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Stalled Europeanization in Post-Sovereignty EU? Greek Politics in Hard Times

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ABSTRACT

This paper focuses on stalled Europeanization as a field of practices, institutions and discourse connected with a process of ambivalent reform. The absence of a consensual national strategy of adaptation to a particularly challenging environment, i.e., participation in the eurozone, produced dramatic consequences when confronted with the financial crisis after 2009. It is argued that the country's sluggish Europeanization reached a critical turning point in 2009 when the urgency of the crisis brought to the fore a number of issues and vulnerabilities. Asymmetric policy adjustment – limited in some areas, extensive in others – has been the combined result of perceived necessity, insufficiently designed and implemented reform packages, party-political repositioning, and plain politicking. Europeanization in Greece became a stalled process in 2015; restarting the stalled process since 2016 leads to ongoing but sluggish Europeanizing interactions, involving shifts in the roles of domestic politics, institutional traditions and interest groups while reshaping the patterns of political contestation.

Keywords: Ambivalent Reform, Stalled Europeanization, Policy Resistant Context

Egemenlik Sonrası AB'de Durağanlaşan Avrupalılaşma mı? Zor Zamanlarda Yunan Siyaseti

ÖZET

Bu çalışma, kararsız bir reform süreci bağlamında uygulama, kurumlar ve söylem alanı olarak durgunlaşan Avrupalılaşmaya odaklanıyor. Eurobölgesine katılım bağlamında zorlu bir çevreye uyum sağlamaya çalışılırken yaşanan 2009 finansal krizi üzerinde uzlaşılmış bir stratejinin bulunmaması nedeniyle çok ağır sonuçlara yol açtı. Çalışmada, Yunanistan'ın durağanlaşan Avrupalılaşma sürecinin, krizin ortaya çıkardığı bir takım sorunlar ve zayıflıklar nedeniyle, 2009'da kritik bir dönüm noktasına ulaştığı savunulmaktadır. Bazı alanlarda kısıtlı olmakla birlikte, birçok alanda karşımıza çıkan asimetrik siyasa düzenlemeleri, gerekli görülen düzenlemelerin, amaca uygun biçimde tasarlanmadan uygulamaya konulan reform paketlerinin, siyasal partilerin kendilerini yeniden konumlandırmalarının ve buna bağlı olarak siyasa geliştirmelerinin bütünsel bir yansımasıdır. Durağan Avrupalılaşma süreci Yunanistan'da 2015'te başladı. Bu süreç 2016'dan itibaren yeniden canlandırılmaya çalışılmaktadır. Bu süreçte siyasi tartışmanın kalıpları yeniden şekillendirilirken iç politika, kurumsal gelenekler ve çıkar gruplarının rollerinde de değişimlere yaşanmaktadır.

Anahtar Kelimeler: Kararsız Reform; Durgunlaşan Avrupalılaşma; Siyasa Dayanıklı Bağlam

Introduction

In the literature on Europeanization, the Greek policy context has been considered reform-resistant[1] due to its limited reform capacity.[2] If we approach Europeanization as an interactive process of policy and institutional change, policy impact, and policy feedback, the roles of domestic institutions and politics are crucial in influencing – often determining – policy reform. There has been considerable emphasis in the policy literature on the ways in which Greece's limited reform capacity hinders Europeanization. In this context, Featherstone and Papadimitriou explain that the systemic nature of the main problems identified in their own case studies is ultimately linked to interest politics and the structural power of key domestic actors.[3]

In this paper my focus is on Europeanization that stalled and on the restart of Europeanization as a sluggish but ongoing process with asymmetric results reaching a crossroads due to new, unexpected and particularly demanding challenges. The use of ambivalent reform in the paper is in the sense recently reformulated by Daniel Tichenor[4], i.e., as a set of significant, transformative yet contradictory policies with asymmetric and often self-defeating results.

The background is well known. In Greece, a series of bail-out packages consisting of reforms in exchange for low-interest rate loans from the EU, the ECB and the IMF has become the largest such program in modern financial history. Aimed at keeping Greece in the euro while preventing the debt crisis from spreading through the eurozone, the program proved a necessary rescue tool but also a mixed blessing for a number of policy areas in Greece.

