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Greece's threatened reforms

A need to clear the air

ATHENS

Costas Simitis, a modernising prime minister, must fend off a challenge

TWO summers ago, thousands of Greek holidaymakers were glued to their mobile telephones, checking prices and trading shares as they lounged on the beach. As the stockmarket soared, ministers in Greece's centre-left Pan-Hellenic Socialist Movement, better known as Pasok, delightedly claimed credit for having launched popular capitalism.

More recently, the Socialists have been changing their tune. After falling for months, the stockmarket on July 16th hit a three-year low. Small investors, the worst hit, feel wretched. Stockbrokers who let favoured customers buy shares on credit face bankruptcy. Last year the government used some cash from privatisation sales to prop up the market. But as a member since January of the euro club, Greece is obliged by European Union rules to spend its spare cash slimming the bloated public debt.

No wonder Costas Simitis, the prime minister, is feeling the heat. One polling company says his approval rating has sunk below 30%, his lowest ever. Most voters seem to think that Costas Karamanlis, the untested leader of the conservative opposition, would do a better job. Dissatisfaction with Pasok, in power for all but three of the past 20 years, is running high.

After five-and-a-half years as prime minister, Mr Simitis, an ex-academic fond of hard work and detail, is under fire from some former supporters. Businessmen, less cowed than in the past, want him to

move faster with liberalising the economy. Lumbering state enterprises still dominate telecoms, transport and power production. Taxes are high and paying them is a complicated and time-consuming affair.

Mr Simitis is clearly rattled. Though a dedicated reformer, he shelved plans to overhaul the decaying pay-as-you-go pension system, after public-sector unions, his power base in Pasok, held demonstrations in protest against even the modest reforms he had proposed. Despite pressure from Brussels, the timetable for preparing a new pension law is vaguer than ever.

Mr Simitis fought back by insisting that Pasok's next congress should be in October, six months earlier than planned. He will stand for re-election as the party leader. But he may be opposed.

George Papandreou, the foreign minister and son of Pasok's populist founder, the late Andreas Papandreou, would be the best-qualified alternative. He would have a better chance than most to unite the party's two main factions: its old-fash-

ioned tax-and-spend populists and pro-euro modernisers. So far, though, he has proved a loyal member of the modernising faction. He is ready to wait, telling friends he has plenty of time to bid for the leadership in the future.

Not so Aleksis Isochatzopoulos, the ageing defence minister who leads Pasok's populists. Despite two defeats at the hands of Mr Simitis for the top job, he would still like to be prime minister. The October congress could be his last chance for revenge.

The betting is still on Mr Simitis. But simply winning would not be enough. He has to win handsomely to shut the populists up while he forges ahead with reforms. If not, the achievements of the past few years—low inflation, faster growth than the EU average and an acceptably low budget deficit—could be reversed. Greece's hopes of emulating Portugal and Spain, both now looking forward to ever-greater prosperity through their membership of the EU, would then start to fade. ■



Simitis needs a firmer hand

Αρξείο
Ανωδομήματα