Greece in Crisis: what is Syriza's alternative?

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Five years into the economic depression that has brought misery to millions of its citizens, Greece is at a historic junction. Does the radical opposition party Syriza pose an alternative to the Troika policy of internal devaluation and austerity? To what extent are its ideas practicable in a world of global markets, and how might they be realised?

In June 2012, the conservative New Democracy party, headed by Antonis Samaras, won the Greek elections and formed a coalition government. They had garnered 29.7% of the vote, against Syriza's 26.9%. Ordinary Greeks were generally pessimistic about the new government's fate though; surely it would lose its parliamentary majority under the weight of popular resentment toward the hated mnimonio (Memorandum of Understanding) which the Troika would force it to implement?

These were reasonable concerns, given the extent of the crisis' damage. Nowhere is this damage more apparent than at the frontiers of the welfare state - one of Europe's smallest. Take, for example, 'Agia Olga' Psychiatric Unit, an underfunded, undersized and undermanned clinic in northern Athens. Unpaid for four months, doctors, nurses and social workers battle against an epidemic of mental illness brought about by the crisis. Cases of suicide, depression and anxiety have skyrocketed, placing enormous strain on originally inadequate provision. Drug shortages are a common occurrence and overcrowding almost constant, with occupancy averaging 125%. Unfortunately, Agia Olga is tragically representative of the whole public healthcare system.

Beyond healthcare, the wider economic collapse in Greece is now so deeply entrenched that it is no longer newsworthy; as a reminder, unemployment has reached 27.2% and will likely top 30% before the year is out. For young people, unemployment is a stratospheric 64.2%. Recent figures claiming that 60% of Greece's unemployed have not worked in at least a year suggest that vast swathes of the population have lost their livelihood entirely, and cannot easily return to paid employment. The depth and extent of the economic collapse leads one to ask: is there an alternative?

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1 'SYRIZA' is an acronym for Συνασπισμος Ριζοσπαστικης Αριστερας - Synaspismós Rizospastikís Aristerás (the Coalition of the Radical Left)

According to Syriza, there is. Opposed to the mnimonio from the very start, the left-wing party supports a policy of debt forgiveness and investment. Since Greece cannot possibly repay its external debts (many analysts would say that Portugal, Spain and Ireland are in a similar position), Syriza proposes a 'Solution for Europe' inspired by the US handling of postwar Germany in 1946. Just as the US gave billions of dollars of Marshall Aid to rebuild infrastructure and invest in capital goods, followed by a large debt restructuring at the 1953 London Debt Agreement, Syriza calls for an international conference on Southern European debt in order to secure a significant reduction. It aims to arrest the vicious downward spiral currently affecting the economy, where wage cuts lead to decreased consumption, which causes unemployment and further wage cuts. Indeed, restoring the minimum wage to pre-crisis levels is a key Syriza policy. Finally, Syriza would use the funds that are currently used to service debt to support investment, a sort of mini-Marshall Plan. Party leader Alexis Tsipras believes that the same policy recipe could be used in the rest of Europe's crisis countries, advocating the creation of a Mediterranean anti-austerity bloc led by France's ruling Socialists.

These policies have received broad support from the Greek electorate, transforming the small leftist grouping into the main parliamentary opposition. But how is it that Syriza were able to benefit from the widespread but often unarticulated anger felt toward the established centrist parties, the social-democrat PASOK and the conservative New Democracy?

The answer lies in Syriza's roots: as its name suggests , Syriza was formed as an alliance of smaller parties, a diverse group of eurocommunists, anti-capitalists, syndicalists and Greens. This diversity allowed Syriza to put forward a varied and comprehensive agenda on a variety of issues, including civil liberties, workers' rights, ecology, public services, immigration and education, surpassing all other radical left groupings, which typically serve reheated Marxist-Leninist dogmata. Similarly, Syriza's diversity has allowed them to adapt to the rapidly developing political landscape of the Euro crisis, again placing it ahead of other groups such as the KKE, which never strays far from its Stalinist line.