A Tale of Postponed Adjustment to a System in Transition

In its 2017 special report on the European Commission's intervention in the Greek crisis, the European court of Auditors provides succinct and often critical insights into the saga of EU – Greek relations since 2009. As the report states:

> As of mid-2017, Greece still requires external financial support and we found that the objectives of the programmes were met only to a limited extent. Overall, the programmes' design did make the progress of reform in Greece possible, but we found weaknesses. […] From the time of its entry into the euro, Greece benefitted from an economic boom fuelled by easy access to borrowing and generous fiscal policy. But the 2008-2009 global financial crisis exposed the country's vulnerabilities: growing macroeconomic imbalances, large stocks of public and external debt, weak external competitiveness, an unsustainable pension system and weak institutions. These combined with revelations about misreporting of official statistics impacted international confidence. The price which Greece had to pay to borrow on the financial markets became unsustainable and in April 2010 the country requested financial assistance from the Euro area member states and the IMF.'[5]

1 Kostas A. Lavdas, *The Europeanization of Greece: Interest Politics and the Crises of Integration*, London/New York, Macmillan/St Martin's Press, 1997.

2 Kevin Featherstone and Dimitris Papadimitriou, *The Limits of Europeanization: Reform Capacity and Policy Conflict in Greece*, London, Palgrave Macmillan, 2008.

3 Ibid.

4 Daniel Tichenor, "The Historical Presidency: Lyndon Johnson's Ambivalent Reform: The Immigration and Nationality Act of 1965", *Presidential Studies Quarterly*, Vol.46, No.3, 2016, p.691–705.

5 European Court of Auditors, *Special Report: The Commission's intervention in the Greek financial crisis*. Luxembourg: ECA, 2017, s.7.

It hardly needs stressing that Greece's predicament was the combined result of several factors. To begin with, Greece's own erratic and in some ways irresponsible career in the eurozone. Having adopted the euro, Greece largely failed to benefit from real opportunities – such as an improved regional environment for foreign investment, reduced transaction costs and cheap credit – while managing to make (almost) every mistake in the book. Public sector kept swelling, public debt kept accumulating, every government accused the previous ones of fiscal and logistical sleight of hand, wrong signals were sent to the international markets, and so on. On the other hand, the eurozone was – and still is – a unique and in many respects admirable experiment in search of a direction: the lack of effective economic policy union and the difficulty in negotiating a political union has left the eurozone in a state of perpetual transition.

In this context, the recipe on offer for eurozone members in need (Greece, Ireland, Spain, Portugal, and Cyprus) was often one-sided and poorly tailored to meet the particular demands of specific economic and politico-administrative systems. Policy reform produced success in certain areas but it also led to reactions as well as side-effects, policy being implemented in some ways in spite of itself. As the European Court of Auditors finds in its special report on the Commission's intervention in the Greek crisis, there were weaknesses on the EU side as well regarding the design of reform packages.

For example, "insufficient consideration [was] given to the administrative capacity to implement the reforms", and while "financial reforms ensured short-term stability in the sector, […] a number of structural weaknesses were not comprehensively addressed or were included late in the programme."[6] As the special report explains, "by participating in the three Economic Adjustment Programmes, Greece avoided default. However, the achievement of the programmes' objectives – fiscal sustainability, financial stability and a return to growth – was successful only to a limited extent."[7]

As the ECA notes:

> Poor macroeconomic performance, coupled with financing costs on previously accumulated debt, mean that Greece has been consistently increasing its debt-to-GDP ratio throughout the programme period (except in 2012 due to the PSI). It was also unable to finance its needs on the markets. In the immediate post-programme period, Greece will have to repay substantial amounts of debt and the programme's assumption is that they will be fully funded from the primary surplus and market financing. On the financial side, the programmes ensured the short-term stability of the financial system, but were unable to avert a sharp deterioration of the banks' balance sheets primarily due to adverse macroeconomic and political developments.[8]

In its response to the ECA special report, the European Commission does not shy away from the fact that there were problems and misconceptions on the EU side. However, as the Commission argues:

6 Ibıd. p.76-77.
7 Ibid. p.79
8 Ibıd. p.79.

> The absence of political stability created challenges of ownership of the reform agenda over time; this constitutes one of the key elements to be kept in mind when assessing policy outcomes in this area. Greece experienced recurrent protracted periods of political instability that reignited uncertainties regarding the policy course, commitment to reforms and their effective implementation. However, Greece tapped the markets in April and July 2014, following a period of a steady reform, successful conclusions of reviews, and improved growth prospects. This clearly demonstrates how effective reform implementation is conducive to increased confidence among market participants and a successful return to the markets.[9]

We will turn to the domestic front in the next few pages. But the role of perceived wisdom in the EU needs to be briefly explored. In the EU, economic thinking and economic policy have resulted in 'stagnation by design' in an attempt to boost exports, strengthen competitiveness and clear up the economic scene.[10] Irrespective of one's assessment of that attempt, the 2008 global financial crisis and its implications that were felt in the eurozone more intensely after 2009 highlighted – among other, more general issues – the vulnerability of the eurozone's weakest members.

