

## Can Greece make the choice?

So, Greece has reached the end-game, but it is one with uncertain choices. A political shambles has led the country to this point and more political games may be on the way. To many European observers, the election may not offer voters real or credible choices: on the one hand, too many reform promises may prove paper-thin, as in the past; or, the offer of a radically-different path may be eradicated by events and external pressures.

This is a political drama that has a complex narrative, somewhat akin to Chekhov. An 'ancien regime' is out of touch with conflicting new social demands. Collectively, the current political class has both failed to deliver reform and to be the voice of a more complex electorate. Successive governments have fallen well-short of enacting the extensive supply-side reforms demanded by a liberal model of economic competitiveness. At a recent lunch, I heard senior businessmen complaining that the government had long since stopped listening to what they had to say: when it comes to policy matters, the voice of business found it very difficult to penetrate the world of politics. The talk of Greece having implemented too much 'neo-liberalism' is nonsense, as most international indicators will show. Fiscal retrenchment – wage cuts and tax increases - is not the same as liberalising the economy. Alongside this disconnect with business, successive governments have failed to properly 'own' the domestic reform programme, unlike in Ireland. It has been reform as 'victimisation', rather than reform through choice. As a result, Europe has been equivocal over its support for those in charge in Athens.

Indeed, Greek governments find it very difficult to engage in serious reform consultation or planning. Ministers seek *ad hoc* advice, from friendly individuals at home or abroad. But the process lacks stability, depth and institutionalisation. How governments have sought, processed, and responded to policy expertise has signalled a lack of seriousness and it has lacked legitimacy. 'Politics' has thus been cut-off and played according to separate interests.

Against this background, successive governments have proffered their fiscal budgets to the 'Troika' as a living sacrifice, instead of engaging with Europe about serious reform. The political cost might have been lower in the short-term, but over time it invited a public backlash over pauperisation and not standing up for Greece's interests.

Such rhetoric has been monopolised by SYRIZA. The prospect of it leading the next government raises the greatest uncertainty that Greece has faced in a generation, however, both because of the ambiguity over its intentions and the likely European reactions. As he commented on TV this week, Tsipras assumes that this will be a poker-game in which Merkel blinks first. Given the hardline stance of Wolfgang Schauble and German public opinion, this is a high-risk assumption. In reality,

Europe does not yet know how it will respond to him because it is unclear what he will ask.

Many economists in Europe agree that Greece's public debt is unsustainable. It isn't the level of the debt that matters so much, as the interest-rates (and repayment period) charged to Greece by other EU governments. The latter are unlikely to agree to any debt easing, without a commitment to serious structural reforms. And there can be no default with Greece remaining in the euro. EU governments will judge that the Eurozone financial system is more easily insulated from a 'GREXIT' these days. As the bargaining progresses, the stakes rise. A new legal backing would have to be found for Greece exiting the euro, but staying in the EU. In short, negotiating debt relief is a very difficult task, with many risks, especially if an agreed reform agenda is being abandoned. SYRIZA voters may not get what they wished for, because Tsipras might not be able to deliver that choice.

Not long after the start of this shambles, Georgios Papandreou as PM had proposed a referendum. The idea was botched and it led to his own downfall. But it increasingly appears as a major missed opportunity. How much clearer the political landscape would have been if Greece had had a referendum on staying in the euro. Even better if such a referendum vote had been linked to a package of measures or a set of economic policy principles agreed with Europe.

Without such a referendum, Greece's partners question her commitment to serious structural reform. If the next government is not led by SYRIZA, it ought to demand a referendum from the new President. If not, it might even be what Europe insists upon before it endures too much more of this shambles.

*Kevin Featherstone is Eleftherios Venizelos Professor of Contemporary Greek Studies and Professor of European Politics at the London School of Economics.*