Public opinion is not normally logically coherent or internally consistent. Nevertheless, it is not necessarily irrational either and it is not impossible to present its salient characteristics in a reasonably ordered fashion. An attempt, therefore, is made below to interpret public opinion in Greece today and to give a feeling, admittedly an impressionistic one, of how Greek people view their present predicament.

In undertaking this task, it is probably safe to disregard Winston Churchill’s dictum that “there is no public opinion, there is only published opinion”. There were no opinion polls and no internet in those days. Today, opinion polls serve as an indispensable tool of policy-making, especially for politicians who seem to care only for their re-election and for preserving political alliances that are necessary to governmental coalitions. And, of course, the internet has proven to be decisive not only in shaping public opinion but also in organizing collective action.

There are three major and strikingly clear positions characterizing Greek public opinion. The first concerns the economic policy and, in particular, the agreement (memorandum) with the EU and the IMF. On the whole, there is widespread opposition to and condemnation of this policy, which may be summed up as:

1) Dislike of the memorandum.

This is not surprising. The policy of “internal devaluation” through fiscal contraction is causing a lot of pain. The income of civil servants and pensioners has been reduced by more than 20 percent. In the private sector, a lot of businesses have folded up and unemployment has shot up to nearly 20 percent of the labor force and close to 50 percent among the young. Gross domestic product (GDP) has fallen by nearly 15 percent in the last 3 years. What is possibly worse, investment prospects are bleak and there seems to be no end of this downward trajectory in sight.

Apart from pain, a further reason for the public disagreement with the current economic policy is the strong skepticism regarding its effectiveness. Since its inception, in the spring of 2010, the policy has invariably failed to meet its targets. The budget deficit consistently turned out higher and the GDP lower than the planned magnitudes. At the same time, the structural reforms concerning the liberalization of the labor market, the deregulation of the profession and the transport sector, as well as the reduction of state bureaucracy and the improvement in the efficiency of the judiciary system, have all progressed at a far slower pace than what was planned.

The defense of the planners, the IMF and the European Commission, is that the implementation of the plan was seriously deficient, as the socialist government was incapable and/or reluctant to administer it properly. It is, therefore, hoped that the present three-party government under a technocrat prime minister might move more decisively in implementing the plan. Moreover, the hope is that
it might stay in power long enough to finalize not only the PSI (private sector involvement) and the future stages of the plan but also the most important structural reforms.

Though public opinion has, on the whole, initially welcomed the advent of the three-party government, it remains unconvinced of the wisdom of the policy that is being pursued. This may seem paradoxical but an explanation is found in its other two major strands, which are the following:

2) Distrust of the political class.

3) Desire to stay in the euro zone.

Let us start with distrust of the politicians. Political parties and the political class were never in living memory held in such low esteem. From ordinary members of parliament to government ministers and even to the presidential head of state, they are all at risk of being verbally abused and insulted, if not attacked, whenever they appear in public. They are held collectively responsible for what has happened to the country and for their, today quite evident, customary lying to the people. Especially, the two big governmental parties have never witnessed such low support and it is doubtful whether the winner of the next elections (which is widely assumed to be the conservative party) will be able to form a government by itself without coalition. But before commenting any further on this, let us consider the third characteristic of public opinion – the so far prevalent desire to stay in the euro zone, which is apparently related to the distrust of the politicians.

It is clear that a policy of internal devaluation is more problematic than a policy of external devaluation, which would have been possible if the euro were to be abandoned. The reason is that internal devaluation is inevitably contractionary, at least in the first instance (which can be insupportably long in real time if wage and price reductions are resisted), while external devaluation may be immediately expansionary. So, why not go back to the drachma?

There are two problems with this. The first one is the immediate turmoil and difficulties involved in the transition from the euro to the drachma. This is likely to include a run on the banks, strict control of capital movements, inconveniences in payments and settlement of debts and shortages of essential imports, such as oil, spare machinery parts and medical supplies. During this phase, GDP will most likely continue to fall rather than recover.

