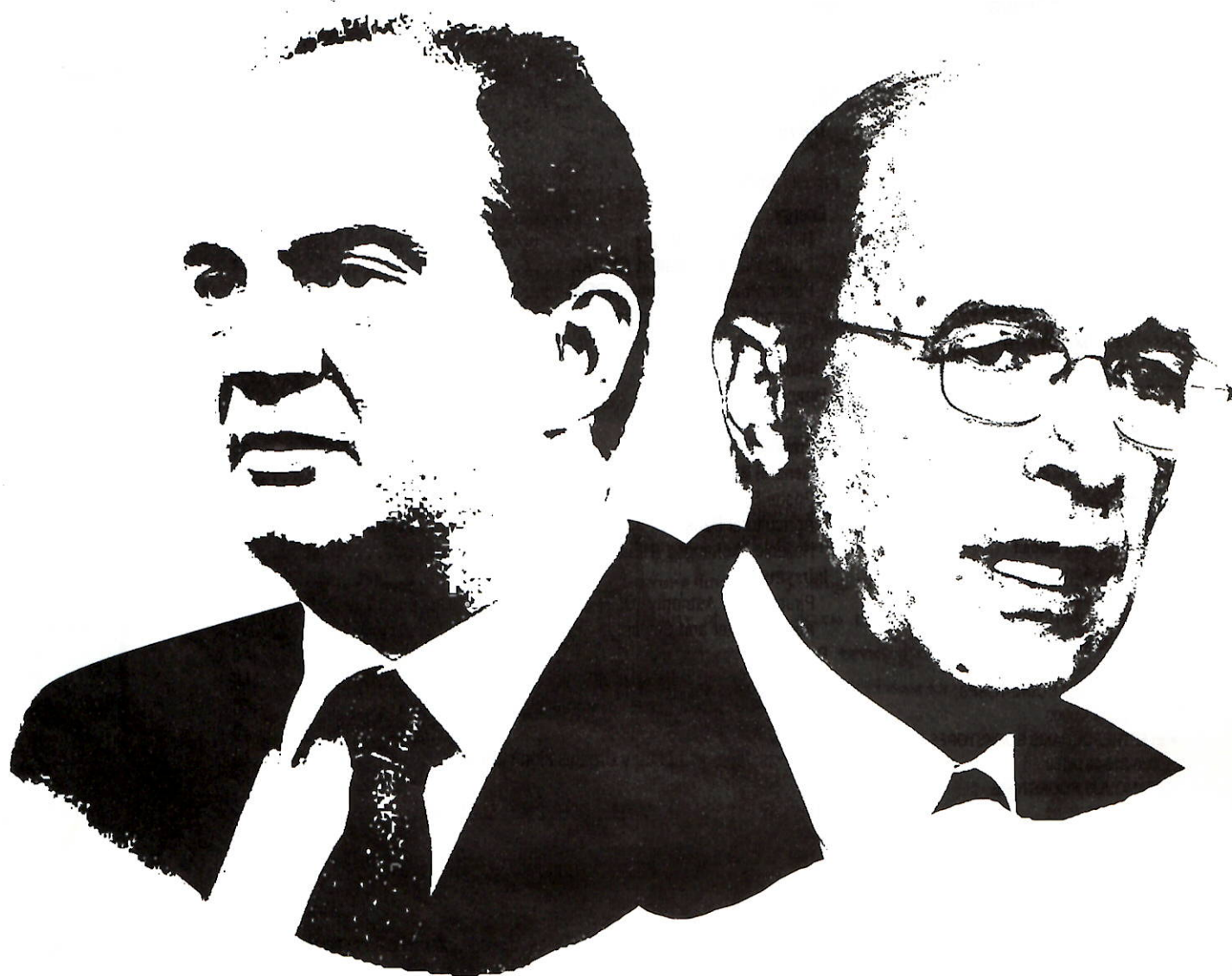


ELECTION FEVER



FOURTH ANNUAL REVIEW OF THE GREEK ECONOMY

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Greece must have elections by May next year at the latest. After being in government for all but three of the last 23 years, the Panhellenic Socialist Movement (PASOK) faces voter fatigue and trails the conservative opposition New Democracy party badly in opinion polls. The party is also plagued with internal dissent from a growing body of traditional socialists who are discontented with the way in which the Prime Minister, Costas Simitis, has been leading the party towards the social democratic centre. For the time being, he continues, however, to be an asset for PASOK, as most opinion polls name him as the better man to lead the country than the conservative leader, Costas Karamanlis, who has never held public office. The PASOK leadership is seeking to regain the high ground by stressing long-term economic policies with a social bias. The conservatives charge that these are not supported by development policies that provide for such levels of spending and that the PASOK programme is creating deficits that will lead the country even deeper into debt. New Democracy has not, however, been forthcoming about its alternatives, preferring to keep its policy-powder dry until closer to the election. The problem is that the economic fundamentals, which looked so strong when Greece entered the Economic and Monetary Union at the beginning of 2001, appear increasingly frail and the benefits of membership risk being dissipated by electoral excesses.

The Panhellenic Socialist Movement (PASOK) government has had a schizoid year. The first half was a period of dignified international diplomacy as Greece conducted a highly successful presidency of the European Union. The second has been a period of frenzied domestic politicking as the socialists and the conservative opposition New Democracy party have battled for supremacy ahead of general elections which must be held by May next year. Prime Minister Costas Simitis has also had to struggle to maintain his grip on his fractious party, which sees defeat looming after nearly two decades in power.

The government earned top marks for its presidency, managing to finalise the process of enlargement (including the accession of Cyprus) and to prevent rifts between member states over the war in Iraq, while making considerable progress on policy matters such as immigration and economic harmonisation. The domestic electorate, however, could apparently care less. A major opinion poll on the most pressing concerns of the electorate published on October 19¹ showed just 3.1% of the respondents

with any interest in foreign policy and just 1.7% concerned with macroeconomic convergence, while 67.4% were focussed on unemployment and 50.4% on inflation. The poll showed more than a third of correspondents felt New Democracy better able to deal with domestic problems and just a quarter PASOK.

The term of the present parliament expires on April 9, 2004. Elections must be held within 30 days thereafter. So the latest possible date for the next election would be Sunday, May 2. Logic dictated that the government should declare an early election, probably in October or November this year, capitalising on its international prestige, its success in getting Cyprus into the EU and its handling of the economy. Moreover, there must be European Parliamentary elections in June next year and two polls so close to the Olympic Games which will be held in Athens August 13 – 29, could derail their preparation.

But the government's success in achieving convergence and securing entry into the eurozone as of January 1, 2001 has not been translated into domestic prosperity. And even its convergence performance has been

called into question by Eurostat, which has implied that the Ministry of Economy and Finance has been 'creative' in its accounting regarding deficits and debts. The economy is growing at a rate nearly four times that in the eurozone and unemployment is falling to levels approximating those in the Community. But Greece remains second bottom in the prosperity league table with gross domestic product per capita (in purchasing power standards) just over two-thirds the EU norm while inflation is running at rates one and a half times those in the eurozone. Just over half of all households canvassed in a poll by the business information company ICAP reckoned that they would be worse off at the end of 2003 than they were at the same time last year. This compared to only a third at the end of 2001.²

The vital 'feel good' factor that an incumbent government needs for re-election does not exist. Additionally, there is a profound sense that PASOK, after having been in office for all but three out of the past 22 years, has become complacent, arrogant, and corrupt – indifferent to all but its own interests. There is a belief