

Austerity wrecks economy and society

Haircut or “Grexit”? Two weeks before the early elections in Greece where the left coalition Syriza stands to win a majority, the German media are concerned with little else. Axel Troost, the financial policy speaker of the parliamentary group DIE LINKE in the German Bundestag, met with leading Syriza politicians. In this interview, he explains why a debt cut is not the most immediate issue, and how Syriza aims to re-build the mismanaged Greek state. The primary challenge, he says, is an end to the devastating austerity policy.

On January 25, early election will be held in Greece. DIE LINKE’s sister party, the left coalition Syriza, is likely to win a majority. You just spent three days in Athens to talk with leading Syriza representatives. How do they view the situation?

Axel Troost: They are very optimistic and expect Syriza to win the elections by a clear margin. And they are confident they will be able to counter the ideological campaigns currently waged against them in the remaining two weeks.

Syriza might need a coalition partner after the elections. Who might that be, and how difficult could the negotiations turn out?

Axel Troost: No one wants to even rack their heads about that now because the results of the elections are quite impossible to predict. If push comes to shove, there might actually be no social democracy in the next Greek parliament. Pasok still lingers on, and Papan-dreou founded a new party in its wake. Both of these parties currently poll between three and five per cent. Greek regulations set a three per cent threshold to enter parliament. So none of the two might gain a single seat in the new parliament. If Syriza fails to gain an absolute majority, it will in any case be faced with a challenging task in forming a government.

Assuming that Syriza manages to form a government it would lead, should we expect a major show-down in the matter of a haircut for Greece?

Axel Troost: We should expect a complicated situation. But my estimate is that the primary challenge will not be a haircut but the immediate re-financing of the outstanding debt. Greece needs to re-finance some 22 billion Euros in 2015. It will be not be able to raise that sum on the capital market, except at horrendous interest rates. This makes negotiations necessary. The question of a haircut will certainly be raised in this context, and Syriza will table the idea of a European debt conference that should address a haircut not only for Greece but for other South European countries as well. But what’s really needed is follow-up financing so that Syriza can implement its Plan for National Re-Construction which is the thrust of the initiatives they propose.

Money in exchange for reforms – that’s the Troika’s negotiating line. In Athens you met with Syriza’s economic and finance experts, primarily. No one seems to question that many things in Greece did and do go wrong. What kinds of reforms does

the country need, and how does the Troika's reform program differ from Syriza's proposals?

Axel Troost: These deficiencies are of crucial importance, and this is important to know in Germany and in Europe: Syriza does not want to go back to the year 2010 or 2008. Pasok and Nea Demokratia spent 40 years running the country down and turning it into a system of corruption, favoritism, enormous tax evasion, illicit employment and smuggling. More than 40 per cent of employment is off the books. The smuggling of oil, fuel and tobacco alone causes the evasion of taxes to the tune of 20 billion Euros every year. These problems must be tackled. And in the past four years when Greece was governed under Troika supervision they have simply been ignored. In consultation with the Troika, the current government has indiscriminately slashed the public workforce and cut social benefits but it has done nothing to improve the efficiency of the public sector or the tax administration. Syriza wants to change that, and this would generate additional resources from regular tax income that could be used to finance progressive policies. Syriza aims to put an end to austerity and to policies that place the burden of the crisis on the weakest parts of society. This goes against the grain of the cuts that Merkel, the Troika and others dictate Greece. And this is why there will be conflicts.

More than a few German critics vilify Tsipras and Syriza these days. They claim that Tsipras wants to nullify the contracts with the EU and the IMF, bloat the public sector again, continue the good times on credit and return to the bad old days. Is this how Syriza program can be summarized?

