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The Greek referendum: an alternative approach

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Abstract

Admittedly, the balance of power within the European institutions, especially those related to financial stability and economic policy, is controlled by Germany. The German Federal Republic as the "main creditor" controls the Eurogroup, the Euro Working Group and has privileged relations with the International Monetary Fund (IMF) and the European Central Bank (ECB). Due to this fact, Wolfgang Schäuble as the exponent of the hard German economic strategy has a leading role within the European decision-making institutions. France, Italy and other countries are unsuccessfully trying to counteract and mitigate the German influence, as shown by the Greek issue.

This framework is tightly connected with the negotiating ability of any country that inconsistently attempts to reverse the status quo, modify the rules or change the terms of an agreement. The Greek government of Alexis Tsipras sufficiently experienced this suffocating experience and announced a referendum as an attempt to open the field of negotiations.

1. The balance of power and the referendum

Admittedly, the balance of power within the European institutions, especially those related to financial stability and economic policy, is controlled by Germany. The German Federal Republic as the "main creditor" controls the Eurogroup, the Euro Working Group and has privileged relations with the International Monetary Fund (IMF) and the European Central Bank (ECB). Due to this fact, Wolfgang Schäuble as the exponent of the hard German economic strategy has a leading role within the European decision-making institutions (Mavrozacharakis: 2015 a) . France, Italy and other countries are unsuccessfully trying to counteract and mitigate the German influence, as shown by the Greek issue.

This framework is tightly connected with the negotiating ability of any country that inconsistently attempts to reverse the status quo, modify the rules or change the terms of an agreement. The Greek government of Alexis Tsipras sufficiently

experienced this suffocating experience and announced a referendum as an attempt to open the field of negotiations.

However, the effectiveness of this choice is characterized by great uncertainty, considering the messages arrived from all over the world and most importantly, from Germany. In this case, Schäuble – whose statements are usually a reliable orientation for the European institutions - explicitly and squarely noted that negotiations after the referendum – independently from its result - will start from the beginning and will include much tougher conditions.

After the announcement of the referendum, allies and opponents of Greece interpreted incorrectly that the affirmative answer "yes" declares a desire to remain in the euro and the negative answer "no", the desire to exit the Eurozone. Despite the fact that the real question was misleading, because it asked for confirmation of an agreement which included tough austerity measures, there was almost no one in Europe to interpret the referendum with a denial against austerity and not a denial against Europe. If a similar question was set to any European country, citizens' response would also have been negative, with even much higher percentages and participation in several countries.

Undeniably, it is not expected that any European citizen would have answered "yes" to such a question which directly asks if he wants the already reduced salaries, social expenditure and pensions to be cut even more and to be taxed even more. However, the Greek government has underestimated the negative reaction and interpretation of the Eurozone partners who, from their own part, are subject to their insufficiently informed public about what is happening in Greece. Besides, the Greek government is called to negotiate with these partners independently from the referendum's result. In this context the Greek side must now correctly interpret both the question and the answer of the referendum. Additionally, we should not forget that the government had a fresh mandate from the people to negotiate with partners and even to refuse any proposed agreement. However, the government preferred to defalcate a populist and irredentist "no" by the public which now threatens to become a boomerang.

2. The populist background

The background of this problematic political stance is a specific form of populism (Mavrozacharakis/ Tzagarakis/ Kamekis : 2015,s. 2-5) in Greece , that refers on a form of primitivism (a weakened form of nationalism), autarchy and popular sovereignty. Right wing populists often invoke the overthrow of popular sovereignty in order to accentuate the catalytic effect of migration while at the same concept, leftist populists emphasize on the dissolution of the national state because of the memorandum (imposed by the International Monetary Fund, the European Central Bank and the European Commission). (Mudde, C. & Kaltwasser, C. R. :2012). It is obvious that the factors that favor the emergence of populists in Greece have found fertile ground during the last four years due to the economic downturn.

Economic disparities that continually expand the decadent political system and frustration for the traditional political forces about their ability to implement effective policies that will offer real solutions to the problems plaguing the middle and lower social groups, cause the rise of populism and political extremism (Mavrozacharakis: 2015 b , S 39-44).)

Greece in the last Decade is an classical case of the so-called “political malaise”, that finds an obviously articulation in an rapid decline in party membership, an massive distrust of people against politics , politicians and public institutions , in an increasing number of de-aligned and disillusioned voters open to radical left or right political options that expresses an social messianism for everyone, the existence of Leaders willing to exploit existing socio-economical situation to his advantage and in an media landscape that presents facts and opinions in an way that creates even more anti-political atmosphere and contribute to popularization of populism parties(Mavrozacharakis/ Tzagarakis/ Kamekis : 2015), .

But first of all Greece is an problematic case of policy adjustment that has to do with the party colonization and state domination of interest politics, like stated by Lanza and Lavdas (2000)

2. The search for “new” legitimacy

In any case, the Greek political leadership has chosen the path of the referendum in an to recover its diminishing legitimacy, in an extreme Expression of populism that ignores the crucial situation of the country and the related dangers. With this paradox form of action the left-right government in Greece purposes to refresh the ties between power and the people.

Now the government has renewed its legitimization and has untied hands in order to bring a better deal. Apart from the fact that the referendum was not conducted in the appropriate time and with an inappropriate question, Greek people showed a remarkable soberness. Those who voted for “no” have chosen something completely logical based on the question structure. It was impossible for the majority of the Greek people to put its own explicit signature to the implementation of measures which include further cuts and more austerity. You cannot ask an entire population if he wants to hang him! Additionally, those who voted for “yes” acted logically as the inappropriate question of the referendum was internationally translated as "yes or no to the euro." In other words people who have voted for “yes” expressed their willingness to suffer further sacrifices in order for the country to remain in the European core. Several voted "yes" considering that the next proposal of the institutions will be even tougher. In conclusion, there is a complete consensus on the public to remain in the European core with reasonable self-sacrifices. Therefore, the referendum did not set a real dilemma.

Partly, those who voted for "yes" seem to have made a reasonable choice. Currently, Tsipras brings Juncker proposal with some variations into new negotiations as a basis for a new agreement. Despite the vindication of "yes", the extreme rhetoric by devotees of "no" in everyday life was so great that “yes”

supporters had chosen to express themselves silently and quietly. However, there is no certainty that the roles would not be reversed after the referendum. It is obvious that in the Greek society there is now one implicit (latent) division.

On the other hand, those who voted for "no" can also feel vindicated because they supported the request for a change of the implemented austerity policies. However, was it logical to reach the limits of a national division in order to find alternatives to the implemented policies?

3 The ESM and new strict conditions

However, it is obvious that the German finance minister as well as many EU officials, indicate that the new agreement will be subject to terms and rules of the European Stability Mechanism (ESM) which is part of the fiscal treaty. It is also expectable that additional time will be required for further evaluation of the Greek economic situation which has worsened drastically after the closure of the banks. According to the ESM regulations, the new agreement may not necessarily include the IMF but Germany insists on its indefinitely participation. Moreover, the Treaty of the ESM expressly dictates the agreement under the term of a Memorandum in order to allow a new loan.

As specified in the ESM regulation, the conditions associated with a loan should contain "detailed fiscal consolidation measures and policies that should be promoted for their implementation."

Referring to Article 12 of the ESM Treaty which was ratified by the Greek Parliament in March 2012 and listed in the National Law by Law no. 4063 / 2012, it is clear that the ESM provide loans to its members "under strict conditions, suitable for the selected financial assistance facility". In Article 14 of the ESM Treaty it is specified that the assistance is provided as a precautionary credit line conditional (Precautionary Conditioned Credit Line - PCCL) or in the form of a credit line with reinforced conditions (Enhanced Conditions Credit Line - ECCL). In Article 13 of the ESM Treaty, it is mentioned that the estimations for a possible loan to a Member State are entrusted to the European Commission in cooperation with the ECB. The procedure is as follows: the preservation of financial stability and debt sustainability as well as the required financing needs of the Member State is being under evaluation by the ESM along with the IMF assistance. Hereafter, the European Commission takes charge in cooperation with the ECB and the IMF in order to negotiate a memorandum of understanding with the Member State with detailed terms and prerequisites. Subsequently, the Member State is required to implement the agreed structural and fiscal measures

The hard part in the whole process is the rigorous supervision to the Member State. Actually, the Member State is required to provide accountability to the ESM on a monthly basis by transferring all necessary information required for the performance of lending activity and risk management as well as monthly information on the details of government's cash balances and detailed information about financial system development. The European Commission and

the ECB, possibly together with the IMF, are responsible for monitoring the program and its compliance. This framework also includes the conduction of several inspection missions by the ESM to the Member State in order to verify the progress and evaluate the implementation of the agreed measures.

In other words, the Brussels Group will not exist anymore and Troika will be again institutionally legitimized. Every three months the Troika will disclose its findings to the ESM's Board of Directors which will decide whether further measures are needed.

If a borrower Member State deviates from the agreed the ESM can terminate the credit line. Then, this State may request regular support under a complete macro-economic adjustment program. Consequently, this will be connected with even harsher conditions such as permanent and external supervision of the state budget.

4. The a lack of realistic substance in "no" and "yes"

Based on the above, people who voted for "yes" in the referendum essentially accept a milder memorandum, while those who answered "no" rejected the presented memorandum as hard but they do not know that what is being offered at the moment by lenders is an even harder memorandum.

The "no" vote reject any form of agreement as the other side is no longer available for mild agreements. In a sense, in both "no" and "yes" there is a lack of realistic substance because the actual proposal that currently is on the table is subject to the hard rules of the ESM. Therefore, the referendum involved a more normative question which could be summed up in the dipole "remain in the Eurozone with specific hard sacrifices (yes) or remain in the Eurozone only under a moderate agreement (no)".

Referendums comprise a democratic legacy when they are not serving considerations, when they do not ask misleading questions and when the questions are not connected with fiscal issues. Referendum is a democratic legacy only when is carried out under conditions of mature debate but not in conditions of division. It is a democratic legacy when it is carried out in conditions of open banks and not under the abomination of panic and fear. But the most important aspect is the objective of the referendum. The government claimed that the "no" vote will bring a softer deal. But as the collapse of the Greek economy is exacerbated, lenders' proposals will become even harder than the previous ones. Therefore, the real objective of the referendum was canceled.

Apart from all the above, there is also a crucial problem connected with the result. With abstention close to 40%, with 6% invalid ballots and 40% "yes" votes, it is difficult to admit that it consists a real triumph for the government. Almost two thirds of the total electorate did not declare their acceptance for the government's option. In conclusion, the referendum was a political mistake at a

wrong time. You cannot conduct referendums with the gun on the temple. This is a hypocritical democracy serving government's sake. Democracy includes terms and conditions and is not neither a festival nor an intraparty process.

Given that the hardest scenario is a formal bankruptcy of the country that will lead to the drachma, carrying an un contemplated debt and with a divided society, it is time all political forces to deepen on the substantive data and address unity and truth to the people. In conclusion, no political party can lift alone the forthcoming difficulties. The real dilemma for which the conduction of a referendum should be reconsidered is "unity or division?". Still there is time to bridge the gaps.

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