It was therefore not surprising that the crisis that tarnished Europe after 2009 was largely portrayed by mainstream commentators as the result of different national problem-stories, the role of the incomplete economic union was ignored and the debate over Eurobonds was quickly side-stepped. Matthijs and McNamara[11] make the point well:

> Of the multiple narratives EU policymakers could have chosen at the onset of the euro crisis, why did austerity and structural reform win out over other plausible cures for member states' problems? Arguably, sovereign debt pooling or more federalized economic governance would have been a solution to member states' national deficits and competitiveness woes. [...] Alternative views of the crisis could paint a functional picture of governance as the major issue, where a single currency disembedded from the standard historical institutions of nation-states would create serious problems no matter what the policies of the individual member states were [...] Instead, the theory effect that unfolded in the Eurozone crisis was situated squarely in the vision of ordoliberalism and neoliberalism that has illuminated the German public policy sphere throughout the postwar era: [...] national problems of fiscal profligacy and weak competitiveness were the source of the problem. Eurobonds stood no chance of being adopted, despite their functionality in addressing the euro's woes, given the ways in which the ideas about Northern saints and Southern sinners both served and structured the reality of the euro crisis.

It is a challenging task to steer a middle course between the view that blames irresponsible members in an otherwise healthy eurozone (as libertarian economist Ivan Eland tells us in pieces such as *Say 'No' to Greek Financial Irresponsibility*[12]) and the equally simplistic account of the EU effectively aiming to run Greece like a new Balkan protectorate (as Oxford professor Jan Zielonka claims in his

9 European Commission, "Replies of the Commission to the Special Report of the European Court of Auditors", European Court of Auditors*, Special Report: The Commission's Intervention in the Greek Financial Crisis,* Luxembourg, ECA, 2017, p.3

10 Joseph E. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe*, New York, W.W. Norton, 2016.

11 Matthias Matthijs and Kathleen McNamara, "The Euro Crisis' Theory Effect: Northern Saints, Southern Sinners, and the Demise of the Eurobond", *Journal of European Integration*, Vol.37. No.2, 2015 p.243.

12 Ivan Eland, "Say 'No' to Greek Financial Irresponsibility", *Huffington Post/The World Post*, 2016, https://www.huffingtonpost.com/ivan-eland/say-no-to-greek-financial_b_7735658.html (Accessed on 16 February 2018).

Greece has become the EU's third protectorate[13]). It has not helped that the main *dramatis personae* in the Greek – EU saga of recent years often projected a belligerent attitude. Following intense exchanges with Greece's finance minister in 2015, the Eurogroup head Jeroen Dijsselbloem had apparently been lobbying the Greek premier to fire his finance minister – as Dijsselbloem himself revealed on a Dutch television program (Dijsselbloem: "I asked for Yanis Varoufakis to be removed").[14] On the other hand, in his account of the crucial negotiations in Brussels in the weeks before Tsipras's capitulation to EU demands, Varoufakis claims that he and Germany's Schäuble discussed *Grexit* as a possibility, the German minister ultimately giving an ultimatum (it's the Memorandum of Understanding or a *Grexit*), then shifting to the (untenable) position of a possible time out and, once the country rebounds having recovered (through devaluation) a large part of lost competitiveness, a possible return to the eurozone. A remarkable thing about Varoufakis's account is his claim that in the discussions with the German minister, Schäuble was clear that the eurozone would be unsustainable in the absence of a political union – hence, there was need to reconfigure the eurozone but it was still unclear when and how.[15]

The interactive and multi-faceted nature of the eurozone crisis presents all players with acute and complex dilemmas: while domestic conditions have exacerbated the problems, the origins of the eurozone crisis cannot be reduced to the inadequacy of the club's peripheral members.[16] But such members appear more vulnerable during transitions, especially since the asymmetries in economic power have increased in recent years. Writing the spring of 2015 and fearing that the collision course would be detrimental to Greece's interests, Elizabeth Prodromou and I sought to highlight the need for a swift change in negotiating tactics so that a common ground could be found:

