' its editor wrote. These words spell a truth now dawning on a nation that could not until now see the forest – the steady erosion of its public institutions and social values – for the trees – the political theatre staged daily for its amusement by the parties jousting for power. This truth was amply and shockingly demonstrated during the past year, and it would be difficult to find a thinking person in this country who would challenge it. It would seem pointless, therefore, to dwell on it here, were it not for the fact that the Greek ruling elite and its foreign sponsors are in denial.

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Nineteen months after the 2012 elections that produced a fragile coalition of the two political parties that governed Greece the past forty years and steered it towards economic and political bankruptcy, the political system faced an impasse. A clear majority (53%) in that contest voted for the opposition parties and against the austerity programme. Burdened by their past, the two major parties experienced a sharp decline, receiving a combined total of 42%, and were forced into an uneasy alliance to form a government (with the support of a minor party called the Democratic Left).

If opinion polls are anything to go by, their standing with the public has not improved. The abject failure to reform themselves, while vowing to reform everything else, has disheartened even their most loyal supporters. That they are even more dependent now on the traditional clientelist system than before became clear with the formation of the first coalition government. A cabinet of 39 included 25 MPs, thirteen of them former ministers. Appointments to lesser offices followed form, with regional bosses sharing the spoils of power. 'It's sad to see,' commented *Kathimerini's* editor, 'the same mentality and practices that brought bankruptcy in 2012 being reproduced.' 'The new start we expected has not materialised,' added another writer in the same newspaper.

Skirmishing between the two partners and increasing restlessness in their ranks have kept the government off balance, yet it managed to maintain a fractious unity and a measure of discipline over its MPs that can only be attributed to the knowledge, as one commentator put it, that for most of them 'the probability of being re-elected is nil.' This balancing act is no longer possible. After a series of defections and expulsions, the government majority in parliament has been reduced to just three. 'Our majority is very small' admitted the Economy Minister to the *Financial Times,* 'consequently we must be very careful. There are things that can be done and things that cannot be done.' What exactly can be done now?

The government is mired in a policy vacuum. Preoccupied with the imperative of balancing the books, it has given little thought to planning the recovery of a moribund economy. Apart from its faith in the restorative power of free market forces and pious hopes for a massive inflow of foreign capital, it has no idea how the economic and social damage wrought by the austerity programme can be repaired. The formation of a grandiosely named Council of National Reconstruction was announced last year and never mentioned again. Hoping elections can be avoided until some credible signs of recovery appear, the government's energy is focused on repairing the damage to its public standing. 'Instead of exploiting the time for the country's benefit, the sick political system tries to win time for itself. Instead of a great plan for Greece, it's planning for its own survival with a horizon of two to three months.' 'What is lacking is the will to formulate a plan for the development and reform of post-crisis Greece, and the final result is a country without governance, with chronic maladies left intact, with injustice spreading, with justice and democracy in retreat.' Both comments appeared in *Kathimerini.*

The government now finds itself boxed-in between the Troika's intransigence, the restiveness of its own MPs, and an aggressive opposition that has appeared only recently but has gained ground fast. This opposition emerged from opposite ends of the political spectrum to harvest popular resentment of the austerity programme and the country's subjection to foreign tutelage. Although they are recent creations, the opposition parties draw on deep-rooted ideological traditions and histories of political action. Though the Left has never governed Greece, it has a strong attachment to Marxism and a turbulent history of militant political action. SYRIZA, the party that has sprouted from these roots overnight to challenge the established parties, is now favoured to win first place in the next elections.

As a candidate party of government, SYRIZA has flaws. The very name is an acronym for a collective of a dozen factions, each with its own identity denoting ideological strands that do not always blend harmoniously. (The party logo has three colours: red for Marxism, green for environmentalism, violet for feminism). SYRIZA initially turned against the EU and its policies, and appeared to advocate Greece's exit from the Eurozone and the Union. This handed its critics their most effective weapon, because Greeks are nearly unanimous in their acceptance of both. The party has fought an uphill battle ever since to repair the damage, repeatedly pledging allegiance to the EU and the euro. 'The problem of the euro is not limited to Greece,' its leader argues. 'It is a European problem and the solution can only be

European.' SYRIZA now demands the cancellation of the austerity programme and renegotiation of the terms under which the country deals with its creditors. Widespread doubt among the people whether this can be accomplished without losing EU support remains a serious political problem this party has yet to resolve.

