

Postcard

Greece – a long-awaited revival

- *Greece is finally recovering from a decade of deep trauma. Will it take wing, or relapse?*

On the mend

The annual trip to my wife's Greek homeland for our summer holiday finally yielded some pleasant surprises. After experiencing what was for a developed economy a decade of unprecedented pain and fiscal adjustment, there is finally a sense that things have turned for the better.

Of course, the tourist industry, has been spared the worst of the country's depression, and observing Greece from that perspective can be somewhat misleading. Nor is this to underestimate the enduring humanitarian and broader economic and social legacies of a peak to trough decline in real GDP of around 25%. Nevertheless, the balance of anecdotal evidence encountered during a fortnight traversing the country suggests that, just as the hard economic data have started to improve, business and consumer confidence are on the up; people are more secure in their jobs; employment opportunities are on the rise; companies can see a future and are starting to invest in it; and the government at last has the financial resources to begin repairing long-neglected public infrastructure, and consolidating a hollowed out system of social security.

New leadership

There was also a sense that the new centre-right government led by Kyriakos Mitsotakis was better equipped to steer the country through the process of recovery than was the recently-removed socialist administration of Alexis Tsipras. The people I talked to were crying out for tax relief, and less onerous regulation. And although some retained a distrust of both the New Democracy Party, and a prime minister who is the scion of a political dynasty partially responsible for Greece's economic travails, there was a feeling that a change was necessary and overdue.

Tsipras and his admirable Finance Minister, Euclid Tsakalotos, had guided Greece through three onerous bail-outs, regularly putting the country before their party's ideology and popularity. But they were tarnished beyond redemption by their association with the unrelenting austerity of this period. Their often-understated achievements in negotiations with the rest of the EU counted for little with the people. Moreover, and perhaps most importantly, their underlying ideological preconceptions were viewed as inconsistent with the reduced red tape and greater economic freedom that many hankered after. The political pendulum had swung, well and truly.

Mitsotakis is in many ways the antithesis of his predecessor. Tsipras came to power at the depth of the country's crisis as a young Marxist firebrand, channelling the anger of the masses, with a natural inclination to make maximum use of the power of the state. The new prime minister is urbane, foreign-educated (Harvard and Stanford), fluent in English, French, and German, a former business consultant and venture capitalist, and a firm believer in markets and a lean state sector.

A common refrain is that Mitsotakis' liberal economic philosophy, multiculturalism, and predilection for structural reform are better suited to bringing much needed foreign direct investment into the country, and will encourage the EU to cut Greece some much-needed slack on its onerous fiscal targets. Having met the new prime minister twice, when he was leader of the opposition, I find him a thoughtful, persuasive, and outward-looking, keen to modernise and reform the state, and move Greece rapidly beyond its recent travails.

Hoping for the best

Greece retains a highly educated workforce and an impressive spirit of entrepreneurship, and after such an extended period of cost-cutting and painful adjustment, what remains of the industrial base is lean and competitive, and there is considerable pent up consumer and investment demand. If the animal spirits of its business sector take wing, the speed of recovery could confound expectations.

That said, there are two important caveats: the prime minister must ensure that New Democracy avoids falling back into its bad habits of deceit, cronyism, and clientelism. And the international environment must be sympathetic. Neither is guaranteed. Mitsotakis has yet fully to reform his party. New Democracy is still populated by many wedded to the old, corrupt, ways of politicking. Meanwhile, the world is increasingly protectionist and inward-looking, the EU is flirting with a new downturn, and Greece's nearest neighbour, and one of its largest trading partners, Turkey, is in the throes of its own political and economic crisis.■

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