> There is need to relax the paralyzing Troika straightjacket on fiscal targets - one of the causes that brought down the moderate Conservative government in Athens - and to find common EU solutions on the conditions necessary to boost foreign investments and growth. Greece can only lose by sticking to a fanciful negotiation game based on debt relief and driven by ideological dogmatism and dependent on nationalist gestures [...] SYRIZA needs to put aside the politics of confrontation, and persuade the Troika to do the same. Tsipras and Varoufakis should be clear that Athens is committed to the continuation, not reversal, of structural reforms, as well as to benchmarks for implementation of still-overdue structural changes that can enhance predictability and productivity for the business sector and foreign investors in Greece. If Athens resets its negotiating approach, it will be up to Eurozone leaders to show their maturity in agreeing to more flexible management of budget-surplus targets and in silencing the convenient rhetorical scapegoating of Greece for laying bare the tensions in the European Project.[17]

13 Jan Zielonka, "Greece has become the EU's third protectorate". *Open Democracy*, 14 August 2015, https://www.opendemocracy.net/can-europe-make-it/jan-zielonka/greece-has-become-eu%E2%80%99s-third-protectorate (Accessed on 16 February 2018).

14 "Dijsselbloem: "I asked for Yanis Varoufakis to be removed", *TO BMHA English*, 24 December 2015, http://www.tovima.gr/en/article/?aid=764589 (Accessed on 16 February 2018).

15 Yanis Varoufakis, *Adults in the Room: My Battle with Europe's Deep Establishment*. London: Bodley Head, 2017, p.402-428

16 Kostas Lavdas, Spyridon N. Litsas and Dimitrios V. Skiadas, *Stateness and Sovereign Debt: Greece in the European Conundrum*, Lanham, MD, Lexington Books, 2013.

17 Kostas A. Lavdas, and Elizabeth H. Prodromou, "Greece's Negotiation Game and the Eurozone Day of Reckoning", *Huffington Post / The World Post,* n.d., https://www.huffingtonpost.com/kostas-a-lavdas/greece-negotiation-game_b_6655290.html (Accessed on 16 February 2018).

Instead, Athens opted for the referendum that appeared a way out by rejecting what was in effect a draft deal. In fact, the referendum proved a crucial step in the direction of a spectacular U-turn by Tsipras and his government. But in 2017, the country was still in trouble. Agreed, GDP grew moderately for three straight quarters in 2017 as the country seeks to prepare for its possible bailout exit when the current program expires in August 2018. But the 1.6% growth target for 2017 as a whole seems too high and – much more importantly – investment has been shrinking, to 11% of GDP from 26% of GDP ten years ago and unemployment remains at record high levels. At the same time, the success in amassing budget surpluses – a combined result of EU and Greek indifference to economic thought – is largely irrelevant in terms of immediate recovery prospects. In fact,

> the bailouts are creating a dangerous situation in which the government has enough cash to meet its debts but no one else in Greece can thrive. That spells an early demise of the recovery, and new questions about Greece's viability inside the eurozone. The creditors need to think harder about that danger, beyond the short-run benefits of the end of the bailout era.[18]

Between Europe and an Imaginary Place

Between a rock and a hard place – that's probably how a disinterested observer would describe any Greek government's predicament since 2009. But the issues became even more complicated as opposition parties strove to demonstrate that they in fact possessed an alternative, clearly different, more effective and simultaneously more humane way to respond to the crisis. Exploring Europeanization today requires an eye for nuances. Neither uniform convergence nor persistent national divergence, but 'domestic adaptation with national colours' would best describe the ongoing process of Europeanization.[19] While this is valid as a general remark, the dramatic politics of rescue packages after 2010 and the unmistakable dependence on partners-turned-lenders resulted in two seemingly contradictory traits in Greece. On the one hand, policy options became severely limited. On the other hand, the temptation grew for opposition parties to use this conundrum in order to propose a 'radically different' policy direction and, based on the electorate's painful experience of a reform package focused mainly on austerity measure, win the election.

The three bail-out packages for Greece (2010, 2012, and 2015) represented a major chapter for the EU and the governance of the eurozone. Favourable in terms of interest rates, they nevertheless included provisions that led to excessive demand squeeze and severe contraction without the advantage of an early structural reform package that would signal a strong commitment to attracting foreign investment. Having failed to respond energetically and tackle the issues necessary to persuade markets that Greece was a safe eurozone member to trust and invest in, policy and political debate post-2009 became entangled in a vicious circle of accusations and counter-accusations, claims and counter-claims.

As Katzenstein and others have demonstrated, the roles of political and cultural factors are critical to the formation of consensual strategies of small-state adaptation to the international political

18 Yannis Palaiologos, "Greece's Dangerous Budget Surplus", *The Wall Street Journal*, 3 December 2017, https://www.wsj.com/articles/greeces-dangerous-budget-surplus-1512337875, (Accessed on 16 February 2018).

