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POLITICAL ELECTIONS IN GREECE. FIRST REFORM MEASURES OF THE NEW GOVERNMENT AT A CROSSROAD BETWEEN INTERNATIONAL DEBT AND HUMANITARIAN CRISIS*

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Anticipated elections in Greece were held on January 2015 and were won by the anti-austerity left party Syriza with 36,5% of the votes. The party based its electoral programme on ending anti-crisis austerity measures in the context of a dramatic social crisis that Greek people face since the outbreak of the financial-economic crisis in 2007. Austerity measures were required in exchange for monetary bailout by the tripartite committee (Troika) formed by the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF). The Greek government has been in talk with the international community since 2010 for a monetary bailout to prevent default and has implemented various austerity measures and structural reforms overseen by the Troika, including cuts to public and social expenditure, in exchange for money.

The gravity of the humanitarian crisis in Greece can be outlined with a few data. In 2014, Greece had a unemployment rate of 26.4% and a poverty rate of 23.1% according to the State Statistics Agency. According to a recent publication by the humanitarian organization 'Medicins du Monde', 3 million Greeks do not currently have access to health care services. In an article published in February 2014, the medical review 'The Lancet' showed that the objective of reducing public expenditures to a roof of 6% of GDP entailed a 26% budget cut for public hospitals between 2009 and 2011, and a 50% cut (from 4 M€ to 2 M€) to pharmaceutical expenditure, with the consequence that some medicines have become unavailable. The Greek National School of Public Health reported a 21% rise in stillbirths between 2008 and 2011 due to reduced access to prenatal health services for pregnant women. Heavy cuts to prevention and treatment programs for drug consumption have produced to an increase in HIV cases. A drastic budget cut to local municipalities has reduced basic maintenance activities such as disinfestations. Incredibly for a country belonging to the European Union (EU), this has caused the return of diseases such as malaria that were considered eradicated decades ago (The Lancet, February 22, 2014).

Therefore, the context in which the political elections were held was definitely tense. The political Programme presented on September 2014 in Thessaloniki by Syriza's leader, Alexis Tsipras, was mainly based on writing off the greater part of the nominal value of the Greek public debt, increasing public investment, urgently restoring salaries and pensions to increase consumption and demand, and rebuilding the welfare state. The pillar of such four-pronged 'Thessaloniki Programme' was the necessity of facing the humanitarian crisis caused by the drastic spending cuts. The idea was particularly appealing for Greeks voters working in the public sector that was the most affected by the austerity measures. The fact that the Syriza political program was primarily based on fighting austerity measures and Troika control on public expenditure is demonstrated by the post-election coalition with the right-wing party of the Independent Greeks (ANEL): the only political point common to ANEL and Syriza is the opposition to the Troika control. In February 2015, the first major act of the new government was the complicated negotiation with the Eurogroup of an extension of financial European aid. Before this meeting, the ECB had decided to remove the exemption introduced in 2010 allowing Greek banks to source liquidity by providing government bonds as 'collateral' insurance. The decision was a prelude to the difficult negotiations that would follow a few days later. After a tense head-to-head,on February 24 the Eurogroup accepted to extend the agreement between Greece and Eurozone for a four-month loan extension. The Eurogroup discussed the first draft of Reform Measures presented by the Greek authorities, that will be further specified and then agreed with the institutions by the end of April at the latest. The Eurogroup decided to proceed with the national procedure in view of a final decision on the prolongation of the current Master Financial Assistance Facility Agreement for a maximum of four months. The Greek list of Reforms contains some of the following measures:

- Defining a strategy to combat tax evasion;

- Defining a plan for paying the arrears of the public administration;

- Adopting a spending review for every area of spending (education, defense, transport, local government, social services, etc.);

- Indentifying cost-saving measures for the spending each Ministry;

- Controlling health spending and improving the supply and quality of medical services;

- Continuing the reform of the retirement system;

- Strengthening the incentives for the emersion of black economy;

- Intensifying the collection methods for unpaid taxes;

- Collaborating with the European Central Bank (ECB) and the European Commission to ensure the stability of the Greek bank sector and access to credit;

- Collaborating with the Greek bank system to prevent the auctioning of homes for insolvent families below a certain income threshold;

- Continuing the privatizations already completed

- Reconsidering the privatizations that do not maximize the benefits in the long term, increasing the competitiveness of local economies, promoting the rehabilitation of the national economy and laying the foundations for a long-term growth;

- Expanding and developing existing patterns of temporary work, introducing a smart approach to a collective bargaining agreement that balances flexibility with an increase of the minimum wage;

- Meeting emergency needs and decreasing absolute poverty, modernizing the welfare system and evaluating the results of pilot projects on guaranteed minimum income, for a possible extension to the national level;

- Ensuring that the *fight* against the *humanitarian crisis* does not create *negative fiscal* effect.

Evidently, the list of Reform Measures presented by the Greek Government seeks a delicate compromise between the 'Thessaloniki Programme' and the austerity measures requested by the European institutions to avoid the State default. On the national front, the Government recently outlined a bill for a total expenditure of about 200 M€ to combat the humanitarian crisis in respect of the commitment made in the 'Thessaloniki Programme'. The measures concern free electricity, rent support and food stamps for the poorest part of the population. The Government wants to reconnect electricity to households that unable to pay their bills and provide up to 300 kWh free of charge for 2015; up to 30.000 households will also receive a monthly rent stipend between 70 and 220€, and 300.000 people will receive stamps for food and other basic goods from companies participating in the scheme. Priority will be given to families with small children, the unemployed and the poor (ekathimerini.com, March 2, 2015). The bill was approved by the

Parliament on March 18, 2015 and was voted also by the opposition center-right party. Such bill has not been well received by international creditors who called it a 'unilateral act' that does not respect the agreements, even though it concerns the guarantee of basic human rights. Concerning privatizations - another central measure required by the Troika - the deputy Minister of the Economy recently presented a bill to change the function of the TAIPED (Hellenic Republic Asset Development Fund) which until now managed the privatization of Greek public assets binding them to the payment of the public debt. According to the new bill, the TAIPED should be transformed into a fund whose revenue will be used to finance social policies and support of public retirement.

Despite the strong will to implement the 'Thessaloniki Programme', the Greek Government faces enormous difficulties in managing the political situation. First, the lack of financial resources and collapse of tax revenues (over a billion € reduction in the first two months of 2015) has led the Government to present a controversial bill for using the reserves of retirement funds. If the last tranche of 7.2 billion € expected from the EU for the financial assistance program started in 2010 will not be received, Greece runs the very concrete risk of running out of money to pay salaries and retirements. Second, European institutions seem to be hostile to the new Greek government for both economic and political reasons. Their concern is that another anti-austerity party, Podemos, is leading the polls and may win the upcoming political elections in Spain, causing a 'domino effect'. The balance between Greece and European institutions is delicate and the outcome for the next months is unpredictable. What we can say with certainty is that austerity policies have shown their ineffectiveness in reducing public debt and caused a deep and widespread social crisis in Greece and elsewhere in Europe, on which European institutions should urgently take action.