

February Article

What has Syriza Changed for Greece?

So how much has Syriza changed the political landscape for the Greek people?

1) Completion of the current review: Greece has essentially agreed to complete the bailout programme that was already established. Any funding is conditional on such a process: *Only approval of the conclusion of the review of the extended arrangement by the institutions in turn will allow for any disbursement of the outstanding tranche of the current EFSF programme and the transfer of the 2014 SMP profits. Both are again subject to approval by the Eurogroup.*

This goes against Greek Prime Minister Alexis Tsipras who said the previous bailout was "dead".

2) Retaining Bank Recapitalization Funds: Greece wanted this money to be held by the Hellenic Financial Stabilization Fund (HFSF) over the extension period, and possibly used for matters outside the banking sector. The request was denied and the bonds will return to the EFTF, although they will remain available for any bank recapitalization needs.

3) Role of the IMF: The Eurogroup statement states: *We also agreed the IMF would continue to play its role.* Once again Greece has given in on this matter as the Troika continues to exist and strongly involved.

4) No Unilateral Action: According to the statement: *The Greek authorities commit to refrain from any rollback of measures and unilateral changes to the policies and structural reforms that would negatively impact fiscal targets, economic recovery or financial stability, as assessed by the institutions.*

Therefore, the promises made by Syriza during its election campaign will now be harder to fulfill. In the press conference given by Eurogroup Chairman Jeroen Dijsselbloem and EU Economics Commissioner Pierre Moscovici, it was suggested that this pledge also includes Tsipras speech in Parliament when he announced plans to roll back some labor market reforms passed by the previous government.

5) Four Months rather than Six Months: Greece wanted a six month extension however the Eurogroup only accepted a four month extension. This is a crucial point as it means the extension expires at the end of June. Greece faces two crucial bond repayments to the ECB in July and August that totals to €6.7 billion. This is a tough deadline, and it is very likely that there will be a similar situation at the end of June.

Did Greece Secure any Wins?

Greece received a small win with the words:

The institutions will, for the 2015 primary surplus target, take the economic circumstances in 2015 into account.

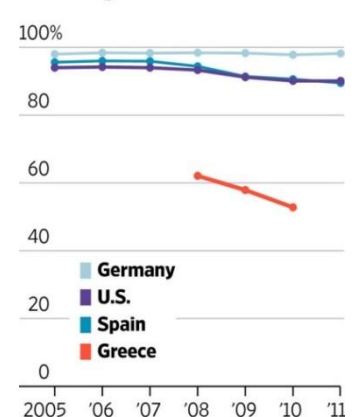
This suggests that Greece may, during 2015 and especially during the extension period, get more fiscal leeway, which presents itself as a lower primary surplus target. A small victory, that may allow for some temporary breathing space for the government. However it already seemed as if the government was going to find it hard to meet its target this year given the significant shortfalls in tax revenue. This leads to the next big issue Greece faces: tax revenue.

Two Certainties in Greek Life: Death and Tax Evasion

Probably the most challenging commitment any Greek government will undertake: tax collection. At the end of 2014, the Greek people owed their government about €76 billion in unpaid taxes accrued over decades. The government states that only about €9 billion can be recovered, in other words only about 11% can be recovered as most of the income is lost to insolvency. Syriza has made tax collection a top priority however Greece has become infamous for tax evasion. One interesting example occurred a few years ago after tax investigators used satellite imaging to check which houses had swimming pools. Only 324 people had admitted to having swimming pools, though once the investigation ended, 16,974 pools were counted. This example illustrates that no matter which party is in power the government is going to have extreme difficulty in collecting tax. There is no

doubt that Greece's abnormally high debt is a product of, although not constrained to, the people's belief that tax is to avoid and only paid once caught or obliged to.

Percentage of tax collected



Note: Greece data for 2005-07 and '11 not available

Source: OECD

Therefore Syriza has not really altered much instead this incident has shown that if other countries were considering following Greece's footsteps the only outcome would be essentially where they started.



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