19 Green Cowles, James Caporaso and Thomas Risse, *Transforming Europe: Europeanisation and Domestic Change,* Ithaca: Cornell University Press, 2001, p.1.

economy.[20] Joining the eurozone meant that Greece had to adjust to a particularly challenging environment, an environment in which a comprehensive strategy of adaptation was needed. But the consensus was absent – or to be more accurate, it did not manifest itself in public pronouncements, tactics and practices. Successive governments sought to discredit the previous one, e.g., by exposing sleight of hand in public finances, and the signals to the markets were unmistakably discouraging.

Familiar problems of bureaucratic inertia, lack of policy innovation, clientelist commitments, and legislative deadlocks have largely prevented the crisis from being a window of opportunity. In terms of the Greek economy, fiscal imbalances and sovereign debt were linked to longer-term problems, such as the inability to attract substantial amounts of foreign direct investment (FDI) which in turn relates to factors such as the lack of predictability on the tax system and the absence of encouraging political conditions. There were issues on the side of Troika, too: the apparent lack of specialized and applied knowledge of the Greek case was combined with the occasional indifference to domestic nuances and sensibilities. Being oblivious to social coalitions and the requirements for medium to longer-term reform, different players within the Troika demonstrated at different times various degrees of inadequacy. One of the most urgent tasks back in 2010-2012 should have been a combination of tax reform, deregulation, extensive privatization and measured re-regulation, in order to combat oligopolies and increase competition in domestic markets. It did not happen.

In fact, the political dimensions of the crisis that erupted after 2009 have their roots in both the government and the opposition. Greece has been remarkably reform-resistant and this is partly due to the consistently fierce and often violent opposition by the Left, combined with the Left's hegemonic position in the mass media, in universities, in opinion-makers and cultural apparatuses. This resulted in the opposition's capacity to effectively veto developments.

The first rescue packages managed to stabilize the country but the results overall were mixed. On the positive side, a number of important steps were taken after 2010, resulting in – among other indicators – an improved ranking for Greece in the World Bank's "Doing Business" scales.

Following several months of intense, often erratic, but unmistakably painful efforts, the ND-PASOK government under Samaras risked announcing that it planned an early exit from the rescue program in October 2014. The markets were not impressed. Feeling the heat from fierce Syriza opposition and anticipating a possible impasse in the coming parliamentary vote for the new president, the government sought a game-changer. It did not work. As two informed observers noted in January 2015:

> These elections are not about how to manage the economic debacle, but rather about how to steer an incipient recovery. The Greek economy has been growing since the first quarter of last year, according to Eurostat. In the third quarter, the country's growth was higher than that of any other eurozone member, including Germany. This is not just a rebound: Unemployment has been declining and now stands roughly where it was before the worst point of the crisis two years ago. All this suggests that reforms are belatedly but surely yielding results.[21]

20 Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe*, Ithaca, Cornell University Press, 1985; "Small States and Small States Revisited", *New Political Economy*, Vol.8, No.1, 2003, p.9-30.

21 Pierpaolo Barbieri and Dimitris Valatsas, "Argentina's Lessons for Greece", *New York Times*, 16 March 2015, http://www.nytimes.com/2015/01/17/opinion/argentinas-lessons-for-greece.html?_r=1, (Accessed on 16 February 2018).

While the first indications of a recovery were evident by the end of 2014, including a projected primary surplus in 2015 of 3 percent of GDP, the instability associated with an early election against the background of a still fragile economy and an apparent lack of consensus on the way forward brought to the fore a series of doomsday scenarios and negative projections.

Adaptation – especially since the crisis in 2009-2010 – became primarily a matter of piecemeal, largely incoherent stop-go attempts at appeasing the lenders while placating the domestic audience. In these conditions, opposition Syriza produced a new yarn: they weaved a tale of alternative recovery, complete with 'new' sources of financing (combating tax evasion) and set in the context of the eurozone's challenging but desirable security.

2015: Politicking Takes Precedence over Adaptation – Again

The year 2015 – when the Syriza-ANEL government took over as a result of the early election in January – could have been a year of Greeks observing and taking stock as other EU members had parliamentary elections: Estonia, Finland, Britain, Denmark, Portugal, Poland, and Spain, in addition to a presidential election in Poland. Instead, Syriza aimed at gaining access to power as early as possible.