While not neglecting to excoriate SYRIZA's obvious flaws, the government's strategy has been to scratch the wounds of the Civil War of the 1940s between Left and Right, aiming to revive the fear of Communist extremism that lay deep in the Greek psyche since that time. Opposition to the austerity programme is treated as subversive, and SYRIZA's status as the official opposition is ignored. Its youthful, brash leader has never officially met the Prime Minister and, until quite recently, EU officials behaved accordingly.

The rise of Golden Dawn on the far Right nicely balanced the government's main propaganda theme of the 'two extremes,' referring to SYRIZA and Golden Dawn. The latest entry in the political arena – it first took part in national elections in 2012, taking nearly 7% of the vote and 18 seats in Parliament – also represents a deeply rooted ideological tradition with a political history of its own. It has roots in the paranoid nationalism whose hold in many peoples' minds has long been cultivated by the Greek ruling class and exploited by most political parties. Nationalism is intrinsically linked to the Orthodox Church which glories in a history of protecting the nation and its culture during centuries of Ottoman rule. Interestingly, Orthodox Christianity nourishes a hoary enmity towards the West, dating from the sacking of Constantinople in 1204 by the Crusaders, which sealed the schism between the Orthodox and Catholic churches. 'Greece of Greek Christians,' was the motto of the military junta (1967-1974). 'Blood, Honour, Golden Dawn,' is the Golden Dawn slogan.

Until last autumn the government's response to the rise of Golden Dawn is best described as benign neglect. The dominant party in the coalition, New Democracy, itself played the anti-immigrant card enthusiastically. It tolerated neo-Nazi thuggish behaviour, the violent attacks on immigrants, and the offensive performance of its deputies in Parliament; all of which won this party sensational publicity and made it a household name. The Government did not react even when it became obvious that the extreme Right has many sympathizers in the police force, whose members watched the violent incidents unconcerned. After every incident, government officials vowed to enforce law and order yet took no action. In mid-2012 the then Justice Minister, a non-political figure recommended for the post by the Democratic Left, drafted a law to outlaw racist behaviour and

advocacy that had the support of all parties, except Golden Dawn and New Democracy. The latter refused to bring it to Parliament, arguing it was not the proper time for it. In fact it worried about alienating its supporters on the Right.

Government passivity allowed Golden Dawn to expand quickly and form branches in many cities, and emboldened its activists to increasingly aggressive behaviour. Along with fierce attacks on the austerity programme, the EU, and the neo-Nazi *bête noire*, immigrants, its representatives in Parliament berated the institution itself, branding its members 'traitors'. All of these went down well with sections of the public, and the party is now predicted to emerge third largest in the next elections. It was the danger of being outflanked on the Right that finally moved New Democracy to take action. Typically, it was rushed, clumsy, and unlikely to prove effective.

The murder in September 2013 of an artist and political activist from the Left in Athens, in which someone with Golden Dawn connections was directly implicated, provided the opportunity. Within days, the Minister of Public Order produced a list of 'criminal actions' attributed to Golden Dawn members over several months, which his ministry had assiduously recorded without taking action. On this basis, Golden Dawn was declared a 'criminal organisation' and its leaders liable to prosecution for organising it. 'We'll eliminate them,' vowed the Prime Minister, and the police began rounding up the party's leaders and sent them to prosecuting magistrates to be charged.

The political establishment was apoplectic when the magistrates found the evidence against the first two suspects insufficient and released them. A storm of condemnation broke over the unsuspecting judges' heads, and doused the entire profession with accusations of obstructing the fight against terrorism. The judges were quick to get the message, and the rest of Golden Dawn's hierarchy were duly despatched to prison to await trial. Oddly, the party itself was not banned, and its MPs who are not in prison remain in Parliament. State investigators are busy gathering evidence to prove the party is a paramilitary organisation intent on seizing power by force. Far Right types have a well known fetish of militarism, and Golden Dawn is not different. Whether the evidence will be sufficient to prove these charges in court is an issue unlikely to be settled before May, when simultaneous elections to the European Parliament and local elections in Greece will be held. By keeping its leaders behind bars, the government hopes to obstruct Golden Dawn's election preparations. Hopefully the law of unintended consequences will not take effect this time.

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Greece is a society caught in an existential crisis that has exposed the shocking erosion of its social values and public institutions, the hollowing out of its democracy, the debasement of its political life, the collapse of its public administration, and endemic public and private corruption. A society without a moral compass, a dysfunctional state mired in corruption, and a government without principles or ideas. This society is facing a grave political dilemma. It's rare for the citizens of a democratic state to be so alienated from their governors, as the Greeks are today, and so desperate to get rid of them. Yet, threatened with being cast out of Euroland's paradise, they hesitate to cast the vote to ostracize them.