But the second problem is more crucial. It is doubtful whether devaluation of the drachma will strengthen the economy and lead to sustained growth. It will certainly increase the debt to GDP ratio, as most of the debt is contracted in euros, and will make borrowing from the international capital markets practically impossible for a long time. It will also quite certainly rekindle inflationary tendencies, as the prices of imported goods will rise. Especially, the increase in the prices of raw materials and intermediate goods will increase domestic costs and cancel out the competitive edge provided by devaluation. More devaluation will be needed to restore competitiveness and the end result risks being a devaluation-inflation spiral, with inflation tending to accelerate.
Such an outcome is not dissimilar to the historical experience of the Greek economy in the two decades prior to joining the euro. This experience is, to a large extent, the result of the political elite’s handling of the economy in their boundless strife for political power. The politicians’ appetite for power and for fighting each other in their quest for control seems hardly to have been abated and this bodes ill for the future.

It is indicative of the mentality characterizing the political class, that the major political parties are far more indebted than the Greek state. Despite allotting themselves subsidies, which exceed many times, on a per vote basis, the corresponding ones for Germany, they have borrowed from the banking system the equivalent of 4-5 times their current revenue. And yet, even today, they try to borrow some more.

The above should suffice to explain not only the generalized distrust towards the politicians but also the fear that a return to the drachma will inevitably result in a devaluation-inflation spiral. In this respect, it is instructive to consider the beneficiaries of devaluation and inflation. Clearly, borrowers who have to repay their debt in devalued currency stand to gain. This includes not only political parties but also most of the press and the media, as well as a host of firms that depend on state orders and political favoritism. In short, it is the whole system of power cultivated by the political class since the fall of the dictatorship in 1974 and especially over the last three decades. It is this informal, implicit and until recently often invisible to the general public, power setup that is presently under threat and which will be given a fresh lease of life by a return to the drachma and the nearly certain devaluation-inflation spiral that will follow.

The characteristics of Greek public opinion, on which I have concentrated so far, and particularly the second and third, concern mostly the effects of the debt crisis on the internal scene. What about the handling of the crisis by the main outside protagonists and, especially, Germany?

On this, there is little doubt that Greek public opinion is resentful about Greece being blamed for the onset of the euro crisis, which involves Ireland, Portugal, possibly Italy and Spain, and poses a threat to the future of the euro. It is particularly resentful about accusations in the German press that Greeks are lazy and that they live at the expense of the German taxpayers. This, by the way, is completely unfounded as the latest OECD statistics demonstrate: Greeks work in fact longer than most Europeans including the Germans.

Incriminating Greece as the sole or main culprit for the current problems of the euro zone is viewed by Greek public opinion as making a scapegoat out of Greece. In explaining the euro crisis and apportioning blame, alternative interpretations are quite possible and it seems likely that the construction of the euro was flawed from the start. For example, concerning the onset of the crisis, the following explanation would most likely command wide assent in Greece.

The emergence of the euro crisis was a consequence of allowing the Lehman Brothers to fail, which threatened the global financial system with a total collapse. The European finance ministers correctly responded to this threat by guaranteeing, in November 2008, that no other financial institution of systemic
importance would be allowed to fail. As George Soros has pointed out, “Angela Merkel then declared that the guarantee should be exercised by each European state individually, not by the European Union or the eurozone acting as a whole. This sowed the seeds of the euro crisis because it revealed and activated a hidden weakness in the construction of the euro: the lack of a common treasury”. (George Soros “Does the Euro Have a Future?” The New York Review of Books, Oct. 13, 2011).

Merkel’s declaration ensured that the markets’ attention would be concentrated on whether each country’s public finances could support its banking system. After this, it was inevitable that the economically weakest countries with the least healthy public finances would sooner or later come under attack. Greece was the first, early in 2010, mainly because of its boundless political strife and the inexcusable falsification of national statistics for political advantage.

This alternative explanation of the euro crisis’ onset, leads directly to the main criticism leveled at Germany by Greek public opinion: Germany tends to forfeit her leading role in the construction of a federal Europe, by attempting to shape economic institutions in line with its national views and interests. In the process, European solidarity is undermined and the unity of purpose required for European integration is weakened.

This view was clearly expressed by former Chancellor Helmut Schmidt in his recent criticism of German economic policy and particularly the Bundesbank. Greek public opinion could not agree more with Schmidt’s words, that Germany’s present policy makers are overly concerned with national interest and “have not understood the strategic necessity of European integration”.