Yet it was not difficult to predict that an early election in Greece would be a very bad choice. Certainly for Greece but also for any supposedly radical scenario in the eurozone – letting the Spaniards vote first might be preferable on a number of levels. As J. F. Kirkegaard had predicted in 2015:

> Despite what many outside commentators say, Greece is the least likely country to shift from the austerity policies in Europe. It remains a small broke country in need of outside financial aid in a potentially rough neighborhood. In a euro area with no financial contagion, it has zero crisis leverage and will inevitably lose any new game of chicken with its euro area partners and jeopardize its hard won economic stabilization while the euro area's hawks use it as an example of what happens to a country that strays from the traditional policy consensus […] and to illustrate concerns over moral hazard.[22]

The January 2015 national election was the result of a Greek constitutional peculiarity (a provision that links the failure of the parliament to elect a new president with the obligatory dissolution of parliament) and of the relentless exploitation of that peculiarity by the opposition. While in other, comparable parliamentary systems with a president as formal head of state, the parliament would go on voting until they elect the president with a progressively lowered quorum – possible recourse to a national election being a purely political decision – in Greece the obligatory nature of the dissolution of parliament after the third unsuccessful parliamentary attempt to reach a consensus on the President generates political developments by itself.

Of course, in terms of Greece's fragile economic recovery in 2014, the early election was very bad news indeed. An election (and the intense politicization of the issues) at a later stage in 2016-17 would probably find the country in much better shape in terms of recovery and on a more synchronized pace with an EU that would itself be clearer on its future direction.

22 Jacob Funk Kirkegaard, "Greece's Latest Travails Are Not Europe's Problem This Time", *Peterson Institute for International Economics*, 7 January 2015, http://blogs.piie.com/realtime/?p=4689, (Accessed on 16 February 2018).

In late June 2015, the Syriza-ANEL government decided unilaterally not to complete the 2nd bail-out program and called a referendum. Then, in effect ignoring the result of the referendum, returned to the negotiations and reached what was by any standard an outcome that was definitely not affected (certainly not improved) by the referendum parenthesis. However, when the Syriza-ANEL government performed the spectacular U-turn in mid-2015, capitulating to lenders, they abandoned the policy but not the rhetoric.

As in other European settings, the implications for Greece's party system concern both fragmentation and polarization – to use the familiar notions in Sartori's sense that implies number of parties (fragmentation) but also ideological distance (polarization). The latter is a question of ideological developments, issues, electoral politics, and so on. The net impact since 2009 has been an increase in both dimensions. Fragmentation increases in terms of new parties entering the parliamentary arena; polarization is also on the increase in the years between 2009-2015 (i.e., at least up to the point when Tsipras capitulated) in terms of the ideological content of politics. As a consequence, instead of the formation of a consensual strategy of adaptation vis-à-vis the challenge of eurozone participation, Greek politics was dominated by the reproduction of adversarial ritualistic politics even after the dramatic crisis erupted in 2009-2010.

Is recent historical experience with Greek 'radicals' winning their way to power through elections of any value in assessing Syriza? In the early 1980s, when the rise of PASOK alarmed Greece's establishment, Greek-American political scientist, Roy Macridis, published a controversial paper on Greek politics. He considered Greece to be at a crossroads between European social democracy and Third World authoritarian socialism.[23] PASOK populism proved to be disruptive, even catastrophic in a longer-term fiscal perspective, but was never a real threat to Greece's democracy or indeed the country's European and transatlantic trajectory. Syriza may prove a more formidable challenge to both, although the jury is still out on the party's eventual direction. The spectacular U-turn in mid-2015, when a leading group around premier Tsipras decided to abandon the confused and confusing alternative which brought them to power, led some observers to welcome a new, supposedly social democratic Syriza as a possible political vehicle for a European future of reform and critical adaptation.

But this appears too simplistic, even naïve. In fact, ever lower policy commitments by Syriza as a political party is the most likely way forward in the present context. Policy 'choice' will increasingly appear to be a matter of nuance and political communication rather than substantive differences. In this context, no matter what the year of the next national election – Tsipras may decide to risk an early election in 2018 or soldier on till 2019 – the longer-term fate of Syriza is probably discernible in unmistakable terms: a faction will sooner or later join their comrades who left in 2015-16 as a result of the Syriza-ANEL government's espousal of the 'mainstream' policy mix advocated by Brussels. At the same time, Tsipras will eventually have to drop ANEL as a partner and focus on the center-left for possible interlocutors. The remaining Syriza – including the vast majority of Syriza parliamentarians – will probably focus on divisive secondary issues that may sustain a façade of political contestation for Syriza die-hard radicals while at the same time aiming to satisfy the troika and weave a story of 'success' for the wider electoral audience. Still, political scenarios will largely depend on whether ND will be able to form a government on its own following national elections.

