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The tragedy and last minute triumph of the Greek commons

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Introduction

The tragedy of the commons 'denotes a situation where individuals acting independently and rationally according to each's self-interest behave contrary to the best interests of the whole group by depleting some common resource'. This article will make two points. First, that Greece coming so close to exit from the Eurozone, reflects typical 'tragedy of the commons' dynamics. Second, that the near certainty of euro exit, catalyzed by the resounding 'no' of the referendum and the referendum-induced imposition of capital controls, has potentially transformed a tragedy to a last minute triumph of the 'Greek commons'.

Tragedy

Once Greece entered into a programme with its EU creditors and partners its challenge was not so much to avoid depleting but rather one of creating a 'Greek commons'. After all had there been a 'Greek commons' to begin with there would be no crisis and certainly not of such proportions. Be that as it may, what would this crisis 'Greek commons' have consisted of? Of three self-reinforcing elements, namely:

1. Mitigating the recession and then reversing it by rapid structural reforms and, in particular, opening up of professions and markets in general and privatizations both of which would have attracted know-how and capital to the Greek economy and would have increased primarily international, and secondarily domestic demand for Greek goods and services.

2. Mitigating, if not reversing, the effects of the recession, by reorienting resources from the long standing, politically powerful, often undeserving beneficiaries of Greece's welfare and fiscal state to those rendered unemployed and/or impoverished by the crisis.

3. Creating the goodwill to Greece's creditors and partners through (1) and (2) and thus creating even

more financial resources for the Greek economy, and the crisis-hit segment of the population, through a re-profiling of Greece's official sector debt and restored access to market financing to the sovereign and Greece's public and private corporate entities.

This creation of a 'Greek commons' mostly, if not totally, failed.

Pressure groups with a huge interest in maintaining restricted access in their professions and markets fought a, by and large, successful defensive war, employing their massive political clout. To non-Greek readers I can mention three examples, pharmacists, milk producers and sea ports. Indicatively, the president of the pharmacists association threatened, in March 2014, to turn the 11,000 pharmacies in Greece into "the grave of the government" adding ominously that "elections are coming",[1] in opposition to liberalization of opening hours and the selling of non-prescription drugs in supermarkets (the latter a market close to a billion euros annually to give a sense of the stakes involved). Opening hours were partly liberalized but nonprescription drugs were not made available for sale at supermarkets and other restrictions, such ownership provenance, remained. Pharmacists in Greece, as small scale businessmen were traditionally center-right, and this none too subtle hint by their President that they would shift their allegiance shift to a far left party, SYRIZA, also illuminates the transactional aspect of political affiliation in Greece. Milk producers similarly nullified an attempt to elongate duration of consumption regulations, for fresh milk, that would have allowed for competitive imports to enter the Greek market. In the privatizations front, again indicatively, the leader of the minority coalition partner in the previous coalition government, leader of PASOK Evangelos Venizelos, has been widely acknowledged to have fought a successful rearguard action to postpone privatization of the Thessaloniki port, a pillar of his power base in Thessaloniki, managed by a political ally. This rearguard action, in turn, had as a corollary damage the delay in the privatization of the Piraeus port.[2] The privatization of the two ports –or more accurately the turning of concessions controlled by state-controlled listed corporate entities to internationally reputable operators– would have allowed Greece to rapidly leverage its geographic advantage, for the purpose of becoming a regional transport and logistics leader.

Similarly, in the welfare and fiscal front powerful pressure groups, although not left unscathed by the crisis, managed to preserve their privileged position. Early retirement provisions remained in place and transfers from the general population (the so-called nuisance taxes) continued to pad the pension funds of politically powerful professionals such as civil engineers and journalists, to the tune of nearly 3 billion euros a year. In personal income, and property taxation and pensions contributions, farmers maintained their vastly favourable regime while ship-owners continued to hide behind their constitutional protection which accords them tax-free status on their global income. In the meantime no provisions were made either for the hundreds of thousands private sector employees that entered long term unemployment status (and who were, not incidentally, politically under-represented), with unemployment benefits covering a small percentage of the short term unemployed. Nor was a means-tested, minimum guaranteed income, for the impoverished, was introduced despite the active encouragement of Greece's creditors that it is so (the reason being that this guarantee would have replaced existing benefits many of which were not means-tested and thus would have hurt existing