When PASOK collapsed as the first memorandum was signed (it polled 13.9% in the June 2012 elections, down from 43% at its electoral victory in 2009), Syriza was the natural home for the millions of disillusioned left-wing voters. Connected with this shift was the transferral of trade union support from PASOK to Syriza. This is not to say that Syriza's transition has been flawless though: the pluralism by which it originally generated support risks turning into a culture of entrenched factionalism. The principal point of internal disagreement is on economic policy, specifically what would happen if the 'Solution for Europe' proves impossible to implement.

One faction within Syriza argues that such a major policy U-turn in Europe would require a total change of approach at the highest echelons of European decision-making. Naturally, this is close to impossible without similar leftist movements acting in solidarity throughout France, Italy and Spain, a prospect which seems improbable, despite the recent musings from France's Socialist Party on their discontent with austerity – which may well turn out to be all talk and no action. The result is a faction within Syriza that favours some kind of contemporary 'Socialism in One Country', advocating a wholly different strategy once the mnimonio is cancelled.

This faction's most famous voice is Costas Lapavitsas, an economist at London's SOAS. He subscribes to the same mainstream analysis of the causes of the crisis as the Troika, namely that Germany is much more competitive than Southern Europe, having held wages low since the Euro was introduced, while Southern European countries had strong wage growth, making them less competitive. Normally, free-floating exchange rates serve to correct these imbalances; in the past, the Greek drachma would have depreciated against the Deutschmark, lowering real wages in Greece relative to Germany. With the Euro, this is not possible, so the Troika advocates cutting wages to restore Greek competitiveness. Since 2010, however, Lapavitsas has held on to the idea of a Euro exit as the best way to make the necessary adjustment in competitiveness (which despite brutal wage cuts is far from complete). Arguably, three years down the line, going for the exit-scenario is more difficult than it would have been in 2010, although in both cases Greece's Euro exit would be accompanied by a unilateral default on the entirety of the public debt. Quite obviously, these actions represent a radical departure from the Troika policy which remain a minority position within the Syriza leadership, the majority of which continues to argue for an 'exit of the crisis within the Eurozone'.

Tsipras and his party have been dubbed anachronistic and populists, their policies unrealistic. Ironically, as time passes it is the utter failure of the Troika's policies that becomes apparent: unemployment is at an all-time high, debt/GDP ratios have yet to peak, the country remains in deep recession and business confidence indicators show no sign of improving. It is still not clear if the much-touted recovery is on its way, despite the heavily-publicised news that the Government deficit is finally on target and showing a primary surplus.

Such gross economic mismanagement has not been seen in Europe since the fall of the Berlin Wall, as evidenced by the IMF's recent 'mea culpa', a review of the Greek programme acknowledging that the ultimate purpose of the rescue programme was to buy time for the Eurozone, and that the fiscal targets and forecasts used to construct the mnimonio were completely out of touch with the dire reality of the situation. In light of these admissions, it makes much more sense for Greece to abandon the Euro and the Troika altogether. There would be nothing in principle to stop it from re-joining at a later date, with different treaties and a devalued exchange rate. In fact, the European Left has been duped by the seemingly benign, internationalist ideal the Euro was presented by its founders as embodying. Little did Syriza know that Euro membership would become the stick used to ram a catastrophic neoliberal agenda down the throats of citizens across Southern Europe, often bypassing democratic processes.

Syriza must confront this neoliberal hegemony at the level of domestic policy as well. Many observers wonder just how radical Tsipras is. Is Neo-Keynesian macroeconomic management his ultimate aim, or does he hope to achieve something different, perhaps socialism? Syriza's roots are fundamentally Eurocommunist; the party staunchly rejects all forms of Soviet-style economic planning and infringements of civil liberties. Tsipras embraces entrepreneurship as the prime generator of prosperity in the modern world, and he will leave entrepreneurship solidly in the hands of the entrepreneurs; indeed, Greece has one of the largest SME sectors in Europe, forming the backbone of its vibrant tourism industry. In a speech to Greece's industry confederation, Tsipras stated very clearly: 'Syriza is not anti-business; we welcome productive investments where the risk is born responsibly by investors and not the state'. However, the current neoliberal status quo is far removed from a free market: large corporations downsize their tax bills using offshore trusts at the expense of smaller competitors and banks receive large state bailouts – both profoundly contradicting free-market ideology. Syriza therefore plans a significant simplification of the Greek tax code to remove loopholes and unnecessary complexity, fighting both tax evasion and avoidance concomitantly. Various other measures are in place to achieve this idea of 'Markets with a Human Face': taxing ship-owners, allowing new bankruptcy procedures for heavily indebted households, providing firm regulation on environmentally hazardous activities (such as Halkidiki's gold mining projects) and ensuring profitable state-owned companies remain in public hands.