Axel Troost: No, not at all. I find these claims brash, especially when they come from conservative and social democratic politicians whose counterparts in Greece were instrumental in bringing about the current state of affairs. Syriza's policy proposals are a sound program for civil society. If you take a close look at their proposals concerning tax and labor market policies, the re-structuring of social security and public administration, you will see that what they aim at is sound reforms and not a revolution. The left internationally should understand this: unlike Venezuela under Chavez, a Syriza government will not introduce large-scale nationalizations and the like. They will take immediate measures in social policies and labor market regulation, they will help deeply indebted small and medium-sized enterprises and thus re-vitalize the domestic economy, and they will try to put the state back on a solid financial footing. The rich and the big income earners are to contribute their fair share to this, which would be quite a novelty. And Syriza wants to put an end to decades of clientilism.

How does Syriza aim to accomplish this?

Syriza's program rests on four pillars, the first of which is to overcome the humanitarian crisis and the fight against poverty. This includes securing general access to health care and energy, but also subsidies to tenants, food vouchers, preferential rates for public transportation and raising state pensions for seniors who currently receive less than 430 Euros per month. This part of the program has a volume of two billion Euros.

The second pillar is a re-invigoration the economy. Most people don't know that many small and medium-sized enterprises in Greece have not been able to pay their taxes and social security deductions and are now deeply indebted to the state. But these enterprises are the core and the backbone of the Greek economy. Syriza intends to set up regional arbitration boards that are to negotiate with these firms with a view to bringing them back to the market so they can process orders and employ people. In addition, the minimum wage which until 2010 was brokered between employers and unions, is to be set at 751 Euros again. And Syriza has four legal motions ready to be passed by parliament that would take back the recent restrictions of employment protection and the right to strike, and reinstate labor market and collective bargaining regulations, all of which were razed under pressure from the Troika.

The third pillar is a labor market program. Syriza aims to create 300,000 jobs for the long-term unemployed. And this may sound odd in other countries: participants are to be selected by computers to avoid that the clientelist tradition is continued and only political cronies benefit.

The fourth pillar – this may touch the core of your question – is the institutional and democratic re-structuring of the political system. This means that the tax administration is to be re-structured, tax investigation and new rules are to be introduced to abolish the custom that in the aftermath of every election the heads of tax offices were replaced according to political affiliation. If I were to present Syriza's tax proposals to my colleagues from the other parties in the Bundestag's Finance Committee, no one would be shocked or claim that Greece was now on the brink of socialism.

Let's talk about the debt problem a little more. What implications do the elections in Greece have for a possible departure from austerity?

The public credits have made it possible for Greece to meet its interest payments. What the debt crisis introduced as a novelty is that debtors in order to re-finance their debt, constantly need lenders willing to loan at reasonable conditions. This makes debtors susceptible to blackmail when this follow-up financing is unavailable. As I said, Greece needs follow-up financing of 22 billion Euros this year. And it has to move the IMF and the ESM to provide this financing. This leads to a conflict over principles. In this conflict I advised Syriza to argue against the devastating austerity dictates and the Troika's completely preposterous conditionalities firstly, and not to fight immediately for a debt cut for Greece. It will be easier to mobilize support for this demand among European progressive parties, trade unions and social movements. It is possible to organize a solidarity movement for Greece if it is aimed against austerity.

A departure from austerity would require critical majorities at the European level. Do you think it's realistic that we will see those soon?

That is certainly difficult. First of all, the German government, that is Merkel and company – and company meaning in this case also the social democrats - are determined to stay their course no matter what. Others like France and Italy but also Monsieur Juncker have realized that the present course of action has led an economic catastrophe because we are

now faced with a real risk of deflation and unemployment remains high. They are now trying a course that still prescribes austerity to public budgets and aims to implement further “reforms” in the labor market and the pension systems, but also considers growth necessary. Hence the so called Juncker Plan which is intended to stimulate private investments. They at least recognize that austerity doesn’t work and that it wrecks the economy and society. This is a movement that we can tie in with and explain that in Greece we are not going to see major investment programs. These are not at the center of Syriza’s platform, but rather the four pillars I just sketched. And with sufficient support from the left inside and outside the parliaments of the countries of the Eurozone, we may achieve a situation where the implementation of Syriza’s policies which the majority of the Greek people want is tolerated.

Translation from the German original by David Meienreis