[1] To Vima, K.Lourantos: Pharmacies will become the grave of the government, 28/3/2014

[2] Stelios Ageloudis, the previous President of the Thessaloniki Port Authority (OLTH), was the head of the political office of Evangelos Venizelos and has served, on the latter's behest, as head of political planning of PASOK. An ex-army officer, he had no previous professional background in port management. PASOK, in April 2014, when Evangelos Venizelos was its leader, opposed the sale of a majority of OLTH to an outside investor (TO VIMA, "Storm for the sale of OLTH", 20-04-2014). The author is aware of the background to OLTH's stalled privatization as he was an adviser to the Mayor of Thessaloniki in 2011-2014. The previous President of the Piraeus Port (OLP), Giorgos Anomeritis, also a PASOK stalwart, has been similarly opposed to the privatization of OLP.

beneficiaries with significant political clout).

Consequently, the past ND-PASOK Greek government had lost the confidence of its official creditors already by the summer of 2014 and consequently market access by the Fall of the same year. As a negative side-effect a promise to re-profile Greek debt was not kept by Greece's creditors. The arrival of the SYRIZA-ANEL government in January 2015 signaled a climax of this tragedy of the 'Greek commons'.

The SYRIZA-ANEL government created a broad tent where all the above mentioned pressure groups entered to further guarantee the success of their defensive war and even reverse partial setbacks by going into the offensive, nullifying creditor-mandated policies that were implemented and which hurt their interests. The new government also enlisted the support of the young and impoverished, the former provided with scant employment opportunities by the timid structural reforms of the preceding government, and the latter thoroughly alienated by the very limited at best, and nonexistent at worst, mitigation of their hardship. In essence the SYRIZA-ANEL government proposed that a 'Greek commons' of sorts would indeed come into being but through unconditional financing (unconditional in the sense that no further fiscal measures and structural reforms would be required to get such finance) that the government would secure. Such unconditional financing would be supplied either through the sale of geopolitical and geo-economic rents to such states as Russia and China and/or through the twin blackmail of, first, the offering of such rents to its existing geopolitical and geo-economic allies (you want me to stay in the EU and NATO you better pay up or I will cozy up to Moscow, Peking etc.) and, second, the threat of regional and Eurozone instability that would be engendered by the realization of a euro exit scenario. The sale, and threat of sale, of such geopolitical and geo-economic rents having found no willing buyers, the government upped the euro exit ante by calling the July referendum and endorsing the 'no' to one of the many offers put on the table by Greece's creditors.

Last Minute Triumph

Precisely, and because of the climaxing of this failure to create a 'Greek commons' through the unconditional extraction of financing by third parties, a 'Greek commons' was created by the very tangible possibility of comprehensive disaster. This possibility was literally brought home by the imposition of capital controls by the Greek government, a necessity after the referendum was called, and the imminent possibility of expulsion from the Eurozone once the referendum was announced.

Essentially Greece's creditors issued an ultimatum to the Greek Government and demanded that this ultimatum is accepted not only by the ruling coalition but also by the pro-euro opposition parties, ND, PASOK and POTAMI. This ultimatum included the sacrifice of all the special interests that had, as mentioned above, fought their corner through their representatives in the political system. It included, indicatively, equal treatment of farmers income taxation and VAT taxation of islanders, the introduction of taxation to ship-owners, elimination of early retirements provisions and of the nuisance taxes that propped up the retirement benefits of powerful professionals, such as journalists, an expanded privatization program under tight supervision by the Troika, the liberalization of such professions as pharmacists, lawyers and engineers and so on. Not only was the Greek PM, and most SYRIZA-ANEL MPs who capitulated to this ultimatum but also the opposition parties, and in particular ND and PASOK which, while in government, shielded these pressure groups from such measures (POTAMI, a newcomer in Greek politics and with an explicit mandate not to represent special interests had, even prior to capital controls and the imminent threat of euro exit, committed to vote whatever agreement the government got from the creditors).