23 Roy Macridis, *Greek Politics at a Crossroads: What kind of Socialism*?, Stanford, CA, Hoover Institution Press, 1984.

Capitulation and Ritualistic Confrontation

Our discussion leads to five key points, most of which point to increased weakness and vulnerability vis-à-vis EU-level developments. First, most of today's problems have been the result of a national development path in which both governments and oppositions have played their part by eschewing consensus and reproducing a style of confrontational – ritualistic politics even when confronted with existential dilemmas for the country and its future. This, in turn, reinforced a particular field of national political discourse that set important normative and ideational limits on policy-making options.

Second, while the first indications of a recovery were clearly evident by the end of 2014, including a projected primary surplus of 3 percent of GDP, the instability associated with the early election against the background of a fragile economy and an apparent lack of consensus on the way forward brought to the fore a series of negative scenarios and projections.

Third, the firewall in the Eurozone has developed and become stronger since the early crisis years, rendering Greece's position more vulnerable in the event of a conflictual type of bargaining. Yet – perhaps paradoxically – that is the style Syriza purports to favour, at least in domestic electoral discourse. In particular, its espousal by the Syriza-ANEL government in the early months of 2015 led to an almost complete reversal of the moderate successes gained in 2014. Persistence in conflictual negotiating games, aiming to reach an early conclusion on debt haircut, instead of focusing on improving the fiscal conditions that would further assist Greek growth, was a choice of high risk – and it failed. The cost to Greece was substantial.

Fourth, domestic political instability in 2014-2015 in effect increased dramatically Greece's dependence on the EU and on other member states' strategies, tactics, perceived interests, and mixed views on solidarity. Finally, there appeared to be a link in 2015 between exploring 'alternative' ways of economic governance and tampering with the institutions and practices of a pluralist democracy. For the Third Republic, undoubtedly the most open, liberal and democratic regime of modern Greece, this link would represent a major potential threat.

In this context, what was remarkable about much of the debate in 2014-2015 was the Greek Left's yearning for extra-European 'progressive' recognition. There was open support for the likes of the late Venezuelan socialist leader Hugo Chavez. More to the point, there was an unmistakable fascination with a political class that would put business through its paces, with demands for a state that could provide solutions for every social malaise. Commenting on such traits in Greece, Barbieri and Valatsas noted that:

> Argentina [...] is an example to avoid, not to follow. Debt default and unilateral withdrawal from the globalized world would not lead Greece to a renaissance. It would lead the country back to ruin. After years of recession and reforms, it would be a sad sight for Greece to follow Argentina, precisely when the former is recovering and the latter is finally about to turn its back on shortsighted populism.[24]

24 Pierpaolo Barbieri and Dimitris Valatsas, "Argentina's Lessons for Greece", *New York Times,* 16 January 2015, https://www.nytimes.com/2015/01/17/opinion/argentinas-lessons-for-greece.html?_r=1, (Accessed on 16 February 2018).

Apparent backsliding on democracy[25] has recently given birth to a developing field of debate on 'illiberal democracy'[26] with reference also to EU members like Hungary or Poland.[27] And, although this genre has been associated by pundits with quasi-authoritarianisms of the Right, Greece's populist Left-Nationalist coalition government (Syriza-ANEL) may also be a candidate for possible inclusion in this infamous club, in view of a number of limited but unmistakable symptoms (an aggressive populist rhetoric, energetic efforts to influence and/or subvert hostile media, moderate attempts to intervene in judicial processes, and so on). Yet it is too early to pass judgment on the Greek case from the perspective of 'illiberal democracy': the country's relative political stability despite an acute financial and fiscal crisis since 2010 and the emerging but – till now – relatively limited public support for extremist solutions may be among the signs that give rise to a dose of cautious optimism.

Greece may then be able to rebound without sustaining very major losses in democratic legitimacy. The plausible view that democracies are generally good at recovering from crises but bad at avoiding them[28] may be applicable her. But the EU level is a different story. When it comes to EU-level fragile governance, it may be hypothesized that the Union may be unable it bounce back from a major crisis if it fails to avoid or at least moderate its impact. Politicization affects the heart of the EU, as the growth of discontent in the 2014 EP election testifies; issues of democracy now concern the EU more than ever. This also results in resurfacing national antagonisms. Of course democracy can be said to be inherently unstable; hence some growth enthusiasts would opt for regimes of mild authoritarianism provided they supplied increased predictability. But it is equally the case that democratization promotes economic modernization and growth: by allowing people to fight against rigid privileges and by enabling them to gain access to key resources such as education, health, and security.[29] In today's conditions, democracy in Europe is increasingly dependent on the acquisition of EU-level capacity by forces that strive to highlight issue convergence and the increasing relevance of the EU level from the perspective of Europe's citizens.