Critics may say that this is just a reform of the neoliberal, free-market policy position, identical to that espoused by social-democratic parties. However, the current neoliberal 'free-market' regime is anything but 'free-market'; bank bailouts are not a free-market policy. By fighting against the loopholes, monopolies and corruption we see today, Syriza would significantly reshape capitalism as we know it. This distinguishes it from the policies of social democratic parties across Europe, which have broadly adhered to a neoliberal agenda whilst increasing public spending – throwing a few more bones off the table for the working class, to put it more cynically. Naturally, Syriza would use the proceeds from improved (and higher) taxation of large corporations and wealthy individuals to consolidate the safety net for the poorest members of society and improve vocational training in order to reduce youth unemployment.

How would Tsipras make both his 'Solution for Europe' and 'Markets with a Human Face' a reality? Unfortunately, his 'Solution for Europe' is the hardest to implement; he wants to try and rescue a failed project with impossible means. He should instead accept that joining (and not leaving) the Eurozone is a sunken cost and listen to Professor Lapavitsas' proposals for an orderly exit. Forces within Syriza have already taken the matter into their own hands: Alekos Alavanos, formerly a senior Syriza economic policy cadre, has now formed his own party (dubbed 'Plan B') that openly advocates a return to the drachma. Perhaps if Spain and Portugal follow suit, placing the European Project in an existential crisis, Merkel may listen to his Plan B.

Even if she does not, Euro exit need not be a taboo. Indeed, the fact that many economists say it will be catastrophic, despite Iceland's successful experience with devaluation in 2008, suggests a degree of obliviousness. The ECB could plausibly intervene in foreign exchange markets to prop up the value of the new Greek drachma. Tourism, already on the upswing this year, would boom after an initial panic, regaining all the ground lost to cheaper destinations such as Turkey and Croatia.

Should Syriza come to power, the Troika's insistence on full continuation of the mnimonio would be at odds with Syriza's clear electoral promise to end it. This is certainly the least preferred option for Tsipras, a devout follower of the European project – he would prefer to see his 'Solution for Europe' in action, followed by closer European integration involving fiscal transfers. Progressives across the Eurozone place their hopes in the SPD (Social Democrats) winning a large majority in the upcoming German federal elections. They hope that the SPD would be more receptive to Tsipras' 'Solution for Europe', or that it would renegotiate the mnimonio and allow wages to climb in Germany for a few years, making Germany less competitive relative to everyone else and easing the burden of the adjustment on the periphery significantly. However, rational analysis of the current political situation in Germany shows that this hope is misplaced. Firstly, Merkel's CDU is riding high in the polls, with 38% versus the SPD's 28% at the time of writing. Secondly, should the SPD make a sweeping comeback, it has no intention of letting inflation rise in Germany to an extent that would be meaningful for the periphery anyway; such a policy is only proposed by Syriza's German cousin Die Linke. After all, industrial associations, the Bundesbank and the well-known German aversion to inflation will ensure that wages only rise marginally. Finally, federalism with fiscal transfers remains politically unacceptable to German voters.

So, with all hope of Tsipras transforming the European project into a progressive force for building the 'Europe sociale' Delors dreamt of, rather than the neoliberal monstrosity it is now, it is clear that any realistic political proposal for Greece must embrace Plan B of 'going it alone'. As a likely candidate for forming Greece's next government, Syriza must take the helm and overthrow austerity alone. Daunting though this may be, Iceland's experience with default and devaluation should be ample motivation. Should Plan B be successful in a similar way, Greece could become a shining beacon to the rest of Europe's crisis countries.

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