By threatening the interests of each and everyone in Greece our creditors have brought to the surface, in this last minute, the common interest of all. In essence group survival, in the sense of Greece's ability to maintain the basics of economic exchange and civil peace, even under a harsh regime of further fiscal consolidation and structural reforms, swamped the interest of the sub-component groups that compose the nation, particularly the most politically powerful of these groups. Illuminating of this state of affairs are two of the many statements, in response to the crisis. In the first one, the President of the Association of Greek Hoteliers, Andreas Andreadis, said that although increased VAT in hotels is inimical to the sector it is better for Greek tourism than to suffer the upheaval of euro exit. In the second one, ND MP Makis Voridis said that it is time that pharmacists, when pressing for their demands, be able to see the bigger picture on which their own livelihood is also ultimately depended.

As for the creditors they committed that, after the first review of this third comprehensive and radical MoU, they would revisit the issue of re-profiling of Greece's debt, the implication being that Greece's ability to fulfill its side of the bargain would justify lightening its debt load.

This last minute creation of the 'Greek commons' was illuminated by 229 out of 300 MPs voting for this third MoU, the largest ever majority that Greece's three MoUs received, the proceedings in this parliamentary vote being the most civil of all, compared to the other two votes on MoUs, and disturbances outside Parliament, in the streets of Athens and Thessaloniki, being, relatively speaking, the least violent of all. On top of that we must take into account that this third MoU has been the most comprehensive of all, incorporating fiscal and structural commitments that all previous governments, that have negotiated MoUs, have fought tooth and nail to avoid.

Conclusion

The possibility of exit from the euro, and the resulting national catastrophe, came about as a result of a sovereign decision of the Greek government, namely its last minute brinkmanship which climaxed with the calling of the referendum and the prevalence of the 'no' vote that it strongly fought for. The unintended consequence of this sovereign decision was to create, for the first time since Greece entered the crisis a 'Greek commons', a decision by more than two thirds of the Greek Parliament to vote for fiscal and structural measures that damaged the interests of nearly all powerful Greek pressure groups and electoral constituencies. Essentially political parties, and their parliamentarians, recognized that all these pressure groups and constituencies that they represented had a common interest overriding their respective special interests – avoiding chaotic default and transition to a drachma. The package of measures that they all voted, in an unprecedented majority, has the possibility to create the 'Greek commons' that we referred to: mitigation of recession, mitigation of the effects of recession and debt forgiveness, in all but name, that can further boost growth and create the resources necessary for further mitigation of the social effects of the crisis.

It is important to note that only a minority of Greeks actually espouses, defends and would want, willingly, to create such a 'Greek commons'. It is also true that these 'Greek commons' were fleshed out, and in minute detail, by Greece's creditors and not by Greece, and its representative democracy. As such these 'Greek commons' represent a particular, as much as dominant in the Eurozone, political economy perspective, on what Eurozone membership entails for a country-member's political economy. After all Greece's creditors are predominantly the surplus countries which have acquired surpluses precisely because they have succeeded in evolving and nurturing their own 'commons' prior to the outbreak of the crisis.

The riposte to this observation is that Greece's citizens, and Greece's representative democracy, up to and including the present SYRIZA-ANEL government, had ample time endorse, articulate and execute their own version of a drachma 'Greek commons'. At the time of this writing majorities in the region of 70 % have expressed no desire for the creation of such a drachma 'Greek commons' while the political advocates of such an alternative path have failed to prevail politically.

So on the one hand, the Greek economy and polity were thus structured over time - admittedly with the considerable assistance of key EU mechanisms ranging from EU transfers to Eurozone based low cost financing - that the majority of pressure groups, absent the threat of a comprehensive national catastrophe, were bound to prevail and thus engender a near-tragedy of the 'Greek commons', aka euro exit. On the other hand, the very possibility of the grand finale of this tragedy also created the conditions necessary for the creation of a 'Greek commons' which has a fighting chance to impose itself, change the ending, and transform the tragedy to a saga with a happy ending. In other words, the Greek people and the Greek political system, when they came upon the brink of disaster, allowed an external agent, Greece's creditors, to specify and enforce the creation of a 'Greek commons'. It is in the very nature of this interplay that for the majority of Greek citizens and the dominant strains of the Greek political system this 'Greek commons' is one of survival, of avoiding disaster, while for Greece's creditors it is a 'Greek commons' of medium to long term recovery under a reconfigured Greek political economy.

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