In Lieu of a Conclusion: Still at a Crossroads

What went wrong in Greece? What's going on today? And what are the prospects? An executive summary would go like this. Greece lacked the political and cultural factors that would be conducive to the formation of a consensual strategy of successful gradual adaptation to a very challenging environment, i.e., participation in the eurozone. Successive governments spent much of their political capital trying to annihilate the previous rulers' record; in turn, successive oppositions were almost exclusively preoccupied with destroying the governments' chances of leaving behind something that would resemble a credible record. Prospects were not particularly bright anyway, but when Greece was forced to face the added challenge of coping with the financial and fiscal crisis post-2009, the whole edifice became terminally unstable. Reasonable people may disagree about the appropriateness

25 Joshua Keating, J., "European Countries Are Backsliding on Democracy, and the EU Is Powerless to Stop Them", *The Slatest*, 13 January 2016, http://www.slate.com/blogs/the_slatest/2016/01/13/poland_is_backsliding_on_democracy_and_the_eu_is_powerless_to_stop_it.html, (Accessed on 16 February 2018).

26 Jan Zielonka, "Greece has become the EU's third protectorate", *Open Democracy*, 14 August 2015, https://www.opendemocracy.net/can-europe-make-it/jan-zielonka/greece-has-become-eu%E2%80%99s-third-protectorate (Accessed on 16 February 2018).

27 J. W. Müller, "The Problem With 'Illiberal Democracy", *Social Europe*, January 2016, https://www.socialeurope.eu/2016/01/the-problem-with-illiberal-democracy/ (Accessed on 16 February 2018).

28 David Runciman, *The Confidence Trap*, Princeton, Princeton University Press, 2013.

29 Fred Block, "The Omission of Real Democracy" Colin Hay and Anthony Payne (eds.), *Civic Capitalism*, Cambridge, Polity Press, 2015, p.55-62.

of the recipe proposed by the Troika. But that was not the argument at issue in early 2015: what was able to unite Syriza and ANEL was a totally misleading electoral promise of an imaginary land still located within the eurozone. 2015 should have been a policy consolidation year, not an election year. Last but not least, politicking survived the crisis and the ritualistic form of political confrontation appears intact.

On the socio-political level, the result has been disintegration of the (limited) infrastructures of possible policy concertation. In terms of most indicators (income inequality, employment security, union strength), labour power has been substantially reduced while on the other hand business associability was not engaged by policy makers in attempts to reach a degree of coordinated adaptation. It is true that a clearly focused FDI-attracting strategy may or may not have involved such coordination; the problem is that the protracted contraction was not accompanied – certainly not at an early stage – by any strategy whatsoever. Neither concertatist domestic adaptation nor FDI-focused radical restructuring: the politics of ambivalent reform became identified with politicking rather than reform.

Writing more than twenty years ago, in a book that effectively introduced the Europeanization *problematique* in Greece, I commented on how fragile Greece's Europeanization was against domestic inertia and in view of the lack of consensual policy-making and a national adaptation strategy.[30] For most observers, today's crisis would probably corroborate the hypothesis that Greece has not yet reached a position through which it can on its own identify objectives for reform and the means to pursue them. Indeed, the prevailing political logic in Greece does not endorse politics as a sophisticated way of seeking common ground in order to pursue collective ends. Still, the political socialization of actors is a continuous process and Greece's Europeanization is an ongoing – if sluggish - project.

Is the Greek case a litmus test for the eurozone? Not necessarily – it would appear that the particularities of the national context defy easy generalizations while the relatively limited significance of the Greek economy (primarily due to its small and shrinking size) would result in negative but probably controllable impact in the event of a *Grexit*.

Yet there are two additional dimensions that help us put the case – and its significance – in perspective. First the geopolitical and geostrategic set of parameters and considerations. Greece's substantial defence presence in Southeast Europe and the country's commitment to burden sharing within NATO should be openly recognized as such both internationally and in domestic politics, especially in a phase of reopened geopolitical issues. Then there is also the complex issue of the political, ideological and symbolic implications of a *Grexit*. Exit – any exit – from the eurozone could well destabilize its foundations by demonstrating that the eurozone's integrity is questionable.

30 Lavdas, *The Europeanization of Greece*.