Relief, but little hope

At last there is a Greek government, but it faces immense problems

Greece has given birth to its first proper coalition government in modern times. The three-party deal, routine by north European standards, emerged smoothly after just 48 hours of negotiations. Antonis Samaras, the centre-right New Democracy leader, was sworn in as prime minister pledging to “give stability and hope” to Greeks enduring the deepest recession in the country’s modern history. It is a pledge he cannot fulfil without lots of help from the rest of Europe.

That Greece has a government at all is due to New Democracy’s better-than-expected performance in the June 17th election. It won 29.7% of the vote to 26.9% for Syriza, the radical left coalition led by 37-year-old Alexis Tsipras, a brash new political star whose claim that Greece could renegotiate its latest €130 billion ($164 billion) bail-out yet stay in the euro appealed to many voters. The PanHellenic Socialist Movement (Pasok) finished a distant third with 12.3%.

With 129 seats, New Democracy is much the biggest party in the 300-member parliament (thanks to an electoral law that gives the front-runner an extra 50 seats). By teaming up with Pasok’s 33 members and another 17 from Democratic Left, it will have a comfortable majority of 179 seats. Syriza has 71 seats in an otherwise fragmented house. Independent Greeks, the neo-Nazi Golden Dawn and the Greek communist party each have a handful of deputies.

Many held their noses as they voted for New Democracy. Mr Samaras is a political veteran with a reputation for nationalism and poor judgment. He is widely blamed for insisting on a first, inconclusive election in May, rather than allowing Lucas Papademos, a technocratic prime minister, to govern for longer. But fear that Greece might be flung out of the euro caused voters to rally to New Democracy, including many who normally support other parties.

To his credit, Mr Samaras was set to make two bold decisions ahead of a euro group meeting of finance ministers on June 21st. Vassilios Rapanos, a banker and public-finance specialist, will be finance minister. And Yannis Stournaras, the caretaker development minister, will stay on. Both men are technocrats with socialist connections; they were part of an efficient team that took Greece into the euro in 2002, an optimistic time marked by economic liberalisation and growth rates of more than 4% a year. Their appointment also signals a willingness to weaken Greece’s clientilist political system.

The make-up of the rest of the cabinet is unclear. So tough were the discussions between Mr Samaras's team and that of Evangelos Venizelos, the Pasok leader, that the first cabinet meeting was postponed. Fotis Kouvelis, boss of the Democratic Left, the junior coalition partner, said he would support New Democracy; his central committee has decided against seeking any cabinet posts.

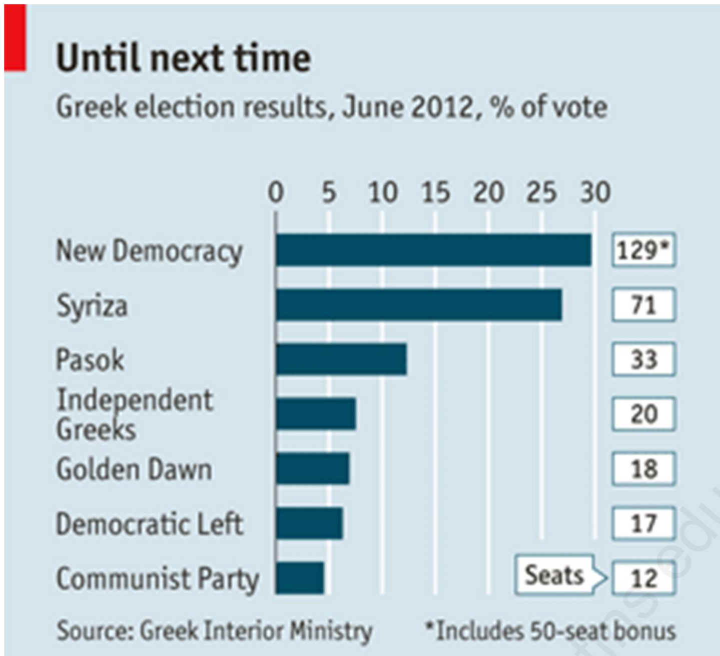
Once his government is in place, Mr Samaras must parley with Greece's paymasters in Brussels and Berlin. He will seek approval for a few tweaks such as a two-year delay until 2016 of €11.7 billion of spending cuts and the sacking of 150,000 public-sector workers demanded by international lenders. Mr Samaras also wants to increase social spending to ease the pain of a deeper-than-expected recession. GDP is set to shrink this year by up to 7%, against earlier forecasts of 4.5%.

But his room for manoeuvre is limited. Without its next slice of bail-out money, the new government would be unable to pay pensions and public-sector salaries at the end of July. And the Greek economy is desperate for a bit of stability. More than €10 billion has been taken out of Greek banks since the May election; even profitable companies are denied loans because of a credit squeeze; and three international export-insurance agencies are refusing to provide cover for products sold to Greece.

The coalition wants to govern for exactly 24 months, until the European Parliament elections in mid-2014. It might manage that. Mr Venizelos, a former finance minister who clashed with Greece's creditors, is reinventing himself as a pro-European statesman. He needs time to rebuild his party after two disastrous performances at the polls. Mr Kouvelis, the first leftist to play a big role in government, has little reason to shake things up. Another election might bring Mr Tsipras to power; Syriza might even gain the 35% of the vote needed for a parliamentary majority. That prospect should be enough to ensure the loyalty of Mr Samaras's partners.

Mr Samaras's belief that two years will give him enough time to turn the economy around is more questionable. Funds to promote growth are already available: as much as €14 billion from European Union structural funds for infrastructure and other big modernisation projects, and perhaps €2 billion-3 billion from the European Investment Bank. The previous Pasok government could get only a trickle of funding from Brussels thanks to the inefficiency of its bureaucrats. Mr Rapanos and Mr Stournaras should do better, say their conservative backers.

But the question hanging over Greece is not whether the government can unlock more official funding, but whether it can entice private capital. The big fear for foreign investors is a euro break-up, not just in Greece but elsewhere. Mr Samaras can hasten that outcome, but he cannot prevent it. Until a lasting solution is found to the euro crisis, Greece will be in limbo.



Fonte: The Economist, London, v. 403, n. 8789, p. 55-56, 16-22 